

connexion holding
annual report 2003

Corporate profile

Connexxion brings people together by providing public and private group passenger transport services.

Connexxion's transport services are provided on the basis of contracts with mainly governmental or semi-public clients, but also with private parties. Connexxion aims to be a reliable business partner for its clients, guaranteeing continuity in its services. To this end, investment is essential, which can only be funded by generating sufficient operating profits.

Connexxion is also involved in a number of activities related to passenger transport. In particular it has a national network of branches and workshops for servicing and repairing buses and other commercial vehicles.

Connexxion wants to get and keep people moving. Getting people moving by offering clients effective solutions for passenger mobility at a favourable price-quality balance. Keeping people moving by ensuring that the end user, the passenger, is satisfied with the quality of the services provided and therefore increasingly uses them.

Connexxion is a prominent company in its field, with leading market positions in the Netherlands. Connexxion aims to maintain its market leadership and over time extend its activities to other market segments and geographical areas.

Connexxion aims to be the employer of choice for people who enjoy working for the company.

Connexxion is a dual-board company. All its shares are held by the Dutch State.

With 15,383 employees, Connexxion generated turnover in 2003 of € 948 million and an operating profit of € 33 million on capital expenditure of € 97 million.

Key figures

Amounts in millions of euros, unless stated otherwise.

	2003	2002*	2001*	2000*	1999
Balance sheet					
Total assets	632	591	604	657	686
Average capital employed	437	411	409	466	534
Group equity	242	219	229	249	255
Profit and loss account					
Turnover	948	945	910	905	860
Operating expenses	915	948	937	879	796
as a % of turnover	96.6%	100.3%	103.0%	97.1%	92.6%
Wages, salaries and social security charges	493	501	471	455	436
as a % of turnover	52.0%	53.0%	51.8%	50.3%	50.7%
Operating profit/(loss)	33	(3)	(27)	26	64
as a % of turnover	3.4%	-0.3%	-3.0%	2.9%	7.4%
Net profit/(loss)	21	(6)	(20)	9	38
as a % of turnover	2.2%	-0.6%	-2.2%	1.0%	4.4%
Financial position					
EBITDA	87	47	24	82	120
Cash flow from operating activities	117	9	4	67	41
Net capital expenditure	(97)	(51)	1	(67)	(51)
Financing surplus/(deficit)	20	(42)	5	0	(10)
Ratios					
Solvency on the basis of group equity	38.3%	37.1%	37.9%	37.9%	37.1%
Operating profit/average capital employed	7.5%	-0.7%	-6.6%	5.6%	11.9%
Interest cover	9.6	-0.4	-4.4	3.6	7.4
Workforce					
Number of employees at year-end	15,383	15,259	**	**	**
Average number of employees (FTEs)	12,451	12,786	12,706	12,739	12,879
Average number of indirect employees (FTEs)	1,469	1,662	2,150	2,299	2,082
Indirect employees as a % of total employees	11.8%	13.0%	16.9%	18.0%	16.2%

* In accordance with the new Guideline for Annual Reporting, extraordinary income and expenses are classified as operating expenses. The comparative figures have been reclassified accordingly.

** Data not available.

Company Boards

Supervisory Board

J.W. Berghuis, Chairman
 Prof. A.H.M.C. Walravens, Vice-Chairman
 (until 2 May 2003)
 K.J. Noordzij, Vice-Chairman (from 2 May 2003)
 G. Blom, Secretary
 J. den Hoed
 R. Pieterse (from 12 December 2003)
 R.L. Vreeman
 N.J. Westdijk (from 1 August 2003)

Group Board

N.J. Westdijk, Chairman (until 1 August 2003)
 P.J.P. Kortenhorst, Chairman (from 1 August 2003)
 R. van Holten, Vice-Chairman
 C. Anker

In addition to the Supervisory Board and the Group Board, the company has a Board of Directors, a Group Management Team and a Central Works Council. (* Member of the Board of Directors)

At year-end 2003, the members of the Group Management Team were:

Connexxion Openbaar Vervoer NV

J. Bakker
 R.J.M. Bruns
 H.H. Dijkstra
 J. Helfrich
 A. Jacobi
 K.J. van Oijen
 C.J. Stam
 R.T. Waterreus

Regional Director
 Regional Director
 Regional Director
 Regional Director
 Tender Team Manager
 Regional Director
 Regional Director
 Regional Director

Connexxion Taxi Services BV

J.W. van de Wetering *
 F.I.G. Janssen
 B. Schep
 T. Vegter

Director
 Operations Manager
 Controller
 Tender Team Manager

Connexxion Tours BV

A.J.J. Hodes *
 P. de Boer
 P. van Pelt

Director of Connexxion Tours
 Manager of Connexxion Water
 Deputy Director of Connexxion Tours

Connexxion New Business BV

G.C.N. Eikelboom

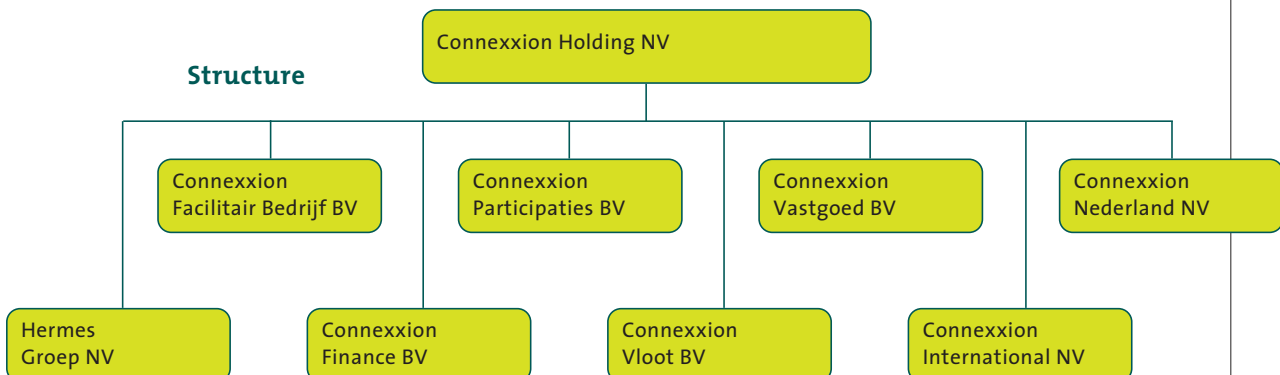
Director of Connexxion New Business & Corporate Development

Hermes Groep NV

W.T.J. Zuidema
 H.L.H. op den Camp
 J.M. van Hout

Managing Director
 Finance & Control Director
 Operations Director

Structure



Company Boards

Techno Service Nederland NV

J.F.M. Al *
W.R. Middelaar

Managing Director
Finance & Control Director

Connexxion Vloot BV

P.H. Kremer

Acting Director

Connexxion Vastgoed BV

H.C. van den Berg

Director

Connexxion Facilitair Bedrijf BV

W. Hetebrij

Director

Connexxion Holding NV

J. ten Brink
P.A.M. van der Heijdt
C.W.A. Lely
H.J.E. Modderman

Marketing & Sales Director
Internal Audit Manager
Public Affairs Director
Director of the Transport Service &
Knowledge Centre
Finance & Control Director
Corporate Communications Director
Legal Affairs & Risk Management Director
ICT Director
Group Controller
HRM Director

H. van Popering *

C.G. Sleddering

D.J. Slijper

H.C.C.M. Verschuuren

A. Verveld

P.P. Witte *

The members of the Central Works Council at year-end 2003 were:

A.T.M. Roording

B. Schaafsma

A. van Tol

A. van Huystee

H. Abdoelkariem

H. Flietstra

R. Haggenburg

D. Knutzen

B. Leenards

P. Mooren

J. Rozema

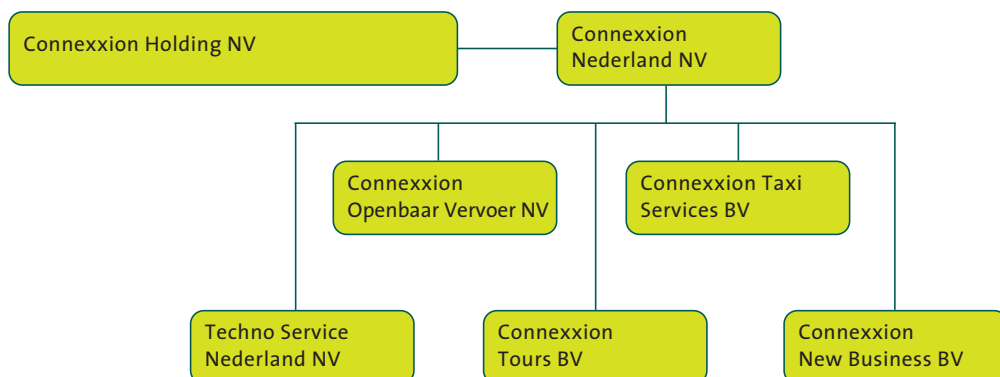
W.J. Schuldenberg

J. van der Velde

A.J. Wayenberg

J. Wijers

Techno Service Nederland NV, Chairman
Connexxion Tours BV, Deputy Chairman
Connexxion Openbaar Vervoer NV,
Secretary
Connexxion Taxi Services BV,
Deputy Secretary
Techno Service Nederland NV
Connexxion Openbaar Vervoer NV
Connexxion Taxi Services BV
Connexxion Openbaar Vervoer NV
Connexxion Openbaar Vervoer NV
Connexxion Taxi Services BV
Hermes Groep NV
Connexxion Taxi Services BV
Hermes Groep NV
Connexxion Tours BV
Connexxion Openbaar Vervoer NV



Report of the Supervisory Board

The Supervisory Board adopted the 2003 financial statements of Connexxion Holding NV, as drawn up by the Group Board, on 2 April 2004. In 2003 the company achieved an operating profit of € 32.7 million and a net profit of € 21.2 million.

The auditors' report is included on page 55 of this annual report. In accordance with Article 32 of the Articles of Association, we propose that the General Meeting of Shareholders approve the 2003 financial statements as drawn up by the Group Board and adopted by us, and that, as proposed by the Group Board, an amount of € 6.3 million of the profit for 2003 be distributed as dividend, an amount of € 11.8 million be added to other reserves, and € 3.1 million be added to the statutory and non-distributable reserves. The Supervisory Board also requests the General Meeting of Shareholders to endorse the Group Board's conduct of the company's affairs in 2003 and the Supervisory Board's supervision thereof.

The Supervisory Board is pleased to note that the company managed to continue the upward trend started in 2002. The permanent improvement in Connexxion's competitive position, its focus on results and stricter cost management gave a significant boost to the organisation and its results.

The composition of the Group Board changed during the year under review. Mr N.J. Westdijk stood down as Chairman of the Board on 1 August 2003, with the Group Board appointing Mr P.J.P. Kortenhorst as his successor and Mr R. van Holten as Vice-Chairman as from the same date.

At his own request, Mr C. Anker left the company at the end of the financial year.

The Supervisory Board greatly appreciates Mr Westdijk's willingness to assume the role of Chairman of the Group Board at such short notice and the way in which he managed to achieve far-reaching and positive changes in a limited period. We are pleased that Mr Westdijk has agreed to resume his membership of the Supervisory Board. We would also like to express our appreciation of Mr Anker for his many years of service to the company.

The Supervisory Board met with the Group Board six times during the year. In addition, the Chairman and Vice-Chairman of the Supervisory Board had frequent contact with the Group Board and with the other members of the Supervisory Board.

The Supervisory Board held four meetings at which the Group Board was not present. On these occasions, the Board discussed matters such as its own performance and that of the Group Board.

Apart from these meetings, there was also frequent informal contact with various individual units of the organisation. The Supervisory Board attaches great importance to its contacts with the Central Works Council. The members of the Supervisory Board took turns to attend the consultative meetings of the Central Works Council.

The main topics of discussion were the corporate strategy, the procedures and results of tenders submitted for public transport services, organisational improvements, and the financial results, but just as much time was devoted to the profile and composition of the Group Board and the Supervisory Board and to corporate governance.

Even though non-listed companies are not subject to the Tabaksblat Corporate Governance Code, Connexion is using this code as the basis for formulating its own Corporate Governance Code.

The best way to implement the code in practice will be researched in 2004.

During the past financial year, the Supervisory Board approved a revised Management Charter and, in light of the anticipated vacancies and with a view to achieving a balanced composition, drew up a new profile for the Supervisory Board.

The Audit Committee met four times during the year under review. In addition to developments in the results, the Audit Committee also studied the impact of the possible application of new accounting standards. Mr R. Pieterse, appointed as a member of the Supervisory Board as from 12 December 2003, also became a member of the Audit Committee.

In view of the changes in the membership of the Group Board, the Selection and Appointment Committee and the Remuneration Committee also met many times during the year.

Prof. A.H.M.C. Walravens stood down on 2 May 2003 having served on the Board for the maximum period. Mr N.J. Westdijk resumed his membership of the Supervisory Board on 1 August 2003 and Mr R. Pieterse was appointed to the Board as from 12 December 2003. Accordingly, all vacancies on the Board have now been filled.

During 2004, Mr J.W. Berghuis and Mr G. Blom will stand down by rotation. Neither gentleman is eligible for reappointment. In connection with his appointment as Chairman of the Board of Managing Directors of PGGM, Mr K.J. Noordzij has decided to retire from all the Supervisory Boards on which he serves. Accordingly, Mr K.J. Noordzij will stand down at the coming General Meeting of Shareholders in 2004.

Hilversum, 2 April 2004

Foreword

In our 2002 Annual Report, we already reported that 2003 and 2004 would be crucial years for the further development of Connexxion, especially in the area of public transport. Connexxion continued on its road to recovery in 2003 and came through the first decisive year successfully. Despite difficult market conditions, a significantly improved result was achieved on marginally higher turnover. The strengthening of the competitive position initiated in 2002 again gave a major boost to results in 2003. After two loss-making years, the company, as forecasted, realised a profit for 2003. Connexxion expects to at least match this result in 2004. Two members of the Group Board stood down in 2003. The Group Board greatly appreciates the contribution made by Mr Westdijk as Chairman of the Board and the manner in which he managed to achieve far-reaching and positive changes in a limited period. The Group Board is also extremely grateful to Mr Anker for his many years of service to the company.

Connexxion operates primarily in the market for public and private group passenger transport. Connexxion aims to maintain its position in this market as a prominent contractor of group passenger transport by retaining and, where possible, extending the leading market positions of its divisions. The positioning of Connexxion as a 'contractor' is acknowledgment of the leading role of our clients in shaping transport services, especially public transport. Connexxion advises its clients and provides them with the necessary information to draw up the best possible plans. Following public or private tenders, Connexxion

aims to fulfil the contract as a dutiful contractor, using quality personnel and equipment, so that both the client and the ultimate customer – the passenger – are satisfied with the service. This approach is founded on a constructive and professional partnership with clients, taking into account their often public responsibility.

Connexxion operates in a dynamic market, one which is extremely important for society. As market leader, Connexxion considers it its duty to pro-actively participate in and contribute to the debate on the development of mobility in the Netherlands. In connection with this, a number of matters were given particular attention in 2003.

Congested access routes to economic centres form a serious threat to economic growth in the Netherlands. This situation is influenced to a large extent by the choice between using own transport and group public transport. A choice that is made not only on the basis of travel time, but in particular reliability. Public transport can therefore form a realistic alternative for motorists only if they can depend on reliable departure and arrival times. If the passenger is to regard public transport as a serious alternative, it is necessary to invest in the public transport infrastructure on routes around and to these economic centres. This requires a joint effort by concession granters and Connexxion. And success does not have to be a dream, as proved by the results of the Zuidtangent route, among others. Together with our concession

granters, we are now offering transport services on that route using a dedicated bus infrastructure combined with a superior public transport product. In 2003 this generated a 20% growth in the number of passengers. Moreover, Connexxion plans to continue to introduce new initiatives in the professional provision of travel information and modern ticket technology.

Connexxion regularly meets regional executives, interest groups, politicians and ministries to discuss the possibilities for offering passengers a high-quality transport alternative. An example of this is the Connexxion Forum held on 24 November 2003, at which representatives of all interested parties discussed a new mobility market. A key conclusion emerging from this Forum was that the mobility market in the Netherlands must be considered in its totality. Looking at the car, train, bicycle or bus as independent elements only serves to complicate the issue of mobility. The changing role of government is a major factor in this. In regulating the traffic and transport market, the government plans to allow the market players to interact to create sound solutions for the efficient use of the infrastructure.

Not only the safety of the public at large, but also safety on the roads and at work are areas that are given particular attention by all employees of our company. Again in 2003, Connexxion experienced serious and distressing accidents. The safety policy is being tightened. It is the task of the entire organisation to ensure that the comprehensive safety policy is closely observed as a central part of our daily activities.

Although Connexxion operates in just part of the passenger transport market, it realises that because of its size its services are highly visible throughout society. For this reason, we as a company wish to continually account for the way in which we conduct our business. Not only as a provider of transport solutions, but also as a responsible company. That means, among other things, accounting for the conduct of management, environmental impact and our safety record. Even though non-listed companies are not subject to the Tabaksblat Corporate Governance Code, Connexxion is using this code as the basis for formulating its own Corporate Governance Code. The implementation of the code in practice within the company will be undertaken in 2004. The company will also try to obtain certification in respect of its environmental impact and safety procedures.

Connexxion will continue in 2004 to fulfil its responsibilities as market leader and in this way make a positive contribution to effective, responsible and high-quality transport for Dutch society.

Financial performance

The financial results for 2003 are considerably better than for previous years, with a major improvement already reported in 2002. The good performance in 2003 can be mainly attributed to adherence to a stricter policy of cost control. With turnover up marginally, the operating profit amounted to € 32.7 million (2002: operating loss of € 3.3 million) and group profit came to € 22.3 million (2002: group loss of € 4.7 million). In accordance with new accounting guidelines, the item extraordinary income and expenses is no longer included in the 2003 financial statements. The comparative figures for 2002 have been reclassified to conform with the 2003 presentation. After two years of losses, a net profit was achieved this year of € 21.2 million.

Turnover and results

Consolidated turnover increased marginally in 2003 to € 948.1 million (2002: € 945.3 million). This rise of 0.3% was the net result of a slight fall in turnover from public transport services, a major increase in turnover of the Connexxion Taxi Services division, a more or less unchanged turnover of Connexxion Tours and Techno Service Nederland and a significant fall in other group activities.

Total operating expenses fell by 3.5 % to € 915.5 million (2002: € 948.6 million). This decrease was thanks to the fact that reorganisation costs had already largely been accounted for, a marked drop in other operating expenses of 7.7%, a marginal fall in staff costs of 1.5% owing to a reduction in the workforce by 200 FTEs and a slight rise in cost of sales of 5.2% as a result of more work being contracted out by the Connexxion Taxi Services division.

The operating profit soared to € 32.7 million (2002: operating loss of € 3.3 million), continuing the upward trend started in 2002. Return on sales (ROS) improved to 3.4% (2002: - 0.3%), again short of our target ROS of 4%. In this respect, Connexxion is not yet completely satisfied with its results.

Net interest expense decreased sharply by € 4.2 million to € 3.4 million. This was mainly thanks to the refinancing programme completed in 2002, as a result of which the greater part of the loans portfolio in 2003 was subject to a lower interest rate. Furthermore, penalty interest was paid in 2002 in respect of this refinancing.

Report of the Group Board

The profit on ordinary activities before taxation came to € 29.3 million (2002: loss of € 10.9 million). Thanks in part to a share in the profit of non-consolidated participating interests, group profit came to € 22.3 million (2002: group loss of € 4.7 million).

After deduction of minority interests, the net profit for 2003 amounted to € 21.2 million (2002: net loss of € 5.8 million), representing a major improvement compared with last year.

Balance sheet

The capital employed at year-end 2003 of € 446.2 million was higher than the figure of € 428.5 million at year-end 2002. This increase can be attributed to the funds obtained as part of the new lending facilities arranged in 2003. Major investments in rolling stock led to an increase in fixed assets in particular. The return on average capital employed climbed to 7.5% (2002: – 0.7%). Despite this satisfactory increase, we still did not manage to meet our long-term target of 10%. A further improvement in capacity utilisation of both buildings and equipment should lead to an increased asset turnover rate. Management of our fleet and property has been centralised with a view to improving utilisation.

Group equity went up from € 219.3 million in 2002 to € 242.0 million in 2003 due to the net profit and a marked increase in minority interests. Group equity is a solid 54.2% of capital employed and 38.3% of total assets of € 632.1 million. Provisions fell as a result of higher net withdrawals and releases. Connexxion again refinanced part of its debt in 2003, although not to the same extent as in 2002. In the year under review, long-term liabilities increased to € 140.7 million (2002: € 120.1 million).

Cash flow and capital expenditure

In 2003, Connexxion generated EBITDA of € 87.5 million (2002: € 46.6 million), which was almost enough to finance its capital expenditure of € 96.7 million. The high amount of costs charged to reorganisation provisions, formed mainly in 2001 and 2002, led to a major cash outflow in 2003 of € 28.8 million. Cash at bank and in hand rose on balance by € 37.3 million to € 79.5 million at year-end 2003.

The larger part of capital expenditure related to rolling stock. A total of 357 new buses and 1,198 new taxi buses were taken into operation in the year under review. The average age of the bus fleet is 7.3 years (2002: 8.6 years) and that of taxi buses 2.5 years (2002: 4.2 years). Disposals mainly related to rolling stock and property.

Group companies

Connexxion Openbaar Vervoer

Connexxion Openbaar Vervoer provides public transport services to the Dutch market under the brand name Connexxion. Connexxion is the largest market player in the bus segment. Its head office is in Hilversum. Connexxion Openbaar Vervoer carries 1,000,000 passengers each day. The operations are based at 70 depots, spread over 6 regions. Connexxion Openbaar Vervoer has a fleet of 2,565 buses, 27 trams and 2 trains for urban and regional transport.

Connexxion Openbaar Vervoer generated turnover of € 566.1 million in 2003, down marginally on last year. The price increases in 2003 were not enough to compensate for the fall in passenger income. However, efficiency enhancement measures led to a larger absolute decrease in expenses than in turnover.

2003 was again a challenging year for Connexxion Openbaar Vervoer. The year opened without the Drechtsteden-Alblasserwaard-Vijfheerenlanden and BRU Noordwest concessions, lost in 2002. The market continues to be dominated by fierce competition for the tendered concessions, against the backdrop of further government cuts in the public transport budget.

Despite the budget cuts, Connexxion is devoting much effort to improving the quality of the services offered based on its in-depth understanding of the wishes of passengers. Using this understanding, Connexxion can also assist its clients, the concession granters, to find the most effective public transport solutions. The provision of real-time passenger information is becoming more and more commonplace. However, a pilot service using mobile text messages did not live up to passengers' expectations and was therefore discontinued. Following discussions with the Province of South Holland, 'free' public transport has been provided between Leiden and The Hague since 5 January 2004. In order to increase accessibility to public transport, an 'open-door' policy is being introduced in Almere whereby passengers do not need to board the vehicle by the foremost door beside the driver. The high frequency of our bus services also helps to increase accessibility.

The Zuidtangent route, the dedicated bus lane between Amsterdam-Zuidoost and Haarlem saw its passenger numbers grow by 20%, excluding the effect of the Floriade flower show. The trials with the *gemakskartjes* [easy tickets] carried out in a number of areas by Connexxion Openbaar Vervoer were encouraging. These tickets were sold in the bus at a fixed price irrespective of the distance travelled. We aim to further improve our services to our passengers through the '*Samen met de bus*' [Together by bus] project launched at the end of the year. Through this project, Connexxion Openbaar Vervoer wants to promote a number of travel tips among passengers which will make their journeys easier, faster and safer. The priority given by Connexxion to its passengers was again seen in 2003 in the new national campaign to fully inform as many passengers as possible well in advance about the new timetables at the end of the year.

Report of the Group Board

Connexxion Openbaar Vervoer participated in seven tender invitations, in all of which, barring one, it was awarded the concession. The six successful tenders all related to concessions already operated by Connexxion. The concession for Groningen, which was not awarded to Connexxion, covered an area where Connexxion is not currently operating transport services. In all its tender bids, Connexxion strives to offer the lowest possible price, while at the same time ensuring it achieves a healthy return on capital employed.

In 2003, a number of concession tenders led to legal proceedings, generally as a result of ambiguities in parts of the Passenger Transport Act 2000 [*Wet Personenvervoer 2000*]. A number of these matters will be resolved by means of legislation, while the resolution of several others will be left to case law and practical solutions.

A number of concession granters invited tenders for concessions in their respective transport areas for the first time in 2003. Concession granters differ greatly in the manner in which they organise the structure of the public transport facilities. Some concession granters give the carrier considerable freedom to define its transport plan, while other concession granters take more responsibility themselves for developing the transport plan. Connexxion believes that, given its passenger know-how and its transport expertise, it is in a position to provide added value to its concession granters in the development of transport plans. In view of its extensive fleet of large and small buses and taxi buses, Connexxion is also able to employ a differentiated product mix and therefore deliver a better transport performance. In the interests of total transport performance, it is therefore crucial that Connexxion is able to allow the concession granters to offer a mix of large and small-scale transport to passengers.

Public transport in the Netherlands is largely financed by government subsidies. The budgets available for this purpose have been under pressure for some time and are expected to fall further in the coming years. This has prompted a major efficiency drive at our company, while broadly maintaining passenger service levels. However, continued cuts in government budgets will certainly be accompanied by a reduction in the level of public transport services, especially in less-densely populated areas, if the profitability of the company is to remain acceptable and sufficient to continue investing in new equipment and improved services. Should this situation materialise, Connexxion will endeavour to provide the concession granters with the support and advice they require to come to the best decisions. In fact, the reduction of public transport services entails the risk of a fall in the number of passengers, consequently damaging the social role of public transport. For this reason, a broad-based social debate on that role is desirable.

Considering the above, the rapid introduction of the electronic ticket for public transport is urgently required. This electronic ticket will make public transport more appealing to our passengers by allowing them to use just one ticket for travelling on the whole public transport network and lowering the barriers to transferring between different modes of transport. Furthermore, the electronic ticket will assist in the alignment of supply and demand, allowing Connexxion to operate more efficiently and leading to a fairer allocation of income among carriers. The introduction of the electronic ticket will have an impact on the organisation of the company's internal procedures and systems. Connexxion has set up a project group with the remit of managing the transition to the electronic ticket. To facilitate the national launch of the electronic ticket in the Netherlands, Connexxion Openbaar Vervoer and four other public transport carriers have formed the collaborative venture Translink Systems. The company has also reached agreement with the appropriate local authorities in Hoeksche Waard and Voorne-Putten for the purpose of introducing the electronic ticket in the Netherlands. This introduction is in line with the plans of the transport company RET and the rail operator NS to introduce this system in the Rotterdam region. In its capacity as member of Mobis, Connexxion is still holding discussions with central government on the financial aspects of the introduction of the electronic ticket.

Connexxion Openbaar Vervoer is the result of the merger of a large number of formerly independent local and regional bus companies, each with its own culture and systems. In 2001, an ambitious programme to streamline and standardise the main business processes was launched to ensure that the same procedures and systems are used throughout the organisation. The implementation of this programme was completed in mid-2003. A project was started at the end of 2003 to enhance professionalism and efficiency, as part of which the set of management indicators at various levels in the Connexxion Openbaar Vervoer organisation is being revised. The outcome of this project – a logical group of performance indicators – is being implemented in the organisation early in 2004.

Connexxion Openbaar Vervoer remains committed to improving its services. In 2003, a total of 221 new buses (2002: 126) were taken into operation. As a result, the average age of the fleet dropped to 7.3 years (2002: 8.6 years). Connexxion decided in 2003 to fit special blind spot mirrors to all vehicles in its fleet, despite the fact that only trucks are required by law to have such mirrors.

Hermes Groep

2003 was a satisfactory year for Hermes, in which it achieved an operating profit of € 6.0 million and a net profit of some € 4.5 million. Total income for 2003 was € 94.8 million, down 6.8% on 2002, mainly due to the loss of the Rivierenland concession as from 1 January 2003. On the other hand, additional turnover was generated by a transport contract concluded with Nedcar with effect from 1 July 2003. The focus on cost control and continued efforts to achieve further cost savings and process enhancements contributed to the results realised. For example, an improvement project was launched on 1 May 2003 with the aim of substantially reducing absence due to illness from 10.3% in 2002 to 7.0% in 2003. This reduction of almost 3.3% compared with 2002 will largely be reflected in substantial cost savings, allowing a lower cost price to be offered in future tenders.

Report of the Group Board

Net cash flow (the balance of net profit, depreciation and amortisation and movements in provisions) for 2003 was € 7.3 million, enabling Hermes Groep to continue to invest in its future largely from its own financial resources. The necessary new and replacement investments were made in 2003, with € 17.6 million being spent on equipment and buildings. The main investments in 2003 related to 61 regional buses, 18 city buses and 15 midi-buses – as a result of which around 25% of the fleet has now been modernised – three new vehicle-wash facilities and a new tank facility, plus a new depot in Nijmegen. Capital expenditure in 2003 also included the conversion of LPG buses to diesel, with a view to reducing the number of breakdowns and extending the operational life of the vehicles. Almost half of the fleet now consists of low-floor buses.

Disposals in 2003 amounted to € 3.5 million relating to the sale of buses and buildings. In 2004, the company will continue with the necessary age reduction of the fleet by investing in a further 30 buses. Furthermore, in collaboration with SRE, the new Phileas bus (high-quality public transport system) will be taken into operation and the automatic timetable system [*Dienstregeling Informatiesysteem – DRIS*] will be made more extensively available at bus stops in Eindhoven. Moreover, an automatic travel information pilot project is to be carried out at bus stops in collaboration with the Province of Limburg and Gebaltram, providing passengers with information on bus arrival and departure times, as well as any delays. A pilot project will also be launched in 2004 for the national introduction of electronic tickets in buses operating as part of the SRE Eindhoven concession.

Since 2002, and therefore also in 2003, the core activity of Hermes Groep is public transport in an area in the southeast of the Netherlands. In 2003 the company concentrated on further improving its relationship with public transport concession granters, with the ultimate aim of reaching a joint agreement on the extension and awarding of concessions in the coming years. Hermes Groep laid a solid basis in 2003 for further agreed and future investments in the SRE, Limburg and KAN concession areas.

Hermes Groep is committed to further improving quality, for example, by investing not only in the modernisation of equipment and depots, as mentioned above, but also through a retraining programme for drivers, launched in 2002/2003, as part of which national certification exams (ELAN) must be passed. Hermes is the first carrier in the Netherlands with certified drivers, ahead of expected European regulations. At the end of 2003, 95% of Hermes drivers had been awarded this certificate. The second stage of the 'Impulse' results-oriented self-management project, launched in 1999, was started in order to further enhance the internal control structure. Key positions were reviewed and where necessary strengthened. In addition, covenants were concluded with road management companies for the introduction of various traffic effectiveness measures.

In 2003, Hermes Groep concentrated on industry parks and high-volume contracts with sufficient current or potential demand for public transport. An example of the successful generation of additional turnover is the transport contract with Nedcar mentioned above, which was concluded in 2003.

In addition, Hermes Groep has investigated the potential for 'city services' in midsize cities experiencing parking and congestion problems. For this purpose, Hermes Groep has invested in 'midi-buses' carrying a maximum of 30 passengers. In Limburg, 'large bus' lines have been replaced by group demand-driven transport [*Collectief Vraagafhankelijk Vervoer – CVV*], resulting in a steep growth in this type of service (some 1,200 – 1,500 passengers per day, who are offered virtually individual transport at a group transport price) and directly hitting the available public transport budget.

There are currently two major, and interrelated, challenges for Hermes Groep: the further cuts to public transport subsidies and the resulting fall in income, as well as the concessions expiring in 2005 and 2006. Thanks to constructive collaboration with the Province of Limburg, Hermes has so far been successful in continuing the current timetable in 2004, despite the cuts. In general, it is becoming increasingly difficult to compensate for the budget cuts by improving internal efficiency. Consequently, reduced services are unavoidable, which will certainly adversely affect the social role of public transport and the number of passengers. The company, together with concession granters and passenger interest groups, will attempt to soften the 'pain'.

Hermes Groep remains an advocate of the non-public extension of concessions with a period of notice, which places unrelenting pressure on the organisation to continually deliver a good performance.

Connexxion Taxi Services

All transport using small vehicles is concentrated in Connexxion Taxi Services. Its core activity is small-scale group passenger transport, of which 50% consists of demand-driven transport and 50% of scheduled group transport. Of the total turnover, 60% is generated from tenders, under which the award of a contract is usually dependent on price. Cost-driven operations while delivering the required quality is the key success factor in a fiercely competitive taxi market. Operations are carried out from 28 branches in 7 regions. At year-end 2003, the company had a fleet of 3,127 vehicles.

In 2003, Connexxion Taxi Services continued the upward trend of 2002. Despite the fact that Connexxion Taxi Services lost three contracts for the first time since its incorporation in 2001, turnover increased sharply in 2003 to over € 200 million, a rise of 19%. This increase is attributable to winning some 30% of tenders, a growth in the current CVV contracts and growth in turnover from TraXX (supra-regional transport for handicapped people). Unfortunately, following the latest tender procedure, the contract with TraXX is no longer operated by Connexxion since April 2004.

While contracts are awarded on the basis of apparently objective measures, Connexxion Taxi Services questions the award of some contracts. The number of legal proceedings concerning the application of the criteria for awarding contracts went up in 2003. The taxi market for group transport services is characterised by fierce price competition and increasing demands from clients in terms of quality and performance reporting. Many taxi companies cannot survive in this environment, and especially if a large portion of the market for seated hospital transport disappears as a result of government budget cuts. Connexxion Taxi Services is able to meet the

demands of clients by using its efficient standardised processes. At the same time, competitive prices can be offered without lowering profitability targets.

In terms of the organisation, the past two years has seen the creation of a standardised organisation with the required flexibility to grow or, if necessary, to downsize. The underlying structure of the operational process and the accounting systems means that they can be relatively easily upscaled. The flexibility of the organisation and the capital employed have been further increased, owing to outsourcing some 30% of business to subcontractors and by reducing the original 18 types of vehicles to just three, which are fully interchangeable. The size advantages of the Connexxion Taxi Services organisation can be further utilised, as turnover growth can be leveraged in combination with existing contracts. The group department, Tenders and Implementation, contributes to this by basing new tenders on existing contracts and monitoring overall developments in the process. The economies of scale of the combination of contracts are realised in practice with the aid of a dynamic planning system (RBS). An EDP audit of this system has confirmed that it meets the increasing demand of clients for reliable performance reporting.

Connexxion Taxi Services can look back on a hectic, but satisfactory year, in which the foundations were laid for a healthy and efficient organisation that has the ability to grow profitably. The demand for the small-scale transport services of Connexxion Taxi Services is increasing rapidly, especially in the demand-driven segment. In this area, Connexxion Taxi Services aims to concentrate mainly on constant improvements to the service quality delivered and on making that quality visible to both clients and passengers.

Connexxion Tours

Connexxion Tours carries out the touring car activities of Connexxion, as well as the public transport activities on water and the platform transport at Schiphol Airport.

The head office of the division is located at Schiphol Airport, with the operations conducted from 12 branches in four regions. The division owns 310 buses and six vessels, and also manages eight vessels for clients.

Arke/TAD, a 50% participating interest, forms part of Connexxion Tours. The figures of Arke/TAD were not consolidated in 2003, but were accounted for as profit of non-consolidated interests.

The new equipment taken into operation in 2003 consisted of 12 tour buses, 10 hotel buses (for the Amsterdam Hotel shuttle service) and 20 Cobus buses (for the platform transport at Schiphol). Under the terms of the contract, the Cobus buses are transferable with the concession.

The touring market segment is in general dominated by price competition. The development of the market is heavily dependent on economic factors, which puts pressure on prices. The market is strongly influenced not only by the Dutch economy, but also by foreign economies, in terms of the inflow of tourists. In this respect, the war in Iraq and the SARS epidemic had a damaging effect on the touring market. The turnover of Connexxion Tours in 2003 was unchanged compared with 2002, despite the above negative market developments. Connexxion Tours aims to improve the utilisation levels of its vehicles, for example by increasing their deployment for public transport.

The national sales organisation, Connexxion Projexx, made a positive contribution to profit by acquiring large-scale projects for customised event transport, such as the transport for a large staff meeting of ABN AMRO bank. In collaboration with Connexxion Openbaar Vervoer, it provides transport for public events, such as Dance Valley and the motor show in the RAI. This market segment is being further developed together with Connexxion Openbaar Vervoer.

The ferry connection between Velsen and Amsterdam is provided using hydrofoil craft operating under the name Fast Flying Ferries. Passenger numbers on this route increased by some 13% in 2003 compared with 2002, climbing to 285,114. The acquisition of ferry services has reinforced the water-related activities. On 1 July, a 10-year operating agreement was concluded with North Holland Department of Public Works in respect of the ferry services over the Noordzeekanaal.

Techno Service Nederland

Techno Service Nederland supplies clients with tailored services for corporate vehicle fleets, supported by a national network of more than 60 branches. The services are marketed in the form of three service formulas: Techno Service for maintenance and repairs, Techno Care for the management of vehicle fleets, and Techno Support for spare parts and advice. Techno Service Nederland focuses on the passenger transport, freight and environmental services market segments. Its head office is located in Waddinxveen.

The turnover of Techno Service Nederland increased slightly in 2003 compared with 2002, rising to € 126.5 million. Turnover fell in the freight segment, but increased in the passenger transport and environmental services segments. Turnover from maintenance and repairs activities in particular went up, on the one hand due to the longer employment of older vehicles and on the other to higher turnover from repairs, partly thanks to the opening of a new repair workshop in Nieuwegein. The growth in the direct supply of spare parts increased further, both in the Netherlands and in Northwest Europe. Furthermore, the first maintenance contracts with regional public transport companies in Germany (NRWF) took effect in 2003.

The operating profit fell sharply compared with last year as a result of reorganisation costs in respect of the support services and the development costs of an integrated information system. Despite lower prices in the public transport market in particular, the operating profit before exceptional expenses was in line with 2002, thanks to higher productivity, cost management and better results of the tyre companies and dealerships. In addition, purchase costs fell as a result of exploiting the purchasing power vis-à-vis suppliers more effectively. Working capital went up because of a rising receivables balance caused by the more difficult economic conditions. For this reason, risk management was stepped up.

In the second half of 2003, the reorganisation of the support services of Techno Service Nederland got underway. This project aims to increase the effectiveness and standardisation of activities and at the same time cut indirect costs. In addition, the number of regions within which the

branches are clustered and managed has been reduced from 4 to 3 with effect from 2004.

At the end of 2003 a vehicle competence centre was established by Techno Service Nederland in Culemborg with the aim of improving the accessibility to technical operational know-how and experience of specific vehicle series by the workshops. A major project is the development of the integrated information system TES [*TSN Eén Systeem*] for the operations of Techno Service Nederland. This system will be implemented in 2004.

Towards the end of the year under review, Techno Service Nederland acquired Brinks Carrosserieën B.V. in Hengelo. This acquisition opens up new opportunities for additional activities for servicing trailers for the freight market segment.

In 2003, Techno Service Nederland devoted much effort to enhancing the effectiveness and efficiency of the organisation, with a view to further stimulating turnover growth and profitability in the coming years. Thanks to the commitment of many loyal and knowledgeable employees, this process was completed successfully. Efforts are now being directed at achieving growth in turnover on the freight and environmental services markets. The demand for brand-independent maintenance of vans will increase in the coming years as a result of revised European regulations. Techno Service Nederland is adequately responding to this development with a strong commercial and logistics concept, based on the fundamental responsibility to keep clients mobile at all times.

Connexion New Business

The New Business division is the holding company of ComboNet, Mobility Mixx, Future Technology, Connexion Travel and PromOVE.

ComboNet renewed the mobile communication contracts with Combofoon in 2003. All contracts have now been brought into line, allowing a consistent policy to be pursued with respect to all transport companies. In addition, ComboNet successfully concluded contracts for the operational management of bus stations using real-time travel information. These services are now being provided in eight municipalities.

Compared with last year, Mobility Mixx achieved strong growth in turnover. However, it was decided that a new shareholder would be better positioned to maintain the growth and for this reason Mobility Mixx was sold in December 2003.

In the past few years, the services of Future Technology have been increasingly directed at Connexion Taxi Services. As virtually the entire capacity of Future Technology is now used on behalf of Connexion Taxi Services, this business unit was transferred to Connexion Taxi Services in mid-2003.

The results of Connexion Travel suffered greatly from the disappointing market conditions in the travel industry. Efforts are currently being made to turn this situation around permanently.

In 2003, PromOVE entered into a major agreement with Viacom Outdoor, under which Viacom Outdoor will sell the advertising space on both the inside and outside of Connexion buses for a period of eight years. The company expects that Viacom will further professionalise transport advertising, while at the same time guaranteeing the income from transport advertising for Connexion.

In the light of the above developments, the New Business division is being closed down.

Human resources

In 2003, all divisions felt the impact of the implementation of reorganisations started in previous years, including the standardisation of working processes and systems. The principal aims of these reorganisations were on the one hand to strengthen the structure underlying the primary processes and on the other to centralise the support departments at divisional and regional level. This process led to a further reduction in the number of indirect employees and to the improved effectiveness and efficiency of the organisation as a whole.

To support these changes, the company began evaluating all management positions in 2003 using the Hay method. This process has been completed for Connexxion Openbaar Vervoer, the operating companies that carry out activities for the whole group and the head office. The other divisions will undergo the process in 2004.

In parallel, all employees of these companies received a new standard employment contract. In view of the ever fiercer market conditions, this new employment contract specifically addresses the protection of the company's capital – represented by the entire workforce – and the sensitive market information available to our employees.

In addition, a performance appraisal system was introduced in 2003 for the majority of indirect staff. This system is based on result targets agreed in advance by the supervisor and staff member concerned. This system also stimulates the development of general and specific competences. At the beginning of 2004, the system will be evaluated and where necessary adjusted, after which it will be introduced in other parts of the organisation.

As in 2002, many activities were initiated in 2003 aimed at reducing absenteeism, including that due to illness, in line with the Eligibility for Permanent Invalidity Benefit (Restrictions) Act [*Wet Verbetering Poortwachter*]. This produced positive results at all divisions, although we cannot yet talk of a real reversal in the trend, especially at Connexxion Openbaar Vervoer. Following an increase in 2002 as a result of reorganisations and lost concessions, Connexxion has returned to the absenteeism level of 2001. The number of employees being declared incapacitated for work fell substantially.

The implementation of the policy on absenteeism within Connexxion Openbaar Vervoer was not without its share of problems. This led to tension between management and employees in some parts of the organisation. The lessons learnt by Connexxion from this will be put into practice in the near future.

A project is to be launched in 2004 to substantially reduce absenteeism within 18 months, with the ultimate objective of achieving a long-term reduction in absenteeism to a level below the national average. The project is based on three approaches: solving the problem of frequent and long-term absenteeism, formulating new rules for absenteeism, and introducing improvements in the organisation, such as prevention. This programme is based on a programme implemented at Hermes Groep in 2003, which resulted in a drop in the rate of absenteeism.

A number of new regulations were agreed at group level with the Central Works Council, including rules of integrity and a code of conduct for the use of e-mail and internet.

The various employer organisations and the trade union held extensive discussions on the different Collective Labour Agreements applying within Connexxion. Connexxion is very closely involved in a number of Collective Labour Agreements, including that of Public Transport. This Collective Labour Agreement, for which VWOV is the contract party on behalf of the employer, expired on 1 January 2003. Extensive negotiations were held between the various parties during the course of 2003, with the main issues being future developments, affordability and funding of early retirement and pre-retirement pension schemes. Once the plans of the second Balkenende Cabinet were revealed in the Queen's speech in September, these negotiations could be resumed. The planned abolition of the tax facility for early retirement before the age of 65 destroyed the financial basis of the plans already made. After the national general labour accord in the autumn, the parties to the Collective Labour Agreement finally decided to postpone the pensions issue to the spring of 2004, when it was expected that the Cabinet and the social partners would reach a final agreement on the early retirement schemes. This meant that the negotiations on a Collective Labour Agreement for the years 2003 and 2004 could be rapidly concluded in line with the national general labour accord. This Collective Labour Agreement includes an agreement to modernise and simplify the Public Transport Collective Labour Agreement. This was necessary as the Public Transport Collective Labour Agreement was originally formulated at a time before market forces came into play. Employers in the sector now believe that the Collective Labour Agreement should reflect current relationships and developments in the market.

In the past few years, Connexxion has spent much time standardising and harmonising its systems and processes, as well as focusing on cost savings and cost management. These were essential measures for an organisation formed from mergers and one which is subject to market forces and fierce competition, including from non-Dutch companies. At the same time, Connexxion also realises that the proper operation of systems and processes depends on the efforts of people and that cost management in a large organisation is only effective if people are committed to it. In 2004 and subsequent years, Connexxion will therefore devote much time to cultivating the required culture and attitude within the organisation. The employee satisfaction survey 'Employees have their say' [*Medewerkers aan het woord*] currently being conducted will play a key role in this.

The environment

Corporate environmental responsibility is a challenge for any organisation whose operations are directed at meeting society's demand for mobility. Mobility means on the one hand economic progress and bringing people together. On the other hand, mobility has an impact on the environment.

To minimise this impact on the environment, Connexxion implemented its Environmental Policy Plan 2002-2005 in 2003, paying particular attention to the documentation and implementation of the processes necessary to allow Connexxion to obtain NEN EN ISO 14001 certification. The certification of this environmental management system will be granted in 2004.

Connexxion's environmental management system is designed to implement the environmental policy by means of the proper management of operating activities, minimising environmental risks and safeguarding continuity in the long term. The system enables Connexxion to identify deviations, analyse the causes and take steps in time.

Connexxion recognises the importance of open communication on this subject with interested parties. For this reason, Connexxion specifically addresses its activities regarding the environment in its 2003 annual report.

Participating interests

Connexxion holds minority shareholdings in a number of companies operating in the sector for passenger transport and related activities (see page 34 for a list of non-consolidated participating interests).

The profit of participating interests amounted to € 2.7 million (2002: € 2.4 million). In 2003, the company received a dividend from Syntus of € 1.1 million (2002: nil).

Prospects

The public transport sector will be influenced in the coming year by tenders invited pursuant to the Passenger Transport Act 2000. At the end of 2004, this Act will be evaluated for the first time. Until then, Connexxion expects regional government to continue to request tenders. In the coming year, 30 to 40% of Connexxion's turnover from public transport will be put up for public tender. The debate on whether city transport should be subject to market forces or not is being closely followed by Connexxion.

The Taxi and Tours divisions will also be involved in major tender processes in the coming years. Given the investments made to reinforce its competitive strength and effectiveness, Connexxion approaches these tender processes with confidence.

Connexxion assumes that its turnover from public transport will come under pressure because of the cuts in government budgets and tender processes. Despite this, the company expects that the efficiency measures it has taken will enable it this year to at least match the results achieved in 2003. The anticipated tender processes could impact the size of the current workforce. Under the aforementioned Act, both direct and indirect staff are transferred to new concession holders. Apart from the possible loss of concessions, Connexxion does not at this time foresee the need for large-scale reorganisations.

Connexxion expects to make a normal level of investment in 2004, taking into account the effect of public transport and taxi tenders being awarded or lost. The investments will be financed from the free cash flow.

Consolidated balance sheet at 31 December 2003

After appropriation of profit	2003	2002
	In thousands of euros	In thousands of euros
Assets		
Tangible fixed assets		
Land and buildings	123,848	133,499
Rolling stock	262,086	213,178
Other fixed operating assets	18,668	21,177
Fixed assets under construction	2,862	944
Assets not used in operations	565	603
Total tangible fixed assets	408,029	369,401
Financial fixed assets		
Participating interests and amounts owed by participating interests	7,322	5,510
Other receivables	3,484	658
Total financial fixed assets	10,806	6,168
Total fixed assets	418,835	375,569
Current assets		
Stocks	17,138	17,702
Receivables	116,548	155,600
Cash at bank and in hand	79,543	42,234
Total current assets	213,229	215,536
Total assets	632,064	591,105

Consolidated balance sheet at 31 December 2003

After appropriation of profit	2003	2002
	In thousands of euros	In thousands of euros
Group equity and liabilities		
Group equity		
Shareholder's equity	232,024	210,130
Minority interests	9,962	9,148
Total group equity	241,986	219,278
Provisions	55,156	77,977
Long-term liabilities	140,747	120,151
Current liabilities	194,175	173,699
Total group equity and liabilities	632,064	591,105

Consolidated profit and loss account for 2003

	2003	2002
	In thousands of euros	In thousands of euros
Turnover	948,124	945,333
Cost of sales	120,846	114,824
Wages and salaries	393,125	401,070
Social security charges	100,164	99,670
Depreciation and amortisation	49,501	49,868
Net additions to/(releases from) reorganisation provisions	(672)	19,908
Net additions to/(releases from) environmental provision	(575)	2,696
Net additions to/(releases from) other provisions	6,742	(567)
Impairment of tangible fixed assets	5,299	0
Other operating expenses	241,027	261,161
Total operating expenses	915,457	948,630
Operating profit/(loss)	32,667	(3,297)
Net financial expenses	(3,400)	(7,645)
Profit/(loss) on ordinary activities before taxation	29,267	(10,942)
Tax on profit/(loss) on ordinary activities	9,657	(3,812)
Share of profit of non-consolidated participating interests	2,672	2,417
Group profit/(loss)	22,282	(4,713)
Minority interests	(1,051)	(1,060)
Net profit/(loss)	21,231	(5,773)

Consolidated cash flow statement for 2003

	2003	2002
	In thousands of euros	In thousands of euros
Cash flow from operating activities		
Operating profit/(loss)	32,667	(3,297)
Depreciation and amortisation	49,501	49,868
Change in stocks	564	2,894
Change in short-term receivables	27,378	7,406
Change in current liabilities	23,580	(46,780)
	<hr/>	<hr/>
Cash flow from business operations	133,690	10,091
Dividends received	1,065	0
Interest received	6,848	6,305
Interest paid	(10,843)	(13,723)
Profits tax received	3,376	11,359
Impairment of tangible fixed assets	5,299	0
Additions to/(releases from) provisions	5,954	22,037
Withdrawals from provisions	(28,775)	(26,964)
	<hr/>	<hr/>
	(17,076)	(986)
	<hr/>	<hr/>
	116,614	9,105
Cash flow from investing activities		
Additions to tangible fixed assets	(109,511)	(57,019)
Disposals of tangible fixed assets	14,931	9,786
Investments in financial fixed assets	(3,184)	(4,583)
Disposals of financial fixed assets	582	536
Other movements	442	162
	<hr/>	<hr/>
	(96,740)	(51,118)
Cash flow from financing activities		
Dividend paid	(371)	(20)
New long-term loans taken out	56,417	93,677
Repayment of long-term liabilities	(38,611)	(44,157)
	<hr/>	<hr/>
	17,435	49,500
Change in cash and cash equivalents		
Cash and cash equivalents at beginning of the financial year	42,234	34,747
Cash and cash equivalents at end of the financial year	79,543	42,234
	<hr/>	<hr/>
Change in cash and cash equivalents	37,309	7,487
	<hr/> <hr/>	<hr/> <hr/>

Notes to the consolidated financial statements

1. General

The principal activity of Connexxion Holding NV is the provision of public and private group passenger transport services and related activities. Connexxion Holding NV is a statutory dual-board company, whose shares are all owned by the Dutch State.

Unless stated otherwise, all amounts in these notes are in thousands of euros.

The comparative figures have been reclassified in accordance with the current year's presentation.

2. Basis of consolidation

The consolidated financial statements include the financial information of the group companies in which Connexxion has a participating interest in accordance with the full consolidation method. Group companies are defined as participating interests that together with Connexxion Holding NV form an economic and organisational unit and over which Connexxion Holding NV, directly or indirectly, exercises control. Joint ventures are not consolidated. Minority interests in group equity and group profit are stated separately.

The principal group companies included in the consolidation are:

Connexxion Openbaar Vervoer NV, Haarlem	100%
Connexxion Taxi Services BV, Schiedam	100%
Connexxion Tours BV, Hilversum	100%
Connexxion Vastgoed BV, Hilversum	100%
Connexxion Facilitair Bedrijf BV, Hilversum	100%
Connexxion Vloot BV, Hilversum	100%
Connexxion New Business BV, Utrecht	100%
Techno Service Nederland NV, Utrecht	100%
Hermes Groep NV, Weert	76.7%

The other principal participating interests are:

Arke/TAD BV, Enschede	50%
CVV Haaglanden BV, Schiedam	50%
Waterbus BV, Rotterdam	50%
Syntus BV, Doetinchem	33.3%
OV Reisinformatie BV, Utrecht	32.8%
Fast Ferry BV, Rotterdam	31%

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

3. Basis of preparation

These financial statements have been prepared under the historical cost convention. Departures, if any, from historical cost rules are mentioned separately.

Income and expenses are allocated to the year to which they relate. Profits are recognised only when realised on the balance sheet date. Losses and risks originating before the end of the financial year are accounted for if they are known before the financial statements are prepared.

4. Financial instruments

General

Financial instruments are used only to hedge underlying transactions with the aim of limiting the impact of exchange rate and price fluctuations. The results arising on these instruments are accounted for when the financial instruments are settled.

Price risk

The price risk policy is designed to hedge price risks associated with the purchase of diesel oil. Swaps are used for this purpose.

5. Accounting policies

Intangible fixed assets

Goodwill paid on the acquisition of participating interests is capitalised and amortised on a straight-line basis over its estimated useful economic life, unless an impairment test indicates that a lower value is appropriate.

Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated using fixed percentages of cost based on the estimated useful economic lives of the assets and taking any residual value into account. Assets are depreciated from the date they are taken into operation. Land is not depreciated.

Buildings and accommodation are depreciated on the basis of an estimated useful life of 50 years. In the case of buildings located on rented or leasehold land, depreciation is based on the duration of the contract in question, if shorter. Buses are depreciated over an estimated useful economic life of 10 years and trolley stock over 15 years. The depreciation period for trams is 20 years and for other assets from 3 to 20 years. Fixed assets under construction are carried at the costs incurred.

Other fixed operating assets include infrastructure provisions. Government accessibility grants are accounted for as accruals and deferred income under current liabilities. The note on current liabilities discloses the portion of accruals and deferred income that is long-term in nature. Government accessibility grants are released to the profit and loss account in equal annual amounts in accordance with the depreciation periods of the assets concerned. The released amounts are deducted from the depreciation charge.

Notes to the consolidated financial statements

Financial fixed assets

Non-consolidated participating interests over whose operating and financial policy the company exercises significant influence are carried at net asset value, calculated in accordance with the accounting policies of Connexxion Holding NV. Participating interests over whose operating and financial policy the company does not exercise significant influence are carried at acquisition price. Any permanent impairment in value is taken into account in the valuation of participating interests.

Amounts owed by and loans to participating interests, as well as other receivables, are stated net of any provisions considered necessary.

Stocks

Technical stocks of raw materials, consumables and finished goods are carried at the lower of cost and net realisable value, net of a provision for obsolescence where necessary. The provisions for raw materials, consumables and finished goods are determined on an item-by-item basis.

Work in progress is valued at the cost of manufacture, less losses foreseen at the balance sheet date. The cost of manufacture includes direct materials consumed, direct wage and machinery costs and other expenses that can be directly allocated to manufacture, plus a mark-up for overheads. Invoiced instalments are deducted from work in progress.

Receivables

Receivables are stated net of provisions for doubtful debts where necessary.

Deferred tax assets are carried at non-discounted value and calculated on the basis of all temporary differences between the valuation of assets and liabilities for consolidated financial reporting and for tax purposes. The current tax rate is used for calculating deferred corporate income tax.

Notes to the consolidated financial statements

Provisions

Provisions are formed for commitments existing at the balance sheet date as a result of past events and for which a reliable estimate can be made. These commitments will result in future expenditure.

The provision for pension commitments is stated at the discounted value of current obligations.

The provision for major maintenance of land and buildings is determined on the basis of expected expenditure and the expected frequency of the work.

The environmental provision is formed for pollution caused in the past. The amount of the provision is determined in collaboration with experts in this field.

The reorganisation provisions are formed on the basis of detailed plans formalised by the Group Board and communicated to those concerned.

The Council for Annual Reporting in the Netherlands has stated that the provision for uninsured risks is no longer permitted as from 1 January 2001. In accordance with this new guideline, the provision is being released over a period of 5 years.

Turnover

Turnover represents income from services rendered and goods supplied during the year under review, net of discounts and taxes on turnover. Passenger income from public transport services includes Connexxion's share of the nationwide income from ticket sales. This share is determined on the basis of allocation ratios set by the Ministry of Transport and Public Works. As the final annual settlement of nationwide income from ticket sales is not available until after the end of the financial year, part of this income is estimated.

Operating profit

The operating profit or loss is the balance of net turnover, cost of sales, wages and salaries, social security charges, depreciation, amortisation and other operating expenses .

Taxation

The company forms a fiscal unit together with a number of group companies. Corporate income tax is calculated on the basis of the result shown in the profit and loss account, taking into account tax facilities and non-deductible and partly-deductible expenses. Corporate income tax is allocated to the group companies concerned as far as possible as if they were autonomous taxpayers.

Notes to the consolidated financial statements

Cash flow statement

The cash flow from operating activities is determined using the indirect method.

Cash and cash equivalents in the cash flow statement consist of cash and bank balances and short-term deposits. Interest received and paid, dividends received and profits tax are included under cash flows from operating activities. Dividends paid are accounted for as cash flows from financing activities.

The acquisition price of group companies is accounted for under the cash flow from investing activities, to the extent that payment was in cash. Cash and cash equivalents of the acquired group companies are deducted from the acquisition price.

Lease payments under finance lease contracts are considered to be cash outflows from financing activities to the extent that they relate to repayment instalments and as cash outflows from operating activities to the extent that they relate to interest payments.

Notes to the consolidated balance sheet at 31 December 2003

Fixed assets

	Land and buildings	Rolling stock	Other fixed operating assets	Fixed assets under construction	Assets not used in operations	Total
Cost						
Cost at 1 January 2003	200,729	631,327	85,363	944	1,328	919,691
Additions	1,599	100,025	4,842	3,045	0	109,511
Disposals	(6,822)	(28,854)	(5,669)	0	0	(41,345)
Cost at 31 December 2003	195,506	702,498	84,536	3,989	1,328	987,857
Accumulated depreciation						
Accumulated depreciation						
at 1 January 2003	67,230	418,149	64,186	0	725	550,290
Depreciation charge for 2003	4,542	41,003	5,091	0	17	50,653
Disposals	(114)	(21,279)	(5,021)	0	0	(26,414)
Other movements	0	2,539	1,612	1,127	21	5,299
Accumulated depreciation at 31 December 2003	71,658	440,412	65,868	1,127	763	579,828
Net book value at 31 December 2003	123,848	262,086	18,668	2,862	565	408,029
Net book value at						
1 January 2003	133,499	213,178	21,177	944	603	369,401
Additions	1,599	100,025	4,842	3,045	0	109,511
Disposals	(6,708)	(7,575)	(648)	0	0	(14,931)
Depreciation	(4,542)	(41,003)	(5,091)	0	(17)	(50,653)
Other movements	0	(2,539)	(1,612)	(1,127)	(21)	(5,299)
Net book value at 31 December 2003	123,848	262,086	18,668	2,862	565	408,029

Rolling stock includes buses and taxis with a net book value of € 54.3 million financed by means of finance lease contracts.

The item other movements includes an impairment adjustment of € 5,299 to reduce the carrying value of rolling stock to its realisable value.

This impairment adjustment relates to buses that are no longer usable by the group as a result of new requirements by clients and the potential loss of concessions.

Notes to the consolidated balance sheet at 31 December 2003

Financial fixed assets

In thousands of euros

Participating interests and amounts owed by participating interests

Balance at 1 January 2003	5,510
Profit of participating interests	2,672
Dividend distributions	(1,065)
Disposals of participating interests	(127)
Other movements	332
	<hr/>
Balance at 31 December 2003	7,322
	<hr/> <hr/>

Other receivables

In thousands of euros

Balance at 1 January 2003	658
Loans granted	3,184
Repayments	(381)
Other movements	23
	<hr/>
Balance at 31 December 2003	3,484
	<hr/> <hr/>

Notes to the consolidated balance sheet at 31 December 2003

Current assets

Stocks

	31 December 2003	31 December 2002
	In thousands of euros	In thousands of euros
Raw materials and consumables	12,803	13,040
Work in progress	655	468
Finished goods and goods for resale	3,680	4,194
	<hr/>	<hr/>
Total	17,138	17,702
	<hr/> <hr/>	<hr/> <hr/>

Receivables

	31 December 2003	31 December 2002
	In thousands of euros	In thousands of euros
Trade debtors	54,989	44,107
Amounts owed by other participating interests	292	1,708
Taxes and social security contributions	21,350	49,406
Other receivables, prepayments and accrued income	39,917	60,379
	<hr/>	<hr/>
Total	116,548	155,600
	<hr/> <hr/>	<hr/> <hr/>

Taxes and social security contributions include an amount of € 13.9 million (2002: € 16.9 million) relating to a deferred tax asset for tax losses carried forward.

This item also includes net deferred tax assets of € 6.7 million (2002: € 11.1 million) relating to temporary differences between the valuation of assets and liabilities for financial reporting and for tax purposes.

Some 50% of this amount is expected to be realised in 2004.

Cash at bank and in hand

	31 December 2003	31 December 2002
	In thousands of euros	In thousands of euros
Cash and bank balances	9,503	34,734
Short-term deposits	70,040	7,500
	<hr/>	<hr/>
Total	79,543	42,234
	<hr/> <hr/>	<hr/> <hr/>

The cash and bank balances are netted off against the short-term amounts owed to credit institutions.

Notes to the consolidated balance sheet at 31 December 2003

Group equity

Details of shareholder's equity are provided in the note on shareholder's equity in the company financial statements.

Minority interests

In thousands of euros

Balance at 1 January 2003	9,148
Share of third parties in 2003 profit	1,051
Dividend	(371)
Other movements	134
Balance at 31 December 2003	9,962

Provisions

	Balance at 1 January 2003	Additions	Withdrawals	Releases	Balance at 31 Dec. 2003
					In thousands of euros
Provision for deferred taxation (excluding fiscal unit)	0	459	0	0	459
Pension provisions	583	57	2	531	107
Provision for major maintenance of buildings	1,642	0	1,097	0	545
Environmental provision	22,134	1,251	453	1,826	21,106
Reorganisation provision	41,784	7,567	25,090	8,239	16,022
Provision for uninsured risks	3,772	0	0	1,254	2,518
Other provisions	8,062	9,051	2,133	581	14,399
Total	77,977	18,385	28,775	12,431	55,156

Of the provisions, over 60% is expected to have a term of more than 1 year.

The reorganisation provision is formed for expenses associated with staff redundancies and the modification and integration of systems and processes.

Other provisions relate, among other things, to losses that cannot be recovered from third parties. In addition, a provision has been formed for obligations regarding healthcare insurance premiums for former employees.

Notes to the consolidated balance sheet at 31 December 2003

Long-term liabilities

	31 December 2003	31 December 2002
	In thousands of euros	In thousands of euros
Loans from credit institutions	140,747	108,533
Other loans	0	11,618
Total long-term liabilities	140,747	120,151

Long-term liabilities can be broken down according to term to maturity and interest rate as follows:

Interest rate	< 1 year	1 - 5 years	> 5 years	Total
0% to 6%	5,385	41,498	84,557	131,440
6% to 8%	2,965	9,661	5,031	17,657
	<u>8,350</u>	<u>51,159</u>	<u>89,588</u>	<u>149,097</u>
Repayments on these loans falling due within one year, classified under current liabilities	8,350	0	0	8,350
Total	<u>0</u>	<u>51,159</u>	<u>89,588</u>	<u>140,747</u>

For the purpose of the long-term liabilities, an exclusive power of attorney was issued in respect of the establishment of a mortgage on the property. A large portion of the rolling stock has been pledged as security. In addition, the company has made agreements with the credit institutions on the ratios that it must meet.

These ratios indicate the company's ability to meet its interest and repayment commitments in the future.

Current liabilities

	31 December 2003	31 December 2002
	In thousands of euros	In thousands of euros
Repayments on long-term loans	8,350	11,140
Trade creditors	71,436	51,824
Taxes and social security contributions	10,606	6,906
Pension obligations	88	3,699
Other liabilities, accruals and deferred income	103,695	100,130
Total current liabilities	194,175	173,699

Notes to the consolidated balance sheet at 31 December 2003

Commitments not shown in the balance sheet

The rental obligations to third parties for property amount to € 19.9 million and can be broken down as follows:

	31 December 2003
	<small>In millions of euros</small>
< 1 year	3.5
1 - 5 years	7.9
> 5 years	8.5
Total	19.9

The leasehold commitments relating to land amount to € 0.8 million and will expire in the period 2004 to 2076.

The company has entered into capital commitments amounting to € 32.6 million, all of which relates to 2004. The amount can be broken down as follows:

	31 December 2003
	<small>In millions of euros</small>
Land and buildings	1.5
Rolling stock	30.2
Other assets	0.9
Total	32.6

Notes to the consolidated balance sheet at 31 December 2003

The company has entered into operating lease contracts for rolling stock. The operating lease commitments, including interest, can be broken down as follows:

	31 December 2003
	In millions of euros
< 1 year	8.0
1 - 5 years	28.1
> 5 years	10.2
Total	46.3

In order to eliminate price risks and price fluctuations on diesel oil, Connexxion entered into diesel swaps at the year-end, resulting in almost 80% of the diesel required for 2004 being secured at a fixed price. The fair value of the open positions amounted to € 0.1 million at year-end 2003.

Under these contracts, Connexxion has undertaken to settle the net difference between the fixed and variable price with the hedge counterparty. These diesel swaps do not involve any exchange risk at the balance sheet date since the hedge is denominated in euros. In accordance with the accounting policies applied by the group, results on futures contracts are recognised only when these contracts are settled.

The company and its group companies, with the exception of Hermes Groep NV, form a fiscal unit for corporate income tax and VAT purposes. Accordingly, under the standard conditions applying to fiscal units, the company is jointly and severally liable for all tax liabilities arising during the period that it is a member of the fiscal unit.

Notes to the consolidated profit and loss account

Operating income

Turnover	2003	2002
	In thousands of euros	In thousands of euros
Operating income		
Public transport		
– Passenger income	275,448	281,931
– Government subsidies	362,587	376,477
– Other public transport income	22,867	20,519
	<hr/>	<hr/>
Total public transport	660,902	678,927
Tours	29,399	29,491
Taxi transport	188,540	159,757
	<hr/>	<hr/>
Transport income	878,841	868,175
Engineering and trade	49,599	49,353
Other income	19,684	27,805
	<hr/>	<hr/>
Total	948,124	945,333
	<hr/> <hr/>	<hr/> <hr/>

Operating expenses

Cost of sales	2003	2002
	In thousands of euros	In thousands of euros
Cost of sales	29,322	31,231
Work contracted out	91,524	83,593
	<hr/>	<hr/>
Total	120,846	114,824
	<hr/> <hr/>	<hr/> <hr/>

Social security charges

Social security charges for 2003 include pension charges of € 36.0 million (2002: € 26.5 million).

Depreciation and amortisation	2003	2002
	In thousands of euros	In thousands of euros
Depreciation of tangible fixed assets	50,653	49,823
Amortisation of goodwill	0	1,166
Investment grants released	(1,152)	(1,121)
	<hr/>	<hr/>
Total	49,501	49,868
	<hr/> <hr/>	<hr/> <hr/>

Notes to the consolidated profit and loss account

Financial income/(expense)

	2003	2002
	In thousands of euros	In thousands of euros
Interest expense	10,208	12,831
Interest income	6,808	5,186
Total	3,400	7,645

Remuneration of present and former executive and supervisory directors

In 2003, the company and its subsidiaries and group companies paid total remuneration of € 1.9 million (2002: € 1.5 million) to present and former executive directors of the legal entity.

In 2003, the company and its subsidiaries and group companies paid total remuneration of € 0.11 million (2002: € 0.21 million) to the members of the supervisory board of the legal entity. The amount for 2003 includes the release of the overstated accrual for 2002 of € 0.04 million.

Workforce

The average number of staff employed by the group, expressed as full-time equivalents, was:

	2003	2002
Transport staff	10,122	10,235
Technical staff	860	889
Other staff	1,469	1,662
Total	12,451	12,786

Company balance sheet at 31 December 2003

After appropriation of profit	2003	2002
	In thousands of euros	In thousands of euros
Assets		
Financial fixed assets		
Participating interests and long-term receivables from group companies	162,479	231,207
Other participating interests	0	3,425
	<hr/>	<hr/>
Total financial fixed assets	162,479	234,632
Current assets		
Receivables	89,834	35,688
Cash at bank and in hand	893	4,092
	<hr/>	<hr/>
Total current assets	90,727	39,780
	<hr/>	<hr/>
Total assets	253,206	274,412
	<hr/> <hr/>	<hr/> <hr/>

Company balance sheet at 31 December 2003

After appropriation of profit	2003	2002
	In thousands of euros	In thousands of euros
Shareholder's equity and liabilities		
Shareholder's equity		
Issued share capital	79,553	79,553
Statutory and other non-distributable reserves	3,457	1,446
Other reserves	142,645	129,131
Proposed dividend distribution	6,369	0
	<hr/>	<hr/>
	232,024	210,130
Provisions	2,089	1,303
Long-term liabilities	0	3,630
Current liabilities	19,093	59,349
	<hr/>	<hr/>
Total shareholder's equity and liabilities	253,206	274,412
	<hr/> <hr/>	<hr/> <hr/>

Company profit and loss account for 2003

	2003	2002
	In thousands of euros	In thousands of euros
Profit/(loss) of participating interests	25,985	(4,918)
Other income/(expense) after taxation	(4,754)	(855)
Net profit/(loss)	21,231	(5,773)

Notes to the company financial statements

General

The financial data of Connexxion Holding NV is included in the consolidated balance sheet and profit and loss account. The company profit and loss account is drawn up in abridged form in accordance with Section 402 of Part 9 of Book 2 of the Netherlands Civil Code.

For information on the basis of preparation of the financial statements, the accounting policies, as well as the notes on individual assets and liabilities and the results, please refer to the notes to the consolidated financial statements, unless stated otherwise below.

Changes in the value of minority shareholdings are added to or deducted – if and to the extent possible – from the reserves required to be kept by law and the Articles of Association.

Financial fixed assets

Participating interests and long-term receivables from group companies

	Participating interests in group companies	Long-term receivables from group companies	Total
			In thousands of euros
Balance at 1 January 2003	142,720	88,487	231,207
Disposals	(5,445)	0	(5,445)
Net profit	25,346	0	25,346
Dividend distributions	(1,221)	0	(1,221)
Loans repaid	0	(88,071)	(88,071)
Other movements	663	0	663
Balance at 31 December 2003	162,063	416	162,479

Other participating interests

	In thousands of euros
Balance at 1 January 2003	3,425
Disposals	(4,064)
Net profit	639
Balance at 31 December 2003	0

Notes to the company financial statements

Current assets

Receivables	31 December 2003	31 December 2002
	In thousands of euros	In thousands of euros
Debtors	30	7
Amounts owed by group companies	76,288	20,842
Taxes and social security contributions	5,647	14,750
Other receivables, prepayments and accrued income	7,869	89
Total	89,834	35,688

Cash at bank and in hand	31 December 2003	31 December 2002
	In thousands of euros	In thousands of euros
Cash and bank balances	893	4,092
Total	893	4,092

Shareholder's equity

Authorised share capital

The authorised share capital of the company amounts to € 350,000,000, divided into 350,000 shares of € 1,000 nominal value each. All the shares are registered shares and share certificates are not issued.

Issued share capital

The issued share capital amounts to € 79,553,000, divided into 79,553 shares of € 1,000 nominal value each. There was no change in the issued share capital during the current or the previous financial year.

Statutory and other non-distributable reserves

The statutory and other non-distributable reserves relate to the undistributed profits attributable to minority interests and the tied capital of the Ambulance Service in accordance with the guidelines of the National Health Tariffs Authority.

Movements in statutory and other non-distributable reserves were as follows:

	In thousands of euros
Balance at 1 January 2003	1,446
Profit attributable to minority interests and Ambulance Service	3,076
Dividends received on minority interests	(1,065)
Balance at 31 December 2003	3,457

The tied capital of the Ambulance Service amounted to € 1,850 at year-end 2003.

Notes to the company financial statements

Other reserves

Movements in other reserves were as follows:	In thousands of euros
Balance at 1 January 2003	129,131
Net profit for 2003	21,231
Proposed dividend distribution	(6,369)
Additions to statutory and other non-distributable reserves	(3,076)
Released from statutory and other non-distributable reserves	1,065
Other movements	663
	<hr/>
Balance at 31 December 2003	142,645
	<hr/> <hr/>

Provisions

	1 January 2003	Additions	Releases	Withdrawals	31 December 2003
Reorganisation provision	1,303	1,577	717	74	2,089
	<hr/>				
Total	1,303	1,577	717	74	2,089
	<hr/> <hr/>				

The reorganisation provision has a term of more than one year and was formed to cover the expenses associated with staff redundancies.

Long-term liabilities

In 2003, the long-term loan of € 3,630,000 was repaid in full.

Current liabilities

	31 December 2003	31 December 2002
	In thousands of euros	In thousands of euros
Trade creditors	0	540
Amounts owed to group companies	5,445	54,291
Taxes and social security contributions	7,911	176
Other liabilities, accruals and deferred income	5,737	4,342
	<hr/>	<hr/>
Total	19,093	59,349
	<hr/> <hr/>	<hr/> <hr/>

Commitments

The list of companies for which declarations of joint and several liability have been issued (as referred to in Section 403 of Part 9 of Book 2 of the Netherlands Civil Code) is available for inspection at the Chamber of Commerce in Hilversum.

Hilversum, 2 April 2004

The Supervisory Board

J.W. Berghuis, Chairman
K.J. Noordzij, Vice-Chairman
G. Blom, Secretary
J. den Hoed
R. Pieterse
R.L. Vreeman
N.J. Westdijk

The Group Board

P.J.P. Kortenhorst, Chairman
R. van Holten, Vice-Chairman

Appropriation of 2003 profit

Articles of Association provisions governing profit appropriation

Article 10 of the Articles of Association states that the General Meeting of Shareholders shall determine the appropriation of the profit of Connexion Holding NV.

Proposed appropriation of profit

It is proposed to add € 11,786,000 of the profit for 2003 to other reserves, to add € 3,076,000 to the statutory and non-distributable reserves, and to distribute € 6,369,000 to shareholders.

Auditors' report

Introduction

We have audited the financial statements of Connexion Holding NV, Hilversum, for the year 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Utrecht, 2 April 2004
Ernst & Young Accountants

Glossary

Group passenger transport	all types of transport used by more than one person – public transport but also private transport, taxis, car pooling, etc.
Public transport	transport accessible to everyone, operating on the basis of timetables (schedules) and routes set by a public body
Private transport	passenger transport other than public transport
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	operating profit before the deduction of interest on loan capital, taxes, depreciation of tangible fixed assets and amortisation of goodwill
Average capital employed	total assets minus non-interest-bearing current liabilities at year-end <i>n</i> and year-end <i>n-1</i> divided by two
Solvency	group equity in year <i>n</i> divided by total assets
Return on average capital employed	operating profit for year <i>n</i> divided by the arithmetic mean of the assets minus non-interest-bearing current liabilities at year-end <i>n</i> and year-end <i>n-1</i>
Return on sales	operating profit divided by net turnover
Interest cover ratio	operating profit divided by the balance of interest paid and received
Group company	participating interest over which Connexxion Holding NV exercises control
FTE	full-time equivalent