connexxion

Annual Report 2011

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1 Profile of the Company

Connexxion aims to be the best choice in passenger and care transport.

Connexxion is the market leader in regional passenger transport and ambulance services in the Netherlands. Every day, over a million passengers use the services Connexxion offers.

Connexxion connects. Connexxion provides accessible, sustainable and safe transport to take people with care and diligence to their destinations, via road, rail or water. Connexxion accordingly performs a key service to society. Through our innovative services, Connexxion offers comfort and convenience. The wishes of the (potential) passengers and clients form the basis for optimising mobility and services. With 13,808 employees, Connexxion does its utmost to promote mobility in the Netherlands, both now and in the future. Hence Connexxion's motto: 'It's all about the passenger'.

Connexxion services

Connexxion is a multi-modal passenger transport operator. Connexxion offers city transit and regional public transport, private passenger transport (taxi services and tours), as well as group transport. In addition, Connexxion is the market leader in ambulance services in the Netherlands.

Public transport

Connexxion Public Transport engages in public passenger transport services by road, rail and water with more than 3,200 buses, trains and vessels. Both regional passenger transport services and city transit services are offered in a number of large and medium-sized cities. The focus is on achieving growth in passenger numbers by means of improving passenger and client satisfaction, innovation, efficiency and effective passenger information.

Taxi Services

Connexxion Taxi Services provides many forms of small-scale on-demand passenger transport, with more than 4,200 taxis and taxi buses. The contracting parties include municipal authorities, local authorities, provinces and health care insurance companies. Connexxion Taxi Services is also active in chauffeured executive transport services, private group transport and transport for Amsterdam Airport Schiphol.

Tours

Connexxion Tours, with more than 100 coaches, provides group transport, corporate contractual transport and coach-and-driver rentals. Connexxion Travel and Connexxion Projexx are part of Connexxion Tours.

Ambulance services

Connexxion Ambulance Services is the market leader in ambulance services in the Netherlands. Over 12% of ambulance services in the Netherlands is provided by Connexxion Ambulance Services.

Our principles

Connexxion pursues its objectives on the basis of the following core values:

We are committed

Connexxion is at the heart of society. Responsibility and reliability in our day to day work is therefore imperative. We care about our passengers, clients and employees. Offering sustainable, 'green' and accessible transport and improving safety for passengers and staff are vital.

We are service-minded

The wishes of the passenger are the basis for improving our operations and a decisive factor in the strategic choices that we make. Together with our grantors, we are continually looking for improvements and innovations, both in our transport operations and in additional services.

We have team spirit

Connexxion is committed to increasing work enjoyment and creating company pride and team spirit. Open communication, accountability and respect for each others' interests are important values. Moreover, cooperation 'inside' is needed to cope with the competition 'outside'. And employee satisfaction translates into customer satisfaction!

We are ambitious

It is our drive to be the best! Connexxion aims to use specialist knowledge and the personal drive of its employees to advance solutions to mobility issues. Our innovative services provide us with a competitive advantage in the market. A financially sound organisation and being results-oriented are essential in being able to achieve our ambitions on a sustainable basis. New activities are critically reviewed for the scope they offer in reinforcing our financial position.

Our shareholders

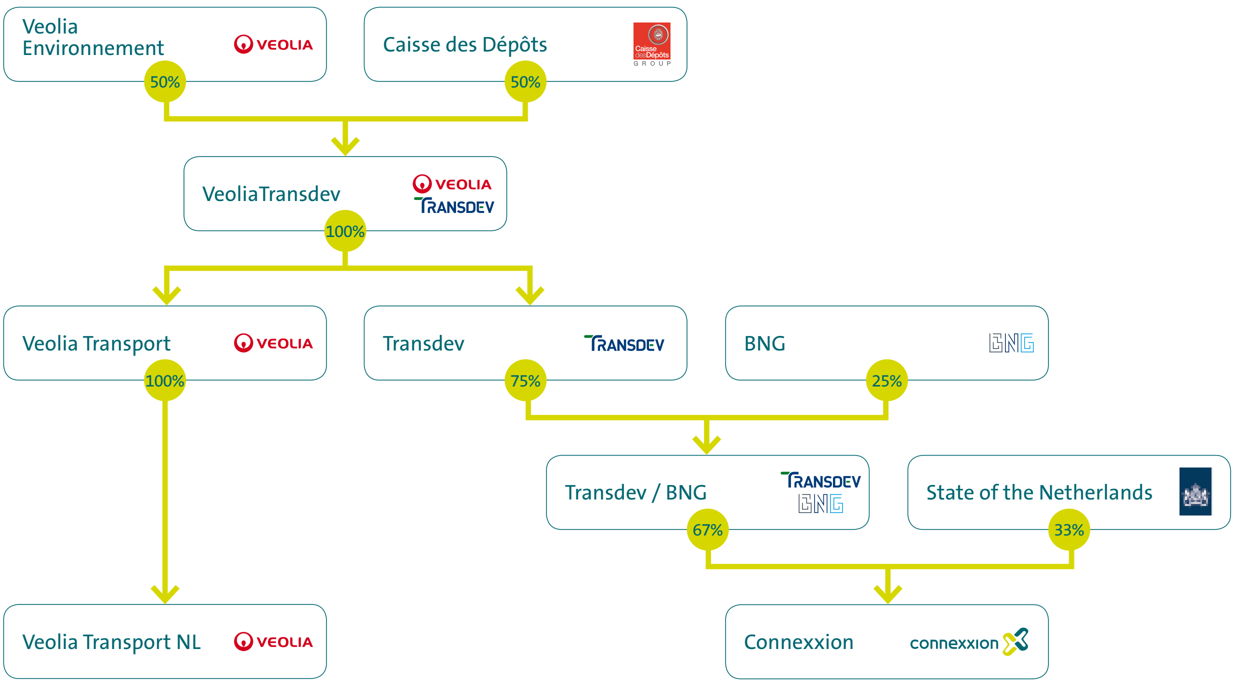
Through its majority shareholder Connexxion is a member of the VeoliaTransdev group. Since 2007, two thirds of the shares in Connexxion have been held by a consortium consisting of Transdev and Bank Nederlandse Gemeenten. The remaining shares are held by the Dutch State, represented by the Ministry of Finance. On 3 March 2011, Transdev merged with Veolia Transport. A leading, globally operating company arose from this merger, combining the knowledge and expertise of these organisations. As a result, Connexxion and Veolia Transport Netherlands are now members of the same Group 'VeoliaTransdev'.

Strategy

Connexxion's strategy focuses on reinforcing its leading position in the Netherlands. Being a member of the Veolia-Transdev group offers many opportunities in the field of city transit and regional transport in the Netherlands, since the knowledge and experience within this group can be used to its full potential for Connexxion services. Veolia Transdev is an international company with a wealth of experience in the field of heavy and light rail transport, railway track systems and public private partnerships.
Connexxion, in turn, offers broad experience in providing demand-driven group transport services, operating in a highly competitive market, process optimisation, and environmental and quality management.

Resulting from extensive knowledge of the market and experience in planning and co-ordinating passenger transport, Connexxion is able to meet passengers' and clients' wishes in the best way. Connexxion's strategy aims to offer the best multimodal transport solutions, ensuring an excellent connection between the various modes of transport and offering them as an integrated package. This requires growth in rail activities, in addition to growth in the other modalities of transport which offers opportunities for benefits of scale and efficiency improvements.

Connexxion endeavours to continuously improve its services, not only in terms of the transport services themselves, but also in terms of offering passengers state-of-the-art information systems and other innovative, additional services. This enables Connexxion to respond to clients' wishes and simultaneously further enhance its position in the market and profitability.



Key figures

	2011	2010	2009	2008	2007
Workforce					
Number of employees					
(at year-end/headcount)	13,808	14,338	15,023	14,713	14,634
Number of employees (at year-end FTEs)	10,545	11,307	11,614	11,647	11,580
(Amounts in EUR millions, unless stated otherwise)					
Balance sheet					
Total assets	559	562	633	755	788
Average capital employed	262	280	357	473	484
Working Capital at period end**	(138)	(150)	(179)	(151)	(106)
Equity	178	171	164	150	198
Income statement					
Revenue*	1,096	1,105	1,154	1,045	1,040
Operating costs*	(1,086)	(1,088)	(1,138)	(1,052)	(1,022)
As a % of revenue	99.1%	98.5%	98.6%	100.7%	98.2%
Results from operating activities	9	17	16	(8)	19
As a % of revenue	0.9%	1.5%	1.4%	(0.8%)	1.8%
Profit for the period	14	6	3	(25)	3
As a % of revenue	1.3%	0.5%	0.3%	(2.4%)	0.3%
Financial position					
EBITDA	73	91	106	69	89
Net cash from operating activities	62	44	115	35	61
Net cash used in investing activities	(6)	(16)	(31)	(1)	(74)
Cash flow before financing activities					
(Free cash flow)	56	29	84	34	(13)

* Adjusted for comparison reasons

** Not adjusted for acquisitions

2 Report of the Supervisory Board

On 15 March 2012 the Supervisory Board discussed the Annual Report and the Annual Accounts 2011 drawn up by the Management Board with the Management Board in the presence of the external auditors.

The external auditors issued an unqualified audit opinion on the financial statements 2011 which opinion is included in section 7.1 of this Annual Report.

The Management Board proposes to add the profit of EUR 14.1 million to the retained earnings and to pass the payment of dividend in respect of the financial year 2011. The Supervisory Board is of the opinion that this proposal is in accordance with the applicable reservation and dividend policy and therefore asks the Annual General Meeting of Shareholders to accept this proposal.

The Supervisory Board requests the Annual General Meeting of Shareholders to approve the management by the Management Board in the year 2011 and to discharge the Management Board from all liability in respect of its management.
Furthermore, the Supervisory Board requests the Annual General Meeting of Shareholders to approve the policy pursued by the Supervisory Board and discharge the Supervisory Board from all liability for the supervisory duties carried out in the year 2011.

On 6 October 2011 the Supervisory Board nominated Mr Thierry Walrafen and Mr Frédéric Gagey for re-appointment by the General Meeting of Shareholders. Both gentlemen were re-appointed on 10 October 2011 as Supervisory Board members.

On 14 November 2011 Mr Bruno Bruins stepped down from the Management Board and effectively left the Company's service per 31 December 2011. The Supervisory Board thanks Mr Bruno Bruins for his contribution to the Company during the past three years.
At 31 October 2011 the Supervisory Board nominated Mr Richard Dujardin for appointment as Chief Commercial Officer. He was appointed by the General Meeting of Shareholders on 2 November 2011 with effect per 15 November 2011.
During the year 2011 the Supervisory Board met nine times with the Management Board. The Supervisory Board further convened in the absence of the Management Board to discuss, amongst other issues, its own performance.
The Supervisory Board discussed strategy, the general state of affairs, the remuneration policy regarding the Management Board and special projects such as Project 180, the indirect costs reduction program, which commenced in the year 2010.
Special attention was further paid to the Project 180 consequences for the company and the organization.
The Supervisory Board paid a working visit to the ambulance location in Alkmaar.

In 2011 the Audit Committee met four times. Key topics were the annual and semi-annual figures, quarterly reports, budget and audits. The Chair of the Audit Committee reported the findings and conclusions in the Supervisory Board.

The Remuneration Committee met five times. Key topics were the remuneration policy regarding the Management Board, the settlement of the variable remuneration and targets for Management Board members. The Chair reported the findings and proposed decisions to the Supervisory Board. The Supervisory Board has determined the financial and non-financial bonus criteria for the members of the Management Board for the year 2011.

The Selection and Nomination Committee met twice to discuss the nomination of a new member of the Management Board.

The Supervisory Board maintained many individual and informal contacts at different levels in the Group. The contacts with the Central Works Council are highly valued. The members of the Supervisory Board attend by rotation the meetings between the Central Works Council and the Chair of the Management Board.

In closing the Supervisory Board would like to thank the Management Board and all those who work for Connexxion for their commitment and efforts in the year 2011.

3 Report of the Management Board

Financial results

In 2011 consolidated revenue amounted to EUR 1.096 million, a slight decrease compared to previous year (2010: EUR 1,105 million). The revenue of the Public Transport Division, including inter company transactions, amounted to EUR 752 million compared to EUR 765 million last year. The decrease was mainly caused by loss of the Public Transport concessions Midden Overijssel (as per September 2010), Q-liner and Lelystad (as per mid 2011).

Revenue 2011 for the Taxi, Tours and Ambulance Services Division including inter company transactions amounted to EUR 391 million. Revenue 2011 for Taxi Services decreased versus last year, mainly due to a low tender win-rate in 2010, effecting revenue in 2011, partly off-set by acquisition of two Taxi businesses. Taxi Services tender win-rate 2011 was back on historical levels again. Tours revenue was largely impacted by the slow down in economic circumstances. Revenue 2011 Ambulance Services increased versus last year driven by an acquisition as per mid 2011.

In 2011 Consolidated Operating Costs amounted to EUR 1,086 million compared to EUR 1,088 million in 2010. Direct costs decreased mainly due to the loss of Public Transport concessions and the improvement of productivity. This was partly off-set by the increase of fuel price compared to previous year. By the end of 2010, Connexxion launched Project 180, a project aiming to decrease its indirect costs. Although this project has just started, the first results are encouraging.

At year-end 2011 Connexxion employed in total 10,545 FTE's, a reduction of 762 FTE's compared to previous year (end 2010: 11,307 FTE's). This decrease is largely due to the loss of Public Transport concessions, efficiency improvements and a temporary stop on recruitment of indirect staff. Absenteeism decreased from 6.9% in 2010 to 6.7% in 2011.

In 2011 net financing income amounted to EUR 6 million compared to EUR 10 million (cost) in 2010. Net financing income in 2011 includes a EUR 12 million (positive) non cash element related to the defined benefit accounting of the pension fund SPOV. Excluding this element net financing costs decreased EUR 3 million versus last year. This improvement is mainly caused by a reduction of the average debt position and reduced interest margins.

In 2011 average Capital Employed decreased to EUR 262 million (2010: EUR 280 million). This decrease is mainly driven by depreciation while the investment in new assets was low and by a decrease in Working Capital. Return on Capital Employed for 2011 amounted to 5.4% (2010: 6.2%).

Cash from Operating Activities amounted to EUR 62 million, an increase of EUR 17 million compared to previous year. This increase is largely due to tight Working Capital management and fewer need of provisions. In 2011 net cash used for Investing Activities amounted to EUR 6 million (2010: EUR 16 million). This includes the acquisition of two Taxi businesses and one Ambulance Service company. Besides direct funding Connexxion also invested in rolling stock through operating lease for EUR 16 million (2010: EUR 31 million).

For additional details on financial risks and derivative financial instruments reference is made to sections 6.6.

Outlook

Connexxion will continue to focus on its core activities and customers, being both passengers and concession-authorities, as well as on its employees. In order to achieve the company's strategy and to finance the required capital expenditure, Connexxion's profitability should be further enhanced. Connexxion continues to investigate all opportunities available to improve its results from operating activities and to generate cash flows. Furthermore, Connexxion developed a new commercial strategy to better meet the needs of customers. During the reporting year a number of new activities were initiated, such as Connexxion Breaxx, Connexxion TV and Connexxion Insurance.

Managing financial risk

Inherent to the nature of Connexxion's ordinary activities, the Group is exposed to certain financial risks. Please refer to section 6.6 for additional discussion.

Tendering procedures

Public Transport

Connexxion's financial situation not only strongly depends on how many tenders are won or lost, but also on the type of the tendering procedures. In the fiercely competitive public transport market, Connexxion aims to win tenders with a good quality at a fair price. Connexxion appreciates that its grantors show a keen interest in sustainable business and supports the dialogue with them to attract more passengers to public transport. In the coming years, both our grantors and Connexxion will focus on better integrating the various transport modalities offered.

New markets are opening up for Connexxion since the Dutch Cabinet made a final positive decision to publicly tender the public transport in the three major cities of the Netherlands (Amsterdam, Rotterdam and The Hague). Connexxion also looks forward to further regional rail transport concessions being put out to public tender in the Netherlands. The regional transport operators, through the FMN (Dutch Federation of Mobility Companies), presented "The New Railtransport Plan" to the Dutch Parliament in 2011. In this plan the regional railway tracks are divided over the regional transport operators. This would be an important step towards a multi-modal network with more added value for the passenger.

As a result of governmental budget cuts, concession-authorities need to make major cost cuts. Therefore, Connexxion regularly discusses earlier agreements with grantors, trying to take efficiency to the next level.

In 2011, Connexxion Public Transport was awarded the new concession for the Arnhem Nijmegen urban region. Under the brand name "Breng", Connexxion will operate public transport in the Arnhem Nijmegen urban region for a further 10-year period (from 9 December 2012). In addition, the Rotterdam urban region awarded the ParkShuttle concession to Connexxion. This means that Connexxion will operate the Automated People Mover system until at least the end of 2016.

The Trade and Industry Appeals Tribunal again suspended the BRU contract award to Qbuzz on 3 November 2011. As a result, BRU decided to put the concession out to tender again. As a consequence Connexxion will operate public transport in the Utrecht region until 8 December 2013.

Taxi Services, Tours and Ambulance Services

Of the 77 concessions (and concession renewals) for which Connexxion Taxi Services competed this year, 27 were awarded to Connexxion. This represents 51% of the total revenue put to tender.

Within demand-driven transport Connexxion won the contracts for regional taxi services in Twente. Furthermore, the contracts for school bus services in Utrecht, Gooi & Vechtstreek and Amsterdam were won. The nation wide Valys contract was also extended by one year by the Ministry of Health, Welfare and Sport.

Acquisitions

In the reporting period Connexxion Taxi Services, Tours and Ambulance Services acquired several companies. Connexxion Ambulance Services acquired Witte Kruis Holding B.V. in The Hague. This acquisition is perfectly in line with the ambitions formulated in the strategic plan of Connexxion Ambulance Services and involved over 150 employees.

Taxi Blaakman in Vlissingen was acquired by Connexxion Taxi Services. Furthermore, Connexxion Taxi Services acquired the activities of De Hollandse Vervoert/Zeevang Taxi's.

OV-chipcard (Public Transport Smartcard)

On 3 November 2011, the national multi-journey bus and tram ticket (strippencard) was abolished; a historic moment. The strippencard which was introduced in public transport in May 1980 was fully replaced by the OV-chipcard (Public Transport smartcard). The OV-chipcard was implemented gradually. The final transition from strippencard to chipcard was split up in four phases from May to November 2011.

The rapidly increasing use and benefits experienced by more and more passengers, lead Connexxion to confirm that the OV-chipcard increases passenger convenience and thus the accessibility of public transport.

On 8 June 2011, former Minister of Transport and Water Management, Mrs Karla Peijs, presented the ten millionth chipcard. Almost five years earlier, she gave the green light for the phased introduction of the public transport chipcard. In 2011, a total of four million passengers used the OV-chipcard in our buses, trams and trains. The total number of transactions with the OV-chipcard increased over the year. In the month of January 2011, 11 million trips were paid with the OV-chipcard in Connexxion buses, trams and trains; during the last month of the year, this number had increased up to 16 million. During 2011, passengers made more than 133 million trips with Connexxion using the OV-chipcard.

In the reporting year Connexxion continued to set-up shops as distribution points for the OV-chipcard. Passengers can now purchase and activate their OV-chipcards and transfer credit or a travel product to the card in more than 500 of these shops. For this purpose Connexxion concluded contracts with various retail chains such as Primera and Ako. Furthermore, Connexxion buses were equipped with collection and charging points, where passengers can collect travel products ordered through the Internet or charge their OV-chipcards.

In the reporting year, nation-wide weekly, monthly and yearly passes and regional propositions have become available for use with the OV-chipcard at all of these distribution points. Paper tickets will still be sold on the buses by bus drivers for occasional travel users. In this way, Connexxion ensures that public transport is accessible to everybody who wants to travel with Connexxion.

Public Transport passenger numbers

In 2011, Public Transport patronage (bus and train) adjusted for concession switches posted a light decline (2.4%). The largest growth (6%) was achieved by the Valleilijn, followed by IJsselmond, Amstelland Meerlanden (incl. Zuidtangent), Almere (city and rural) and Voorne-Putten with a growth between 1 and 3%. The other concessions posted an average decline of 4%.

Customer satisfaction public transport

Connexxion sets great store by the satisfaction of its customers. Each year, an independent survey is conducted by KPVV, called the National OV Customer Barometer. Connexxion Public Transport was awarded an average score of 7.3, which is higher than the national average of 7.2. The Valleilijn came out as the best rail link, and the express tram in Utrecht as the best tram service. New results will be published in the spring of 2012.

New markets

Connexxion further developed the commercial strategy, putting the wishes of passengers first. By broadening the operations, Connexxion aims to offer higher comfort and convenience retaining current customers and attracting new customers. The new services are in line with customers' needs and aim to further enhance Connexxion's profitability and position in the market. In the reporting year Connexxion for instance launched the Breaxx shop concept in Enschede and Alkmaar. In the years to come Breaxx convenience stores will be opened at more locations.

2011 saw the launch of three insurance products i.e. travel, car and pet insurance under the name Connexxion Insurances. Connexxion TV was also introduced in this reporting year. A pilot in North Holland North will provide evidence whether the concept of travel information broadcasting, news and entertainment to bus passengers is successful. Connexxion TV is also an advertising platform.

Finally, under the flag of Connexxion Taxi Services, a sorting and distribution centre for mail packages was set up in a joint effort with Selektvracht in October 2011.

Innovation

Thanks to the Internet and the use of smart phones, Connexxion's passengers can access information everywhere. Therefore Connexxion will continuously need to improve her services in the mobile media.

Website

In 2011, the website www.connexxion.nl was renewed. Passengers can now plan their journey from 'door-to–door', having access to all real-time departure times. Through emergency information (for instance in extreme weather conditions), the passenger is provided with up-to-date information about the time table. The website also features a virtual assistant, Lisa, who answers questions. The website had 12 million visitors during 2011.

Connexxion developed a special website for people with disabilities, which meets the requirements of the Dutch Stichting Waarmerk Drempel-vrij.nl. All travel information, such as schedules, departure times and diversions, is now fully accessible through this website.

Twitter

Connexxion has been using Twitter since 2009 for brief announcements of changes to the schedule, news items and current diversions (http://twitter.com/@connexxion).

Mobile App

Connexxion also provides travel information by means of an application for the iPhone. With this App, the passenger can plan his journey from door-to-door, using all modes of transport. The Connexion App, which will be available for Android and Blackberry in 2012, offers the very convenient option to locate the nearest bus station and up-to-date bus departure times. The Connexxion App has been downloaded nearly 55,000 times by the end of 2011.

DRIS

The Dynamic Passenger Information System (DRIS) is a digital information panel. The panel does not only display real time departure details but also cancellations at the bus stop. Short messages for passengers can also be displayed. Connexxion takes the lead here, again improving the information supply to the passenger.

MIPOV

The information supply to contracting authorities also improved in 2011, resulting from the development of the MIPOV dashboard. This dashboard provides concession grantors with information about punctuality, cancellations, complaints and OV-chipcard data at a single glance.

Infomonitor at Taxipoints

The infomonitor is a screen providing real-time information to the passenger about the taxi booking and the time of arrival. These infomonitors are currently located in several hospitals and institutions, as an extra service of Connexxion Taxi Services to its passengers.

Google Transit

From 2012, Connexxion is connected to Google Transit, the public transport trip planner of Google Maps which was recently introduced in the Netherlands.

Wireless internet services

Within the scope of a special campaign, adolescents in the Province of Friesland indicated that they wanted wireless Internet access on the bus. Connexxion and the Province of Friesland subsequently decided to offer free wireless Internet services on thirteen buses. The Connexxion trains on the Valleilijn offer wireless Internet access for several years now.

Innovations Ambulance Services

Also in other fields, Connexxion is displaying its innovative skills. The Digital Preliminary Ambulance Announcement was introduced in Northern and Eastern Gelderland in 2010, after having been introduced in the Province of Zeeland. As a result, while the ambulance is on its way, the patient can already be registered digitally and the treatment chart can be sent digitally to the emergency room of the hospital. This way, the patient can be transferred more rapidly to the hospital upon arrival. Moreover, the Emergency room can better prepare for the patient's arrival. Moreover Connexxion Ambulance Services launched repatriation services (from airport to hospital) on March 2011.

Personal security and safety

Several incidents occurred in 2011 in which the safety of Connexxion staff and passengers was at risk. Several serious incidents, assaults and threats occurred. Public safety remains a priority for Connexxion. Together with other stakeholders solutions are being developed. This requires a joint approach, as it targets a general problem in society.

In 2011 Connexxion started a new pilot in conjunction with the regional police force of Almere. Since April 2011 it has been possible to report serious incidents to the police using Skype.

In July 2011 the VIC-department (Safety, Information & Control) changed its name into the Service & Safety department. This new name better reflects the changing vision with respect to social safety: Connexxion aims to increase the sense of service and safety and reduce the number of incidents through hospitality, to visible presence and specific checks.

In 2009, three ministries set up a Taskforce for safer public transport. Connexxion actively participates in this Taskforce as the Social Safety delegate and portfolio holder within the FMN (Dutch Federation of Mobility Companies). A number of measures were proposed, which were taken up by the FMN in 2010. In the year 2011, two measures were implemented. In the Arnhem Nijmegen urban region, Rijn- en Bollenstreek Midden Holland and Haarlem IJmond concession areas cameras were installed. This action was fully subsidised. The FMN started a pilot 'Improved Supervision' in September 2011. Through this pilot, sixty extra supervisors were deployed in a cross-concession manner. This is done in eleven concession areas of Connexxion, Veolia and Arriva. The related subsidy is granted by six central and lower-tier government agencies. The FMN contributes in kind. The objective of the pilot is reducing the number of incidents by 20 percent and substantially improving the perception of security and safety of our employees and passengers.

Together with its FMN partners Arriva, Syntus and Veolia, Connexxion will continue to make a case for a basic social safety standard in public tendering procedures, instead of competing on social safety aspects. The FMN is of the opinion that the safety of our personnel and passengers should not be a competitive factor. We are now in the final stage of the negotiations.

Corporate Social Responsibility (CSR)

With over one million customer contacts per day, Connexxion operates at the heart of society. Connexxion has a responsibility towards our passengers, contracting authorities and staff. As such Connexxion launched a substantial number of initiatives in the area of social responsibility. Connexxion makes constant efforts, often in collaboration with concession grantors, to improve safety and accessibility of its services and sustainability of public transport.

In 2009, Connexxion was accepted as Full Signatory to the International Association of Public Transport (UITP) Charter on Sustainable Development. As a Full Signatory Member, Connexxion wishes to shape its ambition as a sustainable transport company. Connexxion commits to the Charter by promoting sustainable development and by sharing reports and best practices with all stakeholders.

Connexxion's responsibility reporting is based on the Global Reporting Initiative G3 level C and relevant items requested by clients as part of contracts.

Sustainability

In 2011, 93% of our vehicles were low emission buses (2010: 87%). Nearly all our vehicles are completely accessible for physically disabled people.

Over the past few years, various initiatives have been launched in collaboration with concession grantors and other parties to operate clean buses that run on alternative fuels. In the Province of Zeeland, for example, Greengas Connexxion buses have been operated since September 2009, and since 2010 all urban buses in Nijmegen have run on natural gas. Furthermore, a pilot was carried out with an induction-charged bus in Utrecht. This bus, called Coulombus, charges its battery by an induction technique. This pilot was an initiative of Connexxion, ProRail and Stichting Doen.

From the start of the new concession for Armhem Nijmegen urban area on 9 December 2012, Connexxion will only use trolley buses and buses running on natural gas with Greengas certificates. As agreed with CNG-Net, Essent and ARN, this Greengas will be produced sustainably and locally.

In the year under review, Connexxion started collaborating with Wheels4all to offer passengers even more transport options, allowing them to travel from door-to-door in an easy, environmentally friendly and affordable way. Wheels4all operates a nation-wide network of neighbourhood cars shared by several persons in one neighbourhood. Resulting from this collaboration, passengers can easily arrange their transport to the bus stop, or travel from the bus stop to their destination. Connexxion and Wheels4all seek to offer new conscious transport choices with this creative solution.

At the heart of society

Connexxion is socially engaged, for instance by supporting various social initiatives promoting such as the social integration of people with disabilities. With a number of organisations, such as Zideris and Prinsenstichting, Connexxion tries to support persons with special needs play a larger role in society. These organisations arrange the cleaning of the buses and form Clean Teams in the various areas where Connexxion operates. Another example is the catering team of Connexxion Taxi Services Tours and Ambulance Services.

The Viziris subscription, a special travel product for the OV-chipcard, was developed for visually impaired passengers. Passengers with an OV-escortcard (B) and a personalised OV-chipcard can load the Viziris pass onto their personal OV-chipcard and travel throughout the Netherlands by metro, bus, tram or over water for 10 euro per month.
In 2011, Connexxion Ambulance Services donated an ambulance to Stichting Twentse Wensambulance. This vehicle is used to fulfil special wishes of chronically ill people or terminally ill people.

Connexxion was the first passenger transport operator to implement an innovative system used to broadcast AMBER alerts on in-bus screens. In this way, Connexxion contributes to the search for and safe recovery of missing children. The information screens in the buses in the BRU, province of Utrecht, Almere and Amsterdam urban region, Zaanstreek and the Gooi- en Vechtstreek region concession areas show AMBER Alerts. From the beginning of 2011, AMBER alerts are also sent to Connexxion taxis.

The various CSR activities of Connexxion are extensively described in Connexxion's 2011 Annual Magazine, which is published parallel to the annual report.

Staff

Connexxion treasures its human capital. With a workforce of 13,808 employees Connexxion is one of the largest employers in the Netherlands. Connexxion pays attention to working conditions in a physical sense as well as to the nature of the actual work our staff performs. Early 2012, Connexxion measured employee satisfaction. The employees awarded their work and work environment at Connexxion an average score of 7.1. An improvement compared to the previous survey in 2011.

One of the priorities in the HR policy is reducing the rate of absenteeism. Much attention is given to reduction of illness and to re-integration of staff in the labour process. Four years ago, Connexxion appointed a re-integration advisor, firstly to map out the problems and secondly to get a grip on contracted re-integration companies. Furthermore, case managers and mobility advisors were called in to support managers in finding solutions to reduce absenteeism in their teams. They accelerate the re-integration process for employees or find other solutions to reduce absenteeism.
Connexxion also regularly used the re-integration network Nexus, which was set up with other companies a number of years ago. When there is no suitable work within Connexxion for partially incapacitated people, they may be put to work at one of the participating companies, or vice versa.

Prevention is also high on the agenda. In the reporting year, Connexxion started a Health Monitor pilot in North Holland North. This monitor will provide insight into the health of the employees and the organisation. Furthermore, in 2011, a special bus visited a number of Connexxion branches in order to perform health checks and provide information to Connexxion drivers. All bus drivers attend a special training on how to prevent or handle any mental and/or physical health issues.

In the reporting year Connexxion supported an initiative of young Connexxion employees; they have set up a platform called "Young Connexxion". This platform has the following three objectives: attract more young employees, improve the working conditions for young staff and enhance knowledge building and exchange. Due attention was paid to the diversity program with the aim to further increase women's participation in senior management positions.

Restructuring

Late 2010, Connexxion started Project 180. In order to anticipate the evolution of the Dutch market and to ensure a healthy future of Connexxion, a restructuring has been started, allowing a multi-modal approach. This led to the integration of the modalities Taxi Services and Public Transport at district level. In addition, the holding activities have been merged with the head offices of the divisions Public Transport and Taxi Services, Tours and Ambulance Services. Moreover Connexxion worked on increasing efficiency and reducing indirect costs. To achieve this, all indirect activities of for instance the head office, divisional offices and the service centres, as well as those of housing, consultants and service development, were mapped out.

Merger

On 3 March 2011, final agreement was reached between passenger transport operators Transdev and Veolia Transport. As a result, Connexxion and Veolia Transport Netherlands are now fellow members of the same Group 'VeoliaTransdev'. The new company has over 120,000 staff and generates EUR 8 billion in revenues. Specifically, this means that Connexxion's indirect parent company, Transdev, is now part of a new company in which Caisse des Dépôts and Veolia Environnement each hold a 50% interest.

In December 2011, Veolia Environnement however announced that it wishes to sell its interest in VeoliaTransdev. Caisse des Dépôts, which owns the other 50% in VeoliaTransdev, indicated that it will continue to contribute to the long-term development of VeoliaTransdev. The future change in VeoliaTransdev's shareholder structure will not affect the vision or strategy of VeoliaTransdev in our country.

Management Board/ Executive Committee

Bruno Bruins, Chief Customer Relations Officer and member of the Management Board/ExCom of Connexxion formally stepped down from his duties on 14 November 2011. Connexxion would like to thank Bruno Bruins for his efforts for Connexxion, in particular for his positive contribution to the contacts with concession-granting authorities and the media.

On 15 November 2011, Richard Dujardin was appointed Chief Commercial Officer (CCO) of Connexxion. Prior to this assignment he was CEO of Veolia Transport Netherlands. Richard Dujardin also became a member of the Management Board of Connexxion.

At the end of 2011, the Management Board/ExCom had the following members:

Hubert Guyot (Chief Executive Officer and chairman of the Management Board), Bram Drexhage (Chief Financial Officer and member of the Management Board), Richard Dujardin (Chief Commercial Officer and member of the Management Board), Theo Vegter (Chief Operating Officer), Herman Kuipers (director of Project 180) and Peter-Paul Witte (Chief Human Resources Officer). Dirk Slijper (director of Legal Affairs) is the ExCom's secretary.

The Management Board/Excom is glad to note that over the year it maintained the right spirit to act as a team, able to encounter the challenges of its ambitious projects. For the future the team will even further to achieve cross fertilization and increased cooperation on all areas.

In conclusion

Connexxion is proud to present the results over 2011. The positive financial performance is mainly driven by operational excellence fully supported by our employees. The operational excellence is praised by our customers as shown by satisfaction surveys.

Connexxion would like to thank all employees for their commitment. With their enthusiasm in their daily work they deliver the best possible service to our passengers. They are doing a great job, which is highly appreciated.

Hilversum, the Netherlands

On behalf of the Management Board of Connexxion Holding NV,

H.A.B. Guyot	B.J. Drexhage	R.J. Dujardin
Chief Executive Officer	Chief Financial Officer	Chief Commercial Officer

4 Curricula Vitae of the Supervisory Board and the Management Board members

Supervisory Board

Th.G.J. (Thierry) Walrafen

Inspecteur general des Finances from 2004 to 2007. Member of the management board of Caisse des Dépôts, from 1992 to 2004. On to May 1992, he was a Senior civil servant, in the French Ministry of Economy and Finance which he had joined in 1968. He has held various positions in the Economic Policy Research department of the Ministry, and served a number of years representing the French Treasury outside of France: in Beirut, Lebanon; in Washington DC, USA; Bonn, Germany, and The Hague (Financial Minister, French Embassy). He is a graduate of Ecole Nationale d'Administration (Paris) and holds degrees from the Faculte de Droit (Paris) and Institut d'Etudes Politiques (Paris). Editor of the Revue d'Economie Financiere since spring 1996.

F.N.P. (Frédéric) Gagey

Frédéric Gagey is a graduate of the Ecole Polytechnique and the Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE). He also holds a Masters in Economics from the Université de Paris 1. He started his career at the French Bureau of Statistics (INSEE) and the French Ministry of Finance. From September 1994 until April 1997, he served as Vice President - Budget & Control at the French domestic carrier Air Inter. After the merger between Air Inter and Air France in April 1997, Mr Gagey became Vice President for privatisation and financial communication for Air France. In June 1999, Mr Gagey was named Vice-President Finance of Air France. He joined the Board of Managing Directors on 1 January 2005 and became Managing Director & Chief Financial Officer of KLM NV. Mr Gagey is also a member of the Air France KLM Executive Committee and Chairman of the Board of the Groupe des Ecoles Nationales d'Economie et de Statistique (GENES).

J.R.H. (Hanja) Maij-Weggen

Hanja Maij-Weggen held several managerial and administrative positions in the public sector from 1977 to her retirement. She was a member of the European Parliament, and served as the Dutch Minister of Transport, Public Works and Water Management, and as the Queen's Commissioner for the Province of Noord-Brabant. Currently Mrs Maij-Weggen is, among others, President of the World Society for the Protection of Animals (W.S.P.A.) Netherlands and W.S.P.A. International. She is also involved in both the public and private sectors in a supervisory role, e.g. ING Nederland and Wageningen University.

J.J.M. (Joost) van der Does de Willebois

Joost van der Does de Willebois, who was CEO of NYSE Euronext Amsterdam until 1 June 2010, was involved in the logistics sector during his career at Shell. At Shell Netherlands, he was in charge of retail operations. In addition, he held a number of international managerial positions at Shell, including in France and in French overseas territories. Mr Van der Does de Willebois switched to the financial sector in 1998. He held various management positions at ING Group. At ING and in his position with NYSE Euronext, he gained expertise and skills in finance and economics. Mr Van der Does de Willebois has in-depth knowledge of capital-intensive sectors and valuable know-how of retail in highly competitive markets with low profit margins. He also has broad experience working with large organisations in complex environments and is an advisor of the Board of Management of PricewaterhouseCoopers and Senior Board Advisor of NIBC.

E.J.J. (Hans) Schenk

Hans Schenk is a professor of Economics at Utrecht University's School of Economics (USE) In addition, he is deputy crown member of the Social and Economic Council SER of the Netherlands and fellow of the Tjalling C. Koopmans Institute, Netspar, Encore and CIBAM (University of Cambridge). Mr Schenk is one of the most reputable Dutch economists in the field of mergers & acquisitions, regulation and corporate governance. He supervised the academic supporting research team for the Parliamentary Crisis Enquiry Committee (De Wit Committee) from 2009-2010.

The Supervisory Board and its Committees were composed as follows in 2011:

	Nationality	(Re)Appointed	Appointed through	Committee
Thierry Walrafen	French	2011	2015	Chair of the Supervisory Board Member of the Audit Committee Chair of the Selection & Nomination Committee Member of the Remuneration Committee
Frédéric Gagey	French	2011	2015	Chair of the Audit Committee Member of the Selection & Nomination Committee
Hanja Maij-Weggen	Dutch	2010	2014	Chair of the Remuneration Committee Member of the Selection & Nomination Committee
Joost van der Does de Willebois	Dutch	2010	2014	Member of the Audit Committee
Hans Schenk	Dutch	2010	2014	Member of the Remuneration Committee

Management Board at year-end 2011

H.A.B. (Hubert) Guyot (1950)

On 5 December 2008 Hubert Guyot was appointed to the Management Board of Connexxion Holding N.V. and was elected Chief Executive Officer and Chair. Prior to this assignment he was Chief Executive Officer of Yarra Trams in Melbourne, Australia (1999 – 2005), Managing Director at AMT Genoa (Italy), Managing Director at Semitag in Grenoble (France) and Director Human Resources at the Transdev Group. Since 1980 he has worked in the public transport sector and has acquired extensive experience in integrating foreign companies. He is an expert in the field of public private partnership constructions. Mr Guyot was member of the UTP & FNTV Board of Directors (1991 – 1999) and of the UITP International Light-rail Commission (1984 – 1993).
He graduated in engineering from l'Ecole Centrale des Arts et Manufactures Paris, France.

B.J. (Bram) Drexhage (1955)

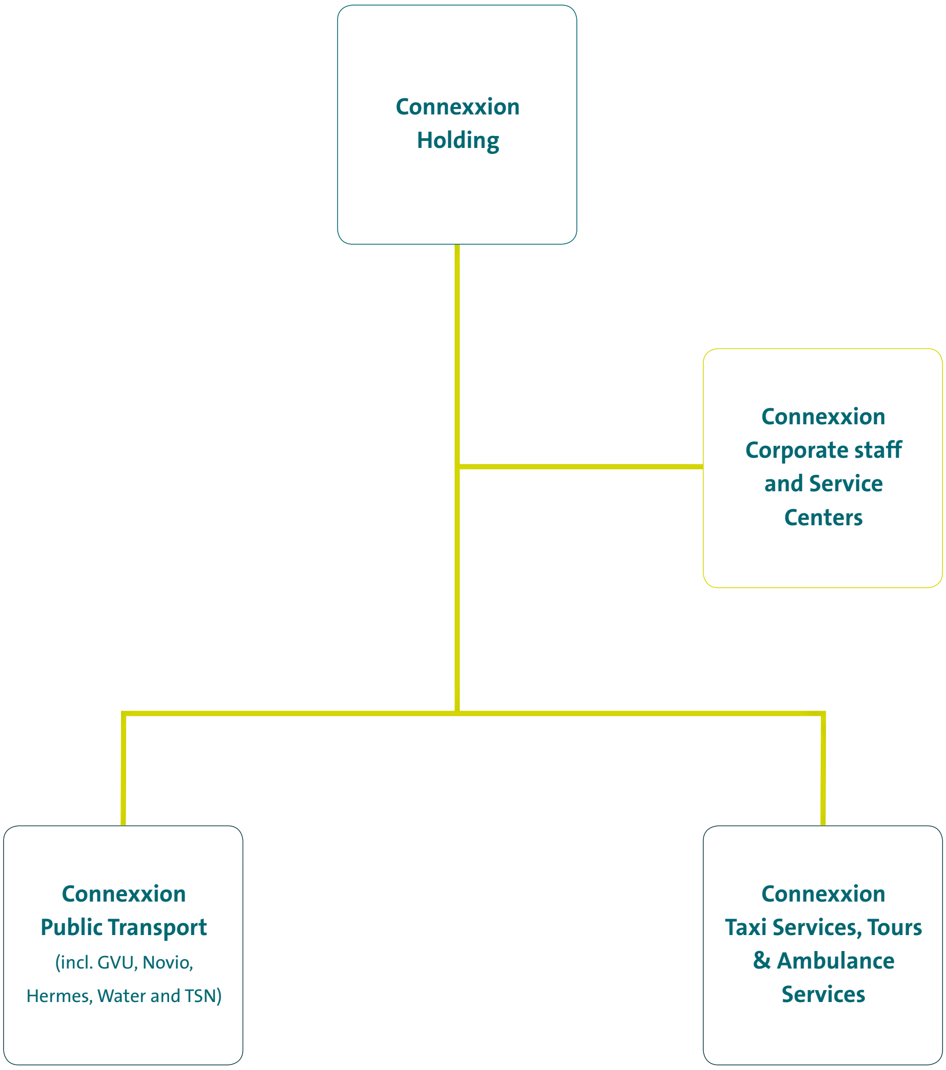
Bram Drexhage was appointed to the Executive Board of Connexxion Holding N.V. on 1 September 2009. He holds the position of Chief Financial Officer. Before joining Connexxion he gained senior management experience in various industries. His most recent position before Connexxion was Managing Director at a TNT mail company in Germany. In 2002 he started working at DHL, a subsidiary of Deutsche Post, as the Finance Director at Van Gend & Loos, and he moved up the ranks to become CFO of DHL Express Europe. Mr Drexhage has been in senior financial management positions at companies as Sara Lee, AGA and ICI. He has considerable experience in financial optimization projects in various industries, mergers, acquisitions and integration processes. He graduated in Business Administration and Economics at the University of Groningen.

R.J. (Richard) Dujardin (1968) (from 15 November 2011)

Richard Dujardin was appointed to the Management Board of Connexion Holding N.V. on 15 November 2011. He holds the position of Chief Commercial Officer. Prior to this assignment he was Chief Executive Officer of Veolia Transport Benelux, Ireland and UK. He joined the Public Transport sector in 2002, when appointed Managing Director of Veolia Transport Ireland, he had the task of bringing into passenger service the newly built Dublin light-rail system. Since 1992, when he started his career Mr Dujardin has always been involved in Public Private Partnerships in environmental services (water, waste water, transport). He graduated in engineering from l'Institut Catholique des Arts et Métiers Lille, France and has a Master of Business Administration from Reims Management School, France.

5 Corporate structure

5.1 Organisation Chart of Connexxion



5.2 Company Boards

The Company Boards had the following members at year-end 2011:

Supervisory Board

Thierry Walrafen	Chair
Frédéric Gagey	
Hanja Maij-Weggen	
Joost van der Does de Willebois	
Hans Schenk	
Dirk Slijper	Secretary

Management Board

Hubert Guyot	Chief Executive Officer, Chair
Bram Drexhage	Chief Financial Officer
Richard Dujardin	Chief Commercial Officer (from 15 November 2011)
Dirk Slijper	Secretary

Executive Committee

Hubert Guyot	Chief Executive Officer, Chair
Bram Drexhage	Chief Financial Officer
Richard Dujardin	Chief Commercial Officer (from 15 November 2011)
Herman Kuipers	Director Project 180
Theo Vegter	Chief Operating Officer
Peter-Paul Witte	Chief Human Resources Officer
Dirk Slijper	Secretary

Continued from the previous page:

Central Works Council

Maarten Sweep	Chairman
Reinald Bakker	Secretary
Willem Schulenberg	Deputy Chairman
Hans Cornet	Deputy Secretary

The members:

Esmi Swart
Kor Dijkhuizen
Henk van Eerden
Toon Kwakernaat
Bert Leenards
Henk Maas
Aad Riekwel
Willem van der Tol
Jo Collard
Roel van der Poel
Reinier Hatting
Dick Knutzen
Peer van der Biggelaar
Werner van Hartingsveldt

Aad Wayenberg (Chair), Elly Bakker, Rein Snijder and Johan van de Velde resigned from the Works Council in the meeting of 14 April 2011. On that same date, Maarten Sweep, the Deputy Secretary, was appointed Chair. Subsequently, Willem Schulenberg was appointed Deputy Chair and Reinald Bakker Deputy Secretary.

On 14 July, Dick Knutzen resigned as Secretary, Reinald Bakker was appointed in this position on the same date.

On 15 September 2011, Hans Cornet was appointed Deputy Secretary.

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6.1 Consolidated statements of financial position

Before proposed profit appropriation

In EUR millions	Notes	2011	2010
Assets			
Non-current assets			
Property, plant and equipment	6.6.3	303.6	335.1
Intangible assets	6.6.4	13.3	11.2
Investments in associates and jointly controlled entities	6.6.6	1.2	1.2
Other investments, including derivatives	6.6.7	12.3	24.3
Deferred tax assets	6.6.8	29.7	25.4
Total non-current assets		**360.1**	**397.2**
Current assets			
Inventories	6.6.9	7.7	7.4
Trade and other receivables	6.6.10	147.4	119.9
Cash and cash equivalents		44.0	18.5
Total current assets		**199.1**	**145.8**
Assets classified as held for sale	6.6.11	-	18.5
Total assets		**559.2**	**561.5**

The notes on pages 36 to 85 are an integral part of these consolidated financial statements.

In EUR millions	Notes	2011	2010
Equity and liabilities			
Equity attributable to equity holders	6.6.13	**178.0**	**171.1**
Non-controlling interest		**-**	**(0.2)**
Total equity		**178.0**	**170.9**
Non-current liabilities			
Loans and borrowings	6.6.14	32.5	49.1
Provisions	6.6.15	22.6	26.4
Deferred tax liabilities	6.6.8	8.1	5.1
Derivatives	6.6.16	0.4	2.2
Total non-current liabilities		**63.6**	**82.8**
Current liabilities			
Loans and borrowings	6.6.14	11.3	16.2
Trade and other payables, including derivatives	6.6.17	166.4	151.9
Deferred income	6.6.18	124.3	123.9
Provisions	6.6.15	15.6	15.1
Total current liabilities		**317.6**	**307.1**
Liabilities classified as held for sale	6.6.19	-	0.7
Total liabilities		**381.2**	**390.6**
Total equity and liabilities		**559.2**	**561.5**

6.2 Consolidated statements of income

In EUR millions	Notes		2011		2010
Revenue	6.6.23		1,095.7		1,104.7
Operating costs					
Cost of sales	6.6.24	(162.6)		(175.3)	
Personnel costs	6.6.25	(597.4)		(597.5)	
Depreciation, amortisation and impairments	6.6.26	(63.2)		(74.5)	
Other operating costs		(263.1)		(240.9)	
Total operating costs			**(1,086.3)**		**(1,088.2)**
Results from operating activities			**9.4**		**16.5**
Finance income and expense	6.6.27	(6.5)		(9.5)	
Net finance income on defined benefit plans	6.6.27	12.3		-	
Net finance result			5.8		(9.5)
Results from associates	6.6.28		-		0.2
Profit before income tax			**15.2**		**7.2**
Income tax	6.6.29		(1.1)		(1.4)
Profit for the year			**14.1**		**5.8**
Attributable to:					
Equity holders of the Company		14.1		5.8	
Profit for the year			**14.1**		**5.8**

The notes on pages 36 to 85 are an integral part of these consolidated financial statements.

6.3 Consolidated statements of comprehensive income

In EUR millions	Notes	2011	2010
Other comprehensive income:			
Changes in fair value of cash flow hedges		2.7	6.6
Income tax effect		(0.7)	(1.7)
Actuarial gains on defined benefit plans		(12.3)	-
Income tax effect		3.1	-
Total other comprehensive income		(7.2)	4.9
Profit for the year		**14.1**	**5.8**
Total comprehensive income for the year		**6.9**	**10.7**
Attributable to:			
Equity holders of the Company		6.9	10.7
Total comprehensive income for the year		**6.9**	**10.7**

The notes on pages 36 to 85 are an integral part of these consolidated financial statements.

6.4 Consolidated statements of cashflows

In EUR millions	Notes	2011		2010	
Cash flows from operating activities					
Profit before income tax		15.2		7.2	
Adjustments for:					
Depreciation, amortisation and impairments		63.2		74.5	
Gain on sale of non-current assets		0.3		(6.6)	
Addition to, release from and usage of provisions	6.6.15	(3.5)		(20.0)	
Finance income and expense	6.6.27	6.5		9.5	
Net finance income / expense on defined benefit plans		(12.3)		-	
			69.4		**64.6**
Change in working capital		(8.7)		(20.9)	
Dividend received		0.2		0.2	
Share of profit/loss of equity accounted investees		-		(0.2)	
Interest received		0.9		0.7	
			(7.6)		**(20.2)**
Net cash generated from operating activities			**61.8**		**44.4**

In EUR millions	Notes	2011		2010	
Net cash generated from operating activities			**61.8**		**44.4**
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired	6.6.21	(5.9)		-	
Investments of property, plant and equipment and intangible assets		(27.3)		(41.2)	
Proceeds from sale of property, plant and equipment and intangible assets		19.8		23.8	
Change in other investments	6.6.7	7.7		1.6	
Other changes		(0.1)		-	
Net cash used in investing activities			**(5.8)**		**(15.8)**
Cash flows from financing activities					
Proceeds from loans and borrowings	6.6.14	57.5		161.3	
Repayment of loans and borrowings	6.6.14	(81.7)		(176.1)	
Interest paid		(6.3)		(8.1)	
Other changes	6.6.13	-		(5.2)	
Net used in financing activities			**(30.5)**		**(28.1)**
Net increase cash and cash equivalents			**25.5**		**0.5**
Cash and cash equivalents at beginning of year		18.5		18.0	
Cash and cash equivalents at end of year		44.0		18.5	
Net increase cash and cash equivalents			**25.5**		**0.5**

The notes on pages 36 to 85 are an integral part of these consolidated financial statements.

6.5 Consolidated statements of changes in equity

In EUR millions								2010
	Equity attributable to equity holders							
	Share capital	Statutory and other non-distri-butable reserves	Other reserves	Profit for the year	Retained earnings	Total	Non-controlling interest	Total equity
Carrying amount at 1 January 2010	**79.5**	**2.2**	**(2.7)**	**2.3**	**83.0**	**164.3**	**(0.2)**	**164.1**
Profit for the year	-	-	-	5.8	-	5.8	-	5.8
Allocation of prior year profit	-	-	-	(2.3)	2.3	-	-	-
Other comprehensive income	-	-	4.9	-	-	4.9	-	4.9
Total comprehensive income	**-**	**-**	**4.9**	**3.5**	**2.3**	**10.7**	**-**	**10.7**
Allocations to and withdrawals from statutory and other non-distributable reserves	-	4.0	-	-	(4.0)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(3.9)	(3.9)	-	(3.9)
Carrying amount at 31 December 2010	**79.5**	**6.2**	**2.2**	**5.8**	**77.4**	**171.1**	**(0.2)**	**170.9**

The notes on pages 36 to 85 are an integral part of these consolidated financial statements.

In EUR millions

2011

	Equity attributable to equity holders							
	Share capital	Statutory and other non-distri-butable reserves	Other reserves	Profit for the year	Retained earnings	Total	Non-controlling interest	Total equity
Carrying amount at 1 January 2011	**79.5**	**6.2**	**2.2**	**5.8**	**77.4**	**171.1**	**(0.2)**	**170.9**
Profit for the year	-	-	-	14.1	-	14.1	-	14.1
Allocation of prior year profit	-	-	-	(5.8)	5.8	-	-	-
Other comprehensive income	-	-	(7.2)	-	-	(7.2)	-	(7.2)
Total comprehensive income	**-**	**-**	**(7.2)**	**8.3**	**5.8**	**6.9**	**-**	**6.9**
Allocations to and withdrawals from statutory and other non-distributable reserves	-	6.4	-	-	(6.4)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	0.2	0.2
Other changes	-	-	-	-	-	-	-	-
Carrying amount at 31 December 2011	**79.5**	**12.6**	**(5.0)**	**14.1**	**76.8**	**178.0**	**-**	**178.0**

6.6 Notes to the consolidated financial statements

6.6.1 General information

Connexxion Holding NV (referred to as 'the Company') is a company limited by shares incorporated under the laws of the Netherlands. Two thirds of the shares are held by Transdev-BNG-Connexxion Holding BV, the consortium between the French passenger transport company Transdev SA and Bank Nederlandse Gemeenten NV, and one third of the shares is held by the Dutch State. The Company has its statutory seat in Utrecht, the Netherlands and has its head office is located in Hilversum, the Netherlands. The consolidated financial statements of the Group for the financial year ended 31 December 2011 comprise the information of the Company and its subsidiaries (jointly referred to as 'the Group') and the Group's interest in (non-consolidated) associates and jointly controlled entities. The Group's principal activities are providing public and private passenger transport and related services. The Company statement of income has been prepared using the exemption pursuant to Section 402, Part 9, Book 2 of the Dutch Civil Code.

The Management Board prepared the financial statements and the Supervisory Board authorised the financial statements for issue on 15 March 2012. The financial statements will be submitted for adoption by the next Annual General Meeting of Shareholders.

6.6.2 Summary of significant accounting policies

Basis for preparation

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU-IFRS") and IFRIC interpretations. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all Group entities. The consolidated financial statements are prepared on the historical cost basis, except for the following:

- derivative financial instruments are measured at fair value;
- available for sale financial assets are measured at fair value.

Unless stated otherwise, amounts in these financial statements are stated in millions of euros, rounded to the nearest 0.1 million.

Changes in accounting policy and disclosure

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2011:

- IAS 24 (Revised) 'Related party disclosures', issued November 2009 superseeds IAS 24. This amendment is applied retrospectively, in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The standard clarifies the definitions of a related party and requires a more detailed disclosure of inter-group transactions. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- IFRIC 14 (Amendment), 'Prepayments of a Minimum Funding Requirement'. This amendment is applied retrospectively to the beginning of the earliest period presented in the first financial statements in which the entity originally applied IFRIC 14. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial statements of the Group.
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', effective 1 July 2010. This interpretation is applied retrospectively. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are 'consideration paid' in accordance with paragraph 41 of IAS 39 'Financial Instruments Recognition and Measurement'. Any gain or loss is recognised immediately in profit or loss.

These accounting changes have been adopted by the Group and do not have significant impact on the 2011 financial position or performance of the Group.

The following new and amended standards and interpretations are mandatory for the first time for the 2011 financial statements but are (currently) not relevant to the Group.

- IAS 32, 'Financial Instruments: Presentation – Classification of Rights Issues (Amendment)' issued in October 2009 applies to periods starting on or after 1 February 2010. This amendment entails an alteration in the definition of a financial liability to enable entities to classify rights issues and certain options or warranties as equity instruments. The Group does not have these type of instruments.

Improvements to IFRS

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in changes to accounting policies, but have no impact on the financial position or performance of the Group.

The Improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations (Measurement of non-controlling interests): The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008)): The amendment clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, which eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards): The amendment requires an entity in a business combination to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily). These transactions need to be split between consideration paid as part of the business combination and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as postcombination expenses.
- IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.
- IAS 27 Consolidated and Separate Financial Statements: The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.
- IAS 34 Interim Financial Statements: The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and requires additional disclosures on:
- The circumstances likely to affect fair values of financial instruments and their classification
- Transfers of financial instruments between different levels of the fair value hierarchy
- Changes in classification of financial assets.
- Changes in contingent liabilities and assets.
- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits): The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements:

- IFRS 7, 'Financial Instruments: Disclosures (Amendment), effective 1 July 2011
- IAS 12, 'Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets, effective on or after 1 January 2012
- IFRS 9, 'Financial Instruments', issued November 2009. The standard is the first step in the process to replace IAS 39, 'Financial instruments: Recognition and Measurement. The standard will become effective 1 January 2013 but is available for early adoption. The standard has not been endorsed by the EU. The Group is yet to assess the full impact of IFRS 9.
- IFRS 10, 'Consolidated Financial Statements, IAS 27 Separate Financial Statements', effective on or after 1 January 2013
- IFRS 11, 'Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures', effective on or after 1 January 2013
- IFRS 12, 'Disclosure of Interests in Other Entities', effective on or after 1 January 2013
- IFRS 13, 'Fair Value Measurement', effective on or after 1 January 2013
- IAS 1, 'Presentation of Items of Other Comprehensive Income – Amendments to IAS 1', effective on or after 1 January 2012
- IAS 19, 'Employee Benefits (Revised)' , effective on or after 1 January 2013

Significant accounting policies

Subsidiaries

Subsidiaries are companies in which Connexxion Holding NV directly or indirectly exercises control. Control means Connexxion directly or indirectly has the power to govern the financial and operating policies of a company so as to obtain benefits from the activities of that company. The financial statements of such subsidiaries are included in the consolidated financial statements as from the date control is acquired up to the date Connexxion ceases to hold control. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. On an acquisition to acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The principal Group companies included in the consolidation of Connexxion Holding NV are:

- Connexxion Openbaar Vervoer NV, Haarlem, 100%
- Hermes Groep NV, Weert, 100%
- GVU NV, Utrecht, 100%
- Novio NV, Nijmegen, 100%
- Connexxion Taxi Services BV, Schiedam, 100%
- Connexxion Tours BV, Hilversum, 100%
- Connexxion Ambulancezorg BV, Haarlem, 100%

Transactions eliminated on consolidation

Intra group balances and intra group transactions, and any unrealised gains or losses arising from intra group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that there is no evidence of impairment.

Associates and jointly controlled entities

Associates are companies over which financial and operational policies the Group has significant influence but not control. These are investments in equity accounted investees, net of any impairments from the date the significant influence commences to the date it effectively ceases. The principal associates and the Group's percentage of ownership in the capital of the associates are:

- REISinformatiegroep BV, Utrecht, the Netherlands, 32.8%
- ANT (Advanced Netherlands Transport) BV, Capelle a/d IJssel, the Netherlands, 20%
- Bedrijfsvervoer Limburg, Roermond, the Netherlands, 25%

Jointly controlled entities are companies in which Connexxion has joint control with two or more parties under contractual arrangements. Jointly controlled entities are investments in equity accounted investees from the date joint control commences to the date it effectively ceases. The principal jointly controlled entities are:

- Schiphol Travel Taxi BV, Schiphol, the Netherlands, 50%
- CTS Noord B.V, Assen, the Netherlands, 51%. The entity is accounted for as a jointly controlled entity based on an unanimous voting clause

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil in the Group's statement of financial position and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. The accounting policies of jointly controlled entities and associates have been aligned with those of the Group.

The list with information on capital interests as referred to in Sections 379 and 414, Part 9, Book 2 of the Dutch Civil Code, has been filed with the Trade Register of the Hilversum Chamber of Commerce.

Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rate on the date of transaction. Any result on translation is recognised as profit or loss. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Goodwill

All business combinations are accounted for using the purchase method. Goodwill is recognised upon acquisition of subsidiaries. Goodwill represents the difference between the acquisition price and the fair value of the net identifiable assets acquired.
Goodwill is valued at historical cost net of accumulated impairments, and is tested annually for impairment or more frequent if events indicate that the asset might be impaired. Hereby the cash generating units are equal to the divisions; Public Transport and Taxi Services, Tours and Ambulance Services. Negative goodwill arising upon an acquisition is recognised directly in the statement of income. For jointly controlled entities and associates, the carrying amount of goodwill is included in the carrying amount of the investment in the jointly controlled entity or associate.

Capitalised contract rights

Capitalised contract rights relate to acquired passenger transport contracts upon the acquisition of subsidiaries. The fair value upon acquisition is determined using future cash flows of revenues and costs of passenger transport contracts.
Capitalised contract rights are amortised on a straight-line basis over the contract period. Contract rights with indefinite useful life are not amortised but tested for impairment annually. At each reporting date the Group assesses whether there is an indication for a possible impairment of the capitalised contract rights. If such an indication exists, the Group determines the recoverable value of the capitalised contract rights. An impairment loss is recognised when the book value exceeds the recoverable value. The recoverable value is based on future cash flows discounted at a rate that reflects the risks of the underlying contract.

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost, net of accumulated depreciation and impairments. The cost includes expenditure that is directly attributable to the acquisition of the item. Property, plant and equipment that are expected to be recovered primarily through sale, are classified as held for sale. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within expenses in the statement of income. Insofar as an item of property, plant or equipment contains substantial components having different useful lives, these components are recognised as individual items of property, plant and equipment, where possible. Connexxion applies a component-based approach in depreciating these substantial components. Fixed assets under construction are carried at expenditure incurred.

Leases effectively transferring all the risks and rewards incidental to ownership to the Group are classified as finance leases. Property, plant and equipment acquired under lease agreements that are classified as finance lease are carried at the lower of fair value or the present value of the minimum lease payments at inception of the lease less accumulated depreciation and impairments. The accounting treatment of finance lease assets subsequent to initial recognition is equal to the accounting treatment of owned assets, whilst consideration is given to the lease period.

Replacement costs relating to property, plant and equipment are capitalised if the future economic benefits of the asset will flow to the Group and the costs of such replacement investments can be reliably measured. All other costs are recognised in the statement of income as incurred. The replaced part is derecognized in accordance with the provisions of IAS 16.70.

Depreciation is based on the useful life and calculated using fixed percentages of cost, taking into account any (guaranteed) residual value. Depreciation starts as from the moment the asset is put into use. The annual depreciation as a percentage of cost for various categories of property, plant and equipment, based on the estimated useful life of the asset, is listed below:

Land:	0%
Buildings[1]):	2%
Rolling stock [2]):	3% - 20%
Other	5% - 34%

1) Buildings on land on long leases are depreciated as per the term of the contract concerned, whenever this depreciation period is shorter.

2) Depending on the term of the concession and assets concerned.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and other intangible assets with indefinite lives or which are not yet available for use, the recoverable amount is estimated at each reporting date. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Within Connexxion the Public Transport division and the Taxi Services, Tours and Ambulance Services division are considered to be the lowest level of cash generating units.

For all other assets, impairment tests are conducted at the level of cash-generating units, generally represented by a customer contract.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial Asset Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of income within financial income and expense in the period in which they arise.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. The criteria that the Group uses to determine whether objective evidence of impairment exists include:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  a) Adverse changes in the payment status of borrowers in the portfolio; and
  b) National or local economic conditions that correlate with defaults on the assets in the portfolio.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

Other investments including derivatives

Non-current receivables and loans are carried at amortised cost net of impairments. All investments are reviewed at the statement of financial position date for objective indications that their carrying value may not be recoverable. The impairment amounts to the difference between amortised cost and the value of future cash flows, discounted at the original effective value of the receivable. Cash flows with a remaining term to maturity under twelve months are not discounted. The accounting treatment of derivative financial instruments is disclosed in an earlier paragraph.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Inventories

Inventories are carried at the lower of historical cost and net realisable value. Provisions for inventories are determined by means of an individual assessment of the inventories at product group level. Realisable value is the estimated selling price in ordinary operations, net of estimated costs of completion and costs to sell. Historical cost is based on weighted average prices, and includes the costs of purchase and transport.

Derivative financial instruments

The Group uses derivates to mitigate the risk of interest fluctuations of interest payable on loans and borrowings and fuel price fluctuations. Derivatives are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The Group designates the derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Amounts accumulated in equity attributable to equity holders are released to profit or loss in the periods when the hedged item affects profit or loss. The effective portion of movements in fair value for derivatives is recognised directly in other comprehensive income. The ineffective portion of any change in fair value is taken directly to the net finance expenses in the statement of income. Hedge documentation is prepared which includes the method of prospective and retrospective testing for effectiveness. If a hedging transaction terminates, the deferred gains or losses will continue to be included in equity attributable to equity holders and is recognised in the statement of income when the forecast transaction is recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity attributable to equity holders is immediately transferred to the statement of income.

Non-derivative financial instruments are initially recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.
The Group’s investments in equity securities and certain debt securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised through other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks. Demand deposits are considered cash and cash equivalents. All cash and cash equivalents are at immediate disposal of the Group.

Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held for sale when their carrying amount is to be recovered primarily through sale and a sale is considered highly probable are classified as held for sale. The assets (or disposal group) are subsequently measured at the lower of their carrying amount and fair value less cost to sell.

Equity attributable to equity holders

The share capital is classified as equity. Dividends are recognised as a liability in the period in which they are declared.

Non-controlling interest

The non-controlling interest represents the minority shareholding of third parties in the various consolidated subsidiaries. The non-controlling interest is based on the original share of minority shareholders in the various consolidated subsidiaries, adjusted for their share in the profits or losses of these subsidiaries.

Loans and borrowings

At inception of the loan, loans and borrowings are recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, loans and borrowings are carried at amortised cost applying the effective interest method. Any difference between cost and the amount of the repayment is recognised in the statement of income over the term to maturity.

Interest paid on loans and borrowings is recorded in the statement of income as finance expense. The capitalised financing fees are amortised over the expected life of the related borrowing using the effective interest method and are presented in the statement of income as finance expense.

Provisions

Provisions are recognised for present, legal or constructive obligations on statement of financial position date, when the liability can reliably be estimated and settlement is likely to require an outflow of resources in the future. Provisions with a term exceeding one year are measured by discounting expected future cash flows based on a pre-tax discount rate that reflects the current market situation and risks specific to the liability. Provisions with a term of less than one year are presented as current provisions at nominal value.

Long-term employee benefits

For defined benefit plans, the operating and financing costs are recognised separately in the income statement. The amount charged to operating cost in the income statement is the cost of accruing pension benefits promised to employees over the year, plus the costs of individual events such as past service benefit enhancements, settlements and curtailments (such events are recognised immediately in the income statement). The amount charged to financing costs includes a credit equivalent to the holding's expected return on the pension plans' assets over the year, offset by a charge equal to the expected increase in the plans' liabilities over the year. Any differences between the expected return on assets and the return actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the plans, are recognised immediately in the statement of comprehensive income. The defined benefit plan surplus or deficit in the balance sheet comprises the total for each plan of the fair value of plan assets less the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds). For defined contribution plans and multi-employer plans to which the company is a relatively small contributor, the charges to the income statement are the company contributions payable, as the company's obligation is limited to contributions paid into the plans. The assets and liabilities of such plans are not included in the balance sheet of the holding.

All other pension funds the Group uses, have stated that they are unable to provide the required information for the IAS 19 calculations and disclosures. All plans are multi-employer plans. Connexxion is not obliged in case of under funding in the pension funds to pay supplementary contributions other than by way of future premium increases. Contributions to pension schemes are accounted for as defined contribution schemes accordingly and are recognised as an expense in the statement of income as incurred.

Other long-term employee benefits relate to provisions for long-term absenteeism, future jubilee benefits, employment termination benefits and job-related discharge from service dictated by age.

Provision for pending damage claims

The provision for pending damage claims mainly pertains to future settlements of bodily injuries involving Connexxion vehicles. The provision is determined by the WAM-insurers (Wet Aansprakelijkheidsverzekering Motorrijtuigen – Dutch Motor Insurance Liability Act) on the basis of the applicable standards for bodily injuries using insurers' historical data.

Provision for onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of contractual commitments are expected to exceed the prospective economic benefits of the contract.

Restructuring provision

Restructuring provisions are recognised based on detailed and formal restructuring plans, which have been approved by the Executive Board and which have either been started or communicated to the parties involved.

Environmental provision

The environmental provision is used for the restoration of contaminated land caused by Connexxion or its legal predecessors. The extent of the provision has been determined with the assistance of experts in this field based on specific environmental reviews.

Risks from claims, disputes and legal proceedings

Provisions for present obligations arising from claims, disputes and legal proceedings to the extend that it is more likely than not that an outflow of economic benefits will occur.

Current liabilities

Current liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current taxes and deferred taxes

The amount of tax included in the statement of income represents the total amount of taxes based on the reported result adjusted for non-deductible expenses and non-taxable income. Deferred tax assets and deferred tax liabilities are recognised for temporary differences, non-utilised net operating losses or unused tax facilities. Deferred tax assets and deferred tax liabilities are calculated based on the statutory tax rates prevailing at year-end or at the rates prevailing in the next few years that have been enacted or substantively enacted. Temporary differences arise from the difference between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. A deferred tax asset is recognised if it is likely that it will be offset against future taxable profits. The carrying amount of the deferred tax assets are reviewed at statement of financial position date and reduced insofar as it is no longer likely that sufficient profits for tax purposes will be available to realise the asset in whole or in part. Current and deferred tax assets and current and deferred tax liabilities are only netted if the Group has a right enforceable at law to do so, and the assets and liabilities relate to the same tax authorities and taxpayer, as well as the same term. Corporate income tax is allocated to the subsidiaries as if they were autonomous taxpayers.

Revenue

Revenue, net of discounts and turnover taxes, including governmental grants other than those related to assets, represents amounts derived from rendering services and delivering goods during the period. Revenue is recognised in proportion to the services rendered on statement of financial position date if:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the Group;
- the extent to which the services were rendered on statement of financial position date can be measured reliably;
- the costs already incurred for the transaction and the costs required for its completion can be measured reliably.

Leases

Leases in which a significant part of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another allocation is more representative of the time pattern of the Group's benefits. Incentives received associated with leases are recognised over the lease period.

If the Group acts as lessor in an operating lease, assets are presented in its statement of financial position according to the nature of the asset. Income from operating leases is recognised in income on a straight-line basis over the lease term, unless another allocation is more representative of the time pattern of the Group's benefits.

Finance income and Finance expense

Finance income and finance expense include interest paid on loans and interest received on funds invested and realised gains or losses on the ineffective portion of a hedge. Interest income is recognised in the statement of income as incurred. The interest expense component of payments under finance lease contracts is recognised in the statement of income based on the implicit interest rate. The effect of discounting non-current statement of financial position items is included in profit or loss in the net finance expense.

Cash flow statement

The cash flow statement is prepared using the indirect method and distinguishes cash flows from operating activities, investing activities and financing activities and reconciles earnings before tax to net cash flows to the change in cash and cash equivalents. Interest paid and interest received are presented as operating cash flows.

Managing financial risk

Inherent to the nature of the Group's ordinary activities in the field of public and private passenger transport and related services, the Group is exposed to certain financial risks. The Group's strategy within the alliance with VeoliaTransdev focuses on reinforcing its leading position in the Netherlands. The Group finances its activities in a proper balance between interest-bearing facilities and equity.

Capital management

Capital of the Group includes equity and can be broken down as follows

- share capital;
- other comprehensive income;
- statutory and other non-distributable reserves;
- retained earnings.

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern;
- to provide an adequate return on capital by choosing a capital structure in line with business risk;
- to comply with external capital requirements.

The Group manages its capital on the long run by forecasting the development of its asset base and using target leverage levels. These multi-year forecasts and the underlying capital expenditure budget are an integral part of the business plan, which has a forecast horizon from 2012 through 2017. In the annual plan the most recent information is included on concessions that have been awarded to the Group. These concessions largely determine the amount of capital expenditures in the coming years. The Group uses a revolving credit facility to fund its operations. For further detail, reference is made to Section 6.6.14.

Credit risk

The Group management has formulated a credit policy. For each counterparty, including clients, a credit rating is performed and credit limits are set, if relevant. These limits are reviewed periodically. The Group considers the credit risk exposure to be limited, since the main part of the revenues is realised with (local) government authorities. Derivative transactions are solely concluded with financial institutions having a credit rating which is equal to or higher than an A-credit rating. In addition, the Group always requires a settlement agreement with the counterparty. For details on the hedge policy, reference is made to Section 6.6.16.

For an overview of exposure to credit risk, reference is made to Section 6.6.12.

Liquidity risk

The Group's policy is to have adequate access to financial resources at all times in order to fulfil its obligations. In this context, it should be noted that a change of control clause has been included in the agreements with financial institutions. This means that the financing agreements are cancellable if an important change in ownership occurs. For details on the maturity of non-current receivables and loans and borrowings, reference is made to Section 6.6.7 and Section 6.6.14 respectively. The Group uses a revolving credit facility for the funding of its operations. For further detail, reference is made to Section 6.6.14. The amount available under the facility totalled EUR 131.8 million at 31 December 2011 (2010: EUR 155.0 million).

Market risk

Market risks consist of:

- Price risk;
- Interest rate risk;
- Currency risk.

Price risk

The policy in relation to price risk is to hedge price risks resulting from the purchase of diesel fuel for current transport concessions, insofar as this price risk has not been hedged or has been hedged insufficiently by stipulations in the contract for revenue indexation.

The fair value of the outstanding positions amounts to EUR 5.4 million at year-end 2011 (2010: EUR 3.4 million). Under these contracts, the Group is obliged to settle the difference between the fixed and variable price with the hedging party.

The Group periodically tests the sensitivity of the diesel hedges and interest rate hedges. A 1% change in the fuel price (excluding excise taxes) would have an impact of EUR 0.1 million (2010: EUR 0.1 million) on the profit for the year. However, for 2012, the Group has hedged 75% of its estimated fuel consumption through swaps.

Interest rate risk

With a view on the strategy of the Group, the Group constantly evaluates capital markets for opportunities to adjust her financing. The Group mainly finances its activities through long-term interest-bearing loans, finance lease commitments and operating leases. The long-term loans have a floating interest rate. However the vast majority of the interest rate exposure is hedged with an interest rate swap. The financial and operating lease obligations in general have a longer maturity with an accompanying long-term interest rate. Cash and cash equivalents, comprising cash and bank balances, are EUR 44.0 million at year-end 2011 (2010: EUR 18.5 million).

To the extend the swaps qualify as cash flow hedges, this change after correction for deferred taxes would be recorded as a component of other comprehensive income.

Currency risk

The Group is not exposed to currency risks, as nearly all transactions are conducted in euros.

Liability risk

Owing to its size, the Group only insures risks for which an existing legal obligation exists and/or risks that may have a material effect on the Group. As a result the Group is insured for liability risks. Furthermore assets are insured against a number of risks with a significant level or retained exposure.
The Group has procedures in place to prevent damage to vehicles and allow for frequent monitoring of the insured risks.

Liabilities for subsidiaries

The Company and its subsidiaries form a tax group for corporate income tax purposes (excluding Waterbus BV) and for VAT purposes (excluding Waterbus BV, P.G.W. Janssen BV, Delfland Bedrijfsdiensten BV and Speedwell Reisbureau BV). As a result the Group is jointly and severally liable for all tax debts of subsidiaries for the period during which it was a member of this tax group.

Legal proceedings

The Group recognised a provision for risks resulting from claims, disputes and legal proceedings. Based on the currently available data, legal advice sought and the amounts provided for, the Group does not expect the outcome of legal proceedings to have a material adverse negative effect on the Group's financial position.

Fair value estimates

The table below summarizes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices) (level 2).
3. Inputs for the assets or liabilities that are not based on observable market data (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for fair value are observable, the instrument is included in level 2. If one or more of the significant inputs is not traded on an active market and not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1	Level 2	Level 3	Total
Financial assets and liabilities at fair value through profit or loss				
Derivatives used for hedging	-	5.3	-	5.3
Available for sale financial assets				
Debt investments	4.7	-	-	4.7
Total	**4.7**	**5.3**	**-**	**10.0**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total
Financial assets and liabilities at fair value through profit or loss				
Derivatives used for hedging	-	2.3	-	2.3
Available for sale financial assets				
Debt investments	6.3	-	-	6.3
Total	**6.3**	**2.3**	**-**	**8.6**

At 31 December 2011 and 31 December 2010 the fair value was materially the same as the book value for the assets and liabilities measured at fair value.

Critical accounting estimates and judgements

Public transport revenue

In public transport, passenger transport revenue from ticket sales and student travel cards are estimated for the fourth quarter. This estimate is based on an extrapolation of historical data derived from information received from third parties with regard to passenger transport revenue year to date October.

In the past, deviations from these estimates proved not to have a significant influence on the prior-year revenues. Any deviation, relative to sales which is recognised in the subsequent year, is however directly taken as a component of profit and loss.

Fuel compensation

Still no nation wide agreement could be reached with the grantors in the financial year 2011 with respect to diesel price compensation and indexation. As the provisional agreement of June 2008 strongly supports the case made by private public transport companies that they should be compensated for the extravagant diesel price development of previous years, Connexxion received some of its entitled compensation in 2011.

Deferred tax assets

The Group recognizes deferred tax assets for losses carried forward based on the probability that sufficient future taxable profits will be available to utilise the losses carried forward before expiration. The assessment is based on the Group's business plan. The plan has a planning horizon through 2017.

6.6.3 Property, plant and equipment

	Land and buildings	Rolling stock	Under construction	Not used in operations	Other property, plant and equipment	Total
						2010
Cost						
Balance at 1 January 2010	39.7	550.8	19.1	0.2	142.8	752.6
Additions	0.2	18.1	1.1	-	13.2	32.6
Effect of acquisition	-	-	-	-	-	-
Disposals	-	-	(0.8)	-	(6.1)	(6.9)
Reclassification from / (to) assets classified as held for sale	(8.0)	(68.0)	-	-	(0.7)	(76.7)
Reclassification	0.1	10.3	(15.6)	-	3.0	(2.2)
Other changes	-	-	-	-	(17.1)	(17.1)
Balance at 31 December 2010	**32.0**	**511.2**	**3.8**	**0.2**	**135.1**	**682.3**
Accumulated depreciation and impairments						
Balance at 1 January 2010	(12.4)	(268.7)	-	(0.1)	(79.4)	(360.6)
Depreciation	(1.7)	(51.0)	-	-	(14.2)	(66.9)
Impairment losses recognised in the income statement (including reversal)	-	(3.4)	-	-	(0.1)	(3.5)
Effect of acquisition	-	-	-	-	-	-
Disposals	-	-	-	-	4.3	4.3
Reclassification from / (to) assets classified as held for sale	3.0	56.6	-	-	0.6	60.2
Reclassification	-	1.1	-	-	1.1	2.2
Other changes	-	-	-	-	17.1	17.1
Balance at 31 December 2010	**(11.1)**	**(265.4)**	**-**	**(0.1)**	**(70.6)**	**(347.2)**
Carrying amount						
At 1 January 2010	**27.3**	**282.1**	**19.1**	**0.1**	**63.4**	**392.0**
At 31 December 2010	**20.9**	**245.8**	**3.8**	**0.1**	**64.5**	**335.1**

2011

	Land and buildings	Rolling stock	Under construction	Not used in operations	Other property, plant and equipment	Total
Cost						
Balance at 1 January 2011	32.0	511.2	3.8	0.2	135.1	682.3
Additions	0.6	17.1	5.3	-	4.6	27.6
Effect of acquisition	-	6.9	0.8	-	0.8	8.5
Disposals	-	(38.5)	(0.5)	(36.9)	(0.3)	(76.2)
Reclassification from / (to) assets classified as held for sale	8.9	-	-	79.4	-	88.3
Reclassification	-	1.8	(4.1)	-	2.4	0.1
Balance at 31 December 2011	**41.5**	**498.5**	**5.3**	**42.7**	**142.6**	**730.6**
Accumulated depreciation and impairments						
Balance at 1 January 2011	(11.1)	(265.4)	-	(0.1)	(70.6)	(347.2)
Depreciation	(1.6)	(46.0)	-	-	(12.9)	(60.5)
Impairment losses recognised in the income statement (including reversal)	-	(0.7)	-	-	-	(0.7)
Effect of acquisition	-	(3.1)	-	-	(0.8)	(3.9)
Disposals	-	26.6	-	28.3	0.3	55.2
Reclassification (from / to) assets classified as held for sale	(5.5)	-	-	(64.4)	-	(69.9)
Balance at 31 December 2011	**(18.2)**	**(288.6)**	**-**	**(36.2)**	**(84.0)**	**(427.0)**
Carrying amount						
At 1 January 2011	**20.9**	**245.8**	**3.8**	**0.1**	**64.5**	**335.1**
At 31 December 2011	**23.3**	**209.9**	**5.3**	**6.5**	**58.6**	**303.6**

Impairments of assets

In 2011 Connexxion performed an impairment analysis on loss-making concessions and the related recoverable amount of rolling stock. Connexxion applied the value in use method applying a discount rate of 6.5%. In 2011, the impairment (including reversal) of rolling stock totalled EUR 0.7 million (2010: EUR 3.5 million). The impairment of rolling stock related to a number of concessions. Consequently, a downward revaluation was applied directly to attributable rolling stock.

Assets held under finance lease

Rolling stock includes finance lease contracts with a carrying amount of EUR 30.4 million (2010: EUR 37.3 million).
Land and buildings includes finance leases with a carrying amount of EUR 8 million (2010: EUR 9 million).

Pledged property, plant and equipment

Connexxion pledged its moveable assets (including rolling stock) with a carrying amount of EUR 193.3 million (2010: EUR 245.8 million) as security for financing. In addition, Connexxion placed a conditional pledge upon first request on land and buildings. This pledge can be exercised if the Group fails to meet certain debt covenants.

6.6.4 Intangible assets

	Goodwill		Capitalised contract rights		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Cost						
Balance at 1 January	3.9	3.9	24.5	31.8	28.4	35.7
Effect of acquisition	2.7	-	1.5	-	4.2	-
Disposals	-	-	(0.9)	(7.3)	(0.9)	(7.3)
Balance at 31 December	**6.6**	**3.9**	**25.1**	**24.5**	**31.7**	**28.4**
Accumulated amortisation and impairments						
Balance at 1 January	(0.4)	(0.4)	(16.8)	(20.0)	(17.2)	(20.4)
Amortisation	-	-	(2.0)	(4.1)	(2.0)	(4.1)
Disposals	-	-	0.8	7.3	0.8	7.3
Balance at 31 December	**(0.4)**	**(0.4)**	**(18.0)**	**(16.8)**	**(18.4)**	**(17.2)**
Carrying amount						
At 1 January	**3.5**	**3.5**	**7.7**	**11.8**	**11.2**	**15.3**
At 31 December	**6.2**	**3.5**	**7.1**	**7.7**	**13.3**	**11.2**

Goodwill

Goodwill relates to acquired businesses which have been integrated in our divisions and is tested for impairment annually or more often when conditions indicate an impairment may exist. Connexxion used a discount rate of 6.5% and a growth rate of 2%. Any excess of carrying amount is recorded as an impairment of goodwill. The Group's 5 operating segments have been defined as cash generating units for the purpose of impairment testing. With regard to the assessment of value in use, no reasonably possible change in the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. The Group has used infinitive cash flows to calculate the present value. Impairment testing evidenced sufficient head room over the carrying amount. In 2011 no goodwill impairment charges were recorded (2010: EUR 0 million). The additions pertain to the acquisition of Blaakman and Witte Kruis. Please refer to section 6.6.21 for additional discussion.

Capitalised contract rights

Capitalised contract rights relate to the passenger transport contracts of GVU NV and acquired businesses in the Taxi division and the Ambulance Services division. Impairment testing evidenced sufficient head room over the carrying amount. Capitalized contract rights include assets with an indefinite useful live with a book value of EUR 3.7 million and (2010: EUR 3.4 million). These assets do not have a depreciatable life as the underlying contract is indefinite. For impairment testing, Connexxion used a growth rate of 2% and a discount rate of 6.5%. The additions pertain to the acquisition of Witte Kruis en De Hollandse Vervoert. Please refer to section 6.6.21 for additional discussion.

6.6.5 Financial assets and financial liabilities

The carrying amounts of each of the categories as defined in IAS 39 is broken down below:

	2011	2010
Derivative financial instruments		
Held to maturity investment		
Diesel swaps	5.4	3.4
Interest rate swaps	(0.1)	(1.1)
Loans and receivables		
Trade and other receivables	140.4	119.9
Cash and cash equivalents	44.0	18.5
Trade and other payables	(166.2)	(166.6)
Financial lease commitments	(40.5)	(44.5)
Loans from financial institutions	(3.3)	(19.9)
Available for sale		
Available for sale financial assets	4.7	6.3

The value measurement classification is as follows:

Fair value measurement	**Financial assets and financial liabilities**
Quoted prices (level 1)	Available for sale financial assets
Observable input (level 2)	Diesel swaps
	Interest rate swaps
Unobservable inputs (level 3)	Not applicable

6.6.6 Investments in associates and jointly controlled entities

Investments in equity accounted investees includes associates and jointly controlled entities. The movement is detailed in the table below:

	Associates		Jointly controlled entities		Total	
	2011	2010	2011	2010	2011	2010
Balance at 1 January	1.4	1.4	(0.2)	(0.1)	1.2	1.3
Profit for the year	0.2	0.2	-	(0.1)	0.2	0.1
Dividends received	(0.2)	(0.2)	-	-	(0.2)	(0.2)
Balance at 31 December	**1.4**	**1.4**	**(0.2)**	**(0.2)**	**1.2**	**1.2**

Investments in associates

The total amount of assets, liabilities, revenues and profit or loss of the associates as at 31 December can be broken down as follows (based on 100% share):

	Share Connexxion	Assets	Liabilities	Equity	Revenues	Profit / loss (-)	Off-balance sheet commit-ments
2011							
REISinformatiegroep BV	32.8%	6.0	1.5	4.5	8.2	(0.3)	1.2
Bedrijfsvervoer Limburg BV	25.0%	-	-	-	-	-	-
Advanced Netherlands Transport BV	20.0%	0.1	0.1	-	-	-	-
2010							
REISinformatiegroep BV	32.8%	5.8	1.4	4.8	9.4	1.2	-
Bedrijfsvervoer Limburg BV	25.0%	-	-	-	-	-	-
Advanced Netherlands Transport BV	20.0%	0.1	0.1	-	-	-	-

Investments in jointly controlled entities

The total amount of assets, liabilities, revenues and profit or loss of the associates as at 31 December can be broken down as follows (based on 100% share):

	Share Connexxion	Assets	Liabilities	Equity	Revenues	Profit / loss (-)	Off-balance sheet commit-ments
2011							
Schiphol Travel Taxi BV	50.0%	0.6	0.7	(0.1)	5.0	-	-
CTS Noord BV	51.0%	0.7	0.9	(0.2)	0.6	0.1	-
2010							
Schiphol Travel Taxi BV	50.0%	0.6	0.7	(0.1)	4.8	-	-
CTS Noord BV	51.0%	0.3	0.5	(0.2)	0.6	(0.1)	-

6.6.7 Other investments, including derivatives

	Notes	2011	2010
Derivative financial instruments	6.6.16	3.6	2.8
Bonds		-	6.3
Loans receivable		8.7	15.2
Total other investments, including derivatives		**12.3**	**24.3**

Diesel swaps are disclosed under 'derivative financial instruments' (reference is made to Section 6.6.16).
Non-current receivable mainly pertain to receivables related to Ambulance Services acquired in 2008.

Repayments on other non-current loans receivable in the coming year			
Finance lease receivables		-	0.1
Other		0.3	0.3
Total repayments on other non-current loans receivable in the coming year	6.6.10	**0.3**	**0.4**

Repayments on other non-current receivables in the coming year are presented as 'current receivables'.

Changes in other non-current receivables

The changes in other non-current receivables were as follows:

	2011	2010
Balance at 1 January	15.6	14.0
Receivables granted	1.4	-
Repayments	(6.5)	(1.6)
Impairments	-	-
Effect of amortisation	0.2	3.2
Reclassifications	(1.7)	-
Balance at 31 December	**9.0**	**15.6**

Breakdown of other non-current receivables based on their term and interest rate

2011

Interest rate	< 1 year	1 - 5 years	> 5 years	Total
To 4%	0.3	7.0	0.8	8.1
4% to 6%	-	0.9	-	0.9
Total	**0.3**	**7.9**	**0.8**	**9.0**

2010

Interest rate	< 1 year	1 - 5 years	> 5 years	Total
To 4%	0.3	9.5	-	9.8
4% to 6%	0.1	5.7	-	5.8
Total	**0.4**	**15.2**	**-**	**15.6**

6.6.8 Deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities can be allocated to the following items:

	2011		2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	3.9	2.9	1.9	3.4
Provisions	7.4	-	7.0	-
Tax losses available for carry-forward	18.4	-	16.1	-
Valuation allowance tax losses	(3.2)	-	-	-
Derivative financial instruments	0.1	1.5	0.4	0.9
Defined benefit plans	3.1	3.1	-	-
Other	-	0.6	-	0.8
Total deferred taxes	**29.7**	**8.1**	**25.4**	**5.1**

The deferred tax asset has an expected term of approximately 4 years. Reference is made to the critical accounting estimates disclosure as included in section 6.6.2.

Statement of changes in temporary income tax differences

The changes in temporary income tax differences can be shown as follows:

	Balance at 1 January 2011	Recognised in income	Recognised in equity	Balance at 31 December 2011
Property, plant and equipment	(1.5)	2.5	-	1.0
Provisions	7.0	0.4	-	7.4
Tax losses available for carry-forward	16.1	2.3	-	18.4
Valuation allowance tax losses	-	(3.2)	-	(3.2)
Derivative financial instruments	(0.5)	(0.2)	(0.7)	(1.4)
Defined benefit plans	-	(3.1)	3.1	-
Other	(0.8)	0.2	-	(0.6)
Total deferred taxes	**20.3**	**(1.1)**	**2.4**	**21.6**

	Balance at 1 January 2010	Recognised in income	Recognised in equity	Balance at 31 December 2010
Property, plant and equipment	(1.9)	0.4	-	(1.5)
Provisions	10.2	(3.2)	-	7.0
Tax losses available for carry-forward	14.7	1.4	-	16.1
Derivative financial instruments	1.0	0.2	(1.7)	(0.5)
Other	(2.0)	(0.2)	1.4	(0.8)
Total deferred taxes	**22.0**	**(1.4)**	**(0.3)**	**20.3**

6.6.9 Inventories

	2011	2010
Spare parts	5.1	5.4
Other inventories	2.6	2.0
Total inventories	**7.7**	**7.4**

At year-end 2011 the provision for spare parts amounted to EUR 0.4 million (2010: EUR 2 million).

6.6.10 Trade and other receivables

	Notes	2011	2010
Trade receivables		42.4	49.9
Public transport funds receivable		34.3	22.1
Repayments on non-current receivables in the coming year	6.6.7	0.3	0.4
Available for sale financial assets		4.7	-
Derivative financial instruments		2.3	2.6
Prepayments and accrued income		60.1	40.6
Other receivables		3.3	4.3
Total trade and other receivables		**147.4**	**119.9**

The available for sale financial assets represent bonds that will expire in 2012. The balance was reported under Other investments including derivatives in 2010.

Trade receivables

	2011	2010
Gross amount	45.1	53.1
Valuation allowance	(2.7)	(3.2)
Balance at 31 December	**42.4**	**49.9**

Ageing trade receivables

The ageing of trade receivables can be broken down as follow:

	2011	2010
Not due	29.8	43.8
Due 0 - 30 days	5.8	1.1
Due 31 - 60 days	1.5	1.4
Due 61 - 90 days	0.6	1.0
Due in more than 90 days	7.4	5.8
Total	**45.1**	**53.1**

Trade receivables have been pledged as a security for interest-bearing loans and borrowings.

The changes in valuation allowances of trade receivables were as follows:

	2011	2010
Balance at 1 January	(3.2)	(3.6)
Additions	(0.5)	(0.5)
Usage	1.0	0.9
Balance at 31 December	**(2.7)**	**(3.2)**

6.6.11 Assets classified as held for sale

	2011	2010
Property, plant and equipment	-	18.5
Total assets classified as held for sale	**-**	**18.5**

Property, plant and equipment classified as held for sale mainly comprises rolling stock and buildings. As the Group does not have a firm commitment to sell the assets at 31 December 2011 the assets are presented as property, plant and equipment.

The changes in assets classified as held or sale were as follows:

	2011	2010
Balance at 1 January	18.5	17.9
Reclassification from (to) property, plant and equipment	(18.5)	16.5
Disposals	-	(15.9)
Balance at 31 December	**-**	**18.5**

6.6.12 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
Trade receivables	45.1	53.1
Loans and other receivables	105.1	82.2
Available-for-sale financial assets	4.7	6.3
Cash and cash equivalents	44.0	18.5
Derivatives used for cash flow hedging	5.9	11.7
	204.8	**171.8**

6.6.13 Equity attributable to equity holders

Authorised share capital

The authorised share capital of the Company amounts to EUR 350.0 million, divided into 350,000 ordinary registered shares with a nominal value of EUR 1,000 each. Neither the nominal value of the authorised share capital nor the number of shares changed during the current and previous year.

Issued capital

The issued capital of the Company amounts to EUR 79.5 million. divided into 79,553 ordinary shares with a nominal value of EUR 1,000 each. The issued capital is fully paid up. Neither the value of the issued capital nor the number of shares changed during the current and previous years.

Statutory and other non-distributable reserves

The statutory and other non-distributable reserves relate to undistributed profits of associates and jointly controlled entities and the restricted capital of the Ambulance Services as per the relevant guidelines of the competent authority. The restricted capital of the Ambulance Service totalled EUR 12.6 million as at year-end 2011 (2010: EUR 6.2 million).

Other reserves

Other reserves amount to EUR 5.0 million negative as at year-end 2011 (2010: EUR 2.2 million) and include the cash flow hedge reserve of EUR 4.2 million (2010: EUR 2.2 million) and the reserve for actuarial gains and losses of EUR 9.2 million negative (2010: EUR 0 million). The cash flow hedge is a legal reserve.

Retained earnings

The Management Board proposes to add the profit for 2011 attributable to equity holders of the company, in an amount of EUR 14.1 million to the retained earnings. The movements in the line item 'retained earnings' are included in the consolidated statement of changes in equity. The movement on the line 'other changes' in 2010 relates to the recognition of previously unrecorded early retirement benefits net of taxes.

Non-controlling interest

During the year the Group acquired the remaining shares of Waterbus BV.

6.6.14 Loans and borrowings

	2011	2010
Non-current loans and borrowings		
Finance lease commitments	29.2	29.2
Loans from financial institutions	3.3	19.9
Total non-current loans and borrowings	**32.5**	**49.1**
Repayments on loans and borrowings in the coming year		
Finance lease commitments	11.3	15.3
Other	-	0.9
Total repayments on loans and borrowings in the coming year	**11.3**	**16.2**
Total loans and borrowings	**43.8**	**65.3**

The repayments on loans and borrowings are presented under the current liabilities. The movement can be detailed as follows:

	2011	2010
Balance at 1 January	65.3	78.5
Loans granted	57.5	161.3
Effect of acquisitions	0.4	-
Repayments	(81.7)	(176.1)
Financing fees	2.3	1.6
Balance at 31 December	**43.8**	**65.3**

In 2009 the Group entered into a Credit Facilities Agreement replacing the previous Credit Facilities entered into on 19 September 2006. The security provided for the Credit Facilities is a pledge on assets of the Group. Borrowings under the Credit Facilities bear interest at floating rates related to EURIBOR. The interest rate margin varies with the leverage ratio (pricing grid) and was initially set at 3.50%. The Credit Facilities imposes certain restrictions on the Group including the ability to incur additional debt. the Group is also required to partly apply the proceeds of sale of assets to the repayment of debt. Under the Credit Facilities, the Group must adhere to certain covenants including leverage ratio and interest cover ratio. As of 31 December 2011 the Group complied to these covenants with sufficient headroom.

Collateral to guarantee loans and borrowings

The Group has pledged rolling stock with a carrying amount of EUR 193.3 million (2010: EUR 245.8 million) as security for financing (reference is made to Section 6.6.3). Moreover, the Group conditionally pledged upon first request its land and buildings. This pledge can be exercised if the Group fails to meet certain debt covenants. Furthermore trade receivables have been pledged as a security for interest-bearing loans and borrowings.

Break-down of loans and borrowings based on their term and interest rate

2011

Interest rate	**< 1 year**	**1 - 5 years**	**> 5 years**	**Total**
To 4%	1.1	4.4	4.9	10.4
4% to 6%	10.2	18.6	4.6	33.4
Total	**11.3**	**23.0**	**9.5**	**43.8**

2010

Interest rate	**< 1 year**	**1 - 5 years**	**> 5 years**	**Total**
To 4%	-	17.0	2.9	19.9
4% to 6%	16.2	26.1	3.1	45.4
Total	**16.2**	**43.1**	**6.0**	**65.3**

Finance lease commitments

The Group has concluded finance lease contracts for rolling stock and buildings. The nominal lease payments at present value can be broken down as follows:

	2011		2010	
	Nominal lease payments	Present value lease payments	Nominal lease payments	Present value lease payments
< 1 year	12.6	11.3	16.6	15.3
1 - 5 years	25.2	22.5	26.3	26.1
> 5 years	7.7	6.7	6.1	3.1
Total nominal lease payments	**45.5**		**49.0**	
Effect of discounting	5.0		4.5	
Total present value of lease payments	**40.5**	**40.5**	**44.5**	**44.5**

Finance lease commitments are subject to the following conditions: the Group undertakes to keep the property in good condition. to insure it and to have it used by the Group only. Ownership of the property shall only pass to the lessee after payment of the last instalment and the transfer price. The lease contract will only be terminated due to a destruction of the property or the lessee's bankruptcy. The Group has not recognised any contingent lease payments as a cost in the income statement. No limitations have been imposed in the lease contract.

The carrying amount of rolling stock under finance lease contracts totalled EUR 30.4 million as at 31 December 2011 (2010: EUR 37.3 million). The carrying amount of land and buildings under finance lease contracts totalled EUR 8 million as at 31 December 2011 (2010: EUR 9 million).

6.6.15 Provisions

The movement of the provisions can be broken down as follows:

	Carrying amount 01-01-2010	Additions	Usage	Release	Effect of amorti-sation	Reclassifi-cation to liabilities held for sale	Other reclassi-fications	Carrying amount 31-12-2010
Long-term employee benefits	23.8	6.4	(8.1)	(2.2)	3.6	-	(1.7)	21.8
Pending damage claims	13.8	9.6	(15.5)	-	0.4	-	-	8.3
Onerous contracts	9.6	1.6	(5.4)	(3.3)	-	-	-	2.5
Restructuring	7.8	2.1	(4.9)	(1.4)	(0.2)	-	-	3.4
Environmental	1.8	-	(0.1)	(0.6)	0.7	(0.1)	-	1.7
Litigation and claims	-	2.3	-	-	-	-	-	2.3
Other	1.3	0.1	(0.1)	(0.5)	(0.1)	-	0.8	1.5
Total provisions	**58.1**	**22.1**	**(34.1)**	**(8.0)**	**4.4**	**(0.1)**	**(0.9)**	**41.5**

	Carrying amount 01-01-2011	Additions	Usage	Release	Effect of amorti-sation	Reclassifi-cation to liabilities held for sale	Other reclassi-fications	Carrying amount 31-12-2011
Long-term employee benefits	21.8	2.1	(4.7)	(2.2)	0.3	-	(2.1)	15.2
Pending damage claims	8.3	8.1	(6.9)	(0.2)	0.9	-	-	10.2
Onerous contracts	2.5	-	(1.2)	(0.3)	-	-	-	1.0
Restructuring	3.4	3.7	(1.9)	(0.2)	(0.1)	-	-	4.9
Environmental	1.7	-	-	(0.3)	0.2	0.7	-	2.3
Litigation and claims	2.3	0.7	(0.2)	(0.9)	0.3	-	-	2.2
Other	1.5	1.1	(0.2)	-	-	-	-	2.4
Total provisions	**41.5**	**15.7**	**(15.1)**	**(4.1)**	**1.6**	**0.7**	**(2.1)**	**38.2**

Breakdown of provisions based on their term

	2011		2010	
Term	**< 1 year**	**> 1 year**	**< 1 year**	**> 1 year**
Long-term employee benefits	6.0	9.2	5.5	16.3
Pending damage claims	2.1	8.1	6.2	2.1
Onerous contracts	0.6	0.4	1.4	1.1
Restructuring	3.7	1.2	1.5	1.9
Environmental	0.6	1.7	0.1	1.6
Litigation and claims	2.2	-	-	2.3
Other	0.4	2.0	0.4	1.1
Total provisions	**15.6**	**22.6**	**15.1**	**26.4**

For a general description of the provisions, reference is made to the accounting policies (reference is made to Section 6.6.2).

Long-term employee benefits

The provision for long-term employee benefits is intended for benefits paid to employees due to long-term illness, jubilee benefits, termination benefits and for payments for job-related discharge from service dictated by age. For the calculation of provisions for future jubilee benefits, termination benefits and discharge from service dictated by age the Group applies a wage trend of 2.5%. The life expectancy rates are based on 'AG prognosetafel 2010 - 2060 met ervaringssterfte TW 2010' without backward age adjustments. Effective market bonds with a double A rating have been used as the discount rate.

Pending damage claims

The provision presents the discounted maximum stop loss amount for bodily insurance net of payments made.

Onerous contracts

The provision for onerous contracts relates to public transport contracts which are expected to incur a loss during the full term of the concession (i.e. the contract). In this estimate, the Group compares the costs of the contract with the expected economic benefits. Costs that can be avoided by future actions are excluded from in the estimated future cash flows and, in addition, only those costs that can directly be attributed are included in the determination of the total costs. The incremental borrowing rate was used as the discount rate.

Restructuring

Restructuring provisions are provisions for future payments to employees. The balance at 31 December 2011 mainly relates to the costs associated to the 2011 restructuring and cost saving program.

6.6.16 Derivative financial instruments

The Group acquired derivative financial instruments for hedging the diesel price risk and the interest rate risk. A hedging policy has been formulated for the hedging of all future diesel purchases. The policy stipulates the hedged volume shall not exceed the expected future exposure. Derivative transactions are solely contracted with financial institutions with an A-credit rating, or better.

The book value of the derivatives can be specified as follows:

	2011	2010
Other investments, including derivatives	3.6	2.8
Trade and other receivables	2.3	2.6
Derivatives	(0.4)	(2.2)
Trade and other payables, including derivatives	(0.2)	(0.9)
Total	**5.3**	**2.3**

During 2011 the interest rate swaps did not meet the criteria for cash flow hedge accounting. As a result the changes in fair value were accounted for as finance income.

The following table shows the periods in which the cash flows associated with derivatives with negative market values that qualify as cash flow hedges are expected to occur and to impact profit or loss:

As of 31 December 2011	**2012**	**2013**
Number of litres diesel hedged (x 1 million)	29.2	7.2

	2012	2013	Total
Expected cash flow diesel swap	(1.0)	(0.2)	(1.2)
Total	**(1.0)**	**(0.2)**	**(1.2)**

The following table shows the periods in which the cash flows associated with derivatives with negative book values that qualify as cash flow hedges are expected to occur and to impact profit or loss as of 31 December 2010:

As of 31 December 2010	**2011**	**2012**	**2013**
Number of litres diesel hedged (x 1 million)	32.7	29.2	7.3
Loan, hedged by means of an interest rate swap (x EUR 1 million)	80.0	-	-

	2011	**2012**	**2013**	**Total**
Expected cash flow diesel swap	(0.9)	(0.7)	(0.5)	(2.1)
Expected cash flow interest rate swap	(1.0)	(0.1)	-	(1.1)
Total	**(1.9)**	**(0.8)**	**(0.5)**	**(3.2)**

6.6.17 Trade and other payables, including derivatives

	Notes	**2011**	**2010**
Trade payables		60.5	50.8
Derivative financial instruments	6.6.16	0.2	0.9
Personnel costs		38.4	42.0
Accruals		38.6	25.5
Other liabilities		28.7	32.7
Total trade and other payables, including derivatives		**166.4**	**151.9**

6.6.18 Deferred income

	2011	2010
Public transport funds	105.3	107.0
Other payments received in advance	19.0	16.9
Total deferred income	**124.3**	**123.9**

6.6.19 Liabilities classified as held for sale

Liabilities classified as held for sale at year end 2010 (EUR 0.7 million) relate to the environmental provision for the buildings classified as held for sale. As the relating assets are now presented as property, plant and equipment, this liability is now presented as environmental provision. In 2011 a release of the environmental provision, which was classified as held for sale, took place for an amount of EUR 0 million (2010: EUR 1.1 million) as a result of the disposal of the related building.

6.6.20 Post retirement benefits

The Group is the main contributor to the industry-wide pension schemes for the Dutch public transport sector (SPOV). A substantial number of employees, former employees, and retirees are covered by these plans. The SPOV plan is a career average plan with discretionary indexation. Previously not sufficient information was available to account for these plans as a defined benefit plan.

At year end 2011, the inability to directly get an economic benefit out of the plan resulted in a net asset of zero due to the limitation on net assets.

Net periodic benefit cost, which is presented in the income statement according to its function as a component of operating cost and finance cost, was as follows:

Net benefit expense	2011
Current service cost	42.8
Interest cost on benefit obligation	60.4
Expected return on plan assets	(72.6)
Net benefit expense	30.6

The changes in present value of the defined benefit obligation and plan assets in 2011 were as follows:

Defined benefit obligation	2011
Defined benefit obligation at 1 January	1,342.8
Current service cost	42.8
Interest cost	60.4
Plan participants' contributions	11.8
Actuarial gain	(29.4)
Benefits paid from plan/company	(61.6)
Defined benefit obligation at 31 December	**1,366.8**

The changes in the fair value of the plan assets are as follows:

Plan assets	2011
Plan assets at 1 January	1,516.5
Expected return on plan assets	72.6
Actuarial gain on plan assets	31.1
Employer contributions (incl. employer direct benefit payments)	42.8
Plan participants' contributions	11.8
Benefits paid from plan/company	(61.6)
Plan assets at 31 December	**1,613.2**

Amounts recognized in the statement of financial position	2011
Present value of wholly or partly funded obligations	1,366.8
Fair value of plan assets	1,613.2
Deficit (surplus) for funded plans	(246.4)
Effect of asset ceiling	246.4
Net liability (asset) at 31 December	-

The Group's contributions are expected to remain at the level of 2011

The assumptions used in the actuarial calculations of the defined benefit obligations and net periodic benefit cost require a large degree of judgment. Actual experience may differ from the assumptions made. The assumptions required to calculate the actuarial present value of benefit obligations and net periodic benefit costs are as follows (expressed as weighted averages if applicable):

Actuarial assumptions	**2011**
Discount rate	4.7%
Expected rate of return on assets	4.8%
Future salary increases	0.0%
Future pension increases	1.0%

The 'AG Prognosetafel 2010-2060' was used. No plan specific adjustments were made. The discount rates used to calculate the present value of the obligations are based on the market yields on high-quality corporate bonds (i.e. bonds rated AA) with the same currency and term as the obligations.

The following table shows the effect on the defined benefit obligation if the discount rate had been 0.5 percentage-points higher or lower as of year end 2011. Positive amounts represent increases and negative amounts represent decreases in defined benefit obligations:

	Increase	**Decrease**
Present value of funded obligations	(1,272.5)	(1,468.5)
Fair value of plan assets	1,613.2	1,613.2
Deficit (surplus) for funded plans	340.7	144.7
Effect of asset ceiling	(340.7)	(144.7)
Net asset (liability)	-	-

6.6.21 Business combinations

During fiscal year 2011 the Group acquired three entities that qualify as a business combination under IFRS 3. In May 2010, the IASB issued several improvements to its standards, mainly to remove inconsistencies and clarify wording. With regard to IFRS 3, three improvements have been made as outlined in paragraph 6.6.2 'Summary of significant accounting policies'. The improvements have no impact on the financial position or performance of the Group.

On 30 June 2011 the Group acquired 100% of the share capital in Witte Kruis Holding BV, including its 100% subsidiaries WK Zorg BV, WK Ambulancezorg BV, WK International BV and WK Garage Assendelft. Witte Kruis is an unlisted company specializing in medical based transportation services. The Group acquired Witte Kruis to further enlarge the rendering of services in the Ambulance Services division. The total amount of goodwill paid of EUR 2.7 million (2010: EUR 0 million) mainly relates to the expected improvement in market position.

On 15 February 2011 the Group acquired the assets and contracts of De Hollandse Vervoert BV, a Purmerend-based provider of passenger transportation services. The activities of De Hollandsche Vervoert were incorporated in the Taxi Services division.

On 25 January 2011 Connexxion Taxi Services BV acquired 100% of the share capital in Taxi Blaakman BV, a Vlissingen-based provider of passenger transportation services. The Group acquired Taxi Blaakman to enlarge the rendering of services in the Taxi Services segment. No businesses were acquired in 2010.

The Group paid EUR 5.9 million in cash for these acquisitions, net of cash acquired of EUR 4.0 million. The Group recognized EUR 0.9 million of badwill (2010: EUR 0 million). The above acquisitions have the following effect on the Group's assets, equity and liabilities on acquisition date:

	2011	2010
Non-current assets	8.8	-
Current assets	6.2	-
Total assets	**15.0**	**-**
Equity	10.8	-
Non-current liabilities	0.2	-
Current liabilities	4.0	-
Total liabilities	**4.2**	**-**
Total equity and liabilities	**15.0**	**-**

In aggregate the acquisitions contributed EUR 17.4 million to revenues and EUR 1.4 million to net profit for the year.

6.6.22 Off-balance sheet commitments

Capital commitments

The Group entered into contracts for the purchase of assets for an amount of EUR 62.1 million (2010: EUR 5.4 million). Capital commitments all relate to 2012.

Operating leases, rent and ground leases

The Group has concluded operating lease contracts for rolling stock, real estate and ground leases. The total nominal lease payments for non-cancellable operating leases, future rentals commitments entered into with third parties for real estate and ground leases amounted to EUR 139.2 million (2010: EUR 143.9 million) and can be broken down as follows:

	2011	2010
< 1 year	36.5	37.1
1 - 5 years	91.5	86.4
> 5 years	11.2	20.4
Total operating leases, rent and ground leases	**139.2**	**143.9**

In 2011 EUR 39.9 million (2010: EUR 38.0 million) in operating lease costs were charged to the statement of income.

Guarantees

As at 31 December 2011, the Group furnished guarantees up to an amount of EUR 29.3 million (2010: EUR 16.3 million). This amount can be broken down as follows:

	2011	2010
< 1 year	12.5	4.3
1 - 5 years	16.0	11.2
> 5 years	0.8	0.8
Total guarantees	**29.3**	**16.3**

6.6.23 Revenue

	2011	2010
Public transport revenue	724.8	731.0
Taxi, tour and ambulance services revenue	342.9	343.6
Other revenue	28.0	30.1
Total revenue	**1,095.7**	**1,104.7**

Public transport revenue mainly concern passenger transport revenue, student travel cards revenue and local government contractual revenue.

6.6.24 Cost of sales

	2011	2010
Cost of work contracted-out	(153.3)	(167.8)
Cost of spare parts	(9.3)	(7.5)
Total cost of sales	**(162.6)**	**(175.3)**

6.6.25 Personnel costs

	2011	2010
Wages and salaries	(413.4)	(418.5)
Social charges	(47.5)	(55.6)
Pension charges	(58.1)	(60.0)
Hired staff	(51.9)	(36.7)
Other personnel costs	(26.5)	(26.7)
Total personnel costs	**(597.4)**	**(597.5)**

The number of employees of the Group in full-time equivalents at year end was: 10,545 FTEs (2010: 11,307 FTE's).

The Group expensed EUR 15.3 million (2010: EUR 60 million) in relation to defined contribution pension plans. In 2010 all pension plans were accounted for as defined contribution plans.

6.6.26 Depreciation, amortisation and impairments

	2011	2010
Depreciation of property, plant and equipment	(60.5)	(66.9)
Amortisation of intangible assets with useful lifes	(2.0)	(4.1)
Impairments of property, plant and equipment net of reversals	(0.7)	(3.5)
Total depreciation, amortisation and impairments	**(63.2)**	**(74.5)**

6.6.27 Finance income and finance expense

Finance income can be specified as follows:

	2011	2010
Interest income	0.8	0.8
Reversal of impairment of bonds	0.9	1.6
Effect of discounting provisions	0.2	0.1
Actuarial gains on defined benefit plans	12.3	-
Total finance income	**14.2**	**2.5**

Finance expense can be specified as follows:

	2011	2010
Finance expense	(6.8)	(10.5)
Effect of discounting provisions	(1.6)	(1.5)
Total finance expenses	**(8.4)**	**(12.0)**

6.6.28 Results from associates

	2011	2010
REISinformatiegroep BV	0.1	0.2
CTS Noord BV	0.1	-
Other	(0.2)	-
Results from associates	**-**	**0.2**

6.6.29 Income tax

	As a %		In EUR millions	
Reconciliation of effective tax rate	**2011**	**2010**	**2011**	**2010**
Profit before taxes			15.2	7.2
Income tax using the statutory tax rate	25.0 %	25.5 %	(3.8)	(1.8)
Adjustment valuation deferred tax asset and liability	(12.5)%	2.5 %	1.9	(0.2)
Effect of participation exemption	-	(0.1)%	-	-
Non-deductible costs	2.6 %	6.3 %	(0.4)	(0.4)
Benefits exempted from income taxes	(7.9)%	(14.2)%	1.2	1.0
Total income taxes	**7.2 %**	**20.0 %**	**(1.1)**	**(1.4)**

6.6.30 Related party transactions

The following related parties of the Group are distinguished: the associates and joint ventures (reference is made to Section 6.6.2), the Management Board and Supervisory Board of Connexxion and the Shareholders, more specifically the consortium of Transdev, a French transport company, Bank Nederlandse Gemeenten (BNG) and the Dutch State. All related party transactions are conducted at arm's length.

The following related party transactions took place:

2011

	Sold to	Purchased from	Amounts receivable from	Amounts payable to
Name of related party				
Transdev Group	0.4	2.4	0.4	2.4
	0.4	**2.4**	**0.4**	**2.4**

2010

	Sold to	Purchased from	Amounts receivable from	Amounts payable to
Name of related party				
Transdev Group	0.6	2.7	-	-
	0.6	2.7	-	-

No transactions took place with the Management Board or the Supervisory Board of Connexxion, nor the Dutch State during the reporting year.

Audit fees

Audit fees have not been disclosed pursuant to the provisions of BW 2 art. 382a-3.

Remuneration and benefits of current and former Board members

Remuneration of the Management Board

At the proposal of the Remuneration Committee, the Supervisory Board determined the variable remuneration of the members of the Management Board. The remuneration of the Management Board totalled EUR 1.2 million in 2011 (2010: EUR 1.2 million). The amount can be broken down by individual member of the Management Board as follows:

Amounts in EUR thousands	Salaries		Variable remuneration		Pension charges	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Name						
Hubert Guyot, Chief Executive Officer	308	302	120	100	71	69
Bram Drexhage, Chief Financial Officer	270	255	105	95	60	56
Bruno Bruins, Chief Customer Relations Officer	205	202	80	67	45	44
Richard Dujardin, Chief Commercial Officer	36	-	-	-	-	-
	819	759	305	262	176	169

At 31 December 2011 the members of the Management Board were Mr Guyot, Mr Drexhage and Mr Dujardin.

Remuneration of the Supervisory Board

The amount can be broken down by individual member of the Supervisory Board as follows:

Amounts in EUR thousands	Supervisory Board	As committee member	Total 2011	Total 2010
Name				
Thierry Walrafen, chairman	35	9	44	44
Frédéric Gagey	23	8	31	31
Hanja Maij-Weggen	23	6	29	27
Joost van der Does de Willebois	23	3	26	24
Hans Schenk	23	3	26	15
Total payments Supervisory Board	**127**	**29**	**156**	**141**

6.7 Company statements of financial position

Before proposed profit appropriation

In EUR millions	Notes	2011	2010
Assets			
Non-current assets			
Investments in subsidiaries	6.9.2	211.8	201.2
Other investments		-	4.8
Deferred tax assets		17.8	15.1
Total non-current assets		**229.6**	**221.1**
Current assets			
Trade and other receivables	6.9.3	68.7	85.9
Total current assets		**68.7**	**85.9**
Total assets		**298.3**	**307.0**

The notes on pages 89 to 93 are an integral part of these company financial statements.

In EUR millions	Notes	2011	2010
Equity and liabilities			
Equity			
Share capital		79.5	79.5
Statutory and other non-distributable reserves		12.6	6.2
Other reserves		(5.0)	2.2
Retained earnings		76.8	77.4
Profit for the period		14.1	5.8
Total equity		**178.0**	**171.1**
Non-current liabilities			
Loans and borrowings	6.9.4	56.2	72.6
Provisions	6.9.5	59.4	58.5
Deferred tax liabilities		4.6	1.8
Total non-current liabilities		**120.2**	**132.9**
Current liabilities			
Trade and other payables	6.9.6	0.1	2.9
Provisions	6.9.5	-	0.1
Total current liabilities		**0.1**	**3.0**
Total liabilities		**120.3**	**135.9**
Total equity and liabilities		**298.3**	**307.0**

6.8 Company statements of income

In EUR millions	2011	2010
Results from operating activities	-	-
Finance income	(6.0)	(7.4)
Share in result of subsidiaries, associates and joint ventures	16.6	11.5
Profit before income tax	**10.6**	**4.1**
Income tax	3.5	1.7
Profit for the period	**14.1**	**5.8**

The notes on pages 89 to 93 are an integral part of these company financial statements.

6.9 Notes to the company financial statements

6.9.1 Accounting policies

Introduction

A condensed company statement of income has been drafted as permitted by Section 402, Part 9, Book 2 of the Dutch Civil Code.

Accounting policies

The company financial statements of Connexxion Holding NV have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code, using the option to apply the valuation principles of the consolidated financial statements (Section 362 (8)). The investments in subsidiaries are accounted for using the equity method. For the other policies of the company financial statements, reference is made to the notes to the consolidated financial statements.

The share of profit or loss of subsidiaries comprises the share of Connexxion Holding NV in the profits or losses of these subsidiaries. Gains or losses on transactions in which assets and liabilities were transferred between Connexxion Holding NV and its subsidiaries and among its subsidiaries, have not been recognised insofar as they are unrealised. For the statement of changes in equity reference is made to the consolidated financial statements.

6.9.2 Investments in subsidiaries

	Notes	2011	2010
Subsidiaries	6.9.2.1	211.8	201.2
Total investments in subsidiaries		**211.8**	**201.2**

6.9.2.1 Equity and result of subsidiaries

Equity and result of subsidiaries as at 31 December can be broken down as follows:

	% of share capital		Equity		Profit/loss	
	2011	2010	2011	2010	2011	2010
Subsidiaries						
Connexxion Nederland NV, Utrecht, the Netherlands	100%	100%	69.9	61.7	17.3	3.6
Connexxion Vastgoed BV, Hilversum, the Netherlands	100%	100%	59.7	59.0	0.7	4.2
Other			82.2	80.5	(0.2)	4.9
Subtotal subsidiaries with a positive equity value			**211.8**	**201.2**	**17.8**	**12.7**
Connexxion Facilitair Bedrijf BV, Hilversum, the Netherlands	100%	100%	(15.6)	(14.4)	(1.2)	(1.2)
Connexxion Vloot BV, Hilversum, the Netherlands	100%	100%	(43.8)	(43.8)	-	-
Subtotal subsidiaries with a negative equity value			**(59.4)**	**(58.2)**	**(1.2)**	**(1.2)**
Total subsidiaries			**152.4**	**143.0**	**16.6**	**11.5**

Other subsidiaries comprises of Connexxion Participaties BV, Hermes Groep NV, Connexxion Finance BV and Connexxion International NV. Subsidiaries with a negative equity value are classified as a provision (reference is made to Section 6.9.5).

6.9.2.2 Subsidiaries (including subsidiaries with a negative equity value)

	2011	2010
Balance at 1 January	143.0	130.5
Profit for the year	16.6	11.5
Changes in fair value of financial instruments	2.0	4.9
Pensions	(9.2)	-
Other	-	(3.9)
Balance at 31 December	**152.4**	**143.0**

6.9.3 Trade and other receivables

	2011	2010
Receivables from subsidiaries	68.7	85.0
Other receivables, prepayments and accrued income	-	0.9
Total trade and other receivables	**68.7**	**85.9**

6.9.4 Loans and borrowings

	2011	2010
Non-current loans and borrowings		
Subsidiaries	56.2	56.2
Loans from financial institutions	-	16.4
Total non-current loans and borrowings	**56.2**	**72.6**

	2011	2010
Balance at 1 January	**72.6**	**72.4**
Loans granted	50.0	157.9
Repayments	(68.6)	(159.3)
Financing fees	2.2	1.6
Balance at 31 December	**56.2**	**72.6**

Loans and borrowings is a component of the loans and borrowings described in the consolidated financial statements. Reference is made to Section 6.6.14.

Break-down of loans from financial institutions based on their term and interest rate

			2011
Interest rate	**< 1 year**	**1 - 5 years**	**Total**
4% to 6%	-	-	-
Total	**-**	**-**	**-**

			2010
Interest rate	**< 1 year**	**1 - 5 years**	**Total**
4% to 6%	-	16.4	**16.4**
Total	**-**	**16.4**	**16.4**

6.9.5 Provisions

Provisions relate to subsidiaries with a negative equity value for an amount of EUR 59.4 million in 2011 (2010: EUR 58.2 million) and a provision for pending damage claims for an amount of EUR 0 million in 2011 (2010: EUR 0.4 million). As the Company has submitted guarantees conform Section 403, Part 9, Book 2 of the Dutch Civil Code, a provision was made for the subsidiaries with a negative equity value as this is the best estimation of the concerning cash outflow relating to this guarantee.

6.9.6 Trade and other payables

	2011	2010
Accruals and deferred income	0.1	0.2
Other liabilities	-	2.7
Total trade and other payables	**0.1**	**2.9**

6.9.7 Off-balance sheet commitments

For the off-balance sheet commitments, including legal proceedings and events after the balance sheet date, reference is made to the notes to the consolidated financial statements and other information.
In addition, the Company has also submitted guarantees to their subsidiaries conform Section 403, Part 9, Book 2 of the Dutch Civil Code. Connexxion Holding NV is the ultimate parent company in a tax group for corporate income tax and VAT purposes. By virtue of the standard conditions, the Company is there jointly and severally liable for all tax liabilities of the subsidiaries being members of the tax group.

6.9.8 Related party transactions

Related party transactions relate to interest receipts from and payments to subsidiaries (Connexxion Finance NV, Hermes Group NV, Novio NV and GVU NV). In 2011 the interest expenses from related parties amounted to EUR 2.6 million (2010: EUR 2.6 million).

Hilversum, the Netherlands, 15 March 2012
On behalf of the Management Board of Connexxion Holding NV,

H.A.B. Guyot
Chief Executive Officer

B.J. Drexhage
Chief Financial Officer

R.J. Dujardin
Chief Commercial Officer

7 Other Information

7.1 Independent auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2011 of Connexxion Holding NV as set out on pages 27 to 93. The financial statements include the consolidated and company financial statements. The consolidated financial statements comprise the consolidated statements of financial position as at 31 December 2011, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statements of financial position as at 31 December 2011, the company statement of income for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Connexxion Holding NV as at 31 December 2011, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Connexxion Holding NV as at 31 December 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Management Board, as set out on page 12 to 19, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Management Board, as set out on page 12 to 19, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, 21 March 2012
Ernst & Young Accountants LLP
Signed by W.J. Spijker

7.2 Appropriation of 2011 profit

Article 10 of the Articles of Association provides that the Annual Meeting of Shareholders shall decide on the appropriation of the profit of Connexxion Holding NV. The Management Board proposes to add the profit of 2011 attributable to equity holders of the Company in an amount of EUR 14.1 million to the retained earnings.

7.3 Subsequent events

In March 2012, Connexxion agreed on a new credit facility for an amount of EUR 220 million for a period of 5 years.

No significant events between the balance sheet date and the date of approval of the financial statements 2011 occurred that would require amendment of or additional disclosure in the financial statements 2011.

8 Corporate governance, risk management and internal control

8.1 Corporate governance

8.1.1 Introduction

Connexxion subscribes to the principle of the Dutch Corporate Governance Code, i.e. that a company is a long-term alliance of a number of different parties. These parties are the entities and groups which and the individuals who, either directly or indirectly, help the Company to achieve its objectives or are affected by the way in which the Company achieves its objectives. They include in any event the passengers, principals, customers and staff of the Company, its shareholders and other providers of capital, its suppliers, local government authorities and social groups. The Management Board, and in practice since September 2009, the Executive Committee, and the Supervisory Board share the full responsibility for weighing these parties' interests with a view to securing the continuity of the Company as a whole. The Company's aim in doing so is to create shareholder value in the long term and to forge an intensive collaboration with VeoliaTransdev.

Connexxion Holding NV is a statutory two-tier company incorporated under Dutch law. The provisions from Chapters III and IV of the Code are not applied insofar as they specifically relate to the one-tier regime and listed companies respectively. Each year Connexxion outlines the corporate governance structure in its Annual Report and puts any substantial changes to it to the Annual General Meeting of Shareholders for discussion.

8.1.2 Meeting of Shareholders

A Meeting of Shareholders is held twice per year. Other shareholders' meetings may be held at the request of the Management Board, the Chair of the Supervisory Board or Connexxion's shareholders.

The agenda is compiled by the person or body convening the meeting. The shareholders are entitled to propose motions up to 30 days before the date of the meeting. Resolutions are passed by an absolute majority of votes, unless either statutory regulations or the Company's Articles of Association call for a qualified majority.

8.1.3 Supervisory Board

Duties

The Supervisory Board supervises the policies developed by the Executive Committee and the general course of affairs of Connexxion and advises the Management Board on these matters. In doing so the Supervisory Board is guided by the interests of the Company's stakeholders.

Appointment

The General Meeting of Shareholders appoints members of the Supervisory Board at the nomination of the Supervisory Board. The Shareholders Agreement between Transdev-BNG-Connexxion Holding BV (TBC Holding) and the State of the Netherlands contains the provision that TBC Holding may propose for nomination three out of five Supervisory Board Members, two by Transdev – one close to Caisse des Dépôts stakeholders and one close to Franco-Dutch transport stakeholders – and one by BNG. One candidate may be proposed by the State of the Netherlands. To one third of the number of Supervisory Board members it applies that the Supervisory Board places a person recommended by the Central Works Council on the nomination, unless the Supervisory Board objects to this recommendation because it expects the candidate to be unsuitable for the fulfilment of duties of a supervisory board or because his/her appointment will lead to an inappropriate composition of the Supervisory Board. If the number of Supervisory Board members cannot be divided by three, the next lower number that can be divided by three shall be taken into account when determining the number of members to which this enhanced right to make recommendations applies. The Supervisory Board is aware of the provision in the Shareholders Agreement and will take it into account.

Supervisory Board members are appointed for a maximum period of four years, after which they are eligible for reappointment, on the understanding that no single Supervisory Board member may join the Supervisory Board for more than three terms or, where applicable, twelve years. The Supervisory Board consists at least of three and at most of seven members. The Supervisory Board appoints one of its members as its Chair. The Chair is responsible for the effective operation of the Supervisory Board and its Committees.

Profile, committees and schedule of rotation

The Supervisory Board draws up a schedule of rotation for its members. When Supervisory Board members are reappointed, a screening procedure takes place to ensure that they match the Supervisory Board's profile. The profile of the Supervisory Board consists of a number of characteristics, based on the nature of activities performed by the Group, the size of the Group and the risks associated with its operations. The members should operate independently of each other, should be critical of each other and should have confidence in each other's integrity.

Notwithstanding the Supervisory Board's joint responsibility, the Company's Supervisory Board needs to possess knowledge and experience in the following fields (partly in combination with each other) in order to be adequately composed:

- experience in managing one or more companies operating in the logistic services market;
- experience in managing one or more companies supplying consumer services;
- experience in managing one or more international companies;
- experience with management and organisational development in commercial organisations;
- financial and IT expertise;
- senior-level public managerial or policy-making experience in the field of government policy as is relevant to the Company;
- expertise in industrial relations.

In accordance with the Dutch Corporate Governance Code, the current members of the Supervisory Board do not hold more than five supervisory directorships with listed Dutch companies. The Chairmanship of a Supervisory Board counts double in this respect. No new members of the Supervisory Board will be appointed who hold more than five supervisory directorships.

The Supervisory Board can delegate certain authorities to its Committees. The respective Committee reports to the Supervisory Board the decisions they have made on the basis of such delegation. The Supervisory Board remains collectively responsible for decisions prepared by the Committees.

The Supervisory Board has a Selection & Nomination Committee, a Remuneration Committee and an Audit Committee. The Selection & Nomination Committee selects candidates and nominates them for appointment as members of the Supervisory Board respectively as members of the Management Board. The Remuneration Committee advises the Supervisory Board on the remuneration policy for the Management Board and on the remuneration of individual members of the Management Board.

The Audit Committee supervises all activities relating to financial reporting, risk management and internal control systems, the work of external auditors, compliance with statutory regulations and the role and findings of the Internal Audit function. The Audit Committee discusses the activity plan for the Internal Auditors, on which the external auditors are also consulted. The responsible financial executives, the head of Internal Audit and the external auditors may be invited to attend (partly) the Audit Committee's meetings. The Audit Committee advises the Supervisory Board on the appointment of the external auditors and discusses their fees and independence. It meets at least once a year with the external auditors at a meeting at which the members of the Management Board are not present.

8.1.4 Management Board

As per its statutory responsibility the Management Board regularly reports to the Supervisory Board, and discusses corporate strategy and policy as developed within the Executive Committee. At least once a year, the Management Board presents the Supervisory Board with a document setting out the strategy, the parameters for the strategy and the operational and financial objectives that the strategy is intended to achieve. The main points of the strategy are set out in the corporate profile.

By virtue of the mitigated applicability of the two-tier regime, the General Meeting of Shareholders appoints (and discharges) the Management Board. The Supervisory Board has decided that, in addition to decisions that must be submitted to it for approval in accordance with statutory regulations or the Company's Articles of Association, certain other decisions should also be submitted for approval to the Supervisory Board. The Supervisory Board has devised procedures and compiled an authorisation table for this purpose. Conflicts of interest, whether actual or potential, between the Group and the Management Board should be avoided. Any member of the Management Board is required to report without delay any material or potential conflicts of interest to the Chair of the Supervisory Board and to the other members of the Management Board.

Term of appointment

Members of the Management Board will be appointed for a period of four years and their appointment is subject to a term of notice of six months. The members in question may be reappointed by the competent body at the end of this four-year period.

Policy on the remuneration of the Management Board of Connexxion Holding NV

The Company's remuneration policy for statutory members of the Management Board is designed to enable the Company to recruit, motivate and retain qualified and skilled officers by offering them remuneration that is consistent with:

- current practices in the industry,
- the remuneration policies for other executives within Connexxion, and in other parts of the VeoliaTransdev Group, taking differences for each country into account,
- the principles and method for a sustainable remuneration policy for state-owned companies as laid down in the letter of the Minister of Finance to the Dutch Parliament dated 24 October 2008.

The remuneration for the statutory members of the Management Board should be competitive when compared with the market for senior executive management of a peer group (median level). The Supervisory Board defines the peer group based on Supervisory Board's Remuneration Committee (RemCo) recommendations. The peer group consists of companies in the market sector with a weight of 75% and in the (semi-)public sector with a weight of 25%. The median refers to the total amount of remuneration in cash, where total cash is defined as fixed salary plus maximum variable pay.

Every four years the RemCo, assisted where and when necessary by external consultants, conducts a review to determine whether the total remuneration of the statutory members of the Management Board is still in conformance with this principle.

The Supervisory Board is ultimately responsible for setting the remuneration of the statutory members of the Management Board, based on the Shareholders' approved remuneration policy, the recommendations made by the RemCo, and after consultation with the Shareholders. The General Meeting of Shareholders approved the remuneration policy.

This policy is applicable to any statutory member of the Management Board newly appointed as from 1 January 2010.

Fixed annual salary

The statutory members of the Management Board receive a fixed annual salary that is commensurate with their individual responsibilities. Moreover, fixed salary is based on job weight and a peer group comparison and, in principle, should not exceed the median level for this group.

In order to objectify the outcome of the job weight/peer group comparison, fixed salary is also compared with the median of the general executive market, as monitored by external specialists. To determine the job weight the internal job ranking of senior executive positions within VeoliaTransdev will be taken into account. In addition to their fixed annual salary, the statutory members of the Management Board are also entitled to certain emoluments, such as a flat-rate expense allowance, a transportation facility and other customary benefits applicable to senior staff.

The CEO's maximum fixed annual salary, reference date 1 July 2009, is EUR 300,000 gross. This maximum may be raised on 1 July of every year, starting on 1 July 2010, by a maximum of the weighted average of the initial salary raise of the major Collective Labour Agreements within Connexxion for the year before (i.e. the CLA Public Transport and the CLA Taxi). This raise is at the discretion of the Supervisory Board and does not occur automatically. After a period of four years this maximum will be reviewed applying the method mentioned above. The maximum fixed annual salary for the statutory members of the Management Board under CEO level is minimally 15% less than the maximum for the CEO.

Pensions

The pensions of the employees of Connexxion Holding NV and its operating companies are defined benefits pensions that are insured with various industry-wide pension funds. The staff of Connexxion Openbaar Vervoer NV, Connexxion Nederland NV and Connexxion Holding NV and the Dutch statutory member of the Management Board participates in the industry-wide pension scheme for the public transport sector (SPOV). Final pension is calculated using an indexed middle salary and a retirement age of 65; a percentage of the pension premium is paid by the manager, which percentage is paid equally for all staff of Connexxion.

Variable pay

In addition to their fixed annual salary, the statutory members of the Management Board are also eligible for variable pay also known as the annual bonus, intended to act as an additional incentive in encouraging the statutory members of the Management Board to meet the targets set out in the annual plan (financial) and the multi-year business plan as well as a number of targets (non-financial/individual) separately agreed upon. Variable pay does not lead to any corresponding pension entitlements.

Bonuses are flexible, and a statutory member of the Management Board will need to have significantly performed above the targets set in order to receive a higher bonus.

One fifth of the awarded annual bonus will be paid at the end of the four-year term of office if the recipient is still in service, and the enterprise has not suffered losses in the last year of that four-year period (bonus bank). The Supervisory Board will ensure that if there are no losses suffered in the fourth year, this is not due to incidental profits.

Part of the annual bonus, up to a maximum of 30% of the fixed annual salary, is linked to achieving financial targets applicable to all statutory member of the Management Board, set out in the annual plan approved by the Supervisory Board (e.g. EBIT, operation results, cash flow) according to the following table:

Actual / Target (financial)	pay out	
<85%	zero	
85%	10%	
100% (at target)	20%	
>115%	30%	(maximum)

Another part of the annual bonus, up to a maximum of 15% of the fixed annual salary, is linked to achieving non-financial targets (e.g. customer satisfaction, employee satisfaction, absenteeism, sustainability, diversity) set for each statutory member individually. A pay out of 10% is awarded when the member in question meets his/her targets.

Actual / Target (non-financial)	pay out	
< 85%	zero	
85%	5%	
100% (at target)	10%	
>115%	15%	(maximum)

If the degree to which the targets are met falls between the percentages set out above, the annual bonus will be calculated on a pro rata basis.

The annual bonus is paid together with the recipient's monthly salary in the month following the relevant Annual General Meeting of Shareholders, except for the bonus bank part.

If a Management Board member receives an additional variable remuneration from an additional position directly related to the membership of the Management Board of Connexxion (possibly the membership of the VeoliaTransdev - COMEX) and if this leads to a total variable remuneration that is higher than 45% of the fixed annual salary, the Supervisory Board ensures that the Management Board member shall waive his/her right to the additional variable remuneration for the part that would exceed 45% of the fixed annual salary. Thus, for statutory members of the Management Board, the variable remuneration received from Connexxion and received in the capacity of an additional position will in total never exceed 45% and the additional variable remuneration received from COMEX is maximised at 15% of the fixed annual salary.
Should the employment agreement of a statutory member of the Management Board either take effect early or be terminated prior to year end, the annual bonus will be calculated pro rata.

In exceptional circumstances - the Supervisory Board may, at its own discretion, adjust the variable remuneration if, in its opinion, application of the pre-determined performance criteria were to result in undesired variable remuneration or lead to unfair or unintended effects.
The Supervisory Board is authorised to claw back variable remuneration allocated based on inaccurate data irrespective of whether the inaccurate data is financial in nature.

Transport

The Supervisory Board may decide, on a case-by-case basis, to offer a car with a driver for business use, or to offer a car pursuant to the Connexxion company car scheme.

Severance payments

The severance payment will not exceed one year's fixed salary in accordance with the Corporate Governance Code.

Executive Committee

The Company with its group companies is managed by the Executive Committee. The Executive Committee in practice acts operationally similar to and not separate from the Management Board as meant in Article 18, paragraph 1 of the Articles of Association, without prejudice however to the legal and statutory position of the members of the Management Board. The Executive Committee consists of three statutory and three non-statutory members. Under the final responsibility of the Chair, the Executive Committee shares the responsibility for managing the Group, determining and deploying its strategy and policies, achieving its objectives and results and developing a sound personnel policy.

8.1.5 Audit of financial statements and role of external auditors

Connexxion's financial statements are audited by external auditors. The external auditors attend the meetings of the Supervisory Board at which the annual and half-yearly figures are discussed. They also attend the relevant meetings of the Audit Committee. The Group's external auditors are appointed each year by the Annual General Meeting of Shareholders. The external auditors have also attended the Annual General Meeting of Shareholders so that the shareholder can question them about the auditors' report. An arrangement was made with the external auditors that the lead partner may not be responsible for auditing the Company's financial statements for a period of more than five years.

Every year, the Audit Committee assesses the fee charged by the external auditors and checks whether this fee relates to the financial statements or to other activities connected with the audit work performed by the external auditors. Every year, the Audit Committee and the Management Board discuss the role and effectiveness of the external auditors, as well as the engagement granted to them. The Supervisory Board is informed of the outcome of these discussions. Once every four years, an in-depth review is held of the work of the external auditors, the principal conclusions of which are presented to the General Meeting of Shareholders. The General Meeting of Shareholders uses this information to reach a decision on the proposal for the appointment of the external auditors.

8.1.6 Dividend policy

The dividend policy is aimed at maximising shareholder value. Connexxion wishes to optimise its capital position in order to remain strong enough to safeguard its position on the passenger transport market. The Company's dividend policy is subject to a review based on the expected future trend in the ratio of the net debt to EBITDA, and the interest coverage ratio. These ratios are primarily dependent on the level of capital expenditure. It is on the basis of these financial frameworks, which must at all times be in line with the industry trend, that the Company sets the level of its retained earnings and the dividend to be distributed. The aim however will be to distribute 50% of the net profit attributable to the Shareholders of Connexxion Holding NV. A dividend distribution may be subject to criteria per bank covenants.

8.1.7 Code of conduct and whistle blowing procedure

Connexxion is a service provider. Both passengers and grantors rely on our providing a reliable and punctual service. For this reason, reputation is a key factor in this respect. The personal integrity of our directors, managers and staff is the foundation stone underlying the quality of our organisation, the services we supply and our reputation. We have taken additional measures to safeguard our integrity by adopting a code of conduct and a whistle blowing procedure. Our code of conduct applies to all our staff and is intended to make clear what exactly the Group expects from them in terms of ethical standards of behaviour. The code applies not just to their relations with each other, but also to their relations with customers, grantors, suppliers and other stakeholders. The code of conduct mentions a compliance officer, i.e. the Director Legal Affairs. He also serves as secretary of the Supervisory Board, respectively as secretary to the Executive Committee.

The whistle blowing procedure is intended to enable staff to report any suspicious practices of a general, operational or financial nature. The procedure describes the right and obligations of an employee who wishes to report what he or she believes to be a malpractice. The procedure also sets out the obligations of management in this respect. Staff using the whistle blowing procedure to report alleged improprieties can do so in the knowledge that they are not placing their legal positions in jeopardy. Both the code of conduct and the whistle blowing procedure have been posted on our website.

8.2 Risk management and internal control

The Management Board is responsible for ensuring that Connexxion is managed and controlled effectively. It is also responsible for financing the Group and for managing the risks inherent to the Group's activities. The Management Board reports on and accounts for risk management and internal control systems to the Supervisory Board and the Audit Committee. Within this scope, Connexxion introduced a management control cycle, implemented a clear system of responsibilities, adopted a code of conduct and a whistle blowing procedure, and introduced a system of risk management. In addition, Connexxion implemented the internal audit function.

Connexxion identified, prioritised and assessed risks. Where necessary, control measures were introduced and action was taken to mitigate these risks. The risks and associated control measures have been recorded in a register of risks and controls and are reported as part of the regular management control cycle and discussed during operational review meetings. In addition to this, Connexxion conducted reviews to assess the appropriateness, adequacy and effectiveness of the existing management system and level of internal control. The chief risks, based on their potential impact and likelihood of occurrence and also touch upon the related control measures, identified by Connexxion, are described below.

8.2.1 Risks related to the strategy and market

Revenue is dependent on indexation and Government contribution

The revenue and result of Connexxion are highly dependent on general and Government indexation. Revenue indexation may be less than the increase of external costs (e.g. fuel) and/or labour costs. Also the reduction of Government budget due to the cutbacks may have an impact on Connexxion's turnover.

Connexxion operates in a highly competitive market

Connexxion operates in a competitive market. Several transport companies have entered the Dutch market. Public tenders and competition can have a major impact on Connexxion's market share. The concessions for the cities of Amsterdam, Rotterdam and The Hague will positively affect the size of the market in which Connexxion is able to operate.

8.2.2 Risks related to operations

Growth in the number of passengers and PT-chip card

Connexxion wants to achieve growth in passenger numbers through the introduction of the PT-chip card, which is designed to let passengers travel on all forms of public transport using just one ticket. The convenience offered by this card should lead to an increase in passenger numbers. The introduction of the PT-chip card led to two separate ticket distribution systems operating in parallel for a period of time. Following the introduction of the card, revenue will be distributed on the basis of actual passenger revenue rather than on the basis of calculations made in accordance with the WROOV system. This changeover constitutes a revenue risk, which Connexxion is mitigating by reaching agreements with contracting authorities on revenue neutrality for a fixed period following the introduction of the card. Also the stability of the OV-chip card and the uncertainty in travel behaviour are identified risks.

8.2.3 Risks related to financing and other uncertainties related to the business

Risk related to debt exposure

At year-end 2011 Connexxion's debt exposure totalled approximately EUR 204.8 million. At balance sheet date, Connexxion has EUR 131.8 million in unused credit facilities at its disposal. It is noted that a substantial part of Connexxion's assets has been pledged to secure its obligations under the Credit Facilities Agreement and are unavailable to secure other debt. If Connexxion's cash flow and capital resources are insufficient to fund its debt service obligations, Connexxion may be forced to reduce or delay scheduled expansion and capital expenditures, sell material assets or operations, obtain additional capital or restructure its debt.

Other financial risks

Other financial risks are described in the notes to the consolidated financial statements.

8.3 Management Board's assessment of risk management and internal control

The Management Board is convinced that, with respect to the year under review, the risk management and internal control systems provide reasonable assurance that the Company's financial reports do not contain any material errors and give a true and fair view.

The management of the Group is constantly evaluating possibilities to enhance its risk mitigation.

9 Review of Quality, Safety, Health and Environmental Policy

9.1 Introduction

The scope of this review includes all divisions and business units of Connexxion Holding NV. No major changes occurred compared to the previous reporting year in terms of size and outsourced operations. With this report, we account for the policy pursued in alignment with our key stakeholders: clients, passengers, employees, shareholders and government. Indicators with the greatest impact were chosen to report. The sections show which indicators correspond with GRI reporting indicators.

It is Connexion's ambition to ensure and continuously improve both the quality of service and its performance in the fields of safety, health and environment. At Connexxion it's all about the passenger. Connexxion understands that mobility is a crucial condition to economic growth. By resolving mobility issues, Connexxion will provide a considerable added value to the accessibility of cities, as well as to the availability of passenger transport in rural areas. The safety, health and environmental aspects of this type of mobility are inextricably linked to the business in general. Being in control of these aspects is a responsibility of the entire organisation.

We pursue a pro-active quality, safety, health and environment policy aimed at continuous improvement and compliance with statutory and regulatory requirements.

9.2 Quality

Customer satisfaction (PR5)

Passenger and grantor satisfaction are key issues. Connexxion continuously improves the services by measuring the levels of satisfaction of both passengers and grantors and translating these results into effective transport solutions at acceptable and competitive price-quality ratios. All business units have management systems certified according to NEN-EN-ISO 9001: 2008.

The main objectives of our quality policy are:

- Deliver integrated mobility services
- Improve information provision to clients
- Innovate transport services (safety, sustainability)
- Increase the number of passengers

The service delivered to our passengers follows the following principles: punctuality, good public travel information, vehicle cleanliness, high-level customer contact services and efficient handling of customer complaints.

Surveys

The satisfaction of PT passengers is measured annually in the "Customer barometer' commissioned by the Ministry of Infrastructure and Environment and reported in March of the following year. The satisfaction score of the Valys taxi contract increased to 8.6. For ambulance care a comprehensive patient satisfaction survey is conducted every two years. The last survey was done in 2010. The control rooms scored 8.6. The ambulance care was rated with an 8.5 average score.

Following all surveys, actions are set and monitored for areas requiring improvement.

9.3 Safety and Health

Connexxion aims to achieve optimum safety and health conditions within all transport systems and activities for all employees, passengers and all third parties that come into contact with the services provided by Connexxion.

The main risks relate to road safety, work safety and personal security and safety.

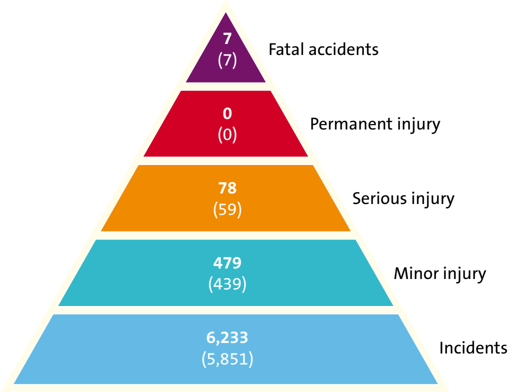
Safety of transport systems

Passenger transport takes place by road, rail and water. In order to reduce accidents and damages a safety awareness campaign was implemented which includes involving and training drivers and performing accident and traffic black spot analyses.

In 2011, the number of injuries per million kilometres slightly increased. The 10% reduction objective is not achieved. This was mainly caused by two emergency stops in which a relative high number of passengers were injured.

39% of the injured persons were passengers (2010: 24%). The number of fatal accidents (7) is equal to 2010. The fatal accidents were collisions with a motor driver, car driver and bicyclists (5x).

Connexxion, third-party injury accidents 2011 (2010)



Performance in 2011

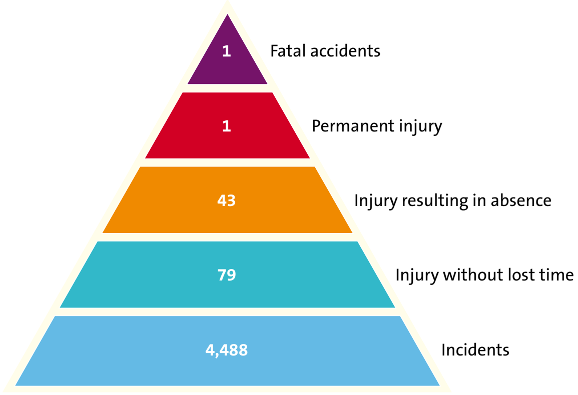
Number of injury accidents per million kms 1.5 (2010: 1.4)

Work safety (LA7)

In 2011 assaults to drivers are included in the number of work-related accidents. Therefore comparison with 2010 cannot be made. The number of work related accidents per million labour hours without assaults remained equal in 2011 compared to 2010 (3.2).

48% of the reported work-related accidents are caused by assaults. The other accidents are related to activities in the workshops and concerned injuries to 'hand and head' and falls or stumbles of drivers. There has been one report of a fatal accident (2010: 1). This was a collision of a bus with a bus driver who was crossing the road on foot.

Connexxion, work-related accidents 2011



Performance in 2011

Number of work-related accidents per million hours 6.3

Personal security and safety

Connexxion aims to offer good public transport to passengers in pleasant, comfortable and, especially, safe conditions. In our capacity as employer, we endeavour to create safe working conditions for our staff. We therefore invest in a safe environment for passengers as well as employees. The aim is to attain the best possible personal security and safety for passengers and employees alike. This means:

- reduction of the number of actual incidents (objective target) and
- continuous improvement of the sense of personal security and safety (subjective target) in and relating to public transport, as experienced by both passengers and staff.

Compared with 2010, the number of incidents decreased in both absolute and relative terms.

Incidents relating to personal security and safety

Code	Category	2011 (total)	2010 (total)	2009 (total)	Evolution (2010/2011)
	Category A: Infringement of Penal Code and General local regulations				
A1	Assaults	148	177	141	↓
A2	Threats with weapon	22	47	47	↓
A3	Threats without weapon	273	242	280	↑
A4	Thefts / robbery	19	36	29	↓
A5	Response to drug nuisance	12	19	29	↓
A6	Vandalism, arson, graffiti	677	884	843	↓
A7	Other violations: pushing, pulling, spitting....	504	548	517	↓
	Subtotal	**1.655**	**1.953**	**1.886**	↓
	Category B: Infringement of the Public Transport Act 2000				
B1	Verbal abuse	879	961	811	↓
B2	Harassment	250	300	257	↓
B3	Response to payment problems	347	435	388	↓
B4	Other disturbances: abuse facilities / emergency break....	96	150	197	↓
	Subtotal	**1.572**	**1.846**	**1.653**	↓
	Category C: Infringement of the Public Transport Decree 2000 and Travel rules				
C1	Violation Travel rules: feet on the seat, smoking	504	344	354	↑
C2	Other annoyances: pollution of interior, exterior	748	374	294	↑
	Subtotal	**1.252**	**718**	**648**	↑
	Total absolute (#)	**4.479**	**4.517**	**4.187**	↓
	Incidents per 1,000 timetable hours	**0.55**	**0.59**	**0.51**	↓

9.4 Labour practices

Labour practices and decent work conditions are part of our social responsibility program.

- **Workforce (LA1, LA4, LA13)**
  98% of the workforce is covered by collective bargaining agreements. Employee diversity was 17% (target 30% women in Top + Subtop by 2015).

- **Employee turnover (LA2)**
  The employee turnover adjusted for the effect of changes due to Public Transport concessions was 10.5%.

- **Health (LA7)**
  Absence due to illness was 6.7%, compared to 6.9% in 2010. Target was to improve.

- **Training (LA11)**
  Skill management supports the employability of employees. Number of training hours per FTE was in 2011: 51.9 (target 27.5).

- **Employee satisfaction**
  7.2 employee satisfaction score (2011: 7.1)

- **Performance and career development reviews (LA12)**
  All PT drivers and all indirect staff are appraised annually.

9.5 Environment

Connexion's environmental policies aim to reduce harmful emissions (NO_x, PM and CO_2), separate and re-use waste, minimise use of natural resources and prevent soil contamination and noise pollution. All business units of Connexxion have management systems which are certified according to NEN-EN-ISO 14001: 2004.

Developing sustainable solutions for growing mobility is a challenge. Group passenger transport is a good alternative to cars, helping to reduce both emissions and congestion. Sustainability is increasingly spotlighted in tenders. Cleaner vehicles for better air quality, CO_2 reduction and environmentally conscious operational management have become recurring items. Connexxion believes in working closely with clients to develop sustainable transport plans.

Energy use and air emissions (EN3, EN6, EN16, EN18, EN20)

Air emissions and energy consumption by transport activities have significant impact on the environment. Energy consumption and CO_2 emissions have a direct relation. The main challenge is to reduce CO_2 emissions. Connexxion aims to reduce its CO_2 emissions and improve air quality by reducing air emissions (NO_x, PM).

- CO_2 reduction objective: 3% by 2012 (baseline 2009) for passenger transport activities.
- Air quality objective: 89% low emission buses*) in 2011.

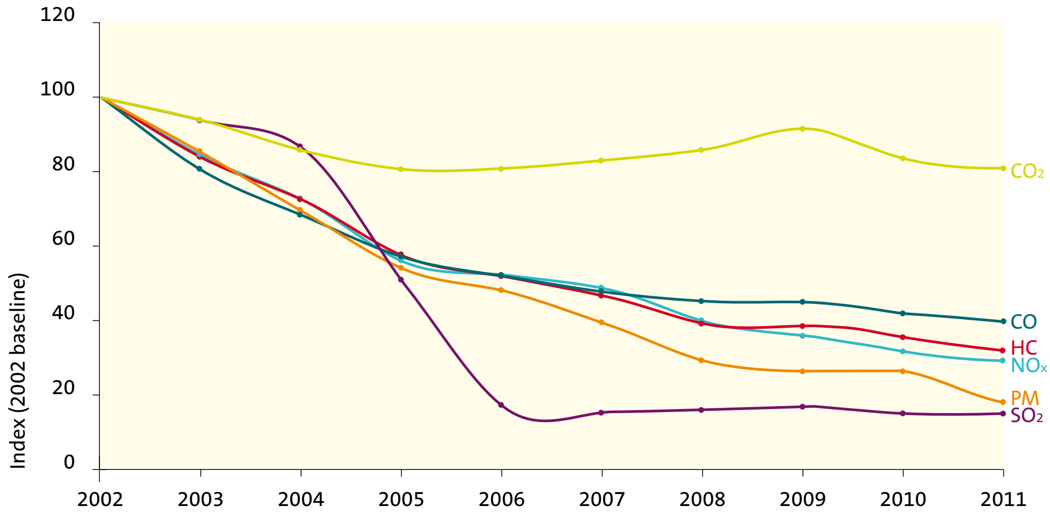
*) A low emission bus is defined as a vehicle fitted with a CRT filter, SCR system, fuel cell or hybrid system, or as a vehicle running on CNG, auto gas, electricity, bio fuel or hydrogen.

The above objectives are achieved by making our existing fleet of vehicles cleaner, purchasing new cleaner and more fuel-efficient vehicles, researching alternative transmission and fuel options, training our drivers as well as continuously re-adjusting our production and planning relative to fuel consumption.

In order to reduce emissions, Connexxion puts a lot of effort in innovations, sometimes because of contractual conditions by the grantor as part of the Public Transport and Taxi contracts, and also initiates several plans and pilots in the field of alternative fuels. The majority of the fleet of Connexxion runs on diesel and Connexxion complies with every new environmental EURO norm. Connexxion invests in (bio) gas, bio diesel, CNG, hybrid as well as electric vehicles and fuel cell buses. Connexxion innovates voluntarily, for instance by developing fuel cell buses and electric vehicles.

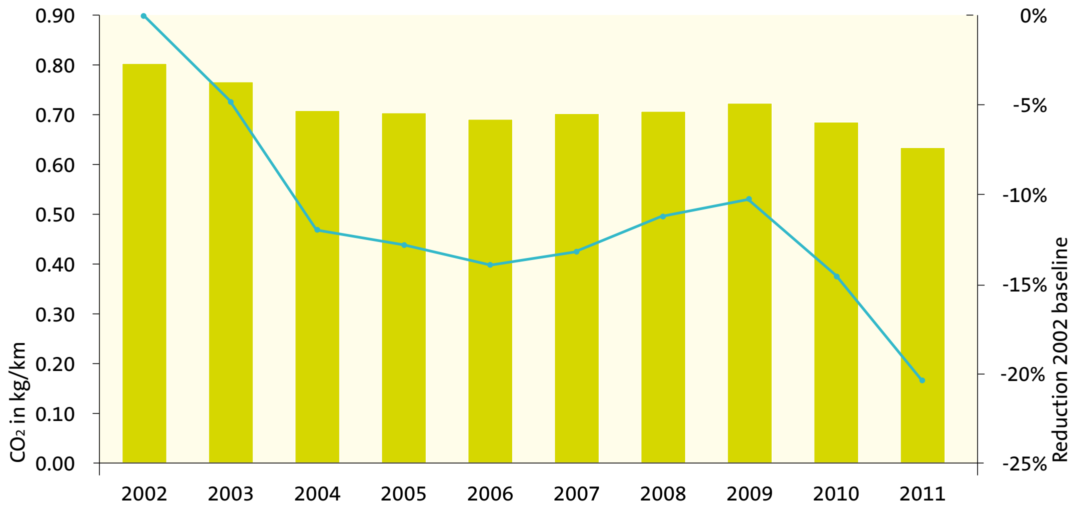
All air emissions were reduced. Production (km) increased by 4% compared to last year. Low-emission buses now make up 93% of the fleet (2010: 87%). Direct energy use for transport activities was 7 million GJ (2010: 7).

Emissions Connexxion



Direct CO_2 emissions resulting from transport activities were 242 KTonnes (2010: 248 KTonnes). This is the result of better fuel efficiency and use of biogas. 22% of CNG consumption consists of green gas. In relative terms CO_2 emissions were 0.64 kg/km. Compared to 2009 emissions decreased by 11%.

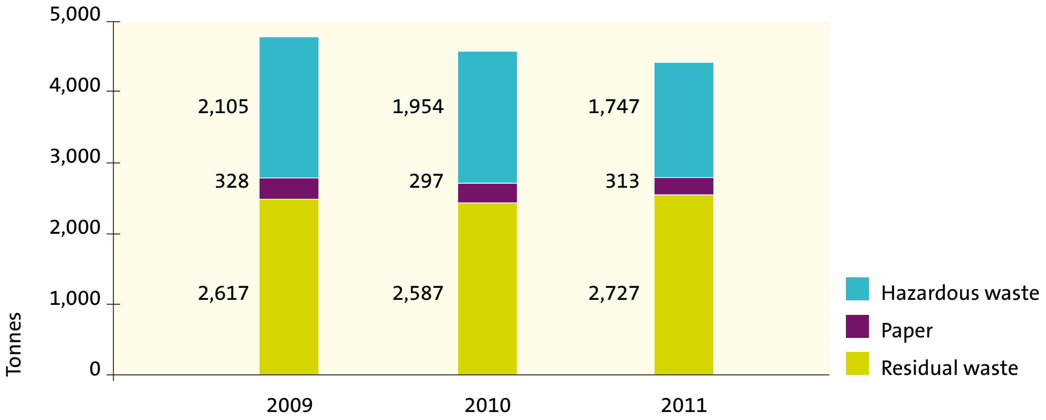
CO_2 Indicator Connexxion



Waste (EN22)

Connexxion aims to minimise the volume of waste and to collect it separately. Connexxion signed a collection contract following the principle "waste does not exist". This means more resource recovery for residual waste, paper and hazardous waste. The total volume of waste decreased 2% in 2011 compared to 2010. The quantity of waste produced was 12.8 gram/km (2010: 13.5).

Waste



Compliance (EN28)

Every facility where activities are performed needs to be in possession of either an environmental permit or a notice issued by the government. As a result of changes in the service offering and acquisitions, the number of locations under the Environment Protection Act increased on balance to 118 (2010: 114). Connexxion made 18 notifications of changes (2010: 41).

The number of inspections varies from year to year. In 2011, 39 environmental inspections took place (2010: 32). No official reports and fines were drawn up (2010: 0).

Soil and environmental incidents

Connexxion seeks to prevent soil contamination. A total of 8 cases of contaminated soil were still outstanding on 31 December 2011 (2010: 9). The decline was the result of soil remediation. A stable final status is required to be demonstrated for two (Ermelo and Gulpen) of those eight locations in the coming years. Active soil remediation is currently taking place in Hilversum. In 2011 no new cases of soil contamination have occurred.

10 Global Reporting Initiative

Connexxion reports on its corporate responsibility in accordance with the Global Reporting Initiative. The reference table below is set up in accordance with the GRI requirements.

Corporate responsibility reporting is based on the Global Reporting Initiative G3 level C, relevant items requested by shareholders and clients as part of the contracts. The data is obtained from the information systems of Connexxion and by questionnaires. All Connexxion divisions and majority owned companies are included in the reporting scope. Subcontractors are not included in the report.

Subject		Item or indicator	Section	Page number
Strategy and analysis	1.1	Statement	1	8
Organization profile	2.1	Name of organisation	1	6
	2.2	Primary brands, products, and/or services	1	6
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	6	36
	2.4	Location of organization's headquarters	6	36
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	1	6
	2.6	Nature of ownership and legal form	1	8
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	3	12
	2.8	Scale of the reporting organization	6	27
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	3	18
	2.10	Awards received in the reporting period	3	12
Report parameters	3.1	Reporting period	6	27
	3.2	Date of most recent previous report	6	27
	3.3	Reporting cycle	6	27
	3.4	Contact point for questions regarding the report or its contents	Colophon	122
	3.5	Process for defining report content	9.2	109
	3.6	Boundary of the report	na.*	
	3.7	State any specific limitations on the scope or boundary of the report	na.*	
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	6.6	39
	3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	na.*	
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	na.*	

*) na. = not applicable

Subject		Item or indicator	Section	Page number
Governance	4.1	Governance structure of the organization	8	96
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	8	96
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that is independent and/or non-executive members	na.*	
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	8	105
	4.14	List of stakeholder groups engaged by the organization	3	12
	4.15	Basis for identification and selection of stakeholders with whom to engage	3	12
Environment	EN3	Direct energy consumption by primary energy source	9.5	114
	EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	9.5	114
	EN16	Total direct and indirect greenhouse gas emissions by weight	9.5	115
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	9.5	114
	EN20	NO_x, SO_x, and other significant air emissions by type and weight	9.5	114
	EN22	Total weight of waste by type and disposal method	9.5	116
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	9.5	116
Product Responsibility	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	9.2	109

Subject		Item or indicator	Section	Page number
Labor practices and decent work	LA1	Total workforce by employment type, employment contract, and region	9.4	113
	LA2	Total number and rate of employee turnover by age group, gender, and region	9.4	113
	LA4	Percentage of employees covered by collective bargaining agreements	9.4	113
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	9.3 & 9.4	110
	LA12	Percentage of employees receiving regular performance and career development reviews	9.4	113
	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	9.4	113
Economic	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	6	27
	EC4	Significant financial assistance received from government	na.*	

*) na. = not applicable

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