HALF YEAR REPORT, 2018

NV Nederlandse Spoorwegen

NV Nederlandse Spoorwegen Half year report 2018 for the six-months period ended 30 June 2018

Condensed consolidated statement of income for the six months period ending on 30 June 2018 NV Nederlandse Spoorwegen

(in millions of euros)

	Note	first six months 2018	2017
Revenue	6)	2,871	2,529
Operating expenses		-2,858	-2,545
Share in result of equity accounted investees, accounted for using the equity method		6	6
Result from operating activities		**19**	**-10**
Net finance income		-7	-3
Result before income tax		**12**	**-13**
Income tax	7)	-6	-1
Result for the period		**6**	**-14**
Attributable to:			
Equity holder of the Company		4	-14
Minority interest		2	-
Result for the period		**6**	**-14**

Condensed consolidated statement of comprehensive income
for the six months period ending on 30 June 2018
NV Nederlandse Spoorwegen

(in millions of euros)	**first six months**	
	2018	**2017**
Result for the period	6	-14
Other comprehensive income that is or may be classified into the income statement	9	-5
Other comprehensive income not being reclassified into the income statement	15	7
Other comprehensive income recognised directly in equity	**24**	**2**
Total comprehensive income	**30**	**-12**
Attributable to:		
Equity holder of the Company	25	-12
Minority interest	5	-
Total comprehensive income	**30**	**-12**

Condensed consolidated balance sheet
as at 30 June 2018
NV Nederlandse Spoorwegen

(in millions of euros)	Note	30 June 2018	31 December 2017
Assets			
Property, plant and equipment		3.818	3.845
Investment property		156	170
Intangible non-current assets		380	357
Investments recognised using the equity method		15	26
Other financial assets, including investments	1)	177	158
Deferred tax assets		249	260
Total non-current assets		**4.795**	**4.816**
Other current assets		925	833
Cash and cash equivalents		907	565
Total current assets		**1.832**	**1.398**
Total assets		***6.627***	***6.214***
Equity and liabilities			
Total equity	2)	**3.500**	**3.477**
Deferred credits		294	314
Loans and other financial liabilities, including derivatives	3)	748	551
Employee benefits		30	30
Provisions		103	114
Accruals		15	21
Deferred tax liabilities		57	59
Total non-current liabilities		**1.247**	**1.089**
Loans and other financial liabilities, including derivatives	3)	103	201
Other current liabilities		1.777	1.447
Total current liabilities		**1.880**	**1.648**
Total liabilities		**3.127**	**2.737**
Total equity and liabilities		***6.627***	***6.214***

Condensed consolidated cash-flow statement for the six months period ending on 30 June 2018 NV Nederlandse Spoorwegen

(in millions of euros)	first six months	
	2018	**2017**
Profit for the period	**6**	**-14**
Adjustments for:		
Depreciation and amortisation	176	164
Impairment losses	0	2
Other changes	5	-13
	187	**139**
Changes in working capital and other positions	253	-153
	440	**-14**
Finance expenses paid and income tax paid	-26	-26
Net cash flow from operating activities	**414**	**-40**
Finance revenues received	7	4
Dividend from investments recognised using the equity method	15	7
Acquisition of assets (tangible and intangible)	-349	-324
Acquisition of property investments	0	-1
Disposal of assets (tangible and intangible)	194	5
Receipts/payments for other investments	0	0
Disposal of financial assets, including investments	1	11
Acquisition of financial assets, including investments	-11	-19
Net cash from investment activities	**-143**	**-317**
Net cash from operating and investment activities	**271**	**-357**
Repayment of loans taken out	-222	-56
Long-term loans and other financial liabilities taken out	300	340
Dividend paid	-8	-79
Net cash from financing activities	**70**	**205**
Net increase/decrease in cash and cash equivalents	**341**	**-152**
Cash and cash equivalents as at 1 January	565	743
Effect of exchange rate fluctuations on cash held	1	-9
Cash and cash equivalents as at 30 June	**907**	**582**

Condensed consolidated statement of changes in equity in the six months period ending on 30 June 2018 NV Nederlandse Spoorwegen

(in millions of euros)	Subscribed share capital	Miscellaneous reserves	Retained profits	Total	Minority participating interest	Total equity
Balance as at 1 January 2017	1.012	35	2.464	3.511	-	3.511
Realised and non-realised profits over the period						
Profit for the period			-14	-14	-	-14
Non-realised profit		2		2		2
Total recognised profit for the period	-	2	-14	-12	-	-12
Transactions with owners, recognised directly in equity						
Dividend paid to shareholders			-79	-79		-79
Balance as at 30 June 2017	**1.012**	**37**	**2.371**	**3.420**	-	**3.420**

(in millions of euros)	Subscribed share capital	Miscellaneous reserves	Retained profits	Total	Minority participating interest	Total equity
Balance as at 1 January 2018	1.012	56	2.408	3.476	1	3.477
Realised and non-realised profits over the period						
Profit for the period			4	4	2	6
Non-realised profit		21		21	3	24
Total recognised profit for the period	-	21	4	25	5	30
Transactions with owners, recognised directly in equity						
Other movements		-12	13	1		1
Dividend paid to shareholders			-8	-8		-8
	-	-12	5	-7	-	-7
Balance as at 30 June 2018	**1.012**	**65**	**2.417**	**3.494**	**6**	**3.500**

Explanatory notes to the condensed consolidated Half year Report for 2018

General explanatory notes

Reporting entity

NV Nederlandse Spoorwegen has its registered office in Utrecht, Netherlands.
The company's consolidated Half year report for 2018 covers the company and its subsidiaries (hereinafter referred to as the 'Group') and the Group's share in associates and companies that it controls jointly with third parties. NV Nederlandse Spoorwegen is the holding company of NS Groep, which in turn is the holding company of the operating companies that carry out the Group's various business operations.

The Half year report is published in both English and Dutch. In the event of any discrepancies between the Dutch and the English version, the information in the Dutch version prevails.

Statement of compliance

This condensed consolidated Half year report was prepared in accordance with IAS 34 - *Interim financial reporting.* It does not contain all the information that is required for full financial statements and it should be read in combination with the Group's consolidated financial statements for 2017.

This condensed consolidated Half year report has been drawn up by the Executive Board, and discussed and approved by the Supervisory Board on 15 August 2018. This condensed consolidated half year Report has been reviewed by Ernst & Young Accountants LLP, but it has not been audited.

Significant accounting policies

The accounting policies for the Group's financial reporting that are applied in this condensed consolidated interim report are the same as were applied in the consolidated financial statements for the 2017 financial year, with the exception of IFRS 15 and IFRS 9. The IFRS standards that changed as of 1 January 2018 did not materially affect the six-monthly figures.

IFRS 15 – Revenue from Contracts with Clients

IFRS 15 provides an extensive framework for deciding whether and when to recognise revenue and if so, how much. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The Group applied IFRS 15 using the cumulative effect method (without practical expedients), with the initial application of this standard effective on the date of first application (i.e. 1 January 2018). The application of IFRS 15 has no impact on the statement of financial position or income statement compared with recognition under previous guidelines.

IFRS 9 – Financial Instruments

IFRS 9 contains requirements for the recognition and measurement of financial assets, financial liabilities and some contracts for the acquisition or sale of non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.
The details of the new significant accounting policies for financial reporting and the nature and effect of the changes with respect to the previous measurement policy are set out below.

Classification and measurement of financial assets and financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the following IAS 39 categories for financial assets: 'held to maturity', 'loans and receivables' and 'available for sale'. The application of IFRS 9 has not had a significant effect on the Group's accounting policies for

financial reporting with respect to financial liabilities and derivatives. The impact of IFRS 9 on the classification and measurement of financial assets is set out below. Under IFRS 9, a financial asset was measured on initial recognition at 'amortised cost', 'fair value recognised through comprehensive income — investments in debt instruments', 'fair value recognised through comprehensive income — investments in equity instruments' or 'fair value through the income statement'. The classification of financial assets under IFRS 9 is based on the NS business model within which the financial asset is managed and the characteristics of the contractual cash flows.
The following accounting policies for financial reporting apply to the application of subsequent measurements of financial assets.

Financial assets in the case of fair value via the income statement
These assets are subsequently valued at their fair value. Net profits and losses, including any interest or dividend income, are recognised in the income statement.

Financial assets at amortised cost
These assets are subsequently valued at amortised cost using the effective interest method. Impairment losses are deducted from the amortised cost. Interest income, exchange rate gains and losses, and impairments are recognised in the income statement. Any profit or loss as a result of the removal from the balance sheet is recognised in the income statement.

Fair value recognised via comprehensive income — investment in debt instruments
These assets are subsequently valued at their fair value. Interest income is calculated using the effective interest method; exchange-rate gains and losses, and impairments are recognised in the income statement. Other net profits and losses are recognised in comprehensive income. On derecognition, the cumulated profits and losses in the comprehensive income are reclassified to the income statement.

Fair value recognised via comprehensive income — investment in equity instruments
These assets are subsequently valued at their fair value. Dividends are recognised as revenue in the income statement unless the dividend clearly essentially constitutes recovery of part of the costs of the investment. Other net profits and losses are recognised in comprehensive income and are never reclassified to the income statement.

The following table gives an explanation of the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets in the Group as at 1 January 2018.

(in millions of euros)

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
Interest in shares	Available for sale financial assets	Fair value through other comprehensive income - investment in shares	36	36
Interest in bonds	Available for sale financial assets	Fair value through other comprehensive income - investment in debt	12	12
Loans and receivables	Loans and receivables	Amortised costs	63	63
Financial leases	Loans and receivables	Amortised costs	45	45
Other financial fixed assets	Loans and receivables	Amortised costs	2	2

Impairment of financial assets
IFRS 9 replaces the 'incurred credit loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets valued at amortised cost, contract assets, and investments in debt investments when the fair value is recognised via the comprehensive income, but not to investments in equity instruments. Credit losses are recognised at an earlier stage in IFRS 9 than in IAS 39. This change has not led to material adjustments to the Group's figures.

Hedge accounting
The Group has elected to continue with the hedge accounting requirements of IAS 39. As a consequence, no changes were made.

New guidelines for 2019
The Group is currently investigating the consequences of IFRS 16 — *Leases*, application of which is mandatory as of the 2019 financial statements.

A new standard, IFRS 16 *Leases*, was published on 13 January 2017. Applying this standard will be mandatory as of 1 January 2019. The way lease contracts are dealt with in the accounts will change fundamentally. IFRS 16 eliminates the current recognition model, in which a distinction is made between finance leases (on-balance-sheet) and operating leases (off-balance-sheet). Instead, there will be a single model for recognition, comparable to the current finance lease accounting. The Group has started with the implementation of this guideline. This guideline is expected to have a major impact on the Group's balance sheet and profit, and it will result in a substantial expansion of the balance sheet due to the operating lease contracts for rolling stock in other countries. However, the impact on the income statement and statement of financial position will not have any significant consequences for NS.

Estimates and assessments
The preparation of the Half year Report requires the Executive Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, and income and expenses. The estimates and corresponding assumptions are based on experiences from the past and various other factors that could be

considered reasonable under the circumstances. The actual outcomes may differ from these estimates.

Unless stated otherwise, the key assumptions formed by the management when applying the Group's accounting policies for financial reporting while drawing up the consolidated Half year report and the key sources of estimates are consistent with the opinions and sources that were used when drawing up the consolidated financial statements for the financial year 2017.

Financial risk management
The Group's objectives and policy with regard to financial risk management are the same as the objectives and policy set out in the consolidated financial statements for 2017.

Acquisition and sale of equity interests
No acquisitions or sales of equity interests took place in the first six months of 2018.

Notes to the consolidated balance sheet

1) Other financial non-current assets, including investments

The 'Other financial non-current assets, including investments' can be specified as follows:

(in millions of euros)

	30 June 2018	31 December 2017
Other financial assets included in the fixed assets		
Interest in shares	36	36
Interest in bonds	21	12
Loans and receivables	64	63
Financial leases	46	45
Comodity derivatives	8	-
Other financial fixed assets	2	2
Total	**177**	**158**

There are no material differences between the carrying amounts and fair values of the financial assets and liabilities recognised in the statement of financial position. The interests in equity securities, bonds and commodity derivatives are measured at fair value.
Cash and cash equivalents amounted to €907 million as at 30 June 2018 (€565 million as at 31 December 2017).

2) Shareholders equity and dividends

The financial statements for 2017 and the profit appropriation were adopted in the shareholders' meeting of 20 March 2018. In accordance with the proposal, a sum of €16 million from the profit over the reporting period of €24 million was added to the reserves and a sum of €8 million was paid out as a dividend.

3) Loans and other financial liabilities, including derivatives

The total amount in loans and other financial liabilities can be specified as follows:

(in millions of euros)	30 June 2018	31 December 2017
Non-current liabilities		
Private and other loans	645	465
Financial lease obligations	38	32
Other financial obligations	63	48
Interest rate swaps used for hedging	2	2
Commodity derivatives	-	4
Total	**748**	**551**
Short-term liabilities		
Private and other loans	86	181
Commodity derivatives	2	1
Current account financial institutions	15	19
Total	**103**	**201**
Total liabilities	**851**	**752**

When determining the value of interest swaps and commodity derivatives used for hedging, the Group uses valuation methods in which all the significant data required is derived from published market data.

4) Settlement of claims and irregularities

Authority for Consumers and Markets (ACM)

In its judgement of 6 March 2015, the ACM concluded that NS had infringed Sections 67 and 71 of the Railways Act by not making a reasonable offer in the Limburg tendering process for locations for service desks, break rooms, emergency button facilities, check-in/check-out posts, energy costs, dealing with disruptions and journey information (Section 67 of the Railways Act). In addition, the ACM concluded that NS shared sensitive competitive information from Veolia and others with Abellio and Qbuzz (Section 71 of the Railways Act). On 22 May 2017, the ACM ruled that NS had acted in violation of Section 24 of the Competitive Trading Act and Section 102 of the Treaty on the Functioning of the European Union. The ACM therefore imposed a penalty of €40.95 million on NS. Based on a norm framework that the ACM itself devised, the ACM concluded that NS's offer did not satisfy the 'internal rate of return' requirement. This approach taken by the ACM is new and has far-reaching consequences for the rail sector and future tenders and investments by NS. In view of this, NS lodged an objection to the decision. NS disputes the suggestion that it made a loss-making offer in the public transport tender in Limburg. The bid also satisfied the 'internal rate of return' requirement. NS therefore disagrees with the ACM's ruling and the supporting arguments for the decision. NS has submitted a notice of objection, asking the ACM to reconsider its decision. On 29 March 2018, the ACM dismissed NS's objections. NS has lodged a (pro forma) appeal against the ruling on the objection. The penalty was paid in 2017 and charged to the income statement in 2017. Given that the outcome of the objection process is uncertain and any receivables from the ACM as a result of the objection process outcome do not satisfy the IFRS criterion of 'virtually certain', NS has not recognised any associated receivables as at 30 June 2018.

Public Prosecution Service
The Public Prosecution Service (specifically, the Office for Financial, Economic and Environmental Offences in 's-Hertogenbosch) started an investigation in 2015 into possible criminal acts in connection with the tendering process for public transport in Limburg. The investigation focused on the actions and circumstances surrounding an alleged arrangement regarding the disclosure of business secrets. The suspected parties include the companies NS Groep NV, Qbuzz BV, Abellio Transport Holding BV and Abellio Nederland BV. In February 2016, NS Groep NV received the final report of the criminal investigation. The Public Prosecution Service then issued NS Groep NV with a summons. The substantive proceedings took place in the second half of 2017. On 21 December 2017, the district court of Oost-Brabant acquitted NS of two of the offences with which NS was charged and ruled that the Public Prosecution Service was not allowed to prosecute in the case of a third offence with which NS was charged.

The Public Prosecution Service has appealed against the ruling of 21 December 2017. At present, no reliable indication can be given of the outcome of this and the financial consequences (the size of any fine, out-of-court settlement etc.). As a result, no provision has been included for this.

Other matters
There is an inherent risk that additional claims will follow as a result of the irregularities that have been observed. The claims mentioned above could have a material impact on the results and equity position of NS. Because the outcome cannot be reliably estimated at this point in time, no provisions have been made for this.

5) Off-balance-sheet liabilities

Investment commitments
At the end of June 2018, the Group had outstanding investment commitments of €1,268 million (31 December 2017: €1,437 million), primarily for purchasing rolling stock and investments in station surroundings.

Energy commitments in the Netherlands
In 2014, the Group signed a ten-year contract (2015-2024) with Eneco for the supply of 'green' traction electricity for the rolling-stock fleet in the Netherlands. As at 30 June 2018, the purchasing commitments were €213 million (31 December 2017: €227 million).

Explanatory notes to the consolidated income statement

6) Revenue/changes in profits

The following table gives a breakdown of the revenue by transport category and geographical area.

(in millions of euros)	first six months	
	2018	**2017**
Train related transport in the Netherlands	1,234	1,197
Bus related transport in the Netherlands	-	99
Station developement and exploitation in the Netherlands	289	284
Train related transport in the United Kingdom	1,072	723
Bus related transport in the United Kingdom	108	109
Train related transport in Germany	168	117
	2,871	**2,529**

Revenue increased by €342 million compared with the first half of 2017 to €2,871 million in the first six months of 2018. This is largely due to the start of the West Midlands franchise in December 2017 (in the United Kingdom), the increase of our interest in WestfalenBahn from 25% to 100% as of 6 December 2017 and the start of the Emsland und Mittelland franchise (in Germany). NS disposed the Qbuzz operations (bus transport in the Netherlands) in 2017.

The loss in the first half of 2017 was largely caused by the penalty of €40.95 million imposed by the ACM, against which NS has appealed. The Dutch passenger transport company saw a positive development in profits in the first six months of 2018, in part due to increased revenue.

Furthermore, the result for the first half of 2018 was influenced by a change in the estimation for the franchise settlement mechanism for our East Anglia franchise in the United Kingdom, which had a total negative impact on the result of €19 million. This amount comes from using an index that assumes a correlation with the growth in the number of passengers and associated revenue from passenger transport. This index gives greater growth in passenger numbers than the actual growth and the forecast growth in passenger numbers at the time of the bid for this franchise in the United Kingdom. This resulted in a higher franchise fee being claimed by the franchise authority, the Department of Transport, for the periods up to 1 January 2018. NS does not agree with this higher franchise fee and will lodge an objection.

The challenges for the future in meeting the objectives (cost savings) are as great as ever.

7) Corporate income tax

(in millions of euros)

	first six months	
	2018	**2017**
Result before taxation	12	-13
Taxes on profits according to the Dutch tax band for corporate income tax (25% in 2018 and 2017).	-3	3
Permanent differences	-	-10
Effect of the tax rates of foreign jurisdictions	-2	6
Miscellaneous corrections	-1	-
	-6	**-1**

8) Seasonal effects
Seasonal effects have no material effect on the figures.

9) Staff
The average number of employees expressed in FTEs increased from 31,404 in 2017 to 33,149 in the first six months of 2018. The number as at 31 December 2017 was 33,037.

10) Related parties
Transactions with related parties are conducted on an arm's-length basis.

All issued shares are held by the State of the Netherlands. One significant transaction with an enterprise that has a relationship with the State (DUO, the Dutch Education Executive Agency) is the revenue received for student railcards (€226 million in the first six months of 2018, €238 million in the first six months of 2017).

The following transactions took place with ProRail BV, an enterprise with links to the State:
- The access charge for the Dutch rail infrastructure was €157 million in the first half of 2018 (€153 million in the first half of 2017).
- For the financing of commercial facilities at stations (New Key Projects), as at 30 June 2018 NS had no undertakings to make payments to ProRail BV (€1 million as at 31 December 2017). In the first six months of 2018, €0 was paid to ProRail BV (€5 million in the first six months of 2017).

The Group has a 5.8% participating interest in EUROFIMA. The following transactions and balance-sheet positions apply for this party.

(in millions of euros)	first half of 2018	first half of 2017
transactions		
Interest expenses	-	-
	30 June 2018	**31 December 2017**
balance sheet positions		
Private loans (short-term and long-term)	30	30

There were no further significant transactions with related parties.

Other information

Events after the balance-sheet date

No events that require clarification took place after the balance-sheet date between 30 June 2018 and publication of this six-monthly report.

Utrecht, 15 August 2018

Executive Board

R.H.L.M. van Boxtel, CEO
S.M. Zijderveld, Chief Governance, Risk & Compliance Officer
H.L.L. Groenewegen, Finance Director
W.E.F. Rintel, Director of Operations
T.B. Smit, Director of Commerce & Development

Review report

To: the shareholder of N.V. Nederlandse Spoorwegen

Introduction

We have reviewed the accompanying condensed consolidated interim financial information over the period 1 January 2018 to 30 June 2018 (hereinafter: Interim financial information) of N.V. Nederlandse Spoorwegen, Utrecht, which comprises the condensed income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes of equity and the notes, including an overview of the significant accounting policies and other disclosures. The board of directors of the company is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information over the period 1 January 2018 to 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

Amsterdam, 15 August 2018

Ernst & Young Accountants LLP

signed by J. Verhagen