

Half-year report 2007

connexion holding

Connexxion in figures (first half year of 2007)

- > revenue: € 524 million (2006: € 441 million)
- > number of employees: 14,338

Public Transport in the first half year of 2007

- > revenue: € 358 million (2006: € 313 million)
- > 3,068 buses, 27 trams, 7 trains

Taxi Services in the first half year of 2007

- > revenue: € 126 million (2006: € 91 million)
- > 3,749 taxi's (minibuses, cars, limousines), 22 ambulances

Tours in the first half year of 2007

- > revenue: € 19 million (2006: € 12 million)
- > 210 coaches

Connexxion Water in the first half year of 2007

- > revenue: € 4 million (2006: € 4 million)
- > 14 vessels

Techno Service Nederland in the first half year of 2007

- > revenue: € 52 million (2006: € 47 million)
- > 13,125 vehicles under maintenance
- > 46 branches in the Netherlands

Important dates *

Press conference on 2007 Annual results	14 February 2008
2007 Annual General Meeting	12 March 2008

* These dates are subject to change.

Connexxion reports significant revenue increase; operating profit in line with expectations

Over the first six months of the year, Connexxion achieved a revenue figure of € 523.8 million, which represents an increase by 19% compared with the first half of 2006 (€ 440.9 million). The acquisitions as at 1 January 2007 of GUV and Novio, the city transit services of Utrecht and Nijmegen respectively, resulted in a 14% increase in revenue. Organic revenue was up thanks to new transport concessions (4%) and an increase in passenger numbers (by 1%). Operating profit for the first half of 2007 landed at € 13.5 million, which was as expected (2006: € 15.0 million). The quality of the operating profit improved as a result of revenue growth and cost savings. Net profit fell to € 1.8 million as a result of non-recurring expense items (2006: € 13.7 million).

Privatisation

It was announced on 2 July 2007 that the Dutch Ministry of Finance and the consortium of Transdev, a French transport company, and Bank Nederlandse Gemeenten reached a heads of agreement in relation to the transfer of two-thirds of the shares in Connexxion Holding NV. Connexxion and Transdev will combine their knowledge and experience in the area of passenger transport, and will in practice function as a fully fledged alliance on the Dutch and European markets. Within the group, Connexxion will be able to achieve its growth ambitions and build on its presence in the Dutch market as an all-round provider of regional passenger transport services. The heads of agreement constitutes a provisional decision that has been submitted to the Central Works Council for an advice and is being discussed with the trade unions. The final agreement is expected to be signed by the parties in October 2007. The costs involved in the privatisation for Connexxion amounted to € 2.3 million in the reporting period (2006: € 1.8 million).

Market

In the first half of the year, the public transport concession for Amstelland/Meerlanden was awarded to Connexxion. This concession involves transport services in the areas surrounding Amsterdam and Amsterdam Airport Schiphol, as well as the successful Zuidtangent and Schiphol Snetnet lines. Partly in view of the scale of the contract, it was essential that Connexxion would manage to keep this concession. The revenue from the contract will be half a billion euros over an eight-year period. Connexxion was also successful in acquiring the concession for the Leeuwarden city transit service from another transport company. The Hoeksche Waard-Goeree Overflakkee concession was not awarded to Connexxion.

Revenue from Connexxion Taxi Services was up considerably in the reporting period thanks to the transport contracts won in 2006. The number of passengers in interregional transport for persons with an impairment, within the scope of the Valys contract with the Ministry of Health, Welfare and Sport, is on the increase. In the reporting period, tenders were won for school bus services and transport services for disabled persons in the area of Zuidwest-Drenthe, and demand-driven group transport services in the Oosterschelde region. On balance, the outcome of the tenders in the first half of the year resulted in further growth in revenue from Taxi Services.

The newly tendered Fast Flying Ferries concession between Amsterdam and IJmuiden has now definitively been awarded to Connexxion Water.

The bus maintenance contract for Brabant-West was not awarded to TSN, a Connexxion subsidiary. As a result, TSN has shut down two workshops in the Brabant area. TSN did win the bus maintenance contract for Brabant-Oost.

Corporate development

In the reporting period, the Executive Board reviewed the position of a number of its associates. As a result, 23.33% of the shares in Hermes were acquired from the Province of Limburg and the 26 Limburg municipalities, united in Gebaltram, on 29 June 2007. The Executive Board no longer considers the equity interest in Syntus as a strategic participation; it will be sold.

Corporate social responsibility

Connexxion is well aware of its social responsibility. Within that scope, Connexxion has collaborated closely, over the past period, with Surinam-based transport companies and the Surinam government with a view to transferring public transport knowledge. On 8 August 2007, a conference was held about the economic significance of passenger transport for Surinam, which was a resounding success. The attendance of the President of Surinam, the Minister of

Transport, Communication and Tourism, Members of Parliament, the Surinam corporate sector and executives underpinned the importance of the activities that Connexxion undertakes to aid Surinam.

Financial performance

The reporting period was characterised by further growth in the number of passengers (1%). Volume increases in the areas in which Connexxion is active also translated into a rise in income from passenger transport.

The outcome of the so-called WROOV-light system for the distribution of passenger transport revenue among transport companies continues to be unpredictable, however. At the end of June 2007, the affiliated public transport companies accepted the chip card system, the advantages being more convenience for passengers and greater transparency of the revenue distribution among transport companies. The Dutch Minister of Transport plans to abolish the current fare system, which is known by the acronym NVB, on 1 January 2009. This will render the unpredictability of the distribution of revenue from passenger transport a thing of the past.

Operational improvements were achieved in the first half of 2007 as well. More efficient deployment of staff and equipment resources is required to meet the demands of both concession granters and passengers. Staff were less deployable over the past period as a result of an increase in the absenteeism rate. Efforts are being targeted to reduce this rate back to the 2006 level as soon as possible.

Over the next few years, the availability of qualified drivers will continue to be of essence. The tight conditions on the labour market in combination with a large number of employees reaching their pensionable age make this a major challenge.

Net profit was down sharply because the income tax expense for 2006 included non-recurring income items by virtue of a tax refund for 1999 and an adjustment of available tax losses (€ 5.3 million positive in total). In 2007, a non-recurring income tax expense was recognised of € 4.3 million for 1995. Share of profit of associates (€ 2.2 million negative) fell sharply as a result of start-up costs at TransLink Systems BV, the company established by the public transport companies to introduce the chip card.

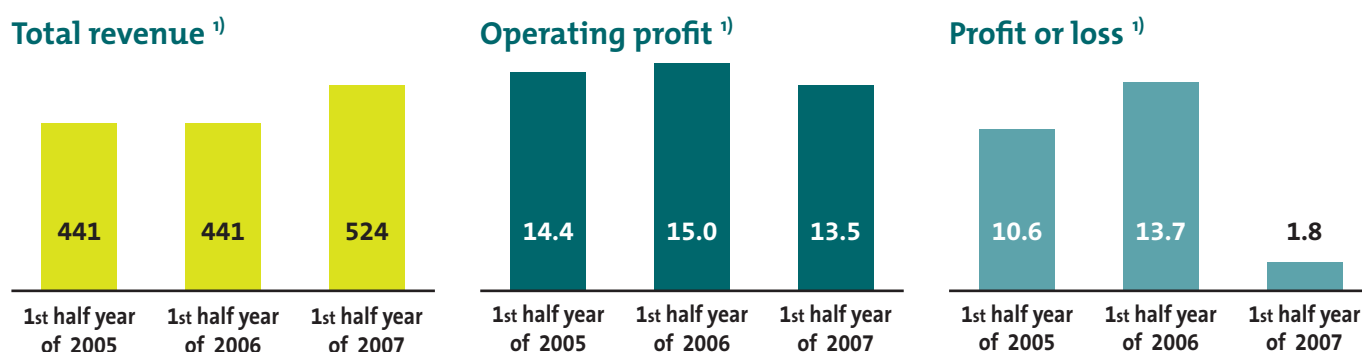
Outlook

The Executive Board reaffirms the expectation that revenue for the year will increase significantly and is likely to grow to more than € 1 billion. Revenue increases and further efficiency improvements will boost operating profit for 2007 to its expected level. However, net profit for 2007 will be lower than in 2006 due to non-recurring expense items.

Hilversum, the Netherlands, 24 August 2007

The Executive Board of Connexxion Holding NV

Peter Kortenhorst, Chairman
Rob van Holten, Vice-chairman
Frank Janssen, CFO



(Amounts in millions of euros)

¹⁾ For these figures a review opinion has been issued.

Key figures

(Amounts in millions of euros, unless stated otherwise)

	30-06-2007 ¹⁾	30-06-2006 ¹⁾	2006	2005	2004
Balance sheet					
Total assets	744	668	661	674	587
Average capital employed	454	440	443	408	423
Group equity	215	233	228	222	211
Income statement					
Revenue	524	441	884	881	918
Operating expenses	(510)	(426)	(854)	(853)	(881)
As a % of revenue	97.4%	96.6%	96.6%	96.8%	95.9%
Wages, salaries and social charges	(252)	(224)	(442)	(453)	(480)
As a % of revenue	48.1%	50.8%	50.0%	51.4%	52.3%
Operating profit/loss	14	15	30	28	38
As a % of revenue	2.6%	3.4%	3.4%	3.2%	4.1%
Profit or loss	2	14	16	19	24
As a % of revenue	0.3%	3.1%	1.8%	2.2%	2.6%
Financial position					
EBITDA	50	41	89	85	92
Net cash from operating activities	19	17	35	66	84
Net cash from investing activities	6	(20)	(41)	(114)	(32)
Financing deficit/surplus	25	(3)	6	(48)	52
Ratios					
Solvency (based on group equity)	28.9%	34.9%	34.5%	33.0%	35.9%
Operating profit/average capital employed (ROACE; based on annual moving total)	6.4%	6.5%	6.9%	6.9%	8.9%
Interest coverage ratio	5.2	5.0	4.8	8.9	8.8
Workforce					
Number of employees (at end of period/nominal)	14,338	13,113	13,009	13,302	14,160
Number of employees (average FTEs)	11,260	10,492	10,525	11,000	11,898
Number of indirect employees (average FTEs)	1,291	1,105	1,131	1,264	1,336
% indirect of total number of employees	11.5%	10.5%	10.7%	11.5%	11.2%

¹⁾ For these figures a review opinion has been issued.

Consolidated balance sheet for the first half year of 2007

Before proposed profit appropriation

(Amounts in millions of euros)

	30-06-2007 ¹⁾	30-06-2006 ¹⁾	31-12-2006
Assets			
Non-current assets			
Property, plant and equipment	391.6	387.4	382.3
Intangible assets	29.5	0.9	2.6
Financial assets	12.6	8.0	45.5
Investments in associates and joint ventures	4.1	9.2	8.5
Deferred tax assets	39.9	44.2	41.8
Total non-current assets	477.7	449.7	480.7
Current assets			
Inventories	10.2	11.0	9.4
Income tax assets	1.5	0.1	1.6
Trade and other receivables	154.3	94.7	95.9
Assets classified as held for sale	13.8	51.1	12.3
Cash and cash equivalents	86.8	61.4	60.9
Total current assets	266.6	218.3	180.1
Total assets	744.3	668.0	668.8
Equity and liabilities			
Equity	215.4	220.7	215.8
Minority interest	-	12.2	12.2
Total group equity	215.4	232.9	228.0
Non-current liabilities			
Interest-bearing loans and borrowings	148.0	131.7	135.8
Provisions	50.8	41.1	32.8
Deferred tax liabilities	18.4	13.9	17.8
Other liabilities	0.7	5.4	1.3
Total non-current liabilities	217.9	192.1	187.7
Current liabilities			
Bank overdrafts	6.1	-	2.0
Current tax payable	4.4	1.7	0.1
Provisions	27.1	18.1	27.4
Trade and other payables	270.0	216.6	211.7
Liabilities classified as held for sale	3.4	6.6	3.9
Total current liabilities	311.0	243.0	245.1
Total equity and liabilities	744.3	668.0	668.8

¹⁾ For these figures a review opinion has been issued.

Consolidated income statement for the first half year of 2007

(Amounts in millions of euros)	30-06-2007 ¹⁾	30-06-2006 ¹⁾	Change as a %
Revenue			
Public transport revenue			
- Passenger transport revenue	113.8	95.8	18.8%
- Student travel cards revenue	50.4	45.0	12.0%
- Government contributions	176.6	158.0	11.8%
- Other public transport revenue	15.2	9.2	65.2%
Taxi transport revenue	118.0	85.7	37.7%
Touring transport revenue	15.6	8.9	75.3%
Revenue from maintenance and repairs	14.1	13.3	6.0%
Trade revenue	6.1	7.8	-21.8%
Other revenue	14.0	17.2	-18.6%
Total revenue	523.8	440.9	18.8%
Operating expenses			
Cost of sales	(77.2)	(49.5)	56.0%
Personnel expenses	(291.8)	(248.7)	17.3%
Amortisation, depreciation and impairments	(36.1)	(25.9)	39.4%
Energy cost for transport	(38.1)	(35.9)	6.1%
Other costs of rolling and floating stock	(24.3)	(21.9)	11.0%
Other expenses	(42.8)	(44.0)	-2.7%
Total operating expenses	(510.3)	(425.9)	19.8%
Operating profit	13.5	15.0	-10.0%
Financial income	2.6	2.3	
Financial expenses	(4.6)	(4.0)	
Effect of amortisation of assets and liabilities	(0.6)	(1.3)	
Net financing costs	(2.6)	(3.0)	
Share in profit or loss of associates and joint ventures	(2.2)	-	
Profit before tax	8.7	12.0	-27.5%
Income tax expense	(6.9)	1.7	
Profit for the period	1.8	13.7	-86.9%
Attributable to:			
Equity holder of Connexion Holding NV	1.3	12.5	
Minority interest	0.5	1.2	
Profit for the period	1.8	13.7	

¹⁾ For these figures a review opinion has been issued.

Consolidated statement of recognised income and expense for the first half year of 2007

(Amounts in millions of euros)	30-06-2007 ¹⁾	30-06-2006 ¹⁾
Profit for the period	<u><u>1.8</u></u>	<u><u>13.7</u></u>
Direct changes in group equity:		
Effective portion of changes in fair value of financial instruments	<u>2.3</u>	<u>3.7</u>
Total recognised income and expense for the period	<u><u>4.1</u></u>	<u><u>17.4</u></u>
Total recognised income and expense for the period attributable to:		
Equity holder of Connexxion Holding NV	<u>3.6</u>	<u>16.3</u>
Minority interest	<u>0.5</u>	<u>1.1</u>
Total recognised income and expense for the period	<u><u>4.1</u></u>	<u><u>17.4</u></u>

¹⁾ For these figures a review opinion has been issued.

Consolidated statement of changes in group equity

(Amounts in millions of euros)

	Share capital	Unrealised changes in fair value of financial instruments	Statutory and other non-distributable reserves	Retained earnings	Total equity	Minority interest	Total group equity
Carrying amount at 1 January 2006	79.6	0.3	4.2	126.5	210.6	11.5	222.1
Unrealised changes in value of financial instruments	-	3.8	-	-	3.8	(0.1)	3.7
Gains and losses not recognised in the income statement	-	3.8	-	-	3.8	(0.1)	3.7
Profit for the period	-	-	-	12.5	12.5	1.2	13.7
Effective portion of changes in fair value of financial instruments	-	0.5	-	-	0.5	-	0.5
Dividend distribution to equity holder	-	-	-	(6.7)	(6.7)	(0.4)	(7.1)
Carrying amount at 30 June 2006 ¹⁾	79.6	4.6	4.2	132.3	220.7	12.2	232.9
Carrying amount at 1 January 2007	79.6	(2.3)	6.8	131.7	215.8	12.2	228.0
Unrealised changes in value of financial instruments	-	2.3	-	-	2.3	-	2.3
Gains and losses not recognised in the income statement	-	2.3	-	-	2.3	-	2.3
Profit for the period	-	-	-	1.3	1.3	0.5	1.8
Effective portion of changes in fair value of financial instruments	-	1.8	-	-	1.8	-	1.8
Acquisition of minority interest	-	-	-	-	-	(12.7)	(12.7)
Dividend distribution to equity holder	-	-	-	(5.8)	(5.8)	-	(5.8)
Carrying amount at 30 June 2007 ¹⁾	79.6	1.8	6.8	127.2	215.4	-	215.4

¹⁾ For these figures a review opinion has been issued.

Consolidated cash flow statement for the first half year of 2007

(Amounts in millions of euros)

	30-06-2007 ¹⁾	30-06-2006 ¹⁾
I. Cash flows from operating activities		
Operating profit	13.5	15.0
Amortisation and depreciation	33.2	27.8
Impairments of assets	2.9	(1.9)
Badwill	(2.7)	-
Profit or loss on sale of property, plant and equipment	(6.7)	(11.5)
Change in inventories	0.1	1.5
Change in current receivables	(33.8)	(2.2)
Change in current liabilities	20.1	(2.3)
Allocation to and release from provisions	2.7	3.3
Withdrawal from provisions	(10.1)	(12.7)
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Cash generated from operations	19.2	17.0
Interest received	3.7	2.4
Interest paid	(4.3)	(3.9)
Income taxes received or paid	0.4	1.7
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Net cash from operating activities	19.0	17.2
II. Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(12.9)	-
Acquisitions of property, plant and equipment and intangible assets	(25.1)	(57.5)
Proceeds from sale of property, plant and equipment and intangible assets	7.8	39.5
Acquisitions of financial assets	(5.5)	(3.3)
Proceeds from sale of financial assets	41.5	1.4
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Net cash from investing activities	5.8	(19.9)
III. Cash flows from financing activities		
Dividends paid	(5.8)	(7.2)
Change in current liabilities relative to bank overdrafts	(6.6)	-
Proceeds from long-term borrowings	20.0	1.9
Repayment of long-term liabilities	(6.5)	(7.6)
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Net cash from financing activities	1.1	(12.9)
Change in cash and cash equivalents	25.9	(15.6)
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Cash and cash equivalents at beginning of year	60.9	77.0
Cash and cash equivalents at end of period	86.8	61.4
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Change in cash and cash equivalents	25.9	(15.6)

¹⁾ For these figures a review opinion has been issued.

General

Connexxion Holding NV (the “Company”) is a company limited by shares incorporated under the laws of the Netherlands. All shares are held by the Dutch State. The Company has its statutory seat in Utrecht, the Netherlands and its head office is located in Hilversum, the Netherlands.

The consolidated interim financial information for the first half of 2007 comprises the Company and its subsidiaries (jointly referred to as “the Group”) and the Group’s interests in (non-consolidated) associates and joint ventures.

Statement of compliance

The Company has voluntarily prepared its consolidated interim financial information in accordance with the International Financial Reporting Standard (IFRS) IAS 34 ‘Interim Financial Reporting’, as adopted by the European Union. The interim financial information does not contain all information required for the full financial statements and must be read in combination with the annual report 2006 of Connexxion Holding NV.

These consolidated interim financial statements were prepared by the Executive Board on 20 August 2007 and discussed in the Supervisory Board meeting of 24 August 2007.

Main accounting policies

The accounting policies applied by Connexxion in this consolidated half-year report are the same as those applied in the consolidated annual report 2006.

If applicable, prior-year figures have been adjusted for purposes of comparison.

Tax

For the first half-year of 2007 the consolidated effective tax rate amounts to 79.3% (2006: -14.2%).

The change in the effective tax rate is the result of:

- a change in corporate income tax rate to 25.5% from 29.6%;
- an exceptional corporate income tax charge in 2007 of € 4.3 million over the year 1995;
- exceptional corporate income tax benefits in 2006: a receipt of corporate income tax over the year 1999 and an adjustment of corporate tax-loss carry forward (totally € 5.3 million positive).

Minority Interest

By the end of June 2007 Connexxion has acquired the minority interest related to Hermes Groep NV for an amount of € 10 million.

Acquisitions of subsidiaries

On 1 January 2007 the Group acquired all of the shares in Gvu NV and Besloten vervoer Utrecht BV (jointly referred to as Gvu) for € 29.0 million.

On 1 January 2007 the Group acquired all of the shares in Novio NV, Novio Techniek BV, Stadsvervoer Nederland BV, Novio Net BV, Taxibedrijf Harderwijk BV, Novio Stebo BV and Novio Express BV (jointly referred to as Novio) for € 12.4 million.

The effect of acquisitions for the first half year of 2007 amounts for consolidated revenues to € 59.9 million and for the consolidated result to € 2.8 million.

The above acquisitions have the following effect on the Group's assets, equity and liabilities on acquisition date:

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Assets			
Non-current assets			
Property, plant and equipment	20.3	(1.8)	18.5
Intangible assets	0.7	26.0	26.7
Financial assets	1.3	-	1.3
Investments in associates and joint ventures	(3.2)	3.2	-
Deferred tax assets	1.5	0.2	1.7
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Total non-current assets	20.6	27.6	48.2
Current assets			
Inventories	0.9	-	0.9
Income tax assets	0.2	-	0.2
Trade and other receivables	24.9	-	24.9
Cash and cash equivalents	38.5	-	38.5
	<hr/>	<hr/>	<hr/>
Total current assets	64.5	-	64.5
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Total assets	85.1	27.6	112.7
Equity and liabilities			
Equity	10.6	27.6	38.2
Non-current liabilities			
Provisions	21.1	-	21.1
	<hr/>	<hr/>	<hr/>
Total non-current liabilities	21.1	-	21.1
Current liabilities			
Bank overdrafts	10.7	-	10.7
Provisions	3.8	-	3.8
Trade and other payables	38.9	-	38.9
	<hr/>	<hr/>	<hr/>
Total current liabilities	53.4	-	53.4
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Total equity and liabilities	85.1	27.6	112.7

Goodwill on acquisition

For the acquisition of GUV and Novio Connexion has paid an amount of € 3.2 million regarding to goodwill. This amount can be broken down as follows:

	GVU	Novio	Total
Consideration paid, satisfied in cash	29.0	12.4	41.4
Less: Equity against fair value	(29.0)	(9.2)	(38.2)
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Goodwill paid on acquisition	-	3.2	3.2
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The goodwill recognised on the acquisition is attributable to expected synergies.

Net cash outflow

The net cash outflow amount to € 2.9 million. This amount can be broken down as follows:

	GVU	Novio	Total
Consideration paid, satisfied in cash	29.0	12.4	41.4
Less: Cash and cash equivalents acquired	(19.4)	(19.1)	(38.5)
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Net cash outflow	9.6	(6.7)	2.9
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Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisitions.

The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the 6 month period ended 30 June 2007 of Connexxion Holding N.V., Hilversum, which comprises the balance sheet as at 30 June 2007, the profit and loss account, statement of changes in equity and cash flow statement for the 6 month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2007 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Utrecht, the Netherlands, 24 August 2007
KPMG ACCOUNTANTS N.V.

J.C.M. van Rooijen RA