GROUPE KEOLIS S.A.S.

FINANCIAL REPORT **2016**

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1. MANAGEMENT REPORT

CONTENTS

A Management report from the President of the Board of Directors' on the consolidated and statutory accounts for the year ended 31st December 2016 *Ordinary Annual General Meeting of 18 April 2017*

Ladies and Gentlemen,

In accordance with legal, regulatory and statutory requirements, we submit for your approval the consolidated and annual financial statements for the financial year ended 31st December 2016 and report to you on the activities of our Company and its subsidiaries during the year

Your auditors will also read their reports to you.

This report reviews the various items of information as required by applicable regulations and information on corporate governance.

1 • ACTIVITY

1.1 Highlights of the financial year

Business activity and development

France

- The "Le Bus Direct – Paris Aéroport" shuttle service between Paris and its airports was launched in May 2016. This replaces the Cars Air France service which had been operated by Aerolis since 2008.
- Keolis lost the Lens contract in September (effective as of 1 January 2017) which it had operated since 2002. The Artois-Gohelle public transport authority awarded the operation of the Tadao network to Transdev.
- The Lyon contract (TCL) was renewed in October with effect from 1 January 2017 for a 6-year term. As the Keolis Group's leading contract in terms of turnover and ridership, and a showcase for the group's multi-modal expertise, the new contract started up on 1 January and will generate cumulative turnover of 2.2 billion euros.
- Other notable contract losses, effective as of 1 January 2017, include the Alençon urban network in the north west of France, and the Torcy-Créteil Mobilien line in Ile-de-France.
- The Brest urban cable car service was inaugurated in November. This crosses the river Penfeld which splits the city in two, and uses two 13-square-metre cable cars offering capacity of nearly 1,850 people per day.
- In Laval, Keolis's contract (Tul) was renewed for 6 years. As part of the announcement of the renewal of the concession, it was announced that new lines would be opened. In addition, the self-hire bike service will use electrically-assisted bikes.
- In Dijon, the new public transport service concession was awarded to Keolis in December. This new concession will include bus, tram and PRM services, car parks, street parking, self-hire bikes and long-term bike rental and car and bike pounds. It thus becomes the first global mobility contract in France. This contract which involves teams from Keolis, EFFIA Stationnement and Cykleo, started in January 2017 for a 6-year term.
- Keolis won the Côte Basque-Adour contract in December. The network will be taken over in April 2017 for a duration of 6 years and 9 months.

In September, in association with NAVYA, the Group launched the first public transport service using electrically-powered autonomous driverless vehicles, NAVLY. Two electric shuttles designed to carry 15 passengers will be running for a one-year experiment in the Confluence eco-district in Lyon.

Abroad

- In the United Kingdom, the TPE rail franchises expired in March.
- In Germany, the public transport authorities in the Rhein-Ruhr metropolitan region, VRR and NWL, selected Keolis to operate the suburban rail network serving the 11-million population living in the Dortmund area. This contract will commence in December 2019 and will run for 12 years.
- In the Netherlands, Syntus, the Dutch subsidiary, won a ten-year contract in September for the operation of buses in Almere, the country's seventh largest city. This follows two other wins: another bus contract in the province of Utrecht in the centre of the country and a railway contract in the Zwolle-Enschede-Kampen region. Keolis and Syntus also launched Keobike, a new self-hire bike service deployed in 24 towns and cities in the country.
- In Norway, the Bergen PTA Skyss renewed Keolis's contract for the operation of the city tram network "Bybanen". This one-year extension will come into effect in July 2018.
- In Australia in December, Keolis won the operation and maintenance of the new integrated public transport network in Newcastle. The contract will commence in July 2017 and will run for ten years. This is the first time in Australia that a multi-modal transport contract has been awarded to a private operator. Keolis Downer will manage the operation and maintenance of the entire transport network which comprises buses, ferries and the city's future tram network scheduled for 2019. Keolis Downer was also selected to operate the 7.3 km extension of the Gold Coast tram.
- In China in April, the Shanghai metro selected the Shenkai joint venture (51%-owned by Shanghai Shentong Consulting and 49% owned by Keolis) to operate its first automatic driverless metro line, line 8.3. This line is due to come into service at the end of 2017.

Acquisitions

In January 2016, the Keolis Group announced the acquisition of Transports Daniel Meyer, a leading bus and coach service operator in Ile-de-France. With this strategic external growth transaction, Keolis reinforces its foothold in Ile-de-France and consolidates its position for future projects relating to Grand Paris Express.

At the beginning of January 2016, EFFIA became the main industrial shareholder of *Société anonyme d'economie mixte d'exploitation du stationnement de la ville de Paris* (SAEMES) by acquiring a 33.27% share in the company. EFFIA, which already manages more than 30,000 parking spaces in the Ile-de-France region, thus initiates closer ties with the second largest car park operator in the region SAEMES (€45 million turnover, 25,000 spaces). SAEMES operates a number of major facilities, among which Paris' number 1 car park for revenue, Lyon-Méditerrannée, located under Gare de Lyon.

In November 2016, Keolis concluded a strategic partnership with the French leader in private driver services (VTC), LeCab. This transaction will continue to leverage the expertise of its founders with the aim of enhancing the Group's transport service offering by incorporating individual transport solutions, whilst also providing LeCab with growth opportunities in the areas in which Keolis operates. This partnership took the form of the acquisition of a majority shareholding in LeCab.

In November 2016, the Keolis Group acquired Skyport, a bus operating company based near the Montreal-Trudeau Airport and specializing in airport transport. Skyport operates shuttles for air crews and manages lost and delayed luggage for most airlines principally in the regions of Montreal, Mont-Tremblant, Quebec City and Ottawa.

Lille ticketing system

In Lille, malfunctions of the ticketing system delivered by Parkeon resulted in its late implementation compared to the initial contractual schedule. Lille Métropole (LMCU renamed MEL) decided to introduce it into service in June 2013 against the advice of Keolis who had refused acceptance. This resulted in a shortfall in Keolis Lille's revenue. In these circumstances the courts appointed an expert in December 2014 to determine the origin of the flaws and appraise their financial impact. The expertise is currently ongoing and will continue during 2017.

The Group's financial results

The Group's turnover for 2016 amounted to €5,074.9 million, an increase of €72.5 million, or 1.4%, on December 2015.

The currency impact is negative at -€28.1 million in particular due to the rise in the value of the euro against sterling, the Swedish krone and the Australian dollar in particular.
The consolidation scope effect is +€106.3 million, due to the acquisitions of Transports Daniel Meyer, Transports Fouache (acquisition in October 2015) and LeCab in France, the acquisitions of Cars Gembloutois in Belgium and Skyport in Canada, and the full-year effect of the acquisition of ATE group which had joined the Group in May 2015.
The portfolio impact of contracts won and lost stands at +€3.0 million, comprising +€11.0 million in France, +€1.3 million at EFFIA and -€9.3 million abroad. In France the most notable events are the wins of the Air France crew shuttles at CDG airport and Keolis Porte de l'Isère, but also the losses of CDGVAL and Keolis Montélimar. Outside France, the E23 contract was lost in Sweden, compensated by Värmland and Karlstad (-€12 million), a downward trend was observed at KTA (sale of PYC and losses of Collier County and Tahoe), and contracts were won in Denmark (Odense and Kalas counterbalanced by the loss of line 5A), in Norway (extension of Bergen tram) and in the Netherlands (Utrecht).
Excluding foreign exchange impact and change in reporting scope, revenue is down by €5.7 million, or 0.1%.
Organic growth within existing contracts stands at -€8.8 million or -0.2% comprising -€8.6 million in France (+€2.9 million for Major Urban networks impacted by a ticketing dispute in Lille, -€3 million for urban networks, -€6.2 million for French regions, -€2.1 million for Ile-de-France), +€6.6 for EFFIA (+€5.8 million in Parking and Other activities and +€0.8 million for Kisio) and -€6.5 abroad (-€58 million in Australia including -€65 million relating to PTV engineering works at KDR Victoria, +€27 million in North America, +€18 million in Continental Europe and +€5 million in the UK).

Recurrent EBITDA stands at €312.6 million, up €16.4 million, or +5.5%, on the previous year. The currency impact accounts for -€1.1 million.
The consolidation scope effect improves recurring EBITDA by +€16.3 million, comprising +€10.8 million in France (including +€8.1 million for the acquisition of Transports Daniel Meyer and +€1.6 million for LeCab) and +€5.5 million abroad (notably including +€4.7 million for the full-year impact of ATE in Australia and +€1.0 million for the acquisition of Cars Gembloutois in Belgium).
Excluding foreign exchange and consolidation scope impact, EBITDA amounts to the same as in 2015.
Organic growth of EBITDA including portfolio growth is +€1.2 million, comprising -€.3.8 million in France, +€1.0 million at EFFIA and +€4.0 million for international activities.

Recurrent operating profit amounts to €98.5 million, an improvement of 8.3% in relation to 2015. This is notably due to lower costs in the corporate holding company.

Net income (Group share) for 2016 is flat at €45.0 million as against €46.5 million for the restated 2015 accounts which take into account the impact of the change in accounting rules for UK pensions, amounting to +€13.2 million (€33.3 million non-restated).

Cash flow generation is +€25.2 million in 2016 (including -€95.9

million due to acquisitions) versus -€126.0 million in 2015.

The consolidated net debt of GROUPE KEOLIS S.A.S. amounts to €870.1 million at the end of 2016 compared to €791.3 million at the end of 2015. The increase is essentially a consequence of the Group's active external growth policy.

2 • NOTES ON FINANCIAL STATEMENTS AND RESULTS

2.1 Consolidated financial statements

The consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union.

Revenues from ordinary activities amount to €5,090.2 million.

After taking into account all operating costs, operating profit after income from investments under the equity method amounts to €78.5 million.

Net profit (group share) amounts to €45.0 million for the financial year ended 31st December 2016.

2.2 Annual financial statements

The operating loss amounts to -€5,448 thousand.

Financial income amounts to €7,054 thousand.

After posting a corporate income tax credit of €17,265 thousand related to tax consolidation gains, the financial statements of GROUPE KEOLIS S.A.S. show a profit of €4,763 thousand.

2.3 Subsidiaries and investments

The table attached to the balance sheet provides all the necessary information concerning the company's subsidiaries and investments.

2.4 Notification of major holdings and takeovers

During the financial year 2016, the company GROUPE KEOLIS S.A.S. acquired or took control of the following companies:

Establishment of companies in France – GROUPE KEOLIS S.A.S.

Name	Date	Percentage
KLP 13	14/12/2016	100% GROUPE KEOLIS S.A.S.
KLP 14	14/12/2016	100% GROUPE KEOLIS S.A.S.
KLP 15	14/12/2016	100% GROUPE KEOLIS S.A.S.

GROUPE KEOLIS S.A.S. also subscribed to a share capital increase by Keolis S.A. for the amount of €300 million, acquiring 25,000,000 new shares at nominal value of €12, through an off-set with an unquestionable, liquid and due claim that it held on its subsidiary.

At the same time, Keolis S.A., a subsidiary of GROUPE KEOLIS S.A.S., acquired or took over control of the following companies:

Acquisition of Companies in France /Shareholding investments – Keolis branch

Name	Date	Percentage
Transports Daniel Meyer	11/01/2016	100% Keolis S.A.
Ormont Transport	11/01/2016	100% Transports Daniel Meyer

Acquisition of companies abroad / Shareholding investments by Keolis S.A.

Name	Date	Percentage
Services International Skyport Inc. (Canada)	01/11/2016	100% 9964738 Canada Inc.
4468198 Canada Inc.	01/11/2016	100% 9964738 Canada Inc.

Establishment of companies in France by Keolis S.A.

Name	Date	Percentage
Keolis Laval	03/06/2016	100% Keolis S.A.
Keolis Mobilité Val de Marne	19/07/2016	100% Keolis S.A.
KLP 06	19/07/2016	100% Keolis S.A.
KLP 07	24/11/2016	100% Keolis S.A.
KLP 08	24/11/2016	100% Keolis S.A.
KLP 09	24/11/2016	100% Keolis S.A.
KLP 10	04/12/2016	100% Keolis S.A.
KLP 12	28/12/2016	100% Keolis S.A.

Establishment of companies abroad – Keolis branch

Name	Date	Percentage
Cars Gembloutois (Belgique)	03/02/2016	99.98% Eurobus Holding ; 0,02% Keolis Vlaanderen
9964738 Canada Inc.	01/11/2016	100% Autocars Orléans Express
Keolis Downer Hunter PTY LTD (Australia)	12/08/2016	100% Keolis Downer Bus and Coachlines Pty Ltd

At the same time, EFFIA S.A.S., a subsidiary of GROUPE KEOLIS S.A.S., acquired or took control of the following companies:

Acquisitions / Shareholding investments in companies in France, EFFIA Branch:		
Name	Date	Percentage
SAEMES	07/01/2016	33.27% EFFIA S.A.S.
L 2O	23/11/2016	51% EFFIA Concessions

Establishment of companies in France, EFFIA Branch:		
Name	Date	Percentage
KLP 11	13/12/2016	100% EFFIA Stationnement
EFFIA Stationnement Eze	13/12/2016	100% EFFIA Stationnement
EFFIA Stationnement Saint Maur des Fossés	13/12/2016	100% EFFIA Stationnement

At the same time, KLP 02, a subsidiary of GROUPE KEOLIS S.A.S., acquired or took control of the following companies:

Acquisition of Companies in France /Shareholding investments by KLP 02:		
Name	Date	Percentage
Le Cab (Voxtur)	18/03/2016	50.1% KLP 02
NAVYA	29/09/2016	Subscription to share capital increase by KLP 02 (5%)
Driverlite	01/12/2016	100% KLP 02

Acquisition of companies abroad / Shareholding investments by KLP 02:		
Name	Date	Percentage
VIA Transportation Inc. (USA)	27/07/2016	Subscription to share capital increase KLP02 (0.49%)

Establishment of companies in France by KLP 02:		
Name	Date	Percentage
NAVLY	25/07/2016	50% KLP 02

2.5 Research and development activity

The company has no research and development activity.

2.6 Information on supplier payment settlement

In accordance with articles L441-6-1 and D441-4 of the Commercial Code, we analyse the year- end balance of amounts due to our suppliers and customers by due date:

€ thousand	Financial year 2016	Financial year 2015
Breakdown by invoice due date		
- Invoices due:		
from 0 to 30 days		
from 31 to 60 days		
over 60 days	10	281
- Invoices not yet due	1,647	
TRADE PAYABLES	**1,657**	**281**
Amount owning by suppliers	49	89
Amount of invoices not yet received	2,439	4,350
Total trade payables and related accounts	**4,145**	**4,720**

2.7 Information on secondary establishments

In accordance with the requirements of article L.232-1 II of the Commercial Code, we can confirm that the Company does not have any secondary establishments.

2.8 Information on loans made to other companies (article L. 511-6 3 bis of the French Monetary and Financial Code)

Article L.511.6 of the French Monetary and Financial Code requires the disclosure of any loans granted to economically-related companies under the meaning of article R. 511-2-1-1 of the Monetary and Financial Code. We specify that our company has not granted any loan entering into the scope of the provisions of article L.511.6 of the French Monetary and Financial Code.

3 • FORESEEABLE TRENDS AND FUTURE OUTLOOK

Keolis is responding to invitations to tender to renew its operating contracts for networks in Lille, Rennes and Caen. The Group has also submitted a bid for the extension of the Yarra Trams contract in Melbourne.

In France and at EFFIA the Group intends to consolidate its current positions and will remain attentive to any opportunities.

Keolis wishes to develop its international footprint and will examine all the opportunities related to the mobility chain in the territories where the Group is already established, but also in new countries.

4 • SIGNIFICANT EVENTS SINCE THE END OF THE YEAR

In January 2017, Transport for Greater Manchester (TfGM) awarded KeolisAmey, the joint venture between the Keolis Group and Amey, the contract to operate and maintain the Greater Manchester tram network, Metrolink. The contract will commence in July 2017 and is scheduled to run a maximum of ten years. With this new contract for the largest tram network in the United Kingdom, the Keolis Group reinforces its international leadership in urban multi-modal transport.

At the end of January 2017, Keolis and STIF signed twenty contracts for the operation of bus networks in Ile-de-France.

In February 2017, LeCab and Keolis launched PLUS in association with the American startup Via. With PLUS, a shared transport service accessible to all, Keolis invents the missing link between private driver services and public transport. Introduced in Paris, this service which is a first in Europe, demonstrates the ambition of Keolis and its private driver offer innovative transport solutions that improve everyday mobility.

5 • CORPORATE GOVERNANCE

The Company is a *société par actions simplifiée* whose President is Mr. Jean-Pierre Farandou, President of the Company and sole member of the Executive Board, confirmed in this position on 29 July 2015.

The company also has a Supervisory Board whose role, in accordance with legal and statutory requirements, is to supervise the management of the Executive Board, made up of one member in the person of Mr. Farandou, and to decide on the Important Resolutions under the meaning of the Articles of Association.

5.1 Members of the Supervisory Board

At 31 December 2016, the Supervisory Board was composed of 8 members:

- Monsieur Joël Lebreton, member and President of the Supervisory Board
- Monsieur Patrick Coté, member of the Board
- Monsieur Mathias Emmerich, member of the Board
- Monsieur Jean-Yves Leblanc, member of the Board
- Monsieur Philippe Maystadt, member of the Board
- Monsieur Normand Provost, member of the Board
- Monsieur Laurent Trévisani, member of the Board
- Madame Nathalie Wright, member of the Board.

5.2 Internal committees within the Supervisory Board

The Supervisory Board is supported by four internal committees which prepare the Board's work:
- the Audit and Ethics Committee
- the Investment and Strategy Committee
- The Risks and Safety Committee
- The Remuneration and Human Resources Committee.

5.3 Group Executive Committee

Jean-Pierre Farandou, President of the Company, set up an Executive Committee whose members on the date of the Meeting comprise:
- Mr. Michel Lamboley, Group CEO
- Mr. Thomas Barbelet, Executive Director, Brand and Communications,
- Mr. Frédéric Baverez, CEO France
- Mr. Jacques Damas, Executive Director, Rail and Operations
- Mr. Bruno Danet, Executive Director of Human Resources
- Mr. Laurent Kocher, Executive Director, Marketing, Innovation & Services
- Mr. Bernard Tabary, CEO International
- Mr. Arnaud van Troeyen, Deputy CEO, Group Strategy and Development

5.4 Capital and shareholdings

On 31st December 2016, the share capital was €237,888,901.80, allocated as follows:
- SNCF Participations: 69.69%
- CDP-IE: 30%
- FCPE GROUPE KEOLIS ACTIONNARIAT: 0.14%
- Treasury stock: 0.17%

Employee shareholdings in the form of the FCPE GROUPE KEOLIS ACTIONNARIAT therefore represent 0.14% of the capital.

6 • PRESENTATION OF RESOLUTIONS PROPOSED FOR ADOPTION BY SHAREHOLDERS

6.1 Allocation of profit

We propose to allocate the profit for the year in the following manner:

Profit for the year	€ 4,762,541.44
Allocation to legal reserve	(€ 238,127.07)
Balance	€ 4,524,414.37
Retained earnings for year N-1	€ 172,171,494.84
Distributable profit	€ 176,695,909.21
Dividends paid	(€ 30,585,867.05)
Allocation to Retained earnings	€ 146,110,042.16

You will consequently be asked to approve the payment of a dividend amounting to €0.17 per entitled share.

In accordance with legal requirements, you are requested to note that the amount of the dividend distributed and that of the corresponding dividend tax credit for the previous fiscal years were as follows:

FINANCIAL YEAR	Dividend	Distributed income eligible for the allowance	Distributed income not eligible for the allowance
2015	Nil	-	-
2014	Nil	-	-
2013	Nil	-	-

Non tax deductible expenses

We advise you that there were no non tax deductible expenses within the meaning of Articles 223 quater and 223 quinquies of the General Tax Code during the past year.

6.2 Agreements covered by the article L227-10 of the Commercial Code

You will be read the Statutory Auditors' report on agreements made during the financial year and authorised by the Supervisory Board pursuant to Article L227-10 of the Commercial Code.

6.3 Resignations of a statutory auditor and of an alternate auditor

You will be asked to note the resignations of Deloitte as Statutory Auditors and of B.E.A.S. as alternate Auditors which will be effective as of the end of the Ordinary Annual General Meeting.

You will be asked to approve the appointment as Statutory Auditors of Ernst & Young Audit for the remaining duration of the term of the resigning Auditors, i.e. up until the annual general meeting to approve the financial statements for the 2019 financial year.

Pursuant to article L.823-1 of the Commercial Code, no alternate auditors will be appointed

We hope that you will approve the above proposals and consequently vote in favour of the resolutions to be submitted to you.

President of the Board of Directors

2. CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

A Key figures for the Group

(€ million)		31/12/2016	31/12/2015 Restated [1]
Revenue		**5,074.9**	**5,002.5**
Revenue France		2,879.3	2,810.3
Revenue International		2,195.6	2,192.1
Revenue net of sub-contracting		4,878.4	4,818.2
Recurring EBITDA	4.4	**312.6**	**296.2**
EBITDA	4.4	**293.2**	**274.6**
Recurring operating profit	4.3	98.5	91.0
Operating profit before investments under equity method		52.9	51.4
Operating profit after investments under equity method		78.5	86.9
Profit after tax from continuing operations		39.0	39.2
Profit attributable to equity shareholders		**45.0**	**46.5**
Total equity		**962.2**	**1,024.7**
of which attributable to equity shareholders		*909.9*	*972.9*
Net cash flows from operating activities		**345.0**	**201.8**
Industrial investments		**226.6**	**237.2**
Net financial debt (cash surplus)[2]		**870.1**	**791.3**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.
(2) Cash surpluses are presented in brackets.

B Consolidated financial statements

1 • INCOME STATEMENT

(€ million)	Note	31/12/2016	31/12/2015 Restated [1]
Revenue		**5,074.9**	**5,002.5**
Other income from operations		15.3	19.3
INCOME FROM CONTINUING OPERATIONS		**5,090.2**	**5,021.7**
Sub-contracting		(196.5)	(184.2)
Purchases consumed and external expenses		(1,590.3)	(1,641.8)
Taxes		(17.0)	(17.4)
Staff costs, incentive schemes, profit-sharing	4.1	(2,989.0)	(2,891.0)
Other operating income	4.2	53.2	50.2
Other operating expense		(25.9)	(31.9)
Net provisions on current assets		(0.5)	(0.1)
Net depreciation and other provisions charged		(232.0)	(221.7)
Profit/(loss) on recurring fixed asset disposals		(2.0)	0.9
Amortisation of grants received		8.4	6.3
RECURRING OPERATING PROFIT		**98.5**	**91.0**
Other non-recurring income	4.3	4.4	7.4
Other non-recurring expense	4.3	(22.7)	(26.0)
Depreciation and provisions on contractual rights	4.3	(27.4)	(21.0)
Of which depreciation of other intangible assets and negative Goodwill		*0.2*	*5.7*
Non-recurring asset disposals		-	-
OPERATING PROFIT/LOSS BEFORE INVESTMENTS UNDER EQUITY METHOD		**52.9**	**51.4**
Profit/(loss) from associates		25.7	35.6
OPERATING PROFIT/(LOSS) AFTER INVESTMENTS UNDER EQUITY METHOD		**78.5**	**86.9**
Net cost of financial borrowing	4.6	(18.5)	(18.1)
Other financial income	4.6	1.9	7.3
Other financial expense	4.6	(17.8)	(19.0)
FINANCIAL INCOME (EXPENSE)		**(34.4)**	**(29.8)**
PROFIT BEFORE TAX		**44.1**	**57.2**
Taxation	4.7	(5.1)	(18.0)
NET PROFIT FOR THE YEAR		**39.0**	**39.2**
CONSOLIDATED NET PROFIT		**39.0**	**39.2**
Profit attributable to non-controlling interests		6.0	7.3
PROFIT ATTRIBUTABLE TO GROUP		**45.0**	**46.5**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom

2 • STATEMENT OF COMPREHENSIVE INCOME

(€ million)	31/12/2016	31/12/2015 Restated (1)
PROFIT FOR THE YEAR	**39.0**	**39.2**
Actuarial gains and losses on defined benefit pension schemes	(3.2)	(0.8)
Tax on actuarial gains and losses on defined benefit pension schemes	(1.1)	0.2
Share of other items in comprehensive income of investments under equity method	-	(0.2)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**(4.3)**	**(0.8)**
Translation differences and others (2)	(38.5)	1.2
Unrealised gains and losses	6.8	0.3
on financial hedging instruments	*8.0*	*0.3*
on available-for-sale assets	*(1.1)*	-
Tax on items that may be reclassified to profit or loss	(2.7)	(0.1)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**(34.4)**	**1.4**
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	**(38.7)**	**0.6**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**0.3**	**39.7**
of which attributable to :		
- Equity shareholders	2.3	47.0
- Non-controlling interests	(2.0)	(7.3)

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.
(2) Mainly comprising the impact of depreciation of sterling amounting to -€36.9 million in 2016

3 • STATEMENT OF FINANCIAL POSITION

ASSETS (€ million)	Note	31/12/2016	31/12/2015 Restated [1]
Goodwill	5.1	1,152.9	1,139.6
Other intangible assets	5.2	529.3	533.9
Property, plant and equipment	5.3	946.4	891.8
Investments under the equity method	5.4	58.7	35.1
Non-current financial assets	5.5	211.0	171.1
Deferred tax asset	4.7	89.8	84.6
NON-CURRENT ASSETS		**2,988.0**	**2,856.2**
Inventories and work in progress	5.6	92.1	82.0
Trade receivables	5.7	405.5	426.4
Other receivables	5.7	347.6	348.8
Current financial assets	5.5	20.4	19.4
Cash and cash equivalents	5.8	288.4	312.7
CURRENT ASSETS		**1,154.0**	**1,189.2**
TOTAL ASSETS		**4,142.0**	**4,045.4**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.

LIABILITIES (€ million)	Note	31/12/2016	31/12/2015 Restated [1]
Share capital	5.9	237.9	237.9
Reserves and premiums	5.9	626.9	688.5
Net profit/(loss) attributable to Group	5.9	45.0	46.5
EQUITY ATTRIBUTABLE TO GROUP		**909.9**	**972.9**
Reserves attributable to non-controlling interests		58.3	59.1
Profit for the year attributable to non-controlling interests		(6.0)	(7.3)
EQUITY		**962.2**	**1,024.7**
Non-current provisions	5.13	201.0	196.4
Non-current financial debt	5.10	969.0	881.1
Deferred tax liability	4.7	165.0	177.5
NON-CURRENT LIABILITIES		**1,334.919**	**1,255.1**
Current provisions	5.13	52.2	55.6
Current financial debt	5.10	143.4	78.8
Bank borrowings	5.8	115.8	189.9
Trade payables and other liabilities	5.14	1,533.4	1,441.3
CURRENT LIABILITIES		**1,844.9**	**1,765.6**
TOTAL LIABILITIES		**4,142.0**	**4,045.4**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.

4 • STATEMENT OF CHANGES IN EQUITY

(€ million)	Share capital	RESERVES AND OTHER: Reserves	Items that may be reclassified to profit or loss: Translation differences	Items that may be reclassified to profit or loss: Other unrecognised gains / (losses), net	Other unrealised gains / (losses), net, not re-classifiable profit or loss	Sub-total	**Total equity**
AT 31 DECEMBER 2014	**237.9**	**781.3**	**(9.6)**	**(4.9)**	**(10.4)**	**756.5**	**994.4**
Attributable to GROUPE KEOLIS S.A.S. shareholders	237.9	761.6	(10.9)	(4.9)	(10.3)	735.5	973.4
Attributable to minority shareholders in subsidiaries	-	19.8	1.3	-	(0.1)	21.0	21.0
Dividends paid to GROUPE KEOLIS S.A.S. shareholders	-	(50.0)	-	-	-	(50.0)	(50.0)
Other variations (including effects of application of IFRIC 21)	-	2.5	-	-	-	2.5	2.5
OPERATIONS ATTRIBUTABLE TO GROUPE KEOLIS S.A.S. SHAREHOLDERS (A)	**-**	**(47.5)**	**-**	**-**	**-**	**(47.5)**	**(47.5)**
Dividends paid to minority shareholders in subsidiaries	-	(0.8)	-	-	-	(0.8)	(0.8)
Change in shareholdings in subsidiaries without gaining/losing control	-	38.9	-	-	-	38.9	38.9
OPERATIONS ATTRIBUTABLE TO MINORITY SHAREHOLDERS IN SUBSIDIARIES (B)	**-**	**38.1**	**-**	**-**	**-**	**38.1**	**38.1**
Profit for the year – Restated [1]	-	39.2	-	-	-	39.2	39.2
Gains / (losses) recognised directly in equity	-	-	1.2	0.2	(0.8)	0.5	0.5
COMPREHENSIVE INCOME (C)	**-**	**39.2**	**1.2**	**0.2**	**(0.8)**	**39.7**	**39.7**
CHANGE IN THE YEAR (A+B+C)	**-**	**29.8**	**1.2**	**0.2**	**(0.8)**	**30.3**	**30.3**
Attributable to GROUPE KEOLIS S.A.S. shareholders	-	(1.1)	1.2	0.2	(0.8)	(0.5)	(0.5)
Attributable to minority shareholders in subsidiaries	-	30.8	-	-	-	30.8	30.8
AT 31 DECEMBER 2015 - RESTATED [1]	**237.9**	**811.2**	**(8.4)**	**(4.7)**	**(11.2)**	**786.8**	**1,024.7**
Attributable to GROUPE KEOLIS S.A.S. shareholders	237.9	760.5	(9.7)	(4.7)	(11.1)	735.0	972.9
Attributable to minority shareholders in subsidiaries	-	50.6	1.3	-	(0.1)	51.9	51.9
Dividends paid to GROUPE KEOLIS S.A.S. shareholders	-	(30.0)	-	-	-	(30.0)	(30.0)
Put on minority shareholders of LeCab	-	(30.0)	-		-	(30.0)	(30.0)
Other changes in reporting scope	-	(5.3)	-	-	-	(5.3)	(5.3)
OPERATIONS ATTRIBUTABLE TO GROUPE KEOLIS S.A.S. SHAREHOLDERS (A)	**-**	**(65.3)**	**-**	**-**	**-**	**(65.3)**	**(35.3)**
Dividends paid to minority shareholders in subsidiaries	-	(2.8)	-	-	-	(2.8)	(2.8)
Change in shareholdings in subsidiaries without gaining/ losing control	-	5.3	-	-	-	5.3	5.3
OPERATIONS ATTRIBUTABLE TO MINORITY SHAREHOLDERS IN SUBSIDIARIES (B)	**-**	**2.5**	**-**	**-**	**-**	**2.5**	**2.5**
Profit for the year	-	39.0	-	-	-	39.0	39.0
Gains / (losses) recognised directly in equity	-	-	(38.5)	4.1	(4.3)	(38.7)	(38.7)
COMPREHENSIVE INCOME (C)	**-**	**39.0**	**(38.5)**	**4.1**	**(4.3)**	**0.3**	**0.3**
CHANGE IN THE YEAR (A+B+C)	**-**	**(23.8)**	**(38.5)**	**4.1**	**(4.3)**	**(62.5)**	**(62.5)**
Attributable to GROUPE KEOLIS S.A.S. shareholders	-	(20.3)	(42.6)	4.2	(4.3)	(63.0)	(63.0)
Attributable to minority shareholders in subsidiaries	-	(3.5)	4.1	(0.1)	-	0.5	0.5
AT 31 DECEMBER 2016	**237.9**	**787.3**	**(46.9)**	**(0.6)**	**(15.5)**	**724.3**	**962.2**
Attributable to GROUPE KEOLIS S.A.S. shareholders	237.9	740.2	(52.3)	(0.5)	(15.4)	672.0	909.9
Attributable to minority shareholders in subsidiaries	-	47.1	5.4	(0.1)	-	52.3	52.3

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom

5 • STATEMENT OF CASH FLOWS

(€ million)	Note	31/12/2016	31/12/2015 Restated [1]
OPERATING PROFIT BEFORE INVESTMENTS UNDER EQUITY METHOD	4.3	**52.9**	**51.4**
Non-cash items	4.4	240.4	223.2
EBITDA	4.4	**293.2**	**274.6**
Elimination of provisions on current assets		0.4	0.1
Changes in working capital		74.0	(25.5)
Tax paid		(22.6)	(47.3)
A) NET CASH FROM OPERATING ACTIVITIES		**345.0**	**201.8**
Capital expenditure		(226.6)	(237.2)
Proceeds from the sale of tangible and intangible assets		22.0	37.3
Investment grants received		10.2	8.1
Change in financial assets for concessions (IFRIC 12)		(11.5)	(14.2)
Financial investments		(118.4)	(133.1)
Proceeds from disposal of financial assets		(1.2)	6.4
Cash flows on changes in reporting scope		5.7	4.9
B) NET CASH FROM INVESTING ACTIVITIES		**(319.8)**	**(327.8)**
FREE CASH FLOW		**25.2**	**(126.0)**
Net dividends paid		(33.2)	(51.0)
Net dividends received		24.9	32.2
Change in equity (other transactions with shareholders)		6.1	38.7
New borrowings		189.4	243.8
Borrowings repaid		(130.4)	(167.2)
Interest received		0.8	0.7
Interest paid		(19.5)	(19.1)
Change in other financial debts		0.6	0.2
Other		(11.0)	(7.9)
C) NET CASH FROM FINANCING ACTIVITIES		**27.8**	**70.4**
D) FOREIGN EXCHANGE TRANSLATION DIFFERENCES		**(3.2)**	**1.5**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**49.8**	**(54.2)**
Cash and cash equivalents at beginning of period	5.8	122.8	177.0
Cash and cash equivalents at end of period	5.8	172.6	122.8
CHANGE IN CASH AND CASH EQUIVALENTS		**49.8**	**(54.2)**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.

C Notes to the consolidated financial statements

1 • GENERAL INFORMATION

GROUPE KEOLIS S.A.S. and its subsidiaries ("the Group") develop transport service solutions tailored to local conditions: automatic metros, trams, trains, buses, coaches, river and sea ferries, self-hire bikes, etc. The Keolis Group exports its multi-modal expertise to 16 countries around the world. It is also the second largest parking provider in France through its subsidiary EFFIA and offers mobility solutions and services through its subsidiary Kisio.

GROUPE KEOLIS S.A.S., the Group's holding company, is a simplified joint stock company (société par actions simplifiée) registered and domiciled in France, with its registered office located at 20/22, rue le Peletier, 75320 Paris Cedex 09.

The consolidated financial statements of GROUPE KEOLIS S.A.S. as at 31 December 2016 were approved by the Executive Board on 13 February 2017 and presented to the Supervisory Board on 22 February 2017.

The financial statements of GROUPE KEOLIS S.A.S. are fully consolidated into those of SNCF.
The consolidated financial statements are prepared in euros, the Group's functional currency, and, unless otherwise stated, are presented in millions of euros.

2 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting guidelines

The Group's consolidated financial statements as at 31 December 2016 have been prepared in accordance with IFRS (standards and interpretations) published by IASB as adopted by the European Union and rendered mandatory from 1st January 2016. They are available at this site: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

In the absence of borrowing or equity instruments traded on a regulated market, the Group chose not to publish information on earnings per share (IAS 33), or information about operating segments (IFRS 8).

2.2 Changes in accounting principles

Application of standards, amended standards and interpretations that are mandatory as of 1st January 2016

Standard or interpretation	Summary description	Date of application (annual period starting on or after)
IFRS 11 amendments "Joint arrangements"	The amendments published describe the method to recognize acquisitions of interests in a joint operation whose operations constitute a business within the meaning of IFRS 3 (Business Combinations)	IASB: 06/05/2014 EU: 24/11/2015 Group: 01/01/2016
IAS 16 and IAS 38 amendments "Clarification of Acceptable Methods of Depreciation and Amortisation"	The IASB specified that a revenue-based depreciation method is not permitted: revenue that is generated by an activity that includes the use of an asset reflects factors other than the pattern of consumption of the economic benefits linked to any such asset. It is also specified that, with rare exceptions, the consumption of economic benefits linked to an intangible asset may not be based on revenue.	IASB: 12/05/2014 EU: 02/12/2015 Group: 01/01/2016

Standard or interpretation	Summary description	Date of application (annual period starting on or after)
Amendments Improvements to IFRS 2012-2014 Cycle	These amendments clarify, in particular, the standards: - IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" - IFRS 7 "Financial instruments: disclosures" - IAS 19 "Employee benefits" - IAS 34 "Interim Financial Reporting"	IASB: 25/09/2014 EU: 15/12/2015 Group: 01/01/2016
IAS 1 amendments "Disclosure initiative	The amendments to IAS 1 published by the IASB are intended to clarify the application of the notion of "materiality" and the notion of "professional judgement".	IASB: 18/12/2014 EU: 19/12/2015 Group: 01/01/2016
IAS 19 amendments "Defined Benefit Plans: Employee Contributions"	The limited amendments apply to employee or third party contributions to defined benefit plans. The objective of the amendments is to clarify and simplify the accounting for contributions that are independent of the number of years of service of the employee (e.g. employee contributions that are calculated based on a fixed percentage of salary).	IASB: 21/11/2013 EU: 17/12/2014 Group: 01/01/2016
Amendments by way of Annual Improvements to 2010-2012 cycle	These amendments clarify, in particular, the standards: - IFRS 2 "Share-based payment" - IFRS 3 "Business combinations" - IFRS 8 "Operating segments" - Amendment to IFRS 13 basis for conclusions "Short-term receivables and payables" - IAS 16 and IAS 38 "Property Plant and Equipment and Intangible Assets" - IAS 24 "Related Party Disclosures"	IASB: 12/12/2013 EU: 17/12/2014 Group: 01/01/2016

There is no material impact arising from the application of these standards.

Standards, amendments to standards and interpretations not subject to early application
The Group does not apply in advance the standards and interpretations, whether or not adopted by the European Union that apply to annual periods that start after 1 January 2016.

In particular, the Group has not applied the following standards to its 2016 consolidated accounts:

Standard or interpretation	Summary description	Date of application (annual period starting on or after)
IFRS 15: Standard and clarifications "Revenue from Contracts with Customers"	This new standard aims to provide a single model for recognising turnover for all types of contracts irrespective of the sector of activity. Organised around five key steps, the model is based on the transfer of control which can be continuous or immediate. The notion of transfer of risks and benefits is no longer determinant. The income is recognised at the time of supply of the promised goods or services in an amount that reflects the consideration expected in return.	IASB: standard published on 28/05/2014, clarified on 12/04/2016 EU: adoption of the standard on 22/09/2016, adoption of the clarifications underway Group: 01/01/2018

Standard or interpretation	Summary description	Date of application (annual period starting on or after)
IFRS 9 "Financial Instruments"	The objective is to replace the current IAS 39 standard on financial instruments. The three themes concerned are the classification and measurement of financial instruments, an impairment methodology for financial assets and hedge accounting.	IASB: 24/07/2014 EU: 22/11/2016 Group: 01/01/2018
IFRS 16 "Leases"	This new standard concerns the recognition of lease agreements and will replace the current IAS 17 standard. It consists of recognition by lessees of all lease agreements of longer than 1 year as finance leases by recording a fixed asset (right-of-use) offset by a debt under liabilities. Recognition by the lessor remains similar to IAS 17.	IASB: 13/01/2016 EU: Not adopted Group: pending adoption
IAS 12 amendments "Recognition of Deferred Tax Assets for Unrealised Losses"	The published amendments aim to clarify the provisions concerning the recognition of deferred tax assets relating to debt instruments measured at fair value.	IASB: 19/01/2016 EU: Not adopted Group: pending adoption
IAS 7 amendments "Disclosure initiative"	It establishes the principle that an entity must provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from its financing activities, whether or not such changes arise from cash flows.	IASB: 29/01/2016 EU: Not adopted Group: pending adoption
Amendments by way of Annual Improvements to 2014-2016 cycle	These amendments clarify, in particular, the standards: - IFRS 1: removal of short-term exemptions for first-time adopters - IFRS 12: clarification of the scope of the disclosure requirements - IAS 28: measuring investments at fair value through profit or loss on an investment-by-investment basis	IASB: 08/12/2016 EU: Not adopted Group: pending adoption

The impacts of application of these new standards are currently being measured.

2.3 Use of Management estimates in the application of the Group's accounting standards

In order to draw up the Group's accounts in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, management must make estimates and assumptions, notably based on ongoing action plans on certain operations, affecting the amounts stated in the financial statements. Management has to revise such estimates in the light of changes in the circumstances on which they are based or further to new information. Management also has to exercise judgement in how accounting methods are applied. As a result, future estimates may be different from those adopted as of 31 December 2016.

The estimates and assumptions primarily concern the lengths of contractual relations, asset impairment tests, deferred tax assets and financial instruments, as well as provisions, in particular provisions for pensions, litigation and losses on contracts and recognition of amounts to be received and penalties to be paid arising from contractual relationships.

Finally, in the absence of standards or interpretations applicable to a specific transaction, Group management must use its best judgement to define and implement accounting methods that provide the most relevant and reliable information, to ensure that the financial statements:
- present a true and fair view of the Group's financial position and cash flows;
- reflect the economic reality of the transactions.

2.4 Accounting principles

2.4.1 General measurement method

The assets and liabilities in the Group's consolidated financial statements are measured and recognised according to various measurement bases authorised by IFRS, primarily the historical cost basis of accounting, with the exception of derivative financial instruments and financial assets held for trading purposes or classified as AFS (available for sale), which are measured at fair value.

2.4.2 Methods of consolidation

Subsidiaries are recognised in the consolidated statements from the date on which control thereof reverted to the Group. They are derecognised from the date on which the Group ceased to control them. The income and expenses of the companies are included in the Group's income statement from the date that control was taken, up to the date on which the Group lost control.

Fully-consolidated subsidiaries

All the Group's subsidiaries are companies it exclusively controls directly or indirectly. The Group's consolidated financial statements include the assets, liabilities, income and expenses of these companies.

Exclusive control exists when GROUPE KEOLIS S.A.S. has power over the entity, is exposed or has rights to variable returns, and has the ability to affect those returns. In ascertaining whether there is control, account is taken of the established rules of governance and the rights held by the other shareholders in order to ensure that they are merely protective in nature. Potential voting rights, whether immediately exercisable or convertible, including those held by another entity, are also analysed to determine those conferring substantive rights in the assessment of power, in accordance with IFRS 10 "Consolidated Financial Statements".

Structured entities substantially controlled by the Group are fully consolidated.

Associates and joint ventures consolidated under the equity method

Entities in which the Group exerts significant influence without exercising control are associates. Significant influence is presumed when the Group holds upwards of 20% of the voting rights.

Under the equity method, investments in associates or joint ventures are capitalised in the consolidated balance sheet at their cost of acquisition. The Group's share of income (loss) of associates or joint ventures is recognised in profit or loss, whereas its share of post-acquisition movements in reserves is recognised in reserves. Post-acquisition movements are posted in adjustment to the value of the investment. The Group's share of an associate's or a joint venture's losses is recognised up to the limit of the carrying amount of the investment as well as any possible long-term share. Additional losses are not booked as provisions, unless the Group is legally or implicitly required to support the said associate or joint venture.

Non-controlling investments

A non-controlling investment is the share of interest in a subsidiary which is not directly attributable to the parent company. Non-controlling investments are recognised at fair value on the takeover date.

Year-end closing timing differences

For companies whose financial year does not end on 31st December, interim financial statements as at 31st December are established.

Transactions eliminated in the consolidated financial statements

Transactions between consolidated companies which have an impact on their balance sheet or income statement are eliminated. Losses on transactions between consolidated companies that are indicative of value impairment are not eliminated. IAS 12 "Income Taxes" applies to temporary differences resulting from the elimination of profits and losses on intra-group transactions.

2.4.3 Translation of transactions and financial statements of foreign companies

Translation of the financial statements of foreign companies

The financial statements of consolidated foreign subsidiaries, whose functional currency is different from the euro, are translated on the following bases:

- assets and liabilities are translated at the official exchange rates prevailing at the year-end date;
- income and expenses are translated at the average rate for the period, unless exchange rates fluctuate significantly;
- goodwill and fair value adjustments recognised on the acquisition of companies whose functional currency is not the euro are considered to be the assets and liabilities of such companies: they are thus stated in the functional currency of the said companies and converted at the closing rate of each period;
- the resulting foreign exchange translation differences are recognised in consolidated equity under the item "foreign exchange translation reserves".

Translation of foreign currency transactions

The functional currency of Group companies is their local currency. Transactions denominated in foreign currency are translated by the subsidiaries into their functional currency at the rate of exchange prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated into euros at the last official year-end exchange rate. The corresponding exchange differences are recorded in financial income (expense).

2.4.4 Business combination

The Group has applied IFRS 3 (Revised) since 1st January 2010. A business combination is understood to involve the obtaining of control. Upon acquisition of a controlling interest, the acquirer recognises the fair value of the acquired assets and liabilities of the acquired entity and also assesses the goodwill or profit from them.

Non-controlling interests are recognised according to the following options for each combination:
- either based on their share in the fair value of the assets and liabilities acquired (the so-called partial goodwill method);
- or at fair value of the shareholding (the so-called complete goodwill method).

Acquisition costs are expensed in the year.

For a takeover in several stages, the investment held prior to the establishment of control is revalued at its fair value on the date of takeover and any profit or loss arising therefrom is recognised under operational profit or loss after gains or losses from disposals.

Commitments linked to earn-out clauses are measured at their fair value on the acquisition date.

Adjustments to the cash consideration during the twelve months after the date of acquisition must be analysed in order to determine:
- if the adjustment is linked to new factors occurring since the acquisition of control: counterpart in profit for the year;
- if the adjustment is the result of new information collected enabling fine-tuning of the valuation on the takeover date: counterparty in goodwill.

A subsequent change of debt corresponding to additional consideration beyond the twelve month period is booked in profit for the year.

After the acquisition of control, purchases/disposals without loss of control are treated as transactions between shareholders and therefore directly through equity.

2.4.5 Goodwill

Goodwill on acquisition represents the excess of the cost of an acquisition over the share acquired by the Group of the fair value of the acquired assets and liabilities of the acquired entity on the date of acquisition.

The goodwill recognised for an associate is included in the value of the capital holding in it under “Investments under the equity method”, in the statement of financial position.

Corrections or adjustments may be made to the fair value of assets, liabilities and contingent liabilities acquired in the twelve months following the acquisition, when new information arises affecting facts and circumstances which were in evidence at this date of acquisition. Goodwill is then corrected with retroactive effect. Beyond that date, any change in assets acquired and liabilities assumed is recognised in the income statement. If the information is a result of events occurring after the date of acquisition, the changes are recognised in profit for the year.

As goodwill cannot be amortized, it undergoes impairment tests every year or at more frequent intervals when events or changes in circumstances indicate possible loss in value (see 2.4.10).

Goodwill is allocated to cash generating units or groups thereof which are likely to benefit from synergies resulting from aggregation as described in note 2.4.10.

Negative goodwill is recognised in the income statement on the date of acquisition.

2.4.6 Commitments to repurchase the non-controlling interests in a subsidiary

The Group has given promises to non-controlling shareholders of certain fully consolidated subsidiaries to repurchase their shares.

These purchase commitments (firm or conditional) of non-controlling interests do not transfer risks and benefits. They are recognised in financial debts against a reduction of those earnings attributable to non-controlling interests.

Where the value of the commitment exceeds the amount of earnings attributable to non-controlling interests the balance is recognised in equity attributable to Group shareholders.

The fair value of non-controlling interest buyout commitments is reviewed at each financial accounting period end. A change in the corresponding financial liability is booked against equity.

This provision applies to commitments to purchase non-controlling interests issued after the application date of revised IFRS 3, i.e. 1st January 2010.

For those issued before that date, the change in valuation will be booked against the associated goodwill.

2.4.7 Service concession arrangements

Presentation of the IFRIC 12 interpretation

An arrangement is included in the scope of interpretation of IFRIC 12, where the assets used to carry out the public service are controlled by the grantor. Control is presumed when the two conditions below are met:

- the grantor controls or regulates the public service, i.e. it controls or regulates the services that must be rendered, through the infrastructure covered by the concession and determines to whom and at what price the service shall be rendered; and
- the grantor controls the infrastructure on termination of the contract, i.e. the right to regain possession of the infrastructure at the end of the contract.

In its public transport activities, the Group is notably the holder of outsourced public service contracts.

In France, the Group operates outsourced public service contracts, mainly in the form of operate and maintain (O&M) contracts whereby the operator is responsible for operating and maintaining facilities owned and funded by local and regional authorities – public transport authorities (PTAs).

Pursuant to the interpretation of IFRIC 12, in this case, the operator cannot include the infrastructure controlled by the grantor in its balance sheet as tangible assets, but either as an intangible asset ("intangible asset model") and/ or as a financial asset ("financial asset model"):

- the "intangible asset model" applies where the operator receives a right to charge users for the public service and thus bears a financial risk;
- the "financial asset model" applies where the operator obtains an unconditional right to receive cash or other financial asset, either directly or indirectly through guarantees given by the grantor on the amount of cash payments from the public service. The remuneration is independent of the extent to which the public uses the infrastructure.

Where the service is provided using infrastructure rented from a third party and controlled by the grantor, the Group has recognised payments of fixed and variable fees in the IFRIC 12 asset valuation.

Financial asset model

In service concessions, the operator receives an unconditional right if the grantor gives it a contractual guarantee to pay:

- amounts specified or determined in the contract; or
- the shortfall, if any – between the amount received from users of the public service and specified or determinable amounts in the contract.

Financial assets stemming from the application of the IFRIC 12 interpretation are recorded in the statement of financial position under "Non-current financial assets" detailed in Note 5.5. They are recognised at amortised cost and repaid according to the rents collected.

The financial income, calculated on the basis of the effective rate of interest, the equivalent of the project's internal rate of return, is recognised as revenue.

Intangible asset model

The intangible asset model applies where the operator is paid by users or does not receive any contractual guarantee from the grantor on the amount to be collected. The intangible asset corresponds to the right granted by the grantor to the operator to charge users for the public service.

Intangible assets resulting from the application of the IFRIC 12 interpretation are booked in the statement of financial position under the heading "Other intangible fixed assets" detailed in Note 5.2. These assets are amortised straight-line over the term of the contract.

Within the framework of the intangible asset model, revenues include:

- turnover as and when assets or infrastructures under construction are completed;
- remuneration relating to the provision of services.

Mixed or bifurcation model

Application of the financial asset model or the intangible asset model is based on the existence of guarantees of payment given by the grantor.

However, certain contracts may include a payment commitment from the grantor which partially covers the investment, with the balance covered through fees charged to users.

In this case, the amount guaranteed by the grantor is recognised as a financial asset and the balance as an intangible asset.

2.4.8 Intangible assets excluding goodwill

Intangible assets are shown in the statement of financial position at their acquisition cost less the accumulated amortisation and impairments.

Intangible assets mainly consist of patents, licences, trademarks, rights under contracts, pension plan assets, software and service concession intangible assets as defined by IFRIC 12.

When contracts are awarded, the Group capitalises the costs that match the identification criteria, and that are incurred between the date when the contract is awarded and the date when the operation actually starts up.

When the Group completes an acquisition, the contractual relationship between the acquired company and its client (the public transport authority) is assessed at fair value and recognised separately from the goodwill as a contractual right satisfying the qualifying criteria of IAS 38 and IFRS 3 revised.

Where their useful life is defined, intangible assets are amortised on a straight-line basis over periods corresponding to their expected useful life. The amortisation method and useful lives are revised at least each financial year or when necessary. The estimated useful lives are as follows:
- Trademarks: between five and fifteen years;
- contractual rights: two to twenty years, corresponding to their estimated useful life, allowing for a contract renewal rate when the Group has a high renewal rate in the Cash Generating Unit (CGU) concerned;
- software: one to five years;
- service concession assets amortised over the term of the contract (see 2.4.7).

2.4.9 Property, plant and equipment

Expenditure on property, plant and equipment by the Group is recognised as an asset at its acquisition cost where it satisfies the following criteria:
- it is likely that the future economic benefits relating to the asset will fall to the Group;
- the cost of the asset can be reliably measured.

Property, plant and equipment are shown in the statement of financial position at their acquisition cost less the accumulated depreciation and impairments. The cost includes the asset's purchase or production cost and all the costs directly incurred in making it usable.

Items of property, plant and equipment cease to be recognised as assets when they are derecognised (through disposal or retirement), or when no future economic benefit is expected from their use or disposal. Any gain or loss arising from the derecognition of an asset from the statement of financial position (the difference between the net income from disposal and the asset's carrying amount) is recognised in the income statement in the period of its retirement.

Given the nature of the Group's business, the activities of the different subsidiaries do not include holding investment property assets.

Subsequent expenditure

Subsequent expenditure incurred in replacing property, plant or equipment is recognised under PPE only if it satisfies the foregoing general criteria and are qualified as components.

Otherwise, this expenditure is recognised in the income statement as incurred.

Through its public passenger transport activity, the Group incurs multiyear expenditure on major maintenance and servicing operations on its light rail (underground railway, tramway) and passenger rail rolling stock. These are recognised as assets in the form of a maintenance component, which is subsequently depreciated. Furthermore, expenditure which relates to refurbishments or leads to an increase in productive capacity and modifications bringing new functionality or that extend lifespans are contributions that can be qualified as operator assets.

Depreciation

The residual values and useful lives of the assets are reviewed and, where applicable, adjusted, annually or whenever lasting changes arise in operating conditions.

To date, the residual values at the end of the useful life are regarded as immaterial.

Land is not depreciated. Other property, plant and equipment items are depreciated using the straight line method. The estimated useful lives are as follows:

Buildings	**15 - 20 years**
Equipment and tooling	**5 - 10 years**
Office equipment and furniture	**5 - 10 years**
Vehicles:	
Cars	**5 years**
Coaches and buses	**10 - 15 years**
Rolling stock	**15 - 30 years**

Lease agreements

In the framework of its various operations, the Group uses assets made available through lease agreements.

These lease agreements are the subject of an analysis based on the situations described and indicators provided in IAS 17 to determine whether they are operating lease agreements or finance leases.

Finance leases are agreements that transfer almost all of the risks and benefits of the relevant asset to the lessee. All the lease agreements that do not comply with the definition of a finance lease are classified as operating lease agreements.

The main indicators examined by the Group to assess whether a lease agreement transfers almost all of the risks and benefits are as follows: the existence of an automatic transfer clause or an ownership transfer option; the conditions under which this clause is exercised; a comparison between the agreement periods and the estimated life of the asset; specifics of the asset used, and a comparison of the present value of the minimum payments under the agreement with the fair value of the asset.

Recognition of finance leases

At the initial accounting stage the assets used in the framework of a finance lease are posted as tangible assets, offset by a financial debt. The asset is recognized at the fair value of the asset leased on the agreement's start date or, if it is inferior, the present value of the minimum payments.

Recognition of rental agreements

Payments made under ordinary rental agreements are recognised as expenses in the income statement.

Government investment grants

Government grants wholly or partly covering the cost of investing in an asset are recognised as "Trade payables and other liabilities" and systematically written down in the income statement over the useful lives of the assets concerned.

2.4.10 Impairment of capitalised assets and non-financial assets

The Group performs systematic impairment tests annually (or more frequently where value impairment is indicated) of goodwill and other intangible assets that have indefinite useful lives, and therefore cannot be depreciated.

For property, plant and equipment, and intangible assets with finite useful lives, which are therefore depreciated or amortised, an impairment test is only conducted where impairment is indicated.

Cash Generating Units (CGUs) are the smallest group of assets generating cash flows largely independently of other asset groups. Such units or groups of units correspond to activities in France and, internationally, mainly by country.

For testing purposes, the assets are aggregated within CGUs in accordance with IAS 36 "Impairment of Assets".

These tests compare the net carrying amount of assets with their recoverable amount, which is the higher of the fair value less the potential sales costs or the value in use of the asset. In the absence of any fair value observable on an organised market, the recoverable value of the CGUs is determined on the basis of their value in use.

The carrying amount of each asset group tested is compared with its value in use defined as the sum of the net cash flows as arising from the latest forecasts for each of the CGUs, drawn up according to the main assumptions and procedures set out below:

- medium-term plan and budgets over a 5-year timeframe, drawn up by Management on the basis of growth and profitability assumptions taking account of past performance, foreseeable developments in the economic environment and the expected development of markets;
- extrapolation of the net cash flow of the last year or the average of cash flows over the five previous years by applying the growth assumptions stated in note 5.1;
- discounted future value of the cash flows as arising from these plans at a rate determined using the weighted average cost of capital (WACC) of the Group.

Value impairment is recognised in the income statement, under other non-recurring expense, if the carrying amount of a cash-generating unit or group of such units is greater than its recoverable amount. The value impairment is allocated first to the goodwill apportioned to the CGU or CGU group tested, then to the other assets of the CGU or CGU group in proportion to their carrying amount.

This allocation must not result in the carrying amount of an individual asset being lower than its fair value, value in use or zero. Impairment losses allocated to acquisition goodwill cannot be reversed, unlike the impairment losses of other property, plant and equipment and intangible assets.

In the event of an impairment loss being reversed, the asset's carrying amount is capped at the carrying amount, net of any depreciation or amortisation without taking into account any value impairment recognised in prior periods. When an impairment loss or a reversal of an impairment loss has been recognised, the depreciation charge is adjusted for future periods so that the adjusted carrying amount of the asset, less its residual value, if any, is spread systematically over the remaining useful life.

2.4.11 Financial assets

Purchases and sales of financial assets are accounted for at their transaction date, the date on which the Group is committed to the purchase or sale of the asset. On initial recognition, financial assets are recognised in the statement of financial position at fair value plus the transaction costs directly attributable to the acquisition or issue of the asset (except for the category of financial assets measured at fair value, for which transaction costs are recognised directly in the income statement).

Financial assets are derecognised from the statement of financial position to the extent that entitlements to future cash flows have expired or have been transferred to a third party, and the Group has transferred virtually all the risks and benefits or the control of such assets. Financial assets, the maturity (or intended holding period) of which exceeds one year, are recognised under "Non-current financial assets".

On the date of initial recognition, according to the purpose for which the asset is acquired, the Group classifies the financial asset in one of the accounting categories specified by IAS 39, "Financial Instruments: Recognition and Measurement". The Group does not use the "Held-to maturity investments" category.

Financial assets at fair value, recognised in profit or loss
These are financial assets acquired by the Group with the intention of selling them in the short term.

Derivative financial instruments are also classified as held for trading unless they are designated, effective hedging instruments. They are measured at fair value and their subsequent fair value changes are recognised in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets, the payment of which is fixed or determinable and that are not listed on a regulated market. These assets are recognised at their fair value plus the directly attributable costs of transaction and are then measured at depreciated cost by the effective interest rate method. An impairment loss is recognised whenever the estimated recoverable amount is below the carrying amount.

This category includes operating receivables, deposits and guarantees, loans and concession financial assets.

Available for sale (AFS) financial assets
These are non-derivative financial assets designated as being available for sale, or not belonging to the other categories. They are measured at their fair value in the statement of financial position; changes in value are recognised in equity. When available for sale financial assets are sold, or if there is an objective indication of impairment of these assets, any changes in fair value that have been recognised directly in equity are transferred to the income statement.

For listed securities, fair value is equal to market price; for unlisted securities, reference is made to recent arm's-length transactions made between informed and willing parties, or to a technical measurement based on reliable, objective information consistent with the other estimates used by other market operators or using discounted cash flow analysis. However, when the fair value of a security cannot reasonably be estimated, in the last resort it is carried at historical cost.
This category consists mainly of non-consolidated shareholdings.

Impairment of financial assets
Impairment is recognised on a financial asset or group of financial assets where there is an objective indication of impairment arising from one or more events that have occurred since the initial recognition of the asset, and such impairing event has an impact on the estimated future cash flows from the financial asset or group of financial assets, and if its carrying value is higher than its estimated recoverable value.

2.4.12 Inventories
Inventories consist mainly of consumables and miscellaneous goods or supplies used for the maintenance and upkeep of vehicles or intended for resale.

These inventories are valued at purchase cost. Impairment is recognised to reduce the purchase cost (determined using the weighted average cost (WAC) method or the First-in, First-out (FIFO) method) to the net realisable value if lower. Pursuant to IAS 2, the net realisable value is the estimated sale price in the normal course of business, less the estimated cost for completion and realisation of the sale.

2.4.13 Trade receivables and other debtors
Trade receivables and receivables from other debtors are initially recognised at their fair value which, in most cases is their nominal value, given the generally short payment times. The carrying amount is subsequently measured where required at the amortised cost using the effective interest rate method, less any impairment allowances.

If there is an objective indication of impairment or a risk that the Group may be unable to collect all the contractual amounts (principal plus interest) on the date set in the contractual payment schedule, an impairment loss is recognised in the income statement. This allowance is equal to the difference between the carrying amount and the estimated recoverable future cash flows, discounted at the original effective rate of interest.

2.4.14 Cash and cash equivalents
This item includes cash, sight deposits and other short-term deposits as well as other easily convertible liquid instruments with negligible risk of a change in value, maturing less than three months from the date of acquisition.

2.4.15 Corporate income tax
The company GROUPE KEOLIS S.A.S., parent of the tax group, has opted for the tax consolidation system in France.

Other tax consolidation regimes also exist abroad. The effect of these regimes is recognised in the income statement. Most of the French companies subject to corporate income tax and in which the company GROUPE KEOLIS S.A.S. holds an equity interest of at least 95% are included in the tax consolidation group.

The income tax expense or income includes the current tax expense or income and the deferred tax expense or income. Tax is recognised in profit for the year unless it relates to items that are directly recognised under equity, in which case, the tax is recognised under equity.

Current tax is the estimated amount of tax due on the taxable profit for the period. It also includes adjustments to the amount of tax payable in respect of previous periods.

Deferred tax is calculated for each individual entity using the balance sheet approach, on the temporary differences between the carrying amount of the assets and liabilities and their taxation base, including assets of which the Group has possession under finance lease agreements.

Measurement of deferred tax assets and liabilities depends on whether the Group expects to recover or to pay the carrying amount of the assets and liabilities, under the variable-carry-forward method, using the rates of taxation that were adopted or virtually adopted at the reporting date. A deferred tax asset is only recognised or maintained as an asset to the extent that the Group is likely to benefit from future taxable profits to which the related deductible temporary difference may be imputed.

The deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset in each taxable entity when it recovers the asset and settles the liability on the same due date, subject to the following conditions being met:
- legally enforceable right to offset,
- intention to settle,
- schedule of payments.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of certain differences between the values of the Group's proportionate interests in the net assets of subsidiaries, joint ventures and associates and their tax values. This exception applies especially to the income of subsidiaries yet to be distributed, should distribution thereof to shareholders generate taxation; if the Group has decided not to distribute profits retained by the subsidiary in the foreseeable future, no deferred tax liabilities are recognised.

2.4.16 Borrowings and financial debt

All borrowings are initially recognised at fair value, less the related borrowing costs. Thereafter, they are recognised at amortised cost, using the effective interest rate method, with the difference between the cost and the redemption value recognised in the income statement over the term of the borrowings.

The effective interest rate is the rate used to obtain the original carrying amount of a loan by discounting the future cash inflows or outflows over the loan's term. The original carrying amount of the loan includes the transaction costs of the operation and any issuance premiums.

When a debt is reimbursed early, any non-amortised costs are recognised as expenses.

2.4.17 Derivative financial instruments

The Group uses derivative financial instruments to manage exposure to financial market risks resulting from its operational, financial and investment activities:
- Interest rate risk;
- Foreign exchange risk;
- Commodities risk.

The derivative financial instruments are measured and recognised at fair value in the statement of financial position on the date they are established, then on each financial year end date. Fair value is measured by using standard valuation methods and is based on the mid-market conditions commonly used in the markets. The market data used is Level 2 data, as described in IFRS 13.

The treatment of the gains and losses under the fair value revaluation depends on whether or not the derivative instrument is considered a hedging instrument and the nature of the hedged item.

The changes in fair value of derivative financial instruments that are not eligible for hedge accounting are recognised under financial income/(expense).

Certain derivative financial instruments are eligible for one of the three hedge accounting categories defined in IAS 39:
- Fair value hedge;
- Cash flow hedge;
- Net investment hedge.

They are recognised in accordance with hedge accounting rules. The criteria to apply hedge accounting are mainly:
- general hedging documentation that describes the Group's exposure to the various financial risks and its hedging strategy,
- a hedging relationship clearly established on the date on which each derivative financial instrument is established,
- the use of effectiveness testing to demonstrate the effectiveness of the hedging relationship prospective to the date of

establishment, and retrospective to each financial close. This effectiveness must be reliably measured and fall within 80% and 125%.

Interest rate, foreign exchange and commodity derivative financial instruments are entered into with first-class bank counterparties in accordance with the Group's counterparty risk management policy. Consequently, the counterparty risk can be regarded as negligible.

Interest rate risks relating to the variable rate portion of its financial debt

The Group's interest rate risk exposure results from its financial debt. The Group covers this risk by using derivative financial instruments.

The objective of the risk management is to protect the Group's financial income/(expense) from an increase in interest rates, while taking advantage of a decrease in rates to the greatest extent possible.

The interest rate hedging policy implemented consists in favouring fixed rate derivative financial instruments. The management horizon adopted is usually a rolling five years, but this can be greater dependent upon the hedging requirement.

The derivative financial instruments which the Group uses, are standard, liquid and available on the market, namely:

- swaps;
- cap calls;
- sales of caps to unwind an existing cap or to realise a cap spread;
- floor puts if tied with cap calls to create a symmetrical or asymmetrical collar;
- floor calls, in particular to buy back floors that constitute asymmetrical collars;
- swaption calls;
- swaption puts if tied with calls to constitute swaption collars.

Derivative financial instruments eligible for hedge accounting are recognised under cash flow hedges. The derivative financial instruments that are not eligible are recognised under trading.

Changes in the intrinsic value of derivative financial instruments recognised under cash flow hedges are entirely recognised within equity (OCI - other comprehensive income). The other items are recognised as financial income/(expense):

- changes in fair value of derivative financial instruments not eligible for hedge accounting (for example, the asymmetrical portion of collars);
- changes in the time value of all derivative financial instruments;
- option premiums.

Foreign exchange risk

The Group has put in place intra-group loans denominated in foreign currency and recognised in current accounts. In order to cover the resulting foreign exchange risk, the Group uses derivative financial instruments which allow it to fix the exchange rate of these intra-group loans.

The Group also makes net investments in the capital of its foreign subsidiaries in local currency. To cover the foreign exchange risks engendered by these investments, the Group uses derivative financial instruments in limited amounts. Management's objective is to protect the balance sheet values of these investments in local currency. The foreign exchange hedging policy implemented to achieve this objective consists of maintaining a reference exchange rate defined for the year.

The derivative financial instruments used by the Group are standard, liquid and market-available:

- forward and futures sales and purchases;
- foreign exchange swaps;
- call options;
- put options in combination with call options to provide symmetric or asymmetric collars.

Most of the derivative financial instruments held by the Group are eligible for net investment hedge accounting as described in IAS 39. The derivative financial instruments that are not eligible are recognised under trading.

Changes in the intrinsic value of derivative financial instruments recognised under net investment hedges are entirely recognised within equity (OCI). The other items are recognised as financial income/(expense):

- changes in fair value of derivative financial instruments not eligible for hedge accounting (for example, the asymmetrical portion of collars);
- changes in the time value of all derivative financial instruments;
- option premiums.

Commodities price risks

Due to their transportation activities as operators of light vehicle fleets (coaches and buses), the Group's subsidiaries must make substantial and regular purchases of diesel. The Group is consequently exposed to a risk in the fluctuation of the price of diesel, a risk which is partially hedged in the concession contracts signed with public transport authorities. For the remaining exposure, the Group implements a hedging policy using derivative financial instruments whose objective is to minimise the volatility of Group profits.

For this purpose, the Group uses standard, liquid and market-available derivative financial instruments, namely:

- swaps;
- cap calls;
- cap puts to unwind an existing cap or to realise a cap spread;
- floor puts if tied with cap calls to create symmetrical or asymmetrical collars;
- floor calls, in particular to buy back floors that constitute asymmetrical collars.

Derivative financial instruments eligible for hedge accounting are recognised under cash flow hedges. The derivative financial instruments that are not eligible are recognised under trading.
Changes in the intrinsic value of derivative financial instruments recognised under cash flow hedges are entirely recognised within equity (OCI). The other items are recognised as financial income/(expense):
- changes in fair value of derivative financial instruments not eligible for hedge accounting (for example, the asymmetrical portion of collars);
- changes in the time value of all derivative financial instruments;
- the contango/backwardation component, corresponding to the price difference between the forward price for swaps (or exercise price for options) and the spot price;
- option premiums.

2.4.18 Provisions

Provisions for pension and post-employment commitments (IAS19 revised)
The Group offers its employees various fringe benefits while they are in employment or after employment. These benefits arise under the legislation applicable in certain countries and under contractual arrangements concluded by the Group with its employees, and are either defined contribution plans or defined benefit plans.

(a) Defined contribution plans
Defined contribution plans are characterised by payments to organisations that discharge the employer from any subsequent obligation, with the organisations taking responsibility for paying employees their entitlements. Hence, once the contributions are paid, no liability is reported in the Group's financial statements.

(b) Defined benefit plans
Defined benefit plans refer to plans providing post-employment benefits other than defined contribution plans. The Group has a duty to accrue provisions for the benefits to be paid to serving members of its staff, and to pay the benefits of former members of its staff. In substance, the actuarial and investment risks lie with the Group.

These plans mainly concern the following:
- pension commitments: pension annuity plans, retirement gratuities, other retirement commitments and additional pension benefits;
- other long term benefits: long service awards.

Description of commitments under defined benefit plans
Apart from ordinary, statutory schemes, the Group provides, according to country and local legislation, retirement gratuity schemes (France), defined benefit pension schemes (United Kingdom and Canada) and pensioners' health benefit schemes (Canada and USA).

In France, retirement gratuities paid to the employee on leaving employment are determined according to the national collective labour agreement or the company agreement applying in the business. The following are the two main collective labour agreements applied within the Group:
- "Convention collective des transports publics urbains" (CCN_3099) – the national collective labour agreement for urban public transport;
- "Convention collective des transports routiers" (CCN_3085) – the national road-haulage collective labour agreement.

These schemes are partly financed by insurance policies. Their value is measured over the average term of the policies (20 years) except in the case of GROUPE KEOLIS S.A.S., Keolis S.A. and subsidiaries of the EFFIA group, which are measured on a perpetuity basis.

Annual actuarial evaluations of the commitments of the defined benefit schemes are carried out each year end primarily by independent actuaries.

Commitments for pensions, additional pension benefits and retirement gratuities are measured using a method that takes account of the projected final end-of-career salaries (termed the Projected Unit Credit Method) on an individual basis, which is based on assumptions of discounting rates and expected long-term yields from the funds invested for each country, and on assumptions regarding life expectancy, staff turnover, trends in pay, annuity revaluations and the discounted value of payable sums. The specific assumptions for each plan take local economic and demographic factors into account.

The value entered in the statement of financial position under provisions "pensions and other employment benefits" is the difference between the discounted value of the future obligations and the fair value of the pension plan assets intended to cover them. Where the result of this calculation is a net commitment, an obligation is recognised as a liability in the statement of financial position.

When bids are won in France or abroad, the asset representing pension rights and all other employee benefits recognised at the start of the franchise is determined on the basis of the amount of pension liabilities and other employee benefits over the estimated life of the contract.

Actuarial gains/losses relating to post-employment benefits resulting from experience and changes in actuarial assumptions are recognised directly in equity in the year in which they are incurred and are off set against the increase or decrease of the obligation. They are set out in the statement of comprehensive income.

In the income statement, the cost of service earned during the financial year is included in the operating profit.

The interest cost in respect of the discounting of pensions and similar obligations, and the income relating to the expected yields from the pension plan assets, are recognised under financial income and expense.

The actuarial calculations for pension and similar commitments are mainly performed by independent actuaries.

Long service medals are valued on the same basis as pension commitments, with the exception of the recognition of actuarial gains and losses. Actuarial gains and losses are recognised in the income statement.

Other types of provisions

Provisions are accrued where at the end of the reporting period there is a present legal or implicit obligation towards third parties arising from a past event and there is a probability that an outflow of resources embodying economic benefits will be required to settle this obligation and a reliable estimate can be made of the amount.

In the context of its activity, the Group is generally subject to a contractual obligation to carry out multiyear major maintenance and servicing operations on facilities managed under a public service agreement. The resulting maintenance and repair costs are analysed in accordance with IAS 37 on provisions and, where applicable, provisions are accrued for major maintenance and servicing and also for lossmaking contracts where the unavoidable costs incurred to meet the contractual obligation are greater than the economic benefits of the contract.

In cases of restructuring, an obligation is accrued in so far as the restructuring has been announced and is the object of a detailed formalised plan or has been started prior to the reporting date. Provisions due in more than one year are discounted whenever the impact is material.

2.4.19 Payments in shares and similar payments

The Group has no share option plans or share purchase warrants for the benefit of its members of staff.

2.4.20 Trade payables and other accounts payable

Trade payables and other accounts payable are measured at their fair value at initial recognition, which in most cases is their nominal value, and thereafter at the amortised cost. Short-term payables are recognised at their nominal amount unless discounting at the market rate would have a material impact.

In the event of long payment delays, the suppliers' debt is discounted.

Other payables include deferred revenues, corresponding to income received for services not yet provided, and investment grants not yet posted in the income statement.

2.4.21 Revenue and other business income

Revenue and other business-related income are measured at the fair value of the consideration received or accrued.

They are measured net of discounts and commercial benefits given, where the service has been provided. No income is recognised where there exists significant uncertainty as to the recoverability of the consideration receivable or the costs incurred or to be incurred in relation to the service, and where the Group remains involved in managing the income.

The revenue from urban passenger transport companies is recognised according to the terms of the contract signed with the public transport authority, taking account of all additional clauses and any vested rights (indexation clauses, etc.).

The same applies for revenue from intercity passenger transport companies, and other activities not under contract, recognised according to the services provided.

Revenues include fees from value added services arising from the Group's knowhow. These activities (excluding transportation) mainly relate to the management of car parks, airports and bike rental.

Other business-related income covers fees for services consisting mainly of revenues classified by the Group as incidental, as well as the remuneration of concession financial assets.

2.4.22 Other operating expenses

Since they are a recurrent feature of the activity, losses or gains on sales of transport equipment are recognised on a separate line, and included in profit from continuing operations.

2.4.23 Other operating income

Other operating income mainly comprises the CICE (tax credit for competitiveness and employment) which was created to help companies finance their competitiveness, in particular through investment, research, innovation, recruitment, prospection of new markets, environmental transition and replenishment of their working capital. It applies to remuneration not exceeding two and a half times the minimum wage that the companies pay their employees in the course of the calendar year. In 2016, the tax credit rate remained unchanged at 6%.

The CICE is deducted from corporate income tax due for the year during which the remuneration used for the calculation of the tax credit was paid. Any non-deducted credit is treated as a receivable from the State and can be used to pay tax due in the three years following that in which the credit was earned. At the end of this period, any remaining non-deducted amount is reimbursed to the company.

The Group holds the view that the CICE is a type of public subsidy within the application of IAS 20, insofar as it is used for financing working capital related expenditure. The CICE is recognised under operating subsidies in the line "Other operating income" of the consolidated income statement.

2.4.24 Recurring operating profit

Recurring operating profit corresponds to the whole of the expenses and income arising from the Group's recurring operating activity before financing activities, the earnings of associates, activities discontinued or being sold and taxation.

2.4.25 Operating profit or loss

Operating profit includes recurring operating profit and all transactions not directly related to the normal conduct of business, but that cannot be directly attached to any other item in the income statement.

Income and expenses, charges to depreciation and provisions on non-recurring items include all non-recurring operations where costs are significant: this applies in particular to offensive bids, restructuring costs, disposal gains or losses on assets other than transport equipment, the amortisation of contractual rights and startup costs in a new country or zone, and to other items that are by their nature non-recurring.

Effects of changes in scope recognised directly in income include:

- direct acquisition costs in the case of a takeover;
- effects of revaluations, at fair value on the acquisition date, of non-controlling interests previously acquired in the case of an acquisition in stages;
- subsequent earn-outs;
- profit or loss from divestments of holdings which lead to a change in the method of consolidation as well as, where applicable, the revaluation effects of retained non-controlling interests.

2.4.26 EBITDA calculation

EBITDA is calculated based on operating profit/(loss), plus or minus the profit or loss on asset disposals, the amounts representing depreciation and amortisation, increases and reversals of provisions and the share of subsidy income.

Recurring EBITDA corresponds to EBITDA less material non-recurring items.

2.4.27 Financial income (expense)

Financial expenses include interest on borrowings and financial debt calculated using the effective interest rate method, the cost of early loan repayments or of cancelling credit lines, the financial interest not directly attributable to the operating margin and the financial cost of discounting non-current liabilities.

Financial income includes income from deposits of cash or cash equivalents and dividends received from non-consolidated companies.

Other financial income and expense include net foreign exchange gains and losses, bank commissions on credit transactions booked as an expense and their rebilling as income, changes in the fair value of derivative financial instruments when they are to be recognised in the income statement and are recognised respectively as financial income or expenses on transactions, with the exception of changes in the fair value of hedging derivatives which are recorded on the same line as the transaction hedged within operating profit. Therefore, any change in the fair value of derivatives, when they are not eligible for hedge accounting, and the change in value of the ineffective portion for cash flow hedging are recognised in the financial result.

All interest on borrowings is recognised as a financial expense as and when incurred.

2.4.28 Changes made to comparative periods (restated 2015)

Change to accounting method for pensions in the United Kingdom

The Go-Ahead group, the majority partner in our Govia joint venture, changed the method of accounting for its pension schemes during the 2016 financial year as part of a sectoral study by the main players in the railway industry in the United Kingdom.
A company which operates a railway franchise in the United Kingdom, is only responsible for pension commitments over the duration of its franchise, with the commitment then being assu-

med by the new successful franchisee. As a result, the Go-Ahead Group only records in the balance sheet the surplus or deficit in the pension scheme likely to be realised over the duration of its franchise. Previously, the expense recorded in the income statement was equal to the cost of the rights acquired irrespective of the duration of the franchise; a substantial portion of these rights were, in effect, acquired beyond the end of the franchise. Liabilities were then adjusted to reduce them to the actual commitment over the term of the franchise with an offsetting entry under “other items in comprehensive income”.

The revised accounting involves only recognising in the income statement the pension cost during the period during which the Group operates the franchise and no longer the pension cost calculated on the total commitment, part of which will be assumed by the future operator of the franchise.

This change has been treated by the Go-Ahead Group as a change in accounting method having regard to the IAS 8 standard “Accounting Policies, Changes in Accounting Estimates and Errors”. The comparative periods have consequently been restated.

The Keolis Group has followed the same accounting treatment in its consolidated accounts, noting that the Govia franchises are recognised using the equity method. The 2015 accounts were restated with this change which only impacts the line “Profit/(loss) from associates” offset by “other items in comprehensive income”. There is no impact on total equity, on distributable reserves or on cash.

The impacts of this change in accounting method on the 2015 accounts, as published in the 2016 accounts, are presented in detail below.

(€ million)	Published statements 31/12/2015	Impact of change to UK pension method	Restated 31/12/2015
Revenue	**5,002.5**	**-**	**5,002.5**
Recurring operating profit	**91.0**	**-**	**91.0**
Operating profit/loss	**51.4**	**-**	**51.4**
Profit/(loss) from associates	22.4	13.2	35.6
Operating profit/(loss) after investments under equity method	**73.8**	**13.2**	**86.9**
Financial income (expense)	(29.8)	-	(29.8)
Profit before tax	**44.0**	**13.2**	**57.1**
Profit for the year	**26.0**	**13.2**	**39.2**
PROFIT ATTRIBUTABLE TO GROUP	**33.3**	**13.2**	**46.5**

ASSETS *(€ million)*	Published statements 31/12/2015	Impact of change to UK pension method	**Restated 31/12/2015**
Goodwill	1,139.6	-	1,139.6
Other intangible assets	533.9	-	533.9
Property, plant and equipment	891.8	-	891.8
Investments under the equity method	35.1	-	35.1
Non-current financial assets	171.1	-	171.1
Deferred tax asset	84.6	-	84.6
Non-current assets	**2,856.2**	**-**	**2,856.2**
Inventories and work in progress	82.0	-	82.0
Trade receivables	426.4	-	426.4
Other receivables	348.8	-	348.8
Current financial assets	19.4	-	19.4
Cash and cash equivalents	312.7	-	312.7
Current assets	**1,189.2**	**-**	**1,189.2**
TOTAL ASSETS	**4,045.4**	**-**	**4,045.4**

LIABILITIES *(€ million)*	Published statements 31/12/2015	Impact of change to UK pension method	**Restated 31/12/2015**
Share capital	237.9	-	237.9
Reserves and premiums	701.6	(13.2)	688.4
Net profit/(loss) attributable to Group	33.3	13.2	46.5
Equity attributable to Group	**972.9**	**-**	**972.9**
Reserves attributable to non-controlling interests	59.1	-	59.1
Profit for the year attributable to non-controlling interests	(7.3)	-	(7.3)
Equity	**1,024.7**	**-**	**1,024.7**
Non-current provisions	196.4	-	196.4
Non-current financial debt	881.1	-	881.1
Deferred tax liability	177.5	-	177.5
Non-current liabilities	**1,255.1**	**-**	**1,255.1**
Current provisions	55.6	-	55.6
Current financial debt	78.8	-	78.8
Bank borrowings	189.9	-	189.9
Trade payables and other liabilities	1,441.3	-	1,441.3
Current liabilities	**1,765.6**	**-**	**1,765.6**
TOTAL LIABILITIES	**4,045.4**	**-**	**4,045.4**

(€ million)	Published statements 31/12/2015	Impact of change to UK pension method	Restated 31/12/2015
Profit for the year	**26.0**	**13.2**	**39.2**
Actuarial gains and losses on defined benefit pension schemes	(0.8)	-	(0.8)
Tax on actuarial gains and losses on defined benefit pension schemes	0.2	-	0.2
Share of other items in comprehensive income of investments under equity method	13.0	(13.2)	(0.2)
Items that will not be reclassified to profit or loss	**12.4**	**(13.2)**	**(0.8)**
Translation differences and others	1.2	-	1.2
Unrealised gains and losses on hedging instruments	0.3	-	0.3
Tax on items that may be reclassified to profit or loss	(0.1)	-	(0.1)
Other impacts, net	-	-	-
Items that may be reclassified to profit or loss	**1.4**	**-**	**1.4**
Total gains and losses recognised directly in equity	**13.7**	**(13.2)**	**0.5**
Total comprehensive income for the year	**39.7**	**-**	**39.7**
of which attributable to :			
- Equity shareholders	47.0	-	47.0
- Non-controlling interests	(7.3)	-	(7.3)

3 • HIGHLIGHTS OF THE FINANCIAL YEAR

Keolis acquires Transports Daniel Meyer in France

In mid-January 2016, Keolis announced the acquisition of Transports Daniel Meyer, a leading bus and coach service operator in Ile-de-France. With this strategic external growth transaction, Keolis reinforces its foothold in Ile-de-France and consolidates its position for future projects relating to Grand Paris Express.

EFFIA becomes a shareholder in SAEMES

At the beginning of January 2016, EFFIA became the main industrial shareholder of *Société anonyme d'economie mixte d'exploitation du stationnement de la Ville de Paris* (SAEMES). EFFIA, which already manages more than 30,000 parking spaces in the Ile-de-France region, thereby initiates closer ties with the second largest car park operator in the region, SAEMES (€45 million turnover, 25,000 spaces). SAEMES operates a number of major facilities, among which Paris' number 1 car park by revenue, Lyon-Méditerrannée, located under Gare de Lyon.

Contracts won abroad

- Keolis was selected to be the future operator of the first automatic metro line in Shanghai as part of the Shenkai joint venture.
- In the Netherlands, the authorities in Almere, the seventh largest city in the country, awarded Syntus Keolis Group with the contract to operate its network for ten years with an aggregate turnover of 400 million euros.
- Keolis has won a new contract for the operation of suburban trains in Germany, reinforcing its market position in mass transit. On 7 July 2016, Keolis was selected by VRR and NWL, the public transport authorities in the Rhein-Ruhr metropolitan region, to operate the suburban rail network serving the 11-million population living in the region.
- In December 2016, Keolis Downer, the Australian subsidiary of the Keolis Group, was awarded the multi-modal transport contract for Newcastle by the New South Wales (NSW) government. Situated north of Sydney, Newcastle has a population of 360,000. Under the terms of this contract, Keolis Downer will work together with Transport for NSW to create and operate this first integrated public transport contract for a ten-year term. The contract will commence in July 2017 and will run for ten years, generating cumulative turnover of 312 million euros (450 million Australian dollars).

Strategic partnership in new mobilities with LeCab

Keolis concluded a strategic partnership with the French leader in private driver services (VTC), LeCab. This transaction will continue to leverage the expertise of its founders with the aim of enhancing the Group's transport service offering with individualised transport solutions, whilst also providing LeCab with growth opportunities through the areas in which Keolis operates.

4 • NOTES TO THE CONSOLIDATED INCOME STATEMENT

4.1 Staff costs

Staff costs

(€ million)	31/12/2016	31/12/2015 Restated
Wages and social charges	(2,522.6)	(2,437.4)
Taxes on remuneration	(68.2)	(63.0)
Other staff expenses [1]	(398.2)	(390.6)
TOTAL	**(2,989.0)**	**(2,891.0)**

(1) Other staff expenses include incentive schemes and profit sharing.

Average number of employees

	31/12/2016	31/12/2015 Restated
Managers	2,576	2,425
Supervisory and technical staff	6,284	6,461
Clerical and manual employees, drivers	46,613	45,938
TOTAL	**55,472**	**54,824**

4.2 Other operating income

Under the CICE, the Group received €53.1 million in 2016, compared to €49.5 million in 2015.

4.3 Operating profit

(€ million)	31/12/2016	31/12/2015 Restated
RECURRING OPERATING PROFIT	**98.5**	**91.0**
Non-recurring costs of offensive bids	(4.6)	(12.4)
Amortisation of contractual rights and others [1]	(27.4)	(21.0)
Other non-recurring items	(13.8)	(6.7)
Net reorganisation expenses	*(14.2)*	*(8.5)*
Change in provisions for contract losses	*3.0*	*1.4*
Other	*(2.6)*	*0.2*
TOTAL NON-RECURRING ITEMS	**(45.7)**	**(39.6)**
OPERATING PROFIT BEFORE INVESTMENTS UNDER EQUITY METHOD	**52.9**	**51.4**

(1) This entry includes a negative goodwill item in Belgium amounting to €5.7 million in 2015

4.4 EBITDA calculation

(€ million)	31/12/2016	31/12/2015 Restated
OPERATING PROFIT	**52.9**	**51.4**
Net depreciation and other provisions charged	232.0	221.7
Depreciation and provisions on non-recurring items	27.4	20.8
Including amortisation of contractual rights and brands	*27.4*	*26.7*
Including Belgium negative goodwill	-	*(5.7)*
Amortisation of grants received	(8.4)	(6.3)
Reversals of operating provisions used on recurring items [1]	(11.3)	(9.4)
Reversals of provisions used on non-recurring items [1]	(1.3)	(2.3)
Profit/(loss) on non-recurring fixed asset disposals	-	(0.5)
Profit/(loss) on fixed asset disposals	2.0	(0.9)
EBITDA	**293.3**	**274.6**
Non-recurring income and expense [2]	19.4	21.6
RECURRING EBITDA	**312.7**	**296.2**

(1) Reversals of used provisions above do not include reversals used on pensions, long service medals and major maintenance.
(2) Non-recurring cash income and expense include significant offensive bid costs, major restructuring expenses and other significant exceptional items.

4.5 Share in net profit for the year from investments under the equity method

(€ million)	31/12/2016	31/12/2015 Restated
Govia (UK)	19.7	25.6
First / Keolis Transpennine (UK)	5.4	9.4
Other associates (France)	0.6	0.7
Other associates (international, excluding UK)	-	(0.1)
TOTAL JOINT VENTURES AND ASSOCIATES	**25.7**	**35.6**

4.6 Financial income / (expense)

(€ million)	31/12/2016	31/12/2015 Restated
Net cost of financial debt	(18.5)	(18.1)
of which Cost of gross financial debt	*(19.3)*	*(19.0)*
of which Income from cash and cash equivalents	*0.8*	*0.9*
Other financial income and charges	1.9	7.3
Other financial charges	(17.8)	(19.0)
of which foreign exchange impact	*(4.2)*	*(5.2)*
FINANCIAL INCOME / (EXPENSE)	**(34.4)**	**(29.8)**

4.7 Taxation

The 2016 tax charge amounts to -€5.1 million.
This breaks down as follows.

(€ million)	31/12/2016	31/12/2015 Restated
CURRENT TAX EXPENSE	**(31.0)**	**(24.8)**
Tax payable for the period	(30.7)	(25.3)
Adjustments in respect of prior years	(0.3)	0.5
DEFERRED TAX INCOME	**25.8**	**6.8**
Deferred tax for the period	26.4	6.8
Impairment loss on deferred tax asset	(0.6)	-
TAX EXPENSE FOR THE YEAR	**(5.1)**	**(18.0)**

In 2015 and 2016, the Group decided to reconcile its effective rate starting from a rate of 34.43%.

The reconciliation between the legal rate of taxation in France and the effective rate is as follows:

	31/12/2016		31/12/2015 Restated	
	In %	In € million	In %	In € million
PROFIT FOR THE YEAR		**39.0**		**26.0**
Neutralisation of Profit/(loss) from associates		(25.7)		(22.4)
Neutralisation of Taxation		5.1		18.0
PROFIT BEFORE TAX AND BEFORE PROFIT/(LOSS) FROM ASSOCIATES		**18.5**		**21.6**
Theoretical tax using the legal rate of French taxation	34.43 %	(6.4)	34.43 %	(7.4)
French / foreign taxation rate differentials	-8.00 %	1.5	-9.22 %	2.0
Rate change in France	-34.99 %	6.5	0.00 %	-
Recognition of deferred taxes on intangible assets	-21.16 %	3.9	0.00 %	-
Effect of reduced rates and changes in tax rates	-5.29 %	1.0	12.07 %	(2.6)
Adjustment in respect of tax for prior years	1.47 %	(0.3)	-2.18 %	0.5
Other permanent differences	11.83 %	(2.2)	22.02 %	(4.8)
Crédit d'Impôt Compétitivité Emploi	-99.11 %	18.3	-79.37 %	17.1
Effect of direct taxation (CVAE)	50.26 %	(9.3)	43.17 %	(9.3)
Unrecognised deferred tax assets	98.28 %	(18.1)	62.46 %	(13.5)
EFFECTIVE RATE OF TAXATION	**27.73 %**	**(5.1)**	**83.38 %**	**(18.0)**

(1) The change in the company income tax rate (28.92% from 2020) provided for in the new French Finance Act generated a net increase of 6.5 million euros in the deferred tax balance at end of 2016. Unrecognised deferred tax assets mainly relate to North America and Germany.

Unrecognised deferred tax assets in 2016 mainly relate to North America and Germany.

Deferred tax included within non-current assets and liabilities breaks down as follows:

(€ million)	31/12/2016	31/12/2015 Restated
DEFERRED TAX ASSETS	**89.8**	**84.6**
Less than one year	16.2	16.7
More than one year	73.6	67.9
DEFERRED TAX LIABILITIES	**(165.0)**	**(177.5)**
Less than one year	(18.0)	(17.3)
More than one year	(146.9)	(160.2)

Unused losses amounted to €276.0 million at 31 December 2016 of which €159.0 million were not recognised, taking into account assumptions on the usability of these losses within available time limits, which would represent a deferred tax asset of €50.7 million.

At each financial year end, the Group assesses for each tax entity the probability of its having taxable profits against which to offset its deferred tax assets or to use available unrecognised tax credits. In making this assessment, the Group takes account of, among other factors, past and present taxable profit, and the companies' prospects for making future taxable profits.

The change in the net deferred taxes recorded in the statement of financial position breaks down as follows:

(€ million)	Net position
OPENING BALANCE ON 1 JANUARY 2016	**(92.9)**
Recognised in equity	(3.8)
Recognised in profit for the year	25.8
Effect of consolidation scope changes	(4.8)
Foreign exchange translation difference and other movements	0.6
CLOSING BALANCE ON 31 DECEMBER 2016	**(75.2)**

(€ million)	Net position
OPENING BALANCE ON 1 JANUARY 2015 - RESTATED	**(73.9)**
Recognised in equity	0.1
Recognised in profit for the year	6.8
Effect of consolidation scope changes	(27.2)
Foreign exchange translation difference and other movements	1.3
CLOSING BALANCE ON 31 DECEMBER 2015 - RESTATED	**(92.9)**

Net deferred taxes by type are as follows:

(€ million)	**31/12/2016**	31/12/2015 Restated
Purchase accounting asset revaluations	(132.3)	(152.8)
Staff benefits	40.5	45.9
Tax losses	35.6	29.2
Other	(19.0)	(15.2)
CLOSING BALANCE ON 31 DECEMBER	**(75.2)**	**(92.9)**

5 • NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1 Goodwill

Changes in carrying amount

(€ million)	France	Continental Europe	Australia	UK	North America	Total
At 1 January 2016	**737.8**	**101.2**	**36.9**	**222.8**	**40.9**	**1,139.6**
Acquisitions (1)	47.6	0.8	(2.8)	-	1.8	**47.4**
Disposals	-	-	-	-	-	**-**
Impairment loss for the period	-	-	-	-	-	**-**
Foreign exchange translation differences and others	1.3	0.1	0.7	(36.9)	0.6	**(34.2)**
At 31 December 2016	**786.7**	**102.1**	**34.8**	**186.0**	**43.3**	**1,152.9**
Of which gross value	*786.7*	*104.1*	*35.1*	*186.0*	*54.2*	***1,166.0***
Of which accumulated amortisation and impairment charges	-	*(2.0)*	*(0.2)*	-	*(10.9)*	***(13.2)***

(1) The additional goodwill recorded in 2016 relates to the acquisitions of LeCab on 17 March 2016 and Transports Daniel Meyer on 11 January 2016.

(€ million)	France	Continental Europe	Australia	UK	North America	Total
At 1 January 2015 - Restated	**740.5**	**103.6**	**-**	**222.8**	**38.2**	**1,105.1**
Acquisitions (1)	0.4	0.1	38.8	-	-	**39.3**
Disposals	-	-	-	-	-	**-**
Impairment loss for the period	-	-	-	-	-	**-**
Foreign exchange translation differences and others	(3.0)	(2.4)	(1.9)	-	2.6	**(4.7)**
At 31 December 2015 - Restated	**737.8**	**101.2**	**36.9**	**222.8**	**40.9**	**1,139.6**
Of which gross value	*737.8*	*103.2*	*37.2*	*222.8*	*51.3*	***1,152.3***
Of which accumulated amortisation and impairment charges	-	*(2.0)*	*(0.2)*	-	*(10.4)*	***(12.7)***

(1) The additional goodwill recorded in 2015 arises principally from the acquisition of ATE on 1 May 2015.

Impairment testing

The main assumptions made for impairment tests are as follows:

Discount rate

The discount rate used is based on the average cost of capital reflecting current market assessments of the time value of money and the risks specific to the tested asset.

The average weighted cost of capital has been determined by a combination of two methods: the "Capital Asset Pricing Model" (CAPM) method and the average weighted cost of capital method for comparable listed companies. Taking into account these factors, the cost of capital used to discount future cash flows was set at 4.7% in 2016 versus 4.8% in 2015.

These discount rates are rates after tax applied to cash flows after tax. Use thereof results in recoverable amounts identical to those obtained by using pre-tax rates applied to non-taxable cash flows, in accordance with IAS 36.

Long-term growth rates

The growth rate applied to the main cash-generating units or groups thereof was 2%.

Sensitivity of recoverable amounts

Sensitivity tests on groups of cash-generating units were carried out by varying the long-term growth rates or the WACC (weighted average cost of capital).

A 0.5 decrease in the indefinite growth rate leaves a positive margin between the value in use and the carrying amount of cash-generating units.

A 0.5 increase in the discount rate leaves a positive margin between the value in use and the carrying amount of cash-generating units.

5.2 Other intangible assets

(€ million)	Software	Trademarks	Contractual rights	Other (1)	Total
At 1 January 2016	**54.6**	**62.3**	**310.1**	**106.9**	**533.9**
Acquisitions	14.3	-	0.3	37.9	**52.5**
Assets disposed of and scrapped	-	-	-	(0.3)	**(0.3)**
Amortisation	(27.4)	(2.0)	(25.5)	(30.4)	**(85.3)**
Changes in reporting scope	0.7	-	11.0	(1.5)	**10.2**
Foreign exchange translation differences and other movements (2)	8.5	(0.1)	1.3	8.5	**18.2**
At 31 December 2016	**50.7**	**60.2**	**297.3**	**121.1**	**529.3**
Of which gross value	*168.3*	*70.3*	*555.6*	*268.6*	***1,062.8***
Of which cumulative depreciation and impairment losses	*(117.6)*	*(10.1)*	*(258.4)*	*(147.5)*	***(533.5)***

(€ million)	Software	Trademarks	Contractual rights	Other (1)	Total
At 1 January 2015 - Restated	**40.0**	**63.6**	**268.3**	**118.0**	**489.9**
Acquisitions	20.7	-	-	41.0	**61.6**
Assets disposed of and scrapped	(1.3)	-	-	(1.4)	**(2.7)**
Amortisation	(21.1)	(2.0)	(25.4)	(26.1)	**(74.6)**
Changes in reporting scope (2)	-	-	68.8	-	**68.8**
Foreign exchange translation differences and other movements	16.4	0.6	(1.6)	(24.6)	**(9.3)**
At 31 December 2015 - Restated	**54.6**	**62.3**	**310.1**	**106.9**	**533.9**
Of which gross value	*144.7*	*70.4*	*552.4*	*230.9*	***998.4***
Of which cumulative depreciation and impairment losses	*(90.1)*	*(8.1)*	*(242.3)*	*(124.0)*	***(464.5)***

(1) Of which net value of intangible concession assets of €44.3 million in 2016 versus €48.4 million in 2015.
(2) Mainly relates to contractual rights acquired in Australia (ATE).

5.3 Property, plant and equipment

(€ million)	Land & Developments	Buildings	Equipment and tooling	Transport equipment	PPE under construction	Other	Total
At 1 January 2016	**37.8**	**218.0**	**47.2**	**489.8**	**35.1**	**64.0**	**891.8**
Acquisitions	2.1	7.8	8.9	129.7	45.9	27.7	**222.0**
Assets disposed of and scrapped	(0.7)	(0.6)	(0.2)	(19.9)	(0.1)	(0.4)	**(21.9)**
Net depreciation	(2.4)	(23.9)	(14.7)	(105.7)	-	(19.5)	**(166.2)**
Changes in reporting scope	-	1.0	2.2	12.6	0.2	1.4	**17.3**
Foreign exchange translation differences and other movements	0.4	31.7	4.7	9.0	(43.6)	1.3	**3.4**
At 31 December 2016	**37.1**	**234.0**	**48.1**	**515.5**	**37.4**	**74.3**	**946.4**
Of which gross value	*47.7*	*428.9*	*158.4*	*1,205.1*	*37.4*	*198.9*	***2,076.4***
Of which cumulative depreciation and impairment losses	*(10.6)*	*(194.9)*	*(110.3)*	*(689.6)*	-	*(124.6)*	***(1,130.0)***

(€ million)	Land & Developments	Buildings	Equipment and tooling	Transport equipment	PPE under construction	Other	Total
At 1 January 2015 - Restated	**25.4**	**183.4**	**42.8**	**427.1**	**52.7**	**75.0**	**806.3**
Acquisitions	2.4	13.3	12.4	123.5	19.6	19.2	**190.3**
Assets disposed of and scrapped	(1.8)	(3.3)	(1.6)	(20.8)	(1.0)	(6.3)	**(34.8)**
Net depreciation	(1.8)	(22.2)	(13.5)	(92.9)	0.1	(18.0)	**(148.3)**
Changes in reporting scope (1)	4.9	0.1	-	62.4	-	2.0	**69.3**
Foreign exchange translation differences and other movements	8.6	46.8	7.2	(9.4)	(36.3)	(7.9)	**9.0**
At 31 December 2015 - Restated	**37.8**	**218.0**	**47.2**	**489.8**	**35.1**	**64.0**	**891.8**
Of which gross value	*45.9*	*391.2*	*140.6*	*1,135.4*	*35.1*	*172.4*	***1,920.6***
Of which cumulative depreciation and impairment losses	*(8.2)*	*(173.2)*	*(93.5)*	*(645.6)*	-	*(108.4)*	***(1,028.8)***

(1) Relates mainly to acquisition in Australia (ATE).

Finance leases

At 31 December 2016, finance leased assets included within assets in the statement of financial position comprise:

(€ million)	Transport equipment	Land and Buildings	Total
Net book value of finance leased fixed assets	149.7	9.3	159.0

Schedule of minimum finance lease payments

(€ million)	1 year	1 to 5 years	> 5 years	Total
Principal	32.7	89.3	14.9	136.9
Interest	3.1	6.4	4.3	13.8
FINANCE LEASE PAYMENTS	**35.7**	**95.7**	**19.3**	**150.7**

5.4 Investments under the equity method

The Group holds several investments in joint ventures and associates notably in the United Kingdom, consolidated under the equity method.

The changes in the value of these investments during the financial year can be explained by the items below:

(€ million)	31/12/2016	31/12/2015 Restated
AT 1 JANUARY	**35.1**	**32.5**
Net profit attributable to Group	25.7	35.6
Depreciation	-	-
PROFIT/(LOSS) FROM INVESTMENTS UNDER EQUITY METHOD	**25.7**	**35.6**
Change in fair value affecting equity	-	(0.1)
Foreign exchange translation differences	(1.9)	(1.5)
Dividends paid	(24.6)	(31.9)
Changes in consolidation scope & other	24.4	0.6
AT 31 DECEMBER	**58.7**	**35.1**

The financial elements relating to significant joint ventures are presented below at 100% of their values:

(en millions d'euros)	31/12/2016					31/12/2015 Restated			
	Govia & subsid's	First / Keolis Transpennine	SAEMES	Others	Total associates	Govia & subsid's	First / Keolis Transpennine	Others	Total associates
Non-current assets	43.5	0.3	183.5	NA	NA	27.0	1.8	NA	NA
Net WCR	41.9	3.7	(56.0)	NA	NA	31.8	25.4	NA	NA
Equity	82.7	4.1	69.4	NA	NA	56.8	27.3	NA	NA
Inc. Net profit	56.3	12.1	1.6	NA	NA	48.6	20.8	NA	NA
Non-current liabilities	2.6	(0.1)	58.1	NA	NA	2.0	(0.1)	NA	NA
Net assets	82.7	4.1	69.4	NA	**NA**	56.8	27.3	NA	**NA**
Reconciliation of financial data with value of investments under the equity method									
Group share of net assets	**29.0**	**1.8**	**23.1**	**4.8**	**58.7**	**19.9**	**12.3**	**3.0**	**35.1**
Net book value of investments	**29.0**	**1.8**	**23.1**	**4.8**	**58.7**	**19.9**	**12.3**	**3.0**	**35.1**

With regard to Govia's activities of in the UK, operating companies are required under contract to retain a level of liquidity such that the public service can be guaranteed in the event of the operator's insolvency. This requires the operator to maintain a Liquidity Maintenance Ratio. The required amount is equal to a certain number of weeks of direct costs relating to the activity and must be maintained until the end of the franchise. This requirement means that this cash held by operational companies cannot be qualified as transferable to the Go-Ahead group, the majority shareholder in Govia.

These restrictions nonetheless have no impact on the assets held by Keolis in the UK in Govia whose value of €29 million at 31 December 2016 is fully distributable.

5.5 Current and non-current financial assets

(€ million)	Loans and receivables	Securities available for sale	Deposits and guarantees	Derivative assets	Concession financial assets	Total
At 31 December 2016						
Gross value	1.2	31.2	34.7	2.3	162.2	**231.7**
Impairment	-	(0.3)	-	-	-	**(0.3)**
Net value	**1.2**	**30.9**	**34.7**	**2.3**	**162.2**	**231.4**
Less than one year	-	-	18.3	2.1	-	**20.4**
More than one year	1.2	30.9	16.4	0.2	162.2	**211.0**

(€ million)	Loans and receivables	Securities available for sale	Deposits and guarantees	Derivative assets	Concession financial assets	Total
At 31 December 2015 - Restated						
Gross value	1.4	29.6	33.6	0.7	125.4	**190.8**
Impairment / Reversal	-	(0.3)	-	-	-	**(0.3)**
Net value	**1.4**	**29.4**	**33.6**	**0.7**	**125.4**	**190.5**
Less than one year	0.1	-	18.5	0.7	-	**19.4**
More than one year	1.3	29.4	15.0	-	125.4	**171.1**

The securities available for sale relate to investments in companies which are not consolidated.

The changes in concession financial assets in the period include new acquisitions in the year for €21.8 million, reimbursements for -€10.3 million and reporting scope additions of Transports Daniel Meyer and Ormont Transport for €25.0 million.

5.6 Inventories

(€ million)	At 31 December 2016	At 31 December 2015 Restated
Gross inventories	96.5	86.4
Provisions	(4.4)	(4.4)
NET INVENTORIES	**92.1**	**82.0**

5.7 Trade and other receivables

(€ million)	At 31 December 2016	At 31 December 2015 Restated
Trade receivables	408.9	429.6
Advances and down payments on orders	8.9	8.1
Amortisation of accounts receivable	(12.3)	(11.3)
TRADE RECEIVABLES	**405.5**	**426.4**
Receivables from staff and welfare agencies	4.6	4.4
Central government and local authorities	146.1	151.4
Prepayments	22.9	24.8
Other[1]	175.2	169.5
Depreciation of other debtors	(1.1)	(1.3)
OTHER RECEIVABLES	**347.6**	**348.8**

(1) Other receivables for 2016 include €67 million representing the Australian Department for Transport's guarantee on extra holiday rights; these rights appear under liabilities as payables to staff.

5.8 Cash and cash equivalents

Analysis by type

(€ million)	At 31 December 2016	At 31 December 2015 Restated
Cash	**280.0**	287.3
Short term investments	**8.3**	25.4
TOTAL RECOGNISED AS ASSETS	**288.4**	**312.7**
BANK OVERDRAFTS	**(115.8)**	**(189.9)**
NET CASH AND CASH EQUIVALENTS	**172.6**	**122.8**

Cash equivalents include highly liquid short term investments that are easily convertible into a known amount of cash and present no significant risk of loss of value.

The Group takes the view that its UCITS classified by the AMF (French financial markets authority) as "euro money-market" meet the criteria necessary to classify them as cash equivalents.

In 2016, the Group carried out several transactions to monetise trade receivables. The total amount of receivables thus monetised was €44.4 million at 31 December 2016 versus €27.4 million at 31 December 2015.

In 2016, as in previous years, the receivable arising from the CICE implemented by the French government and recognised by French consolidated tax groups was subject to a "Dailly" sale, carried out by GROUPE KEOLIS S.A.S.

5.9 Equity

Share capital and share premium

At 31 December 2016, the share capital was €237.9 million, comprising 180,218,865 ordinary shares with a nominal value of one euro and thirty-two cents each, fully paid up.
The share premium amounted to €273.2 million.

The Group's borrowing contracts do not include any mandatory gearing ratio clauses.

Treasury shares

On 31 December 2016 all of GROUPE KEOLIS S.A.S.' treasury shares, totalling €2.4 million, were cancelled.

Distributable reserves and earnings

At 31 December 2016, the company GROUPE KEOLIS S.A.S. had distributable reserves and earnings of €172.2 million and €4.6 million respectively.

Non-controlling interests

The main investments not giving control are from the following subsidiaries: Keolis Downer, KDR Gold Coast Pty Ltd, KDR Victoria Pty Ltd, Australian Transit Enterprises Pty Ltd and Keolis Commuter Services LLC.

Foreign exchange translation reserve

The following were the main exchange rates against the euro used for the 2016 and 2015 financial years:

(for 1 euro)	2016		2015	
	Average rate	Closing rate	Average rate	Closing rate
Pound Sterling	0.819483	0.856200	0.725978	0.733950
Australian Dollar	1.488282	1.459600	1.476802	1.489700
Danish Crown	7.445189	7.434400	7.458912	7.462600
Swedish Crown	9.468901	9.552500	9.352400	9.189500
Norwegian Crown	9.290600	9.086300	8.944238	9.603000
US Dollar	1.106903	1.054100	1.109067	1.088700
Canadian Dollar	1.465879	1.418800	1.417910	1.511600
Indian Rupee	74.371692	71.593500	71.141807	72.021500

5.10 Financial debt and long term borrowings

Financial debt breakdown by type

	At 31 December 2016		
(€ million)	Amounts in the statement of financial position	Term	Rates
Owed to non-controlling shareholders (put option)	1.0	2017	-
Finance leasing	1.5	2017	Variable rates
Finance leasing	32.0	2017	Fixed rates
Derivatives	6.4	2017	-
Loans	30.5	2017	Fixed rates
Loans	72.0	2017	Variable rates
SUBTOTAL, LESS THAN 1 YEAR	**143.4**		-
Owed to non-controlling shareholders (put option)	30.0	2019-2020	-
Finance leasing	8.2	2018-2028	Variable rates
Finance leasing	95.2	2018-2028	Fixed rates
Employee profit-sharing	0.5	2018-2020	Fixed rates
Derivatives	0.2		-
Loans	55.6	2018-2028	Fixed rates
Loans	779.2	2018-2028	Variable rates
SUBTOTAL, MORE THAN 1 YEAR	**969.0**		
TOTAL	**1,112.4**		

	At 31 December 2015 - Restated		
(€ million)	Amounts in the statement of financial position	Term	Rates
Finance leasing	2.8	2016	**Variable rates**
Finance leasing	23.4	2016	**Fixed rates**
Derivatives	6.1	2016	**-**
Loans	4.3	2016	**Fixed rates**
Loans	42.2	2016	**Variable rates**
SUBTOTAL. LESS THAN 1 YEAR	**78.8**		
Owed to non-controlling shareholders (put option)	9.5	2017	**-**
Finance leasing	4.5	2017-2021	**Variable rates**
Finance leasing	93.0	2017-2021	**Fixed rates**
Employee profit-sharing	0.6	2017-2020	**Fixed rates**
Derivatives	-	-	**-**
Loans	37.8	2017-2021	**Fixed rates**
Loans	735.7	2017-2021	**Variable rates**
SUBTOTAL. MORE THAN 1 YEAR	**881.1**	-	**-**
TOTAL	**959.9**	**-**	**-**

At 31 December 2016, the amount drawn under the syndicated loan arranged on 12 July 2013 and amended on 11 June 2015 and 29 February 2016, stood at €520 million and the amount undrawn was €380 million.

Financial debt breakdown by maturity

	Maturity							
(€ million)	2017	2018	2019	2020	2021	2022 - 2027	After 2027	Total
Finance leasing	33.5	35.9	24.4	23.2	4.9	12.4	2.6	136.9
Other liabilities	109.9	34.3	67.6	64.4	683.4	14.3	1.6	975.5
TOTAL	**143.4**	**70.2**	**92.0**	**87.7**	**688.2**	**26.6**	**4.1**	**1,112.4**

Statement of changes in financial debts

(€ million)	At 31 December 2015	Increase	Decrease	Changes in reporting scope	Impact of exchange rate	Other	At 31 December 2016
Finance leasing	26.2	14.5	(9.9)	1.5	0.4	0.8	33.5
Owed to non-controlling shareholders (put option)	-	-	-	-	-	1.0	1.0
Derivatives	6.1	-	-	-	-	0.3	6.4
Loans	46.5	62.7	(25.1)	0.9	0.5	17.1	102.6
SUB-TOTAL, LESS THAN 1 YEAR	**78.8**	**77.2**	**(35.0)**	**2.4**	**0.9**	**19.2**	**143.4**
Owed to non-controlling shareholders (put option)	9.5	1.5	-	20.0	-	(1.0)	30.0
Finance leasing	97.5	20.9	(25.7)	9.8	1.8	(0.8)	103.4
Employee profit sharing	0.6	-	-	-	-	(0.1)	0.5
Derivatives	-	-	-	-	-	0.2	0.2
Loans	773.6	128.0	(70.4)	18.8	2.2	(17.4)	834.8
SUB-TOTAL, MORE THAN 1 YEAR	**881.1**	**150.4**	**(96.1)**	**48.5**	**4.0**	**(19.1)**	**969.0**
TOTAL	**959.9**	**227.6**	**(131.1)**	**50.9**	**4.9**	**0.1**	**1,112.4**

Mandatory financial ratios

In the documentation for the syndicated loan, a financial ratio is to be complied with on a six-monthly basis (the “Leverage ratio”).

The Leverage ratio corresponds to the ratio between the adjusted net debt and the adjusted recurring EBITDA.

The Group’s contracts, and those of its subsidiaries, also include cross acceleration clauses. If the Group or, under certain conditions, its largest subsidiaries do not comply with their commitments, lending institutions may claim default and early reimbursement of a major portion of the Group’s debt.

Taking account of the spread of this financing among various subsidiaries and the quality of the Group’s liquidity resources, the existence of these clauses does not create a material risk to the Group’s financial situation.

In 2014 the Group introduced monitoring of these financial ratios relating to the financing of the Group and its subsidiaries in order to anticipate any adverse change to the ratios.

The aggregations used to calculate the financial ratio strictly comply with the definitions set out in the Syndicated Loan documentation.

5.11 Financial assets and liabilities by category

The following table shows the balance sheet carrying value and fair value by accounting category of assets and liabilities defined in accordance with the IAS 39 standard:

31/12/2016			Total	Financial instruments				Fair value				
Balance sheet item and instrument class *(€ million)*	Non-current	Current	Net carrying amount of the class in the balance sheet	At fair value through equity	Loans, receivables, debt at amortised cost	At fair value through profit and loss	Qualified as hedging	Fair value of the class	Level 1	Level 2	Level 3	Net financial debt
Other loans and receivables	17.6	18.3	36.0	-	36.0	-	-	36.0	-	36.0	-	36.0
Financial assets for concessions	162.2	-	162.2	-	162.2	-	-	162.2	-	162.2	-	-
SUB-TOTAL OF LOANS AND RECEIVABLES	**179.8**	**18.3**	**198.2**	**-**	**198.2**	**-**	**-**	**198.2**	**-**	**198.2**	**-**	**36.0**
Available for sale (AFS) assets	30.7	-	30.7	30.7	-	-	-	30.7	-	-	30.7	-
Assets at fair value, recognised in profit and loss	-	-	-	-	-	-	-	-	-	-	-	-
Positive fair value of hedging instruments	0.2	-	0.2	-	-	-	0.2	0.2	-	0.2	-	0.2
Positive fair value of trading derivatives	-	2.0	2.0	-	-	2.0	-	2.0	-	2.0	-	2.0
Cash and cash equivalents	-	288.4	288.4	-	-	288.4	-	288.4	8.3	280.0	-	288.4
TOTAL CURRENT AND NON-CURRENT FINANCIAL ASSETS	**210.8**	**308.7**	**519.4**	**30.7**	**198.2**	**290.3**	**0.2**	**519.4**	**8.4**	**480.5**	**30.7**	**326.6**
Bank borrowings	834.8	99.2	934.1	-	934.1	-	-	934.1	-	934.1	-	934.1
Finance leasing	103.4	33.5	136.9	-	136.9	-	-	136.9	-	136.9	-	136.9
SUB-TOTAL OF BORROWINGS	**938.2**	**132.7**	**1,071.0**	**-**	**1,071.0**	**-**	**-**	**1,071.0**	**-**	**1,071.0**	**-**	**1,071.0**
of which:												
- *measured at amortised cost*	*938.2*	*132.7*	*1,071.0*	-	*1,071.0*	-	-	*1,071.0*	-	*1,071.0*	-	*1,071.0*
- *subject to fair value hedge accounting*	-	-	-	-	-	-	-	-	-	-	-	-
- *measured according to the "fair value" option*	-	-	-	-	-	-	-	-	-	-	-	-
Negative fair value of hedging instruments	0.2	6.3	6,5	-	-	-	6.5	6.5	-	6.5	-	6.5
Negative fair value of trading derivatives	-	-	-	-	-	-	-	-	-	-	-	-
BORROWINGS AND FINANCIAL DEBT	**938.5**	**139.1**	**1,077.6**	**-**	**1,071.0**	**-**	**6.5**	**1,077.6**	**-**	**1,077.6**	**-**	**1,077.6**
Bank loans and overdrafts	-	119.1	119,1	-	119.1	-	-	119.1	-	119.1	-	119.1
Debts relating to commitments to purchase non-controlling interests	30.0	1.0	31.0	31.0	-	-	-	31.0	-	-	31.0	-
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**968.5**	**259.2**	**1,227.7**	**31.0**	**1,190.1**	**-**	**6.5**	**1,227.7**	**-**	**1,196.7**	**31.0**	**1,196.7**
GROUP NET FINANCIAL DEBT	**920.6**	**(50.4)**	**870.2**	**-**	**1,154.1**	**(290.3)**	**6.3**	**870.2**	**(8.3)**	**878.5**	**-**	**870.1**

31/12/2015 restated			Total	Financial instruments				Fair value				
Balance sheet item and instrument class *(€ million)*	**Non-current**	**Current**	**Net carrying amount of the class in the balance sheet**	**At fair value through equity**	**Loans, receivables, debt at amortised cost**	**At fair value through profit and loss**	**Qualified as hedging**	**Fair value of the class**	**Level 1**	**Level 2**	**Level 3**	**Net financial debt**
Other loans and receivables	16.4	18.6	35.0	-	35.0	-	-	35.0	-	35.0	-	35.0
Financial assets for concessions	125.4	-	125.4	-	125.4	-	-	125.4	-	125.4	-	-
SUB-TOTAL OF LOANS AND RECEIVABLES	**141.7**	**18.6**	**160,4**	**-**	**160.4**	**-**	**-**	**160.4**	**-**	**160.4**	**-**	**35.0**
Available for sale (AFS) assets	29.2	-	29.2	29.2	-	-	-	29.1	-	-	29.1	-
Assets at fair value, recognised in profit and loss	-	-	-	-	-	-	-	-	-	-	-	-
Positive fair value of hedging instruments	-	0.7	.7	-	-	-	0.7	0.7	-	0.7	-	0.7
Positive fair value of trading derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	312.7	312.7	-	-	312.7	-	312.7	25.4	287.3	-	312.7
TOTAL CURRENT AND NON-CURRENT FINANCIAL ASSETS	**170.9**	**332.1**	**503.0**	**29.2**	**160.4**	**312.7**	**0.7**	**503.0**	**25.4**	**448.4**	**29.1**	**348.4**
Bank borrowings	773.6	44.5	818.1	-	818.1	-	-	818.1	-	818.1	-	818.1
Finance leasing	97.5	26.2	123.7	-	123.7	-	-	123.7	-	123.7	-	123.7
SUB-TOTAL OF BORROWINGS	**871.0**	**70.7**	**941.7**	**-**	**941.7**	**-**	**-**	**941.7**	**-**	**941.7**	**-**	**941.7**
of which:												
- measured at amortised cost	*871.0*	*70.7*	*941.7*	-	*941.7*	-	-	*941.7*	-	*941.7*	-	*941.7*
- subject to fair value hedge accounting	-	-	-	-	-	-	-	-	-	-		-
- measured according to the "fair value" option	-	-	-			-		-	-	-	-	-
Negative fair value of hedging instruments	-	6.1	6.1	-	-		6.1	6.1	-	6.1	-	6.1
Negative fair value of trading derivatives	-	-	-	-	-	-	-	-	-	-	-	-
BORROWINGS AND FINANCIAL DEBT	**871.0**	**76.8**	**947.8**	**-**	**941.7**	**-**	**6.1**	**947.8**	**-**	**947.8**	**-**	**947.8**
Bank loans and overdrafts	-	191.9	191.9	-	191.9	-	-	191.9	-	191.9	-	191.9
Debts relating to commitments to purchase non-controlling interests	9.5	-	9.5	9.5	-	-	-	9.5	-	9.5	-	-
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**880.6**	**268.7**	**1,149.3**	**9.5**	**1,133.6**	**-**	**6.1**	**1,149.3**	**-**	**1,149.2**	**-**	**1,139.7**
GROUP NET FINANCIAL DEBT	**854.7**	**(63.4)**	**791.3**	**-**	**1,098.7**	**(312.6)**	**5.3**	**791.3**	**(25.4)**	**816.6**	**-**	**791.3**

5.12 Risk management and financial derivatives

The Group uses derivative financial instruments to manage exposure to financial market risks resulting from its operational, financial and investment activities:

- Interest rate risk;
- Foreign exchange risk;
- Commodities risk.

As at 31 December 2016, the Group held derivative instruments:

- eligible for hedge accounting and recognised as cash flow hedges (CFH);
- or non-eligible for hedge accounting and recognised in trading.

Fair values are calculated by using standard valuation methods and on a basis of mid-market conditions commonly used in the financial markets. The market data used is level 2 under the terms of IFRS 13.
The impacts on performance and the financial position of derivatives are presented in the table below:

(€ million)			Other comprehensive income account (OCI) (reclassifiable as income)		Latent financial income/ (expense)	
Underlying asset	**Hedge accounting**	**Fair value at 31/12/2015**	**Change (1)**	**Reclassified (2)**	**Change (3)**	**Fair value at 31/12/2016**
Interest rates	CFH	(5.2)	(3.6)	2.9	(0.3)	(6.2)
Interest rates	Trading	-	-	-	-	-
TOTAL INTEREST RATES		**(5.2)**	**(3.6)**	**2.9**	**(0.3)**	**(6.2)**
Currency	NIH	-	-	-	-	-
Currency	Trading	(0.2)	-	-	2.1	1.9
TOTAL CURRENCY		**(0.2)**	**-**	**-**	**2.1**	**1.9**
Commodities	CFH	(6.3)	6.0	3.4	(0.7)	2.4
Commodities	Trading	(0.2)	-	-	-	(0.2)
TOTAL COMMODITIES		**(6.5)**	**6.0**	**3.4**	**(0.7)**	**2.2**
TOTAL		**(11.9)**	**2.4**	**6.3**	**1.2**	**(2.1)**

(1) Changes in market values, which have impacted the other comprehensive income account (reclassifiable reserves) for the financial year.
(2) Reclassifications from equity have had a negative impact of €3.4 million on EBITDA and €2.9 million on financial income / (expense).
(3) Changes in fair values that impacted financial income (expense) for the financial year.

Derivative instruments are recognised in the statement of financial position at their fair value for the following amounts:

(€ million)	31/12/2016			31/12/2015 restated		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
Derivative assets						
Cash flow hedges	0.2	2.9	**3.1**	-	0.8	0.8
Fair value hedges	-	-	**-**	-	-	-
Transaction hedges	-	2.0	**2.0**	-	-	-
Net foreign investment hedges	-	-	**-**	-	-	-
TOTAL DERIVATIVE INSTRUMENTS - ASSETS	**0.2**	**4.9**	**5.1**	**-**	**0.8**	**0.8**
Derivative liabilities						
Cash flow hedges	0.2	6.9	**7.1**	-	12.2	12.2
Fair value hedges	-	-	**-**	-	-	-
Transaction hedges	-	0.1	**0.1**	-	0.3	0.3
Net foreign investment hedges	-	-	**-**	-	-	-
TOTAL DERIVATIVE INSTRUMENTS - LIABILITIES	**0.2**	**7.0**	**7.2**	**-**	**12.5**	**12.5**

Management of interest rate risk

The exposure of the Group to interest rate risk stems from its net financial debt. The Group covers this risk by using derivative financial instruments.

Derivative financial instruments eligible for hedge accounting are recognised under cash flow hedges. The derivative financial instruments that are not eligible are recognised under trading.

The breakdown between the Group's fixed and variable rate debt is as follows:

(€ million)	At 31 December 2016	At 31 December 2015 (restated)
Financial debt and long term borrowings	**1,081.4**	**950.4**
Cash and cash equivalents	**(172.6)**	**(122.7)**
Accrued interest receivable	-	(0.1)
Loans and receivables	(1.2)	(1.4)
Deposits and guarantees	(34.7)	(33.6)
Derivative assets	(2.3)	(0.7)
Profit-sharing	(0.5)	(0.6)
NET FINANCIAL DEBT	**870.1**	**791.3**

The Group is exposed to interest rate variability on the variable rate portion of its net financial debt.

The interest rate breakdown of financial debt and borrowings before and after derivative instruments (hedging and transaction) is as follows:

(€ million)	Initial debt structure		Structure after hedging	
	31/12/2016	31/12/2015 restated	31/12/2016	31/12/2015 restated
Fixed rate	213.9	156.7	795.3	675.0
Variable rate	867.5	793.7	286.1	275.4
Total borrowings and debt	1 081.4	950.4	1 081.4	950.4

Analysis of sensitivity (1 year)

At 31 December 2016, on the basis of a constant net debt, a variation of 50 basis points in market interest rates would have changed the annual borrowing cost as follows.

(€ million)	+50 bp Income	+50 bp Reclassified	-50 bp Income	-50 bp Reclassified
Variable rate financial derivatives (after effect of fair value hedges)	(1.7)	0.1	0.2	(0.1)
Derivatives not qualifying as hedges	-	-	-	-
Derivatives qualifying as cash flow hedges	0.1	1.5	-	(1.6)
ANALYSIS OF SENSITIVITY	**(1.6)**	**1.6**	**0.2**	**(1.7)**

Derivative financial instruments are recorded in the statement of financial position at their fair value for the following amounts:

in millions of euros	FAIR VALUE IN THE BALANCE SHEET AS AT 31/12/2016					FAIR VALUE IN THE BALANCE SHEET RESTATED AS AT 31/12/2015				
	Cash flow hedge	Fair value hedge	Trading	Hedge of a net investment in a foreign operation	TOTAL	Cash flow hedge	Fair value hedge	Trading	Hedge of a net investment in a foreign operation	TOTAL
Fixed-rate receiver swaps	0.3	-	-	-	0.3	0.2	-	-	-	0.2
Fixed-rate payer swaps	-	-	-	-	-	-	-	-	-	-
Interest rate options	-	-	-	-	-	0.6	-	-	-	0.6
DERIVATIVE INSTRUMENTS – ASSETS	**0.3**	**-**	**-**	**-**	**0.3**	**0.8**	**-**	**-**	**-**	**0.8**
Fixed-rate receiver swaps	0.3	-	-	-	0.3	4.2	-	-	-	4.2
Fixed-rate payer swaps	4.5	-	-	-	4.5	-	-	-	-	-
Interest rate options	1.7	-	-	-	1.7	1.8	-	-	-	1.8
DERIVATIVE INSTRUMENTS – LIABILITIES	**6.5**	**-**	**-**	**-**	**6.5**	**6.0**	**-**	**-**	**-**	**6.0**
INTEREST RATE NET POSITION	**(6.2)**	**-**	**-**	**-**	**(6.2)**	**(5.2)**	**-**	**-**	**-**	**(5.2)**

The nominal amounts of derivative financial instruments are detailed below:

(€ million)	31/12/2016		31/12/2015	
	Net long term debt	Net short term debt	Net long term debt	Net short term debt
Fixed-rate receiver swaps				
Fixed-rate payer swaps	212.7	45.0	308.0	50.0
Index swaps	-	-	-	-
Interest rate options	265.0	25.0	140.0	20.0

All of the interest rate hedging instruments held at 31 December 2016 mature between 2017 and 2024.

Foreign exchange risk management
The Group has put in place intra-group loans denominated in foreign currency and recognised in current accounts. In order to cover the resulting foreign exchange risk, the Group uses derivative financial instruments which allow it to fix the exchange rate of these intra-group loans.

The Group also makes investments in foreign entities. To cover the foreign exchange risk engendered by these investments, the Group uses derivative financial instruments for limited amounts, with the management objective being to maintain the reference exchange rate defined for the year.

Some of the derivative financial instruments held by the Group are eligible for net investment hedge accounting as described by IAS 39, the rest are recognised under trading.

Derivative financial instruments are recognised in the statement of financial position at their fair value at the following amounts:

(€ million)	FAIR VALUE IN THE BALANCE SHEET AS AT 31/12/2016					FAIR VALUE IN THE BALANCE SHEET RESTATED AS AT 31/12/2015				
	Cash flow hedge	Fair value hedge	Trading	Hedge of a net investment in a foreign operation	TOTAL	Cash flow hedge	Fair value hedge	Trading	Hedge of a net investment in a foreign operation	TOTAL
Currency swaps	-	-	2.0	-	2.0	-	-	-	-	-
DERIVATIVE ASSETS	**-**	**-**	**2.0**	**-**	**2.0**	**-**	**-**	**-**	**-**	**-**
Currency swaps	-	-	0.1	-	0.1	-	-	0.3	-	0.3
DERIVATIVE LIABILITIES	**-**	**-**	**0.1**	**-**	**0.1**	**-**	**-**	**0.3**	**-**	**0.3**
NET POSITION / FOREIGN EXCHANGE	**-**	**-**	**1.9**	**-**	**1.9**	**-**	**-**	**(0.3)**	**-**	**(0.3)**

The derivative financial instruments hedge mainly transactions in the following currencies: AUD, CAD, DKK, SEK, NOK, AED, USD and GBP.

All of the foreign exchange hedging derivatives held at 31 December 2016 mature in 2017.

Management of risk of fluctuations in commodities prices

Within the scope of its activities, the Group is exposed to a risk of fluctuation in the price of certain commodities, in particular diesel. The Group covers this risk by using derivative financial instruments.

Derivative financial instruments eligible for hedge accounting are recognised under cash flow hedges as described by IAS 39. The derivative financial instruments that are not eligible are recognised under trading.

The derivative instruments are recognised in the statement of financial position at their fair value at the following amounts:

(€ million)	FAIR VALUE IN THE BALANCE SHEET AS AT 31/12/2016				FAIR VALUE IN THE BALANCE SHEET RESTATED AS AT 31/12/2015			
	Cash flow hedge	Fair value hedge	Trading	TOTAL	Cash flow hedge	Fair value hedge	Trading	TOTAL
Swaps on petroleum products	2.8	-	-	2.8	-	-	-	-
Derivatives on commodities - assets	2.8	-	-	2.8	-	-	-	-
Swaps on petroleum products	0.6	-	-	0.6	5.8	-	-	5.8
SWAPTIONS ON PETROLEUM PRODUCTS	**-**	**-**	**-**	**-**	**0.5**	**-**	**-**	**0.5**
Diesel options – liability	-	-	-	-	-	-	0.2	0.2
DERIVATIVES ON COMMODITIES – LIABILITIES	**0.6**			**0.6**	**6.3**		**0.2**	**6.5**
NET POSITION ON COMMODITIES	**2.2**			**2.2**	**(6.3)**		**0.2**	**(0.5)**

At 31 December 2016 the commodity price derivatives represent a volume of 45,623 tonnes.

	Deadline	
Volumes in tonnes	Maturing in less than a year	Maturing in 1 to 5 years
Swaps and tunnels on diesel reference	39,966	5,657

Counterparty risk

The transactions generating a potential counterparty risk for the Group are as follows:
- cash deposits;
- derivative financial instruments;
- trade receivables.

In 2013, the Group established and implemented a counterparty risk procedure for bank counterparties relating to its investments and derivative financial instruments. This procedure is based on the principles set out below:
- Definition of three categories within which the Group's bank counterparties are divided:
  - Authorised Banks;
  - Banks under supervision;
  - Non-authorised Banks.

These categories are defined based on criteria specific to banks (rating) or GROUPE KEOLIS S.A.S. (Group financing):
- Cash investments and derivative financial instruments are only undertaken with counterparties that belong to the "Authorised Banks" category;
- The portfolio of cash investments complies with weighting restrictions;
- The "fair value at risk" (fair value in favour of the Group) of the portfolio of derivative financial instruments is monitored regularly so as to spread the risk over various counterparties;
- The banks and categories are monitored regularly.

If a bank that is a Group counterparty is removed from the "Authorised Bank" category, the portfolio of derivative financial instruments is restructured so as to comply once again with the category criteria.

At 31 December 2016:
- All the investments made and all the derivative financial instruments held by the Group were established with bank counterparties in the "Authorised Bank" category;
- The analysis of fair values at risk indicates that there is no major counterparty risk to report.

Finally, the credit and debit valuation adjustment calculations for the counterparty risk, as required by IFRS 13, indicate that the counterparty risk related to the valuation of the Group's portfolios of derivative financial instruments is negligible.

Liquidity risk

In January 2016 a €100 million credit line was arranged by GROUPE KEOLIS S.A.S. to finance the acquisitions made by the Group in 2015. This line was drawn down on 7 January 2016 for a 5-year period.

On 20 February 2016, Keolis S.A. became an additional borrower to the €900 million syndicated loan. This modification allows Keolis S.A. to improve its liquidity and its financing capacity by having a direct access to this external source of borrowing.

On 26 May 2016, the maturity date of the €900 million syndicated loan was extended by a year to 11 June 2021.

In June 2016, a credit line was arranged by Keolis S.A. to finance rolling stock: a loan of €10 million, arranged and drawn down on 2 June 2016 repayable in instalments over 8 years. This loan is fully hedged by a derivative financial instrument.

At 31 December 2016, the available, confirmed and undrawn syndicated credit facility is €380 million. This credit line is available to GROUPE KEOLIS S.A.S. and Keolis S.A.

The following table shows the reimbursement schedule for the syndicated loan and the new credit line, and the profile of the corresponding forecasted interest charges after taking into account interest rate hedging.

At 31 Decembre 2016:

(€ million)	< =1 year	2 years	From 3 to 5 years	> 5 years
Financial debt	-	-	620.0	-
Debt expense	(6.4)	(5.8)	(11.5)	-
of which interest rate hedges	(2.4)	(1.7)	(1.8)	-

The forecasted interest charges on the debt are calculated on the gross debt on the basis of the interest rate on 31 December 2016, to which is added the Group's interest margin.

The Group ensures that it has sufficient resources to meet its financial obligations.

To do so, each year the Group prepares a table of projected cash flows several years into the future to identify financing requirements and their seasonality.

5.13 Provisions

Analysis by type

(€ million)	At 31 December 2016			At 31 December 2015 restated		
	More than a year	Less than a year	Total	More than a year	Less than a year	Total
Pensions	135.4	7.2	**142.6**	129.2	6.3	135.5
Other employee benefits	30.7	0.9	**31.6**	31.1	0.9	32.0
Employment and tax risks	12.8	19.0	**31.8**	12.3	16.3	28.6
Losses on contract termination and loss-making contracts	2.6	-	**2.6**	2.6	2.4	5.0
Contract fines	-	2.3	**2.3**	-	2.9	2.9
Major repairs and maintenance	11.3	21.2	**32.5**	12.4	24.9	37.3
Other	8.2	1.6	**9.8**	8.8	1.9	10.7
TOTAL	**201.0**	**52.2**	**253.3**	**196.4**	**55.6**	**252.0**

Movements during the financial year

(€ million)	At 1 January 2016	Charges	Reversals	Changes in reporting scope	Other movements	At 31 December 2016
Pensions	135.5	10.6	(7.9)	1.1	3.3	142.6
Other employee benefits	32.0	2.9	(1.0)	-	(2.3)	31.6
Employment and tax risks	28.6	14.5	(11.7)	0.2	0.2	31.8
Losses on contract termination and loss-making contracts	5.0	0.6	(3.0)	-	-	2.6
Contract fines	2.9	2.3	(2.9)	-	-	2.3
Major repairs and maintenance	37.2	3.7	(8.4)	-	-	32.5
Other	10.8	2.9	(3.9)	-	-	9.8
TOTAL	**252.0**	**37.5**	**(38.8)**	**1.3**	**1.2**	**253.2**

(€ million)	At 1 January 2015	Charges	Reversals	Changes in reporting scope	Other movements	At 31 December 2015
Pensions	120.3	23.2	(9.2)	0.4	0.7	135.5
Other employee benefits	31.0	2.4	(1.3)	-	(0.1)	32.0
Employment and tax risks	30.6	6.8	(9.0)	0.1	0.2	28.6
Losses on contract termination and loss-making contracts	6.7	5.0	(6.7)	-	-	5.0
Contract fines	1.9	2.9	(1.9)	-	-	2.9
Major repairs and maintenance	35.4	6.3	(4.3)	-	(0.2)	37.2
Other	8.6	7.1	(4.9)	0.1	(0.1)	10.8
TOTAL	**234.5**	**53.7**	**(37.3)**	**0.6**	**0.5**	**252.0**

At 31 December 2016, the €38.3 million of reversals comprised €26.7 million of used reversals, €7.9 million of which were pension provision reversals, and €12.0 million of unused reversals.

Pensions and similar benefits

The amount of commitments recognised in the statement of financial position breaks down as follows:

(€ million)	At 31 December 2016	At 31 December 2015 Restated
Commitments recorded under liabilities in the statement of financial position:		
Pensions and other post-employment benefits	142.6	135.5
Other employee benefits	31.6	32.0
TOTAL	**174.2**	**167.5**
Of which: Non-current	166.1	160.3
Of which: Current	8.1	7.2

Pensions and other post-employment benefits

Actuarial assumptions

The following are the main actuarial assumptions adopted in evaluating pension commitments under the defined benefit schemes:

	At 31 December 2016		At 31 December 2015 Restated	
(per cent)	France	Canada	France	Canada
Discount rate	1.21	3.45	1.49	3.30
Rate of increase in salaries	2.2-7.00	N/A	2.00-6.20	N/A
Expected rate of return on assets	1.21	3.30	1.49	3.75

The plan assets break down as follows:

(€ million)	At 31 December 2016		At 31 December 2015 Restated	
	France	Canada	France	Canada
Equities	**0.1**	**5.3**	-	5.3
Bonds	**0.3**	**-**	0.1	1.4
Real estate	**-**	**1.9**	-	0.3
Other	**0.1**	**-**	0.1	-

The sensitivity to discount rates in relation to the assumptions adopted is as follows:

(€ million)	Commitment at 31/12/2016	Service cost 2017	Financial cost 2017
discount rate less 0.25%	146.7	9.6	1.6
discount rate (basic assumption)	142.6	9.3	1.9
discount rate plus 0.25%	138.8	9.0	2.3

Commitments recorded in the statement of financial position

The commitments recognised in the statement of financial position break down as follows:

(€ million)	At 31 December 2016	At 31 December 2015 Restated
Present value of non-financed liabilities	140.6	133.0
Present value of financed liabilities	9.7	9.7
PRESENT VALUE OF TOTAL LIABILITIES	**150.3**	**142.7**
Fair value of pension scheme assets	(7.7)	(7.2)
PRESENT VALUE OF NET LIABILITIES RECOGNISED	**142.6**	**135.5**

Analysis of changes in liabilities and assets

The net present value of the liabilities comprises:

(€ million)	31/12/2016	31/12/2015 Restated
NET PRESENT VALUE OF LIABILITIES AT 1 JANUARY	**142.7**	**128.3**
Service cost	8.4	7.1
Financial cost	2.3	1.9
Benefits paid	(7.9)	(9.4)
Employee contributions	-	-
Changes in pension schemes	-	14.1
Actuarial gains/(losses)	3.3	1.0
Foreign exchange translation difference	0.4	(0.2)
Effect of changes in consolidation scope	1.1	(0.1)
Effect of reductions and pension scheme settlements	-	-
NET PRESENT VALUE OF LIABILITIES AT 31 DECEMBER	**150.3**	**142.7**

The fair value of the assets comprises:

(€ million)	31/12/2016	31/12/2015 Restated
FAIR VALUE OF PENSION PLAN ASSETS AT 1 JANUARY	**7.2**	**8.1**
Expected return on assets	0.2	0.3
Actuarial gains/(losses) on pension fund returns	0.4	0.1
Employer contributions	0.2	0.2
Employee contributions	-	-
Benefits paid	(0.7)	(0.9)
Foreign exchange translation differences	0.4	(0.6)
Effect of changes in consolidation scope	-	-
Effect of reductions and pension scheme settlements	-	-
FAIR VALUE OF PENSION PLAN ASSETS AT 31 DECEMBER	**7.7**	**7.2**

The following are the actuarial gains and losses both in the light of experience and due to changes in actuarial assumptions:

(€ million)	**31/12/2016**	31/12/2015
Impact of changes in assumptions	3.2	(1.5)
Losses/(gains) in the light of experience	(0.3)	2.5
ACTUARIAL LOSSES/(GAINS) FOR THE YEAR	**2.9**	**1.0**

The following is the geographical breakdown of the liabilities and assets:

(€ million)	**At 31 December 2016**		
	France	**Canada**	**Total**
Present value of the liabilities	142.9	7.4	150.3
Fair value of pension scheme assets	(0.5)	(7.2)	(7.7)
NET PRESENT VALUE OF NET OBLIGATIONS	**142.4**	**0.2**	**142.6**

Benefit cost for the financial year

The cost of benefits recognised in the income statement breaks down as follows:

(€ million)	**31/12/2016**	31/12/2015
Service cost	8.4	7.1
Interest cost	2.3	1.9
Expected return on assets	(0.2)	(0.3)
Depreciation of past service costs	-	14.1
Changes in pension schemes	-	-
TOTAL EXPENSE RECOGNISED IN THE INCOME STATEMENT	**10.4**	**22.8**

The service cost is recognised within staff expenses.

The interest cost on liabilities and the expected return on the pension scheme assets are recognised as financial expense and financial income respectively.

Change in the net commitment recorded as a liability in the statement of financial position

(€ million)	**31/12/2016**	31/12/2015
OPENING PROVISION AT 1 JANUARY	**135.5**	**120.3**
Newly consolidated companies	1.1	0.1
Benefit cost for the financial year	10.4	22.9
Used (Benefits / Contributions paid)	(7.4)	(8.7)
Provision charged to/(reversed from) equity	2.9	1.0
Foreign exchange translation differences and other changes	0.1	(0.1)
CLOSING PROVISION AT 31 DECEMBER	**142.6**	**135.5**

The cumulative movements in charges/ (reversals) recognised directly in equity are as follows:

(€ million)	31/12/2016	31/12/2015
CUMULATIVE OPENING BALANCE OF CHARGES/(REVERSALS)	**39.3**	**38.5**
Actuarial (gains) / losses for the year	2.9	1.0
Foreign exchange translation differences	0.2	(0.2)
CUMULATIVE CLOSING BALANCE OF CHARGES/(REVERSALS)	**42.4**	**39.3**

Variations for the current financial year and for the three previous ones:

(€ million)	31/12/2016	31/12/2015 Restated	31/12/2014 Restated	31/12/2013 Restated
Present value of liabilities	150.3	142.7	128.4	111.6
Fair value of pension scheme assets	(7.7)	(7.2)	(8.1)	(7.5)
Surplus (deficit) of the pension scheme	142.6	135.5	120.3	104.1
Adjustments related to experience	(0.3)	2.5	2.3	(3.8)

Other employee benefits

Description of commitments and actuarial assumptions

Other employee benefits consist of long-service awards to employees working in France and healthcare expenses of employees in the USA who have taken early retirement. These schemes are not funded by external assets (eg insurance policies). The obligations arising from defined benefit schemes are measured using the same methods and assumptions as for the pension schemes.

The actuarial gains and losses arising from both experience and due to changes in actuarial assumptions are immediately recognised in the income statement for the financial year.

Analysis of changes in obligations

(€ million)	01/01/2016	Charge	Reversals	Change in scope	Foreign exch transl. diff & other	31/12/2016
France – long service awards	16.7	2.1	(0.9)	-	(0.8)	17.1
USA – healthcare expenses of retired employees	15.3	0.8	-		(1.6)	14.5
TOTAL	**32.0**	**2.9**	**(0.9)**	**-**	**(2.3)**	**31.6**

5.14 Operating liabilities and other debt

(€ million)	At 31 December 2016	At 31 December 2015 Restated
Trade receivables: advances and deposits received	68.5	34.5
Trade payables	602.8	543.2
Payables to PPE suppliers	51.9	41.0
Payables to staff	487.8	479.5
Central government and local authorities	83.4	101.4
Deferred income[(1)]	147.3	137.0
Other	91.9	104.6
TOTAL	**1 533.5**	**1,441.3**

(1) including €46.1 million as IFRIC 12 financial liabilities in 2016 compared to €37.1 million in 2015.

6 • OTHER COMMITMENTS NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION AND CONTRACTUAL COMMITMENTS

(€ million)	At 31 December 2016	At 31 December 2015 Restated
UNUSED CREDIT LINES	**394.2**	**508.6**
Guarantees given to secure debt	50.1	43.8
Guarantees given for operating commitments	705.8	677.8
Securities provided	-	-
TOTAL COMMITMENTS MADE AND GUARANTEES GIVEN, EXCLUDING OPERATING LEASES	**756.0**	**721.6**

The amount of path access entitlements within the "Guarantees given for operating commitments" is €69.3 million at 31 December 2016 compared to €72.0 million at 31 December 2015.

The future minimum payments on rental contracts break down as follows:

(€ million)	At 31 December 2016	At 31 December 2015 Restated
Less than one year	205.0	171.6
One to five years	651.5	456.1
More than five years	489.3	286.1
TOTAL	**1,345.7**	**913.8**

Future commitments linked to leases primarily relate to the rental of transport equipment and buildings.
They comprise €757.8 million internationally and €588.0 million in France. IT equipment rental contracts are in place for immaterial values.

France

Rental contracts

Contracts entered into on vehicles (buses and coaches) relate to average durations of

- 7 to 8 years for buses and coaches;
- 3 or 4 years for minibuses.

The manufacturer's buyback undertaking corresponds to the estimated market value of the vehicle at the end of the rental period.

Most of these contracts are entered into directly by the subsidiaries, with a guarantee signed by Keolis S.A. in favour of the financing bodies. This guarantee takes the form of an undertaking to continue the rental and binds Keolis S.A. only in terms of the payment of the rental amounts that remain due under the contract if the subsidiary defaults. In return, the financing body undertakes to keep the related vehicles available to the Group.

Outside France

We distinguish between railway contracts and bus contracts.

Railway contracts

Railway rental contracts are entered into for the term of the franchise contract.

Rentals under leases due in less than one year amount to €19.4 million.

Rentals under leases due in more than one year depend on the end date of each of the railway or similar franchises. They amount to €400.4 million including €331.6 million relating to contracts which have not yet started.

Bus and coach contracts

Rental instalments outstanding on these contracts amount to €214.7 million.

As in France, Keolis S.A. is required to provide guarantees of rental payments on behalf of its foreign subsidiaries.

7 • DISPUTES

The estimates and underlying assumptions relating to current disputes are continuously re-examined. In particular, current disputes and litigation, especially with tax administrations or relating to appeals on tenders or on warranty claims, have been examined by the management with its advisers and lawyers for the purpose of assessing the risk they entail to the measurement of assets or liabilities.

The impact of changes in accounting estimates is recognised during the period of the change where they only affect that period, or during the period of the change and subsequent periods where the latter are also affected by the change.

Risks are measured at fair value and where appropriate a provision is made in the accounts (see note 5.13).

8 • RELATED PARTY TRANSACTIONS

The revised IAS 24 norm, applicable from 1 January 2011, has modified disclosure obligations for public entities regarding transactions with related parties.

GROUPE KEOLIS S.A.S. is majority-owned by SNCF, a public entity with an industrial and commercial activity whose capital is wholly owned by the French State.

8.1 Transactions with the SNCF
69.69% of GROUPE KEOLIS S.A.S. is owned by SNCF Participations and 30.00% by Caisse de Dépôt et Placement du Québec. Transactions mainly correspond to general management services.
Transactions with the SNCF and its subsidiaries mainly concern car park rentals, and either permanent or occasional passenger transport services.

8.2 Transactions with joint ventures and associates
Transactions with joint ventures and associates are undertaken according to normal market conditions.

8.3 Remuneration of the Group's key managers
The key managers in the Group are defined as being the company officers of GROUPE KEOLIS S.A.S. and the members of the executive committee. Remuneration and other short-term benefits paid to these directors amounted to €4.3 million for 9 people in 2016 compared to €5.1 million for 9 people in 2015.

The following director's fees were paid to outside directors: €0.3 million in 2016 and in 2015.

There are no outstanding advances or credit facilities extended to members of the Group's management or executive committees.

9 • POST BALANCE SHEET EVENTS

Nil.

10 • CONSOLIDATION SCOPE

At 31 December 2016, the consolidation scope comprised:

10.1 Subsidiaries

Name	Country	Method of consolidation	% of shareholding
Aerobag	France	Fully consolidated (FC)	100.00%
Aerolignes	France	Fully consolidated (FC)	100.00%
Aerolis	France	Fully consolidated (FC)	96.55%
Aéroport Angers Marce	France	Fully consolidated (FC)	100.00%
Aéroport de Troyes Barberey	France	Fully consolidated (FC)	100.00%
Aerosat	France	Fully consolidated (FC)	85.00%
Airelle	France	Fully consolidated (FC)	100.00%
Autocars Delion SAS	France	Fully consolidated (FC)	100.00%
Autocars Eschenlauer	France	Fully consolidated (FC)	100.00%
Autocars Planche	France	Fully consolidated (FC)	100.00%
Autocars Striebig	France	Fully consolidated (FC)	100.00%
Azkarra	France	Fully consolidated (FC)	50.10%
Caennaise de Services	France	Fully consolidated (FC)	100.00%
Cariane Littoral	France	Fully consolidated (FC)	100.00%
Cars de Bordeaux	France	Fully consolidated (FC)	100.00%
Cars Planche	France	Fully consolidated (FC)	100.00%
Compagnie des Transports Méditerranéens	France	Fully consolidated (FC)	100.00%
Compagnie du Blanc Argent	France	Fully consolidated (FC)	99.43%
Driverlite	France	Fully consolidated (FC)	100.00%
Drop & Go EURL	France	Fully consolidated (FC)	100.00%
EFFIA (Holding)	France	Fully consolidated (FC)	100.00%
EFFIA Concessions	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement BGD	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Cassis	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement et Mobilité	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Eze	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Grenoble	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Lille	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Lyon	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Marseille	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Nice Mozart	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Saint Maur Des Fossés	France	Fully consolidated (FC)	100.00%
EFFIA Stationnement Saint-Etienne	France	Fully consolidated (FC)	100.00%
Effia Transport	France	Fully consolidated (FC)	100.00%
Enlèvement et Gardiennage Services	France	Fully consolidated (FC)	100.00%
Entreprise Charles Caron	France	Fully consolidated (FC)	100.00%
Fouache Evasion*	France	Fully consolidated (FC)	100.00%
Gep Vidal	France	Fully consolidated (FC)	100.00%
GROUPE KEOLIS S.A.S.	France	Fully consolidated (FC)	100.00%
Holding Striebig	France	Fully consolidated (FC)	100.00%

Name	Country	Method of consolidation	% of shareholding
Institut Keolis	France	Fully consolidated (FC)	100.00%
Interhone	France	Fully consolidated (FC)	100.00%
Keolis	France	Fully consolidated (FC)	100.00%
Keolis Abbeville	France	Fully consolidated (FC)	99.02%
Keolis Agen	France	Fully consolidated (FC)	100.00%
Keolis Aix Les Bains	France	Fully consolidated (FC)	100.00%
Keolis Alençon	France	Fully consolidated (FC)	100.00%
Keolis Alès	France	Fully consolidated (FC)	100.00%
Keolis Amiens	France	Fully consolidated (FC)	100.00%
Keolis Angers	France	Fully consolidated (FC)	100.00%
Keolis Arles	France	Fully consolidated (FC)	100.00%
Keolis Armor	France	Fully consolidated (FC)	100.00%
Keolis Arras	France	Fully consolidated (FC)	100.00%
Keolis Artois	France	Fully consolidated (FC)	100.00%
Keolis Atlantique	France	Fully consolidated (FC)	100.00%
Keolis Auch	France	Fully consolidated (FC)	100.00%
Keolis Aude	France	Fully consolidated (FC)	100.00%
Keolis Baie des Anges	France	Fully consolidated (FC)	100.00%
Keolis Bassin d'Arcachon*	France	Fully consolidated (FC)	100.00%
Keolis Bassin de Pompey	France	Fully consolidated (FC)	100.00%
Keolis Beaune	France	Fully consolidated (FC)	100.00%
Keolis Besançon	France	Fully consolidated (FC)	99.96%
Keolis Blois	France	Fully consolidated (FC)	100.00%
Keolis Bordeaux	France	Fully consolidated (FC)	99.99%
Keolis Bordeaux Métropole	France	Fully consolidated (FC)	100.00%
Keolis Boulogne sur Mer	France	Fully consolidated (FC)	100.00%
Keolis Bourgogne	France	Fully consolidated (FC)	99.50%
Keolis Brest	France	Fully consolidated (FC)	100.00%
Keolis Bus Verts	France	Fully consolidated (FC)	100.00%
Keolis Caen	France	Fully consolidated (FC)	100.00%
Keolis Calvados	France	Fully consolidated (FC)	100.00%
Keolis Camargue	France	Fully consolidated (FC)	100.00%
Keolis Centre	France	Fully consolidated (FC)	100.00%
Keolis Chalons-en-Champagne	France	Fully consolidated (FC)	99.24%
Keolis Charente Maritime	France	Fully consolidated (FC)	99.98%
Keolis Château Thierry	France	Fully consolidated (FC)	100.00%
Keolis Chateauroux	France	Fully consolidated (FC)	100.00%
Keolis Châtellerault	France	Fully consolidated (FC)	100.00%
Keolis Chaumont	France	Fully consolidated (FC)	100.00%
Keolis Chauny - Tergnier	France	Fully consolidated (FC)	100.00%
Keolis Cherbourg	France	Fully consolidated (FC)	100.00%
Keolis CIF	France	Fully consolidated (FC)	99.99%
Keolis Conseil et Projets	France	Fully consolidated (FC)	100.00%
Keolis Côte d'Azur	France	Fully consolidated (FC)	100.00%

Name	Country	Method of consolidation	% of shareholding
Keolis Creil	France	Fully consolidated (FC)	100.00%
Keolis Dijon	France	Fully consolidated (FC)	100.00%
Keolis Dijon Mobilités	France	Fully consolidated (FC)	100.00%
Keolis Drôme Ardèche	France	Fully consolidated (FC)	100.00%
Keolis Drouais	France	Fully consolidated (FC)	100.00%
Keolis Emeraude*	France	Fully consolidated (FC)	100.00%
Keolis en Cévennes	France	Fully consolidated (FC)	99.19%
Keolis Epinal	France	Fully consolidated (FC)	100.00%
Keolis Eure et Loir	France	Fully consolidated (FC)	100.00%
Keolis Garonne	France	Fully consolidated (FC)	100.00%
Keolis Gascogne	France	Fully consolidated (FC)	100.00%
Keolis Gironde (ex SNCOA)	France	Fully consolidated (FC)	100.00%
Keolis Grand Tarbes	France	Fully consolidated (FC)	100.00%
Keolis Ille et Vilaine	France	Fully consolidated (FC)	100.00%
Keolis Languedoc	France	Fully consolidated (FC)	100.00%
Keolis Laval	France	Fully consolidated (FC)	100.00%
Keolis Laval Mobilités	France	Fully consolidated (FC)	100.00%
Keolis Lille	France	Fully consolidated (FC)	100.00%
Keolis Littoral	France	Fully consolidated (FC)	100.00%
Keolis Lorient	France	Fully consolidated (FC)	100.00%
Keolis Lyon	France	Fully consolidated (FC)	100.00%
Keolis Manche	France	Fully consolidated (FC)	100.00%
Keolis Maritime	France	Fully consolidated (FC)	99.00%
Keolis Maritime Brest	France	Fully consolidated (FC)	100.00%
Keolis Marmande	France	Fully consolidated (FC)	100.00%
Keolis Mobilité Hauts de Seine	France	Fully consolidated (FC)	100.00%
Keolis Mobilité Paris	France	Fully consolidated (FC)	100.00%
Keolis Mobilité Roissy	France	Fully consolidated (FC)	100.00%
Keolis Mobilités Val de Marne	France	Fully consolidated (FC)	100.00%
Keolis Montargis	France	Fully consolidated (FC)	100.00%
Keolis Montélimar	France	Fully consolidated (FC)	100.00%
Keolis Montluçon	France	Fully consolidated (FC)	100.00%
Keolis Morlaix	France	Fully consolidated (FC)	100.00%
Keolis Narbonne	France	Fully consolidated (FC)	100.00%
Keolis Narbonne Mobilités	France	Fully consolidated (FC)	100.00%
Keolis Nevers	France	Fully consolidated (FC)	100.00%
Keolis Nîmes	France	Fully consolidated (FC)	100.00%
Keolis Nord Allier	France	Fully consolidated (FC)	100.00%
Keolis Normandie Seine	France	Fully consolidated (FC)	100.00%
Keolis Obernai	France	Fully consolidated (FC)	100.00%
Keolis Oise	France	Fully consolidated (FC)	100.00%
Keolis Orléans	France	Fully consolidated (FC)	100.00%
Keolis Orly Airport	France	Fully consolidated (FC)	100.00%
Keolis Orly Rungis	France	Fully consolidated (FC)	100.00%

Name	Country	Method of consolidation	% of shareholding
Keolis Oyonnax	France	Fully consolidated (FC)	100.00%
Keolis Pays d'Aix	France	Fully consolidated (FC)	100.00%
Keolis Pays de Montbéliard	France	Fully consolidated (FC)	100.00%
Keolis Pays des Volcans	France	Fully consolidated (FC)	100.00%
Keolis Pays Nancéien	France	Fully consolidated (FC)	100.00%
Keolis Pays Normands	France	Fully consolidated (FC)	100.00%
Keolis PMR Rhône	France	Fully consolidated (FC)	100.00%
Keolis Porte de l'Isère	France	Fully consolidated (FC)	100.00%
Keolis Pyrénées	France	Fully consolidated (FC)	95.16%
Keolis Quimper	France	Fully consolidated (FC)	100.00%
Keolis Rennes	France	Fully consolidated (FC)	100.00%
Keolis Réseau Départemental Sud Oise	France	Fully consolidated (FC)	100.00%
Keolis Roissy Airport	France	Fully consolidated (FC)	100.00%
Keolis Roissy Services Aéroportuaires	France	Fully consolidated (FC)	100.00%
Keolis Rouen Vallée de Seine*	France	Fully consolidated (FC)	100.00%
Keolis Saint-Malo	France	Fully consolidated (FC)	100.00%
Keolis Saintes	France	Fully consolidated (FC)	100.00%
Keolis Seine Essonne	France	Fully consolidated (FC)	100.00%
Keolis Seine Maritime	France	Fully consolidated (FC)	100.00%
Keolis Seine Senart	France	Fully consolidated (FC)	100.00%
Keolis Seine Val de Marne	France	Fully consolidated (FC)	100.00%
Keolis Somme	France	Fully consolidated (FC)	100.00%
Keolis Sud Allier	France	Fully consolidated (FC)	100.00%
Keolis Sud Lorraine	France	Fully consolidated (FC)	100.00%
Keolis Touraine	France	Fully consolidated (FC)	100.00%
Keolis Tours	France	Fully consolidated (FC)	100.00%
Keolis Travel Services	France	Fully consolidated (FC)	100.00%
Keolis Trois Frontières	France	Fully consolidated (FC)	100.00%
Keolis Urbest	France	Fully consolidated (FC)	100.00%
Keolis Val d' Oise	France	Fully consolidated (FC)	100.00%
Keolis Val de Maine	France	Fully consolidated (FC)	100.00%
Keolis Val de Saone	France	Fully consolidated (FC)	100.00%
Keolis Val Hainaut	France	Fully consolidated (FC)	96.32%
Keolis Vélizy	France	Fully consolidated (FC)	100.00%
Keolis Versailles	France	Fully consolidated (FC)	100.00%
Keolis Vesoul	France	Fully consolidated (FC)	100.00%
Keolis Vichy	France	Fully consolidated (FC)	100.00%
Keolis Voyages	France	Fully consolidated (FC)	100.00%
Keolis Yvelines	France	Fully consolidated (FC)	100.00%
Kisio Analysis	France	Fully consolidated (FC)	100.00%
Kisio Digital	France	Fully consolidated (FC)	100.00%
Kisio Services & Consulting	France	Fully consolidated (FC)	100.00%
Kisio Solutions	France	Fully consolidated (FC)	100.00%
KLP02	France	Fully consolidated (FC)	100.00%

Name	Country	Method of consolidation	% of shareholding
KTA*	France	Fully consolidated (FC)	100.00%
L2O - projet Clean Car	France	Fully consolidated (FC)	51.00%
LeCab	France	Fully consolidated (FC)	50.10%
Les Autobus d'Arcachon	France	Fully consolidated (FC)	100.00%
Les Cars du Bassin de Thau	France	Fully consolidated (FC)	100.00%
Les Cars Roannais	France	Fully consolidated (FC)	100.00%
Les Courriers Catalans	France	Fully consolidated (FC)	100.00%
Les Courriers Du Midi	France	Fully consolidated (FC)	100.00%
Les Transports Dunois	France	Fully consolidated (FC)	100.00%
Loisirs et Voyages	France	Fully consolidated (FC)	100.00%
Millau Cars	France	Fully consolidated (FC)	100.00%
Monnet Tourisme	France	Fully consolidated (FC)	100.00%
Monts Jura Autocars	France	Fully consolidated (FC)	100.00%
Ormonts Transports	France	Fully consolidated (FC)	100.00%
Pacific Car	France	Fully consolidated (FC)	100.00%
Prioris	France	Fully consolidated (FC)	100.00%
Réseau en Vosges	France	Fully consolidated (FC)	70.00%
ST2L Westeel	France	Fully consolidated (FC)	100.00%
STEFIM	France	Fully consolidated (FC)	100.00%
SA Sap Drogoul	France	Fully consolidated (FC)	100.00%
SAP Cariane Provence	France	Fully consolidated (FC)	100.00%
SCAC	France	Fully consolidated (FC)	100.00%
SCAC Bagnis	France	Fully consolidated (FC)	100.00%
SEA Albert-Picardie	France	Fully consolidated (FC)	50.96%
Setver	France	Fully consolidated (FC)	100.00%
SFD	France	Fully consolidated (FC)	100.00%
Société Bordelaise d'Exploitation de Services	France	Fully consolidated (FC)	100.00%
Société d'Exploitation de l'Aéroport Dole Jura	France	Fully consolidated (FC)	51.00%
Société du Parc Lyon-Diderot	France	Fully consolidated (FC)	50.00%
Société Nantaise de Fourrière Automobile	France	Fully consolidated (FC)	100.00%
Sodetrav	France	Fully consolidated (FC)	95.08%
STCAR	France	Fully consolidated (FC)	100.00%
Sté des Transports Urbains d'Oyonnax*	France	Fully consolidated (FC)	100.00%
Sté Rennaise Transports et Services	France	Fully consolidated (FC)	100.00%
Sté Transports Robert	France	Fully consolidated (FC)	100.00%
Sté Transports Services Aéroportuaires	France	Fully consolidated (FC)	100.00%
Strasbourgeoise d'Enlèvement et de Gardiennage	France	Fully consolidated (FC)	100.00%
TMT (Take Me There)	France	Fully consolidated (FC)	50.10%
TPR	France	Fully consolidated (FC)	100.00%
Transport de la Brière	France	Fully consolidated (FC)	60.10%
Transports Evrard	France	Fully consolidated (FC)	100.00%
Train Bleu St Marcellin	France	Fully consolidated (FC)	100.00%
Trans Val de Lys	France	Fully consolidated (FC)	99.99%
Transkeo	France	Fully consolidated (FC)	51.00%

Name	Country	Method of consolidation	% of shareholding
Transports Daniel Meyer	France	Fully consolidated (FC)	100.00%
Var Tour	France	Fully consolidated (FC)	94.97%
Voyages Autocars Services	France	Fully consolidated (FC)	100.00%
Voyages Chargelègue	France	Fully consolidated (FC)	100.00%
Voyages Dourlens	France	Fully consolidated (FC)	100.00%
Voyages Fouache SAS	France	Fully consolidated (FC)	100.00%
Voyages Monnet	France	Fully consolidated (FC)	100.00%
Voyages Striebig	France	Fully consolidated (FC)	100.00%
VTS Roissy	France	Fully consolidated (FC)	100.00%
Keolis Deutschland Berlin*	Germany	Fully consolidated (FC)	100.00%
Keolis Deutschland CO. KG	Germany	Fully consolidated (FC)	100.00%
Keolis Deutschland Verwaltung	Germany	Fully consolidated (FC)	100.00%
Schloemer Verkehrsbetrieb GmbH	Germany	Fully consolidated (FC)	100.00%
Striebig Deutschland	Germany	Fully consolidated (FC)	100.00%
Striebig GmbH	Germany	Fully consolidated (FC)	100.00%
Australian Transit Enterprises Pty Ltd	Australia	Fully consolidated (FC)	51.00%
Hornibrook Bus Lines Pty Ltd	Australia	Fully consolidated (FC)	51.00%
Hornibrook Transit Management Pty Ltd	Australia	Fully consolidated (FC)	51.00%
KDR Gold Coast Pty Ltd	Australia	Fully consolidated (FC)	51.00%
KDR Victoria Pty Ltd	Australia	Fully consolidated (FC)	51.00%
Keolis Australie Pty	Australia	Fully consolidated (FC)	100.00%
Keolis Downer	Australia	Fully consolidated (FC)	51.00%
Keolis Downer Bus and Coachlines Property Pty Ltd	Australia	Fully consolidated (FC)	51.00%
Keolis Downer Bus and Coachlines Pty Ltd	Australia	Fully consolidated (FC)	51.00%
Link SA Pty Ltd	Australia	Fully consolidated (FC)	51.00%
Path Transit Pty Ltd	Australia	Fully consolidated (FC)	51.00%
South West Transit Pty Ltd	Australia	Fully consolidated (FC)	51.00%
Southlink Pty Ltd	Australia	Fully consolidated (FC)	51.00%
Autobus de Genval	Belgium	Fully consolidated (FC)	100.00%
Autobus Dony	Belgium	Fully consolidated (FC)	100.00%
Autobus Dujardin	Belgium	Fully consolidated (FC)	100.00%
Autobus Lienard	Belgium	Fully consolidated (FC)	100.00%
Cardona-Deltenre	Belgium	Fully consolidated (FC)	100.00%
Cars Gembloutois	Belgium	Fully consolidated (FC)	100.00%
Cintra	Belgium	Fully consolidated (FC)	100.00%
Cintral	Belgium	Fully consolidated (FC)	100.00%
De Turck BVBA	Belgium	Fully consolidated (FC)	100.00%
Eltebe	Belgium	Fully consolidated (FC)	100.00%
Eurobus Holding	Belgium	Fully consolidated (FC)	100.00%
Eurobussing Airport*	Belgium	Fully consolidated (FC)	100.00%
Eurobussing Brussels	Belgium	Fully consolidated (FC)	100.00%
Eurobussing Wallonie	Belgium	Fully consolidated (FC)	100.00%
Flanders Bus	Belgium	Fully consolidated (FC)	100.00%
Garage du Perron	Belgium	Fully consolidated (FC)	100.00%

Name	Country	Method of consolidation	% of shareholding
Gino Tours	Belgium	Fully consolidated (FC)	100.00%
Heyerick	Belgium	Fully consolidated (FC)	100.00%
Joye	Belgium	Fully consolidated (FC)	100.00%
Keolis Vlaanderen	Belgium	Fully consolidated (FC)	100.00%
Kibel	Belgium	Fully consolidated (FC)	100.00%
L.I.M. Collard-Lambert	Belgium	Fully consolidated (FC)	100.00%
Le Cinacien	Belgium	Fully consolidated (FC)	100.00%
N.V. Autobusbedrijf Bronckaers	Belgium	Fully consolidated (FC)	100.00%
N.V. Autobussen De Reys	Belgium	Fully consolidated (FC)	100.00%
NV Aotocars De Boeck	Belgium	Fully consolidated (FC)	100.00%
Picavet	Belgium	Fully consolidated (FC)	100.00%
Pirnay	Belgium	Fully consolidated (FC)	100.00%
Ramoudt Tours	Belgium	Fully consolidated (FC)	100.00%
Reniers & C°	Belgium	Fully consolidated (FC)	50.02%
SADAR	Belgium	Fully consolidated (FC)	100.00%
SA ABC Cars*	Belgium	Fully consolidated (FC)	100.00%
Satracom	Belgium	Fully consolidated (FC)	100.00%
Sophibus	Belgium	Fully consolidated (FC)	100.00%
SPRL Bertrand	Belgium	Fully consolidated (FC)	100.00%
SPRL Taxis Melkior	Belgium	Fully consolidated (FC)	100.00%
SPRL Truck Bus Repair	Belgium	Fully consolidated (FC)	100.00%
SPRL Voyages F. Lenoir	Belgium	Fully consolidated (FC)	100.00%
STACA (KBO)	Belgium	Fully consolidated (FC)	100.00%
TCM Cars	Belgium	Fully consolidated (FC)	100.00%
Transports Penning	Belgium	Fully consolidated (FC)	100.00%
Trimi	Belgium	Fully consolidated (FC)	100.00%
Van Rompaye NV	Belgium	Fully consolidated (FC)	100.00%
Voyages Doppagne	Belgium	Fully consolidated (FC)	100.00%
Voyages Nicolay	Belgium	Fully consolidated (FC)	100.00%
West Belgium Coach Company	Belgium	Fully consolidated (FC)	100.00%
Développement GOE	Canada	Fully consolidated (FC)	100.00%
Keolis Canada Inc	Canada	Fully consolidated (FC)	100.00%
Keolis Grand River L.P	Canada	Fully consolidated (FC)	100.00%
Keolis Danmark	Denmark	Fully consolidated (FC)	100.00%
Etablissement Abu Dhabi	United Arab Emirates	Fully consolidated (FC)	100.00%
Keolis Espagne	Spain	Fully consolidated (FC)	100.00%
Keolis America Inc.	USA	Fully consolidated (FC)	100.00%
Keolis Commuter Services LLC	USA	Fully consolidated (FC)	60.00%
Keolis Rail Service America	USA	Fully consolidated (FC)	100.00%
Keolis Rail Service Virginia	USA	Fully consolidated (FC)	100.00%
Keolis Transit America	USA	Fully consolidated (FC)	100.00%
Keolis UK	United Kingdom	Fully consolidated (FC)	100.00%
Keolis-Amey Docklands Ltd	United Kingdom	Fully consolidated (FC)	70.00%
Nottingham Trams Ltd	United Kingdom	Fully consolidated (FC)	80.00%

Name	Country	Method of consolidation	% of shareholding
Keolis Hyderabad Mass Rapid Transit System Private Limited	India	Fully consolidated (FC)	100.00%
Kilux	Luxembourg	Fully consolidated (FC)	100.00%
Keolis Norge AS	Norway	Fully consolidated (FC)	100.00%
Keolis Nederland Holding	Netherlands	Fully consolidated (FC)	100.00%
Syntus	Netherlands	Fully consolidated (FC)	100.00%
CSG Commuter Security	Sweden	Fully consolidated (FC)	100.00%
Keolis Nordic	Sweden	Fully consolidated (FC)	100.00%
Keolis Spår AB	Sweden	Fully consolidated (FC)	100.00%
Keolis Sverige	Sweden	Fully consolidated (FC)	100.00%

*companies removed from the consolidation scope on 31 December 2016.

10.2 Joint Ventures and associates

Name	Country	Method of consolidation	% of shareholding
CTCOP	France	Equity method (EM)	50.00%
EFFIA SEM ROUBAIX	France	Equity method (EM)	50.00%
Excellence Consulting	France	Equity method (EM)	25.05%
Navly	France	Equity method (EM)	50.00%
OnePark	France	Equity method (EM)	20.25%
Orgebus	France	Equity method (EM)	50.00%
RDK France	France	Equity method (EM)	50.00%
STA Chauny	France	Equity method (EM)	50.00%
SAEMES	France	Equity method (EM)	33.27%
Scodec	France	Equity method (EM)	35.00%
TICE	France	Equity method (EM)	19.00%
Trans Pistes	France	Equity method (EM)	40.00%
Transévry	France	Equity method (EM)	39.43%
Transports de l'agglomération de Metz Métropole	France	Equity method (EM)	25.00%
Netlog	Germany	Equity method (EM)	33.00%
Shanghaï Keolis Public Transport Operation Management Co.	China	Equity method (EM)	49.00%
Wuhan Tianhe Airport Transport Center Operation and Management co. LTD	China	Equity method (EM)	40.00%
First / Keolis Holdings Limited	United Kingdom	Equity method (EM)	45.00%
First / Keolis Transpennine	United Kingdom	Equity method (EM)	45.00%
First / Keolis Transpennine Holding Ltd	United Kingdom	Equity method (EM)	45.00%
Govia	United Kingdom	Equity method (EM)	35.00%
Govia Thameslink Railway Limited	United Kingdom	Equity method (EM)	35.00%
London Midland	United Kingdom	Equity method (EM)	35.00%
London&South Eastern Railway - LSER	United Kingdom	Equity method (EM)	35.00%
New Southern Railway	United Kingdom	Equity method (EM)	35.00%
Southern Railway Ltd	United Kingdom	Equity method (EM)	35.00%
Thameslink Rail Limited	United Kingdom	Equity method (EM)	35.00%
Prometro	Portugal	Equity method (EM)	20.00%
RDK LLC	Qatar	Equity method (EM)	50.00%

Statutory auditors' report on the consolidated financial statements (For the year ended December 31, 2016)

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of GROUPE KEOLIS S.A.S.;
- the justification of our assessments;
- the specific verifications required by law.

These consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the note 2.4.28 of the consolidated financial statements regarding the change in the accounting method concerning the retirement provision in the United Kingdom.

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Keolis carries out impairment tests on goodwill and indefinite life assets and also assesses whether there is any indication of impairment on non-current assets, as described in note 2.4.10 to the consolidated financial statements. We have examined the methods used to carry out this impairment test as well as the corresponding cash flow forecasts and assumptions, and have verified that the notes to the consolidated financial statements provide appropriate disclosures.
- Note 2.4.18 specifies the valuation methods for provisions for pensions and other employee benefits. An evaluation of these

provisions was carried out by independent actuaries. Our work consisted in examining the data and assumptions used and verifying that note 5.13 to the consolidated financial statements provides appropriate disclosures.

- Note 2.4.18 specifies the methods used to take into account the risks relating to ongoing litigation and contracts. Our work consisted in examining the procedures used by the Company to identify and assess these risks and the accounting treatment applied and in assessing the resulting estimates.

The Company has changed the accounting treatment of pension expense in the United Kingdom to include in the income statement only an estimate of pension expense over the period in which the Group operates the franchise, as described in note 2.4.28. Our work consisted of reviewing the appropriateness of this change in accounting method, reviewing the calculation of the impact of this restatement on the consolidated financial statements as of December 31, 2015, and ensuring that note 2.4.28 to the consolidated financial statements provides appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, March 3, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit
French original signed by
Françoise Garnier-Bel

Deloitte & Associés
French original signed by
Bertrand Boisselier

3. UNAUDITED MANAGEMENT FINANCIAL STATEMENTS

The Group considers that the following financial statements, prepared without applying IFRS 10 and 11, are accurate indicators of the operational and financial performances of the Group. They should be considered as an additional source of information and are in no way a substitute for other strictly accounting-related forms of the measurement of operational and financial performance as presented in the consolidated financial statements and the notes thereto, or referred to in the financial report.

The management accounts as at 31 December 2016 have not been audited.

CONTENTS

1 • MANAGEMENT KEY FIGURES

(€ million)	**31/12/2016**	31/12/2015 Restated (1)
Revenue	**6,213.4**	**6,425.4**
Revenue France	2,898.2	2,819.1
Revenue International	3,315.2	3,606.3
Revenue net of sub-contracting	6,013.7	6,238.6
Recurring EBITDA	**354.2**	**355.5**
EBITDA	**333.0**	**327.4**
Recurring operating profit	132.8	144.9
Operating profit before investments under equity method	86.2	98.8
Operating profit after investments under equity method	86.0	98.6
Profit after tax from continuing operations	38.7	38.9
Profit attributable to equity shareholders	**45.0**	**46,5**
Total equity	**961.9**	**1,024.4**
of which attributable to equity shareholders	*909.9*	*972.9*
Net cash flows from operating activities	**340.4**	**301.7**
Industrial investments	**243.5**	**242.2**
Net financial debt (cash surplus)	**635.2**	**467.3**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.

2 • MANAGEMENT INCOME STATEMENT

(€ million)	31/12/2016	31/12/2015 Restated [1]
Revenue	**6,213.4**	**6,425.4**
Other income from operations	16.4	20.8
INCOME FROM CONTINUING OPERATIONS	**6,229.8**	**6,446.2**
Sub-contracting	(199.7)	(186.8)
Purchases consumed and external expenses	(2,349.5)	(2,555.5)
Taxes	(18.3)	(18.0)
Staff costs, incentive schemes, profit-sharing	(3,307.5)	(3,253.9)
Other operating income	53.4	50.5
Other operating expense	(41.2)	(116.6)
Net provisions on current assets	(1.1)	(1.0)
Net depreciation and other provisions charged	(241.1)	(231.2)
Profit/(loss) on recurring fixed asset disposals	(1.3)	1.4
Amortisation of grants received	9.5	9.8
RECURRING OPERATING PROFIT	**132.8**	**144.9**
Other non-recurring income	5.2	7.4
Other non-recurring expense	(24.5)	(32.5)
Depreciation and provisions on contractual rights	(27.4)	(21.0)
Of which depreciation of other intangible assets and negative goodwill	0.2	5.7
PROFIT BEFORE INVESTMENTS UNDER THE EQUITY METHOD	**86.2**	**98.8**
Profit/(loss) from associates	(0.2)	(0.3)
PROFIT AFTER INVESTMENTS UNDER THE EQUITY METHOD	**86.0**	**98.6**
Net cost of financial borrowing	(18.3)	(18.0)
Other financial income	5.6	12.4
Other financial expense	(22.2)	(24.2)
FINANCIAL INCOME (EXPENSE)	**(34.9)**	**(29.8)**
NET PROFIT BEFORE TAXATION	**51.1**	**68.8**
Taxation	(12.4)	(29.9)
NET PROFIT FOR THE YEAR	**38.7**	**38.9**
CONSOLIDATED NET PROFIT	**38.7**	**38.9**
Profit attributable to non-controlling interests	6.3	7.6
PROFIT ATTRIBUTABLE TO GROUP	**45.0**	**46.5**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.

3 • MANAGEMENT STATEMENT OF FINANCIAL POSITION

ASSETS *(€ million)*	**31/12/2016**	31/12/2015 Restated (1)
Goodwill	1,164.6	1,139.6
Other intangible assets	542.5	534.5
Property, plant and equipment	997.1	900.6
Investments under equity method	3.7	2.1
Other non-current financial assets	211.2	171.1
Deferred tax asset	89.9	84.7
NON-CURRENT ASSETS	**3,009.1**	**2,832.6**
Inventories and work in progress	97.7	89.0
Trade receivables	444.3	466.6
Other receivables	439.6	456.8
Other current financial assets	15.1	14.0
Cash and cash equivalents	551.1	655.3
CURRENT ASSETS	**1,547.7**	**1,681.7**
TOTAL ASSETS	**4,556.8**	**4,514.4**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.

LIABILITIES *(€ million)*	**31/12/2016**	31/12/2015 Restated (1)
Share capital	237.9	237.9
Reserves and premiums	626.9	688.5
Net profit/(loss) attributable to Group	45.1	46.5
EQUITY ATTRIBUTABLE TO GROUP	**909.9**	**972.9**
Reserves attributable to non-controlling interests	58.3	59.1
Profit for the year attributable to non-controlling interests	(6.3)	(7.6)
EQUITY	**961.9**	**1,024.4**
Non-current provisions	208.4	194.9
Non-current financial debt	979.4	881.2
Deferred tax liability	167.1	178.2
NON-CURRENT LIABILITIES	**1,354.9**	**1,254.3**
Current provisions	52.4	55.6
Current financial debt	155.7	91.3
Bank borrowings	115.9	190.7
Trade payables and other liabilities	1,916.0	1,898.0
CURRENT LIABILITIES	**2,240.1**	**2,235.6**
TOTAL LIABILITIES	**4,556.8**	**4,514.4**

(1) See note 2.4.28 on changes made following new accounting methods relating to pensions in the United Kingdom.

4 • MANAGEMENT STATEMENT OF CASH FLOWS

(€ million)	31/12/2016	31/12/2015 Restated [1]
Operating profit before investments under equity method	**86.2**	**98.8**
Non-cash items	246.8	228.6
EBITDA	**333.0**	**327.4**
Elimination of provisions in current assets	1.1	1.0
Changes in working capital	39.4	30.5
Tax paid	(33.1)	(57.2)
A) NET CASH FROM OPERATING ACTIVITIES	**340.4**	**301.7**
Capital expenditure	(243.5)	(242.2)
Proceeds from sale of tangible and intangible assets	22.6	39.4
Investment grants received	10.3	7.7
Change in financial assets for concessions (IFRIC 12)	(11.5)	(14.2)
Financial investments	(117.2)	(133.3)
Gains/ (losses) from disposal of financial assets	(1.1)	5.6
Cash flows on changes in reporting scope	9.7	4.9
B) NET CASH FROM INVESTING ACTIVITIES	**(330.7)**	**(332.1)**
FREE CASH FLOW	**9.7**	**(30.4)**
Net dividends paid	(32.6)	(50.6)
Net dividends received	0.4	0.5
Change in equity (other transactions with shareholders)	6.1	38.7
New borrowings	194.2	243.8
Borrowings repaid	(130.2)	(170.1)
Interest received	2.3	2.2
Interest paid	(20.7)	(20.5)
Change in other financial debts	0.6	0.2
Other	(11.8)	(7.9)
C) NET CASH FROM FINANCING ACTIVITIES	**8.3**	**36.3**
D) FOREIGN EXCHANGE TRANSLATION DIFFERENCES	**(47.4)**	**13.7**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(29.4)**	**19.6**
Cash and cash equivalents at beginning of period	464.6	445.0
Cash and cash equivalents at end of period	435.2	464.6
CHANGE IN CASH AND CASH EQUIVALENTS	**(29.4)**	**19.6**

4. ANNUAL FINANCIAL STATEMENTS

4. ANNUAL FINANCIAL STATEMENTS

CONTENTS

A Financial statements at 31 December 2016

1 • BALANCE SHEET AT 31 DECEMBER 2016

in euros		Gross	Depreciation & amortisation	31/12/2016	31/12/2015
Uncalled subscribed capital					
INTANGIBLE ASSETS					
Preliminary expenses		-	-	-	-
Development costs		-	-	-	-
Concessions, patents and related rights		-	-	-	-
Goodwill		-	-	-	343,750,090
Other intangible assets		-	-	-	-
Advances, down payments for intangible assets		-	-	-	-
PROPERTY, PLANT AND EQUIPMENT					
Land		-	-	-	-
Buildings		-	-	-	-
Technical facilities, equipment, machinery		-	-	-	-
Other property, plant and equipment		-	-	-	-
PPE under construction		-	-	-	-
Advances and down payments		-	-	-	-
NON-CURRENT FINANCIAL ASSETS					
Shareholdings under the equity method		-	-	-	-
Other shareholdings		1,419,416,528	-	1,419,416,528	758,667,888
Receivables from shareholdings		82,509,699	-	82,509,699	310,584,600
Other long-term investments		-	-	-	-
Loans		2,846,030	-	2,846,030	2,755,580
Other non-current financial assets		538	-	538	538
TOTAL FIXED ASSETS	**(I)**	**1,504,772,795**	**-**	**1,504,772,795**	**1,415,758,697**
INVENTORIES AND WORK IN PROGRESS					
Raw materials, supplies		-	-	-	-
Production in progress (goods)		-	-	-	-
Production in progress (services)		-	-	-	-
Semi-finished and finished goods		-	-	-	-
Goods		-	-	-	-
Advances and down payments on orders		-	-	-	40,178
TRADE RECEIVABLES					
Trade receivables and related accounts		4,420,668	-	4,420,668	3,697,559
Other receivables		36,960,878	-	36,960,878	68,311,138
Subscribed called non paid-up capital		-	-	-	-
MISCELLANEOUS					
Marketable securities held for trading		5	-	5	5
(Including treasury shares) :		-	-	-	-
Cash		375,654	-	375,654	598,707
ACCRUALS					
Prepaid Expenses		-	-	-	-
TOTAL CURRENT ASSETS	**(II)**	**41,757,205**	**-**	**41,757,205**	**72,647,587**
Unrealised losses on foreign exchange transactions	**(III)**	-	-	-	-
TOTAL ASSETS	**(I TO III)**	**1,546,530,000**	**-**	**1,546,530,000**	**1,488,406,284**

in euros LIABILITIES		31/12/2016	31/12/2015
EQUITY			
Share capital or individual capital (of which paid: 237,888,902)		237,888,902	237,888,902
Additional paid-in capital		273,246,055	303,246,055
Revaluation reserves		-	-
Legal Reserve		9,272,688	7,717,008
Statutory or contractual reserves		-	-
Regulated reserves		-	-
Other reserves		2,386,768	2,386,768
Retained earnings brought forward		172,171,495	142,613,581
NET PROFIT/(LOSS) FOR THE YEAR		4,762,541	31,113,593
Investment grants		-	-
Regulated provisions		-	-
TOTAL EQUITY	**(I)**	**699,728,448**	**724,965,907**
CONTINGENCY AND LOSS PROVISIONS			
Provisions for contingencies		-	-
Provisions for charges		9,685,681	6,297,021
TOTAL PROVISIONS	**(II)**	**9,685,681**	**6,297,021**
DEBTS (1)			
Convertible bond issues		-	-
Other bond issues		-	-
Bank borrowings (2)		560,920,730	620,669,969
Loans and other financial debts		100,000,000	-
Customer advances and down payments		-	-
Trade payables and related accounts		4,144,784	4,720,473
Tax and social security liabilities		4,061,699	3,516,234
Liabilities on assets and related accounts		-	-
Other liabilities		167,545,897	127,884,369
ACCRUALS			
Deferred income		-	-
LIABILITIES AND ACCRUALS	**(III)**	**863,673,110**	**756,791,045**
Unrealised gains on foreign exchange transactions	**(IV)**	442,761	352,312
TOTAL LIABILITIES	**(I TO IV)**	**1,546,530,000**	**1,488,406,284**
(1) Liabilities and deferred income less than 1 year		176,673,110	136,791,045
(2) Overdrafts (short-term borrowings for cash requirements) and bank credit balances of which			
- Amounts payable after one year		660,000,000	620,000,000
- Amounts due within one year		920,730	669,969

2 • INCOME STATEMENT AT 31 DECEMBER 2016

In euros		31/12/2016	31/12/2015
OPERATING REVENUE			
Sales of goods		-	-
Services		12,329,047	14,412,921
NET REVENUE		**12,329,047**	**14,412,921**
Production held as inventory		-	-
Capitalised production		-	-
Operating grants		-	-
Reversal of depreciation, provision and expense transfers		1,039,765	-
Other income		22	12
TOTAL OPERATING INCOME	**(I)**	**13,368,833**	**14,412,933**
Stock purchases (including customs duties)		-	-
Change in inventory of goods		-	-
Purchase raw materials, other supplies (including customs duties)		-	-
Change in inventory purchases (raw materials and supplies)		-	-
Other purchases and operating expenses		7,474,973	8,973,657
Taxes and similar payments		604,856	1,095,258
Wages and salaries		4,316,858	3,932,432
Welfare contributions		1,636,259	1,162,947
OPERATING ALLOWANCES		-	-
On capital/fixed assets		-	-
On current assets:charges to provisions		4,428,425	3,081,711
Other charges		355,004	344,122
TOTAL OPERATING EXPENSES	**(II)**	**18,816,375**	**18,590,127**
OPERATING PROFIT / (LOSS)	**(I - II)**	**(5,447,542)**	**(4,177,194)**
FINANCIAL INCOME			
Financial income from shareholdings		1,043,158	26,565,823
Other marketable and receivables from capitalized assets		-	-
Other interest and similar income		-	-
Reversal of provisions charged and expense transfers		-	-
Foreign exchange gains		-	-
Net gains on sales of marketable securities		-	-
TOTAL FINANCIAL INCOME	**(III)**	**1,043,158**	**26,565,823**
Changes to depreciation and provisions		-	-
Interest and similar expenses		8,097,580	8 540,090
Foreign exchange losses		-	-
Net expenses on sales of marketable securities		-	-
TOTAL FINANCIAL EXPENSES	**(IV)**	**8,097,580**	**8 540,090**
FINANCIAL INCOME / (EXPENSE)	**(III - IV)**	**(7,054,423)**	**18,025,733**
RECURRING PROFIT BEFORE TAX	**(I - II + III - IV)**	**(12,501,965)**	**13,848,539**

In euros		31/12/2016	31/12/2015
EXCEPTIONAL GAINS			
Exceptional gains on operations		-	-
Exceptional gains on equity transactions		-	-
Reversal of provisions charged and expense transfers		-	-
TOTAL EXCEPTIONAL GAINS	**(V)**		
EXCEPTIONAL LOSSES			
Exceptional losses on operations		88	14,179
Exceptional losses on equity transactions		-	-
Exceptional charges to depreciation and provisions		-	-
TOTAL EXCEPTIONAL LOSSES	**(VI)**	**88**	**14,179**
EXCEPTIONAL INCOME/ (LOSS)	**(V - VI)**	**(88)**	**(14,179)**
Employee profit-sharing	**(VII)**	-	-
Corporate income tax	**(VIII)**	**(17,264,594)**	**(17,279,233)**
TOTAL INCOME	**(I + III + V)**	**14,411,991**	**40,978,756**
TOTAL CHARGES	**(II + IV + VI + VII + VIII)**	**9,649,450**	**9,865,163**
NET PROFIT/ (LOSS)		**4,762,541**	**31,113,593**

B Notes to the annual financial statements

1 • SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

Increase in share capital

GROUPE KEOLIS S.A.S. subscribed to 25,000,000 new Keolis S.A shares of €12 nominal value at an extraordinary general meeting held on 3 March 2016. The increase in share capital was carried out by the creation of a €300 million receivable.
GROUPE KEOLIS S.A.S. bought 100 shares in the company KLP02 from Keolis S.A. for €10,000.
GROUPE KEOLIS S.A.S. subscribed to 165,000 new shares of €100 nominal value in the company KLP02.

Monetisation of CICE (*Crédit d'Impôt pour la Compétitivité et l'Emploi*) receivable

The receivable arising in 2016 from the CICE, implemented by the French government, was subject to a "Dailly" sale. This sale resulted in net proceeds of €48.6 million for the Company on behalf of the tax group. As the parent company of the tax group, GROUPE KEOLIS S.A.S. recognised a debt owing to the companies that are part of the tax group for the amount of €50.3 million (gross amount). The impact of the CICE receivable sale on GROUPE KEOLIS S.A.S's income statement is €0.5 million included as a financial expense.

2 • ACCOUNTING PRINCIPLES, RULES AND METHODS

These financial statements are prepared in accordance with the rules laid down by the general chart of accounts in accordance with regulation ANC N°2014-03 dated 5 June 2014, amended by the regulation ANC 2016-06, of the French Accounting Standards Authority *(Autorité des Normes Comptables)* and principles generally accepted in the profession.
General conventions were applied in compliance with the prudence principle, in accordance with the basic assumptions of:

- continuity of operations,
- consistency of accounting methods from one year to another,
- independence of financial years.

The underlying method used to value the items in the accounts is the historical cost method.
In preparing the financial statements, the adjustments to the general accounting plan PGC (articles 111-1 and 831-1/1) were not used.

Change in accounting method

The changes introduced by regulation ANC 2015-06 applicable prospectively to financial years beginning on or after 1 January 2016 concern the measurement of tangible and intangible assets and goodwill before their date of entry and the technical losses from mergers. They have resulted in a reallocation and, in certain cases, a change in the method of measuring the company's goodwill (prospective application):

- The technical losses from mergers and the transfer of all assets and liabilities are allocated in the balance sheet to the same item as the assets to which they are allocated, in specific technical losses from mergers accounts (in tangible assets, intangible assets, financial assets or current assets). They are amortised, impaired and derecognised from the balance sheet using the same methods as the underlying assets.

There was no impact on the 2016 financial result arising from the application of these new measures.
The main accounting policies used are described below.

2.1 Contracts managed

Nil.

2.2 Intangible assets

Nil.

2.3 Tangible assets

Nil.

2.4 Financial assets

Equity investments are recorded at acquisition cost. If this value is greater than the inventory value an impairment is recognised for the difference. For each investment, the inventory value is determined based on future cash flows which their business activity could generate.

2.4.1 Technical losses from mergers

Following adoption of regulation ANC 2015-06, technical losses from mergers and the transfer of all assets and liabilities concerning financial assets are allocated in the balance sheet to a "merger losses on financial assets" account. They correspond to the negative difference between the net assets and liabilities received and the net carrying amount of the investment in the absorbed company. For each of the investments, the inventory value is determined by taking into account the future cash flows that the activity may generate. An impairment is recorded, where necessary, which may not be reversed.

2.4.2 Other financial assets

These appear in the balance sheet at their acquisition cost. Where relevant, an impairment is recorded when their value in use falls below their acquisition cost.

2.5 Inventories

Nil.

2.6 Receivables and payables
Receivables are recorded at their nominal value.
Where applicable, a depreciation is recognised whenever there is a risk of non-recovery.

Receivables and payables in foreign currency are converted at the closing exchange rate of the financial period. The difference resulting from this adjustment is recognised in the year's income statement under "Foreign exchange gains" or "losses". A provision is booked for unrealised losses on foreign exchange transactions; unrealised gains do not appear in the income statement.

At 31/12/2016, unrealised gains on foreign exchange transactions amounted to €442,761.29.

2.7 Marketable securities
Nil.

2.8 Cash
Cash balances in foreign currencies are converted at the closing exchange rate of the financial period. The difference that results from this adjustment is recognised in the year's income statement in foreign exchange gains and losses.

2.9 Provisions for contingencies and charges
A provision for contingencies and charges is recorded when the company has a legal or implicit obligation to a third party arising from a past event, whose amount can be reliably estimated and where it is probable that its settlement will cause an outflow of resources without compensation of at least an equivalent amount.

2.10 Employee benefits
Employee benefits relate to payments due on retirement.
Evaluations of these obligations are carried out annually using the projected unit credit method.

The main actuarial assumptions used for the assessment of employee benefits are:

Tax depreciation period	Coefficient
Discount rate	1.21
Long-term expected inflation rate	1.75
Rate of increase of payrolls used to calculate payments due on retirement	5.00%
Average turnover rate	2.00%
Type of retirement	At the initiative of the employee
Mortality table	INSEE TD/TV 2012 - 2014

These commitments appear under off-balance sheet commitments.

2.11 Public investment subsidies
Nil.

2.12 Tax status
The Company opted for the tax group regime from the year commencing 1st January 2008.

Procedures for allocating corporate tax are:
- tax is calculated as if the Company were taxed separately,
- the savings achieved by the parent company from the tax losses and long-term capital losses of the subsidiary are taken by the latter in its income statement.

However, in accordance with current corporate tax legislation governing the carrying forward of losses, these are reallocated to the subsidiary as and when it generates future profits.

3 • NOTES ON THE BALANCE SHEET

3.1 Fixed assets

(in euros)	Gross value at beginning of financial year	Increase	Decrease	Transfers	Gross value at end of financial year
INTANGIBLE ASSETS					
Goodwill	**343,750,090**	-	-	(343,750,090)	**-**
FINANCIAL ASSETS					
Shares	**758,667,888**	16,998,550	-	643,750,090	**1,419,416,528**
Receivables from shareholdings	**310,584,600**	71,925,099	-	(300,000,000)	**82,509,699**
Deposits & guarantees	**538**	-	-	-	**538**
Loans	**2,755,580**	90,450	-	-	**2,846,029**
TOTAL	**1,415,758,697**	**89,014,099**	**-**	-	**1,504,772,794**

3.2 Receivables

(in euros)	Amount gross	Due in less than one year	Due in more than one year
Trade receivables and related accounts	4,420,668	4,420,668	-
Other receivables*	36,960,878	36,960,878	-
TOTAL	**41,381,546**	**41,381,546**	**-**

*Other receivables comprise €8,781 thousand in trade receivables, €22,463 thousand of tax group receivables, €4,269 thousand of tax receivables, €49 thousand represented by a supplier credit note and €1,399 thousand of other loans.

3.3 Details of prepayments and deferred income

Nil.

4 • NOTES ON BALANCE SHEET LIABILITIES

4.1 Equity

	Situation at the beginning of the year	Balance at 31/12/2015
Equity before distribution of prior year retained profits		724,965,907
Distributions of prior year retained profits		-
Equity after distributions of prior year retained profits		724,965,907
Movements during the year	**Decreases**	**Increases**
Changes in capital	-	-
Distributions of prior year retained profits	-	-
Equity after distributions of prior year retained profits	-	-
Changes in share premium	30,000,000	-
Changes in reserves	-	1,555,680
Changes in investment subsidies	-	-
Changes in untaxed reserves	-	-
Other changes	-	29,557,914
Profit for the year	31,113,593	4,762,541
BALANCE	**61,113,593**	**35,876,135**
	Situation at the end of the year	Balance at 31/12/2016
Equity before appropriation		699,728,448

Share capital
The capital of the company amounts to €237,888,901.80, made up of 180,218,865 shares of €1.32 each.

GROUPE KEOLIS S.A.S. holds 0.17% of its own capital, or 302,000 shares (nominal value €1.32 each), following the acquisition in 2016 of 45,000 shares from FCPE GROUPE KEOLIS ACTIONNARIAT for a total of €458,550.00. These shares do not carry voting rights.

Allocation of net income for the previous year
The General Meeting of 11 May 2016 allocated the profit from the 2015 financial year amounting to 31,113,593.00 euros as follows:

(in euros)	2016
Legal reserve	1,555,680
Other reserves	-
Dividends paid	-
Other transfers	-
Retained earnings	29,557,914

Changes in paid-in capital
The company distributed reserves amounting to €30,000,000.00 from additional paid-in capital, in accordance with the written resolution of the shareholders of 6 October 2016.

4.2 Provisions

4.2.1 Regulated provisions and investment subsidies
Nil.

4.2.2 Provisions for charges

A provision is recorded when the company has a legal or implicit obligation to a third party arising from a past event, whose amount can be reliably estimated and where it is probable that its settlement will cause an outflow of resources.

The tax consolidation agreement obligates the parent company to return to its subsidiaries the tax savings resulting from the use of their tax losses, which it has recorded in its income statement, as soon as they become profitable.

Pursuant to Article 322-1 of Regulation No. 2014.03 of the French Accounting Standards Authority (ANC), a provision has been stated arising from this obligation where restitution in cash of the tax savings is likely.

(in euros)	At 31/12/2015	Charge	Release	At 31/12/2016
Provisions for pensions and similar commitments	-	-	-	-
Tax provisions	5,257,256	4,428,425		9,685,681
Provisions for fixed asset renewals	-	-	-	-
Provisions for major maintenance	-	-	-	-
Provision for tax and welfare contributions on staff leave	-	-	-	-
Other provisions for contingencies and charges	1,039,765	-	1,039,765	-
TOTAL	**6,297,021**	**4,428,425**	**1,039,765**	**9,685,681**

4.3 Liability maturity

At 31 December 2016, the amount of bank borrowings drawn is €660 million and the undrawn balance is €380 million.

(in euros)	Amount gross	Due in less than one year	Due in more than one year
Bank borrowings	560,920,730	920,730	560,000,000
Miscellaneous borrowings (incl. redeemable borrowings)	100,000,000	-	100,000,000
Trade payables and related accounts	4,144,784	4,144,784	-
Tax and social security debts	4,061,699	4,061,699	-
Other liabilities	167,545,897	167,545,897	-
TOTAL	**836,673,110**	**176,673,110**	**660,000,000**

4.4 Accrued liabilities

(in euros)	
Bank borrowings	
Accrued interest	308,500
Trade payables and related accounts	
Suppliers, invoices not yet received	2,438,364
Tax and social security debts	
Staff, accrued charges	1,718,961
Social institutions, accrued charges	767,349
State, accrued charges	37,259
TOTAL ACCRUED LIABILITIES	**5,270,433**

4.5 Exchange differences on receivables and payables in foreign currencies

GROUPE KEOLIS S.A.S. took out a loan (convertible bond) for 3 million dollars. It was re-evaluated on 31 December 2016 at the closing exchange rate of €1 = USD 1.05410 giving rise to an unrealised foreign exchange gain of €442,761.29.

5 • NOTES ON THE INCOME STATEMENT

5.1 Analysis of turnover
The company generates all of its turnover in France.

5.2 Details of other operating income and expense

Income (in euros)	
Settlement differences	22
TOTAL	22

Expenses (in euros)	
Attendance fees	355,000
Settlement differences	4
TOTAL	355,004

5.3 Share of profit of joint ventures
Nil.

5.4 Transfers of expenses
Nil.

5.5 Gains and losses relating to prior years
Nil.

5.6 Financial income and expenses

(in euros)	Financial income	Financial expense	Balance
Income from shareholdings	-	-	-
Interest on loans	-	(7,113,114)	(7,113,114)
Losses/receivables related to shareholdings	1,043,158	-	1,043,158
Other financial income and expense	-	(984,466)	(984,466)
TOTAL	**1,043,158**	**(8,097,580)**	**(7,054,422)**

5.7 Corporate income tax
The corporate income tax for the year consists of:

(in euros)	Profit before tax	Tax due	Net profit
Current	(12,501,965)	-	(12,501,965)
Exceptional	(88)	-	(88)
Tax integration	-	(18,164,594)	(18,164,594)
Exceptional contribution	-	900,000	(900,000)
TOTAL	**(12,502,053)**	**(17,264,594)**	**4,762,541**

5.8 Exceptional income and expense
(in euros)

Exceptional expenses	
Tax penalties	88
TOTAL	88

6 • OTHER INFORMATION

6.1 Related party transactions

No disclosures are made concerning related party transactions insofar as these transactions are undertaken according to normal market conditions.

6.2 Financial instruments

GROUPE KEOLIS S.A.S. uses derivative financial instruments to manage its exposure to financial risks resulting from its financial and investing activities:

- interest rate risk;
- foreign exchange risk interest rate risk;

At the end of the financial year, unrealised gains are not recognised in the accounts. Unrealised losses are accounted for except when they relate to instruments qualified as hedging and falling within one of the following two cases:

- to hedge underlying items in the balance sheet which have not been revalued;
- to hedge future cash flows expected in a future year, under the principle of matching the accounting impact in the same financial year.

The gains and losses realised are reported in the same income statement as the income and expenses on the hedged item.

Interest rate and foreign exchange derivative financial instruments are traded with first-class bank counterparties in accordance with the Group's counterparty risk management policy. Consequently, the counterparty risk can be regarded as negligible.

6.2.1 Interest rate risks relating to variable-rate borrowings

The Group's interest rate risk exposure results from its financial debt. This financial debt mainly relates to its confirmed syndicated loan agreement dated 12 July 2013 arranged with a syndicate of 13 banks for a nominal amount of €800 million, maturing on 12 July 2018.

In January 2016 a credit line was arranged by GROUPE KEOLIS S.A.S. to finance the acquisitions made by the Group in 2015. This line was drawn down on 7 January 2016 for a 5 year period.

On 11 June 2015, an amendment was signed to renegotiate the borrowing conditions of the credit line, increase its nominal amount to €900 million, and extend its maturity until 11 June 2020 or 11 June 2022 if the two options to extend maturity by a year are exercised.

On 26 May 2016, the maturity date of the €900 million syndicated loan was extended by a year to 11 June 2021.

To cover the interest rate risk, the Group uses standard, liquid and market-available derivative financial instruments:

- swaps,
- cap calls,
- floor puts if tied with cap calls to create a symmetrical or asymmetrical collar;
- sales of caps to unwind an existing cap or to realise a cap spread,
- floor calls, in particular to buy back floors that constitute asymmetrical collars;

The distribution of GROUPE KEOLIS S.A.S.' debt between fixed and variable rates, without taking into account the derivatives portfolio is as follows:

(€ million)	31/12/2016	31/12/2015
Variable rates	660.0	620.0
Fixed rates	-	-
LOANS AND FINANCIAL DEBTS NET OF ACCRUED INTEREST	**660.0**	**620.0**
Cash and cash equivalents at variable rates	(8.4)	(35.8)
Cash and cash equivalents at fixed rates		
TOTAL CASH AND CASH EQUIVALENTS	**(8.4)**	**(35.8)**
Accrued interest receivable	(0.1)	(0.6)
Variable rate financial receivables	(82.4)	(310.0)
Premiums	(0.1)	(0.3)
Loans and guarantees	(4.0)	(3.7)
Accrued interest payable	-	-
NET FINANCIAL DEBT	**564.9**	**269.5**

GROUPE KEOLIS S.A.S. is subject to variations in interest rates on the part of its net debt at variable rates. At 31 December 2016, an immediate increase of 50 basis points of market interest rates, based on unchanged net debt, would increase the annual cost of debt by €0.9 million and in parallel would leave financial income in cash and cash equivalents virtually unchanged, and also would increase the financial income of variable rate receivables by €0.4 million.

An immediate increase of 50 basis points in market interest rates on the hedge portfolio would increase the annual cost of debt by €0.4 million.

Taking into account the impact of interest rate hedges, an immediate increase of 50 basis points in market interest rates on an unchanged amount of net debt would reduce the net annual debt cost by 0.9 million.

Equally, an immediate decrease of 50 basis points in market interest rates on an unchanged amount of net debt, taking into account the impact of interest rate hedges, would increase the net annual debt cost by 1.8 million.

At 31 December 2016, the available, confirmed and undrawn syndicated credit facility is €380 million. This credit line is available to GROUPE KEOLIS S.A.S. and Keolis S.A.

6.2.2 Foreign exchange risk

The company GROUPE KEOLIS S.A.S., given its status as the parent company of the Group, carries out net investments in foreign currencies in the capital of its foreign subsidiaries. To cover the foreign exchange risk engendered by these investments, GROUPE KEOLIS S.A.S. uses derivative financial instruments for limited amounts. Management's objective is to protect the reference exchange rate defined for the year.
The instruments used by the Group are standard, liquid and market-available:
- forward and futures sales and purchases;
- foreign exchange swaps;
- call options;
- put options in combination with call options to provide symmetric or asymmetric collars.

At 31 December 2016, GROUPE KEOLIS S.A.S. had no open foreign exchange positions.

6.2.3 Other financial commitments

The main source of finance of GROUPE KEOLIS S.A.S. is its confirmed syndicated loan agreement dated 12 July 2013 arranged with a syndicate of 13 banks for a nominal amount of €800 million, maturing on 12 July 2018.

On 11 June 2015, an amendment was signed to renegotiate the borrowing conditions of the credit line, increase its nominal amount to €900 million, and extend its maturity until 11 June 2020.

In January 2016 a credit line was arranged by GROUPE KEOLIS S.A.S. to finance the acquisitions made by the Group in 2015. This line was drawn down on 7 January 2016 for a 5 year period.

On 20 February 2016, Keolis S.A. became an additional borrower on the €900 million syndicated loan. This modification allows Keolis S.A. to improve its liquidity and its financing capacity by having a direct access to this external source of borrowing.

On 26 May 2016, the maturity date of the €900 million syndicated loan was extended by a year to 11 June 2021.

On 7 August 2016 a bilateral bank loan agreement was set up for €40 million maturing on 7 August 2019, replacing a previous agreement for €20 million. The nominal amount drawn down at 31 December 2016 is €40 million.

At 31 December 2016, the available, confirmed and undrawn syndicated credit facility is €380 million. This credit line is available to GROUPE KEOLIS S.A.S. and Keolis S.A.

6.3 Pension and long service award commitments

6.3.1 Retirement payment liabilities

The amount of retirement payment liabilities at 31 December 2016 stands at 394,204 euros.
This sum is not provided for in the annual financial statements and appears under financial commitments.

6.4 Information on leasing

Nil.

6.5 Information on CPF

The *compte personnel de formation* (CPF) which replaced the droit individual de formation (DIF) on 1 January 2015, is funded by the single contribution to the state-approved collecting bodies which are now responsible for its management.

6.6 Identity of the consolidating company

The Company belongs a group whose consolidating company is SNCF PARTICIPATIONS, incorporated and domiciled in France, under SIRET number 572 150 977 01813, whose headquarters is located at 2 Place aux Étoiles - CS 70001 - 93633 LA PLAINE ST DENIS CEDEX.
The Company's accounts are fully consolidated within the consolidated accounts of SNCF PARTICIPATIONS.

6.7 Information on subsidiaries and investments

NAME & REGISTERED OFFICE	Capital	Shares held %	Gross value of shares	Loans, advances	Revenue
KEOLIS S.A.	346,851,276	100%	778,230,835	64,270,007	200,348,991
EFFIA	3,136,000	100%	276,430,523	-	16,318,697
KLP02	16,510,000	100%	16,510,000	26,890,000	-
KLP13	10,000	100%	10,000	-	-
KLP14	10,000	100%	10,000	-	-
KLP15	10,000	100%	10,000	-	-
20 - 22 RUE LE PELETIER 75009 PARIS					

NAME & REGISTERED OFFICE	Equity	Dividends received	Net value of shares	Guarantees	Profit for the year
KEOLIS S.A.	487,262,344	-	778,230,835	-	(4,172,555)
EFFIA	32,180,462	-	276,430,523	-	193,959
KLP02	16,510,000	-	16,510,000	-	-
KLP13	10,000	-	10,000	-	-
KLP14	10,000	-	10,000	-	-
KLP15	10,000	-	10,000	-	-
20 - 22 RUE LE PELETIER 75009 PARIS					

7 • SIGNIFICANT POST-BALANCE SHEET EVENTS

There are no significant post balance sheet events to report.

Statutory auditors' report on the financial statements (For the year ended December 31, 2016)

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report also includes information relating to the specific verification of information given in the management report and in the document addressed to shareholders.
This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2016, on:
- the audit of the accompanying financial statements of GROUPE KEOLIS S.A.S. ;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company at December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.
Without qualifying our opinion, we draw your attention to the notes 2 and 2.4.1 which set out the change in the accounting method introduced by the ANC 2015-06 regulation concerning the accounting treatment of technical losses from mergers and which led, on January 1st, 2016 and prospectively, to a reassignment in the balance sheet of these technical losses, previously presented on the line "Goodwill", to the line "Other shareholdings".

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code du commerce) relating to the justification of our assessments, we inform you of the following :

Change in accounting method

As part of our assessment of the accounting rules and methods followed by our company, we ensured of the correct application of the change in accounting method introduced by the ANC 2015-06 regulation and the presentation made.

Accounting estimates:

As part of our assessment, we inform you that the assessments made by us focused on the appropriateness of the accounting principles used and the reasonableness of the significant estimates made by the management relating particularly to the following matters:

- measure the recoverable amount of goodwill resulting from technical losses on mergers (§2.4.1 of the notes);
- measure the value in use of financial investments (§2.4 of the notes);
- measure the current tax provision made in application of the tax consolidation regime (§4.2.2 of the notes).

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Executive Board and in the documents addressed to shareholders with respect to the financial position and the financial statements.

According to the law, we have ensured that the information related with acquisitions of subsidiaries or increases in their share capital were communicated to you in the management report.

Neuilly-sur-Seine, March 3, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit

French original signed by
Françoise Garnier-Bel

Deloitte & Associés

French original signed by
Bertrand Boisselier