HALF YEAR REPORT, 2017

NV Nederlandse Spoorwegen

NV Nederlandse Spoorwegen Half year report 2017 for the six-months period ended 30 June 2017

Condensed consolidated income statement
NV Nederlandse Spoorwegen

(in millions of euros)	Note	first six months 2017	first six months 2016
Revenue		2.529	2.573
Operating expenses		-2.545	-2.509
Share in result of equity accounted investees, accounted for using the equity method		6	23
Result from operating activities		**-10**	**87**
Net finance income		-3	-7
Result before income tax		**-13**	**80**
Income tax	8)	-1	-11
Result for the period		**-14**	**69**
Attributable to:			
Equity holder of the Company		-14	69
Minority interest		-	-
Result for the period		**-14**	**69**

Condensed consolidated statement of comprehensive income
NV Nederlandse Spoorwegen

(in millions of euros)	first six months 2017	2016
Result for the period	-14	69
Other comprehensive income that is or may be classified into the income statement	-5	10
Other comprehensive income not being reclassified into the income statement	7	5
Other comprehensive income recognised directly in equity	**2**	**15**
Total comprehensive income	**-12**	**84**
Attributable to:		
Equity holder of the Company	-12	84
Minority interest	-	-
Total comprehensive income	**-12**	**84**

Condensed consolidated balance sheet
NV Nederlandse Spoorwegen

(in millions of euros)	Note	30 June 2017	31 December 2016
Assets			
Property, plant and equipment		3.797	3.654
Investment property		177	197
Intangible non-current assets		274	257
Investments recognised using the equity method		38	39
Other financial assets, including investments	1)	264	267
Deferred tax assets		232	229
Total non-current assets		**4.782**	**4.643**
Total current assets	2)	**1.522**	**1.716**
Total assets		***6.304***	***6.359***
Equity and liabilities			
Total equity	3)	**3.420**	**3.511**
Deferred credits		317	328
Loans and other financial liabilities, including derivatives	4)	517	293
Employee benefits		30	31
Provisions		109	100
Accruals		28	36
Deferred tax liabilities		161	160
Total non-current liabilities		**1.162**	**948**
Total current liabilities	2)	**1.722**	**1.900**
Total liabilities		**2.884**	**2.848**
Total equity and liabilities		***6.304***	***6.359***

Condensed consolidated cash flow statement
NV Nederlandse Spoorwegen

	first six months	
(in millions of euros)	**2017**	**2016**
Profit for the period	**-14**	**69**
Adjustments for:		
Depreciation and amortisation	164	163
Impairment losses	2	-1
Other changes	-13	-5
	139	**226**
Changes in working capital	-153	216
	-14	**442**
Finance expenses paid and income tax paid	-26	-22
Net cash flow from operating activities	**-40**	**420**
Finance revenues received	4	15
Dividend from investments recognised using the equity method	7	29
Acquisition of assets (tangible and intangible)	-324	-333
Acquisition of property investments	-1	-2
Disposal of assets (tangible and intangible)	5	14
Receipts/payments for other investments	0	30
Disposal of financial assets, including investments	11	13
Acquisition of financial assets, including investments	-19	-26
Net cash from investment activities	**-317**	**-260**
Net cash from operating and investment activities	**-357**	**160**
Repayment of loans taken out	-56	-159
Long-term loans and other financial liabilities taken out	340	195
Dividend paid	-79	-41
Net cash from financing activities	**205**	**-5**
Net increase/decrease in cash and cash equivalents	**-152**	**155**
Cash and cash equivalents as at 1 January	743	671
Effect of exchange rate fluctuations on cash held	-9	-
Cash and cash equivalents as at 30 December	**582**	**826**

As at 30 June 2017, 29 million (31 December 2016: €34 million) cash and cash equivalents have been presented as ‘held for sale’ under the current assets.

Condensed consolidated statement of changes in equity
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 2016	1.012	3	2.294	3.309	-	3.309
Realised and non-realised profits over the period						
Profit for the period			69	69	-	69
Non-realised profit		15		15		15
Total recognised profit for the period	-	15	69	84	-	84
Transactions with owners, recognised directly in equity						
Dividend paid to shareholders			-41	-41		-41
Balance as at 30 June 2016	**1.012**	**18**	**2.322**	**3.352**	-	**3.352**

(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**

Notes to the condensed consolidated Half year report for 2017

General explanation

Reporting entity
NV Nederlandse Spoorwegen has its registered office in Utrecht, Netherlands.
The company's consolidated Half year report for 2017 includes the company and its subsidiaries (hereinafter collectively 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.

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
The condensed consolidated Half year report has been drawn up in accordance with IAS 34, *Interim Financial Reporting*. It does not contain all the information that is required for the complete annual financial statements and it should be read in conjunction with the Group's consolidated financial statements for 2016.

The condensed consolidated Half year report has been drawn up by the Executive Board and it was discussed and approved by the Supervisory Board on 10 August 2017. The condensed consolidated Half year report has been reviewed by Ernst & Young Accountants LLP, but it has not been formally audited.

Significant accounting policies
Unless stated otherwise, the Group's financial reporting accounting policies as used in this condensed consolidated Half year report are consistent with those used in the consolidated financial statements for the financial year 2016. The IFRS standards that were modified as of 1 January 2017 have had no material effect on the half year figures.

Estimates and assessments
The preparation of the Half year report requires judgements by the management, including 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 experience from the past and various other factors that could be considered reasonable under the circumstances. The actual outcomes achieved 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 2016.

Financial risk management
The objectives and the policy of the Group relating to financial risk management are in line with the objectives and the policy set out in the consolidated financial statements for 2016.

Acquisition and sale of equity interests

Dilution of the Greater Anglia share

The Group signed a contract on 17 January 2017 in which it sold 40% of its interest in Greater Anglia to Mitsui. The interest in Greater Anglia has been fully consolidated, with the minority interest being accounted for as a financial instrument under ‘Other financial obligations’ (see note 4) and it has been valued at an amortised cost.

Notes to the consolidated balance sheet

1) Other financial assets, including investments

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

(in millions of euros)	30 June 2017	31 December 2016
Other non-current financial assets, including investments		
Available-for-sale financial assets	87	89
Loans and receivables	127	127
Financial leases	28	29
Other investments	22	22
Total	**264**	**267**
Other financial assets included in the current financial assets		
Deposits	-	-
Total	**-**	**-**

The book values of the financial assets and liabilities recognised in the balance sheet do not materially differ from the fair values. Cash and cash equivalents amounted to €553 million as at 30 June 2017 (€709 million as at 31 December 2016).

2) Current assets/current liabilities

In line with last year, Qbuzz has been classified as 'held for sale' as at 30 June 2017. The total assets and liabilities have therefore been accounted for under 'total current assets' (€149 million) and 'total current liabilities' (€119 million).

3) Shareholders' equity and dividend

The financial statements for 2016 and the profit appropriation were determined in the shareholders' meeting of 27 February 2017. In accordance with the proposal, a sum of €133.3 million from the profit of €212 million was allocated to the reserves, and a sum of €78.7 million was paid out as a dividend.

4) Loans and other financial liabilities, including derivatives

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

(in millions of euros)	30 June 2017	31 December 2016
Non-current liabilities		
Private and other loans	425	240
Financial lease obligations	33	47
Other financial obligations	46	-
Interest rate swaps used for hedging	1	3
Commodity derivatives	12	3
Total	**517**	**293**
Short-term obligations		
Private and other loans	137	74
Commodity derivatives	-	3
Total	**137**	**77**
Total liabilities	**654**	**370**

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

5) Handling claims and irregularities

Authority for Consumers and Markets (ACM)

In its judgement of 6 March 2015, the ACM concluded that NS had infringed articles 67 and 71 of the Railways Act by not making a reasonable offer in the Limburg tender for services and their locations at the stations, break locations, emergency stop facilities, check-in/check-out posts, or for energy costs, handling disruptions and journey information (Railways Act, Article 67). In addition, the ACM concluded that NS shared sensitive competitive information about Veolia and others with Abellio and Qbuzz (Railways Act, Article 71).

The ACM then carried out further investigations into the possible misuse by NS and its subsidiaries of their position of economic strength in the Limburg tender, based on the Competitive Trading Act and the European tendering regulations. On 7 July 2016, the ACM sent NS a report of the investigation. NS submitted details in response explaining its point of view.

On 22 May 2017, the ACM informed NS of its decision, ruling that NS had acted in contravention of Article 24 of the Competitive Trading Act and Article 102 of the Treaty on the Functioning of the European Union. The ACM has imposed a penalty of €40.95 million on NS for this. Because the ACM has stated – based on a set of norms that it has defined unilaterally – that the offer made by NS would not comply with the internal requirements for return from State-owned enterprises and because this approach adopted by the ACM is new and has far-reaching consequences for the rail sector and future tenders and investments that NS makes, NS will be appealing against this decision. In particular, NS disputes the allegation that it submitted a loss-making bid in the tender for public transport services in Limburg. That bid also met the internal requirements for return from State-owned enterprises. NS therefore disagrees with the judgement and the reasoning underlying the ACM's decision. By submitting a notice of objection, NS has asked the ACM to reconsider its decision.

Despite the fact that NS has registered its objection, it is obliged to pay the penalty within a period of 24 weeks. As at 30 June 2017, the penalty imposed has been included as a liability, set against the result over the first half of 2017. Given that the results of the objection are uncertain and that any claims against the ACM as a consequence of the outcome of any objection procedure do not meet the IFRS criterion of being "virtually certain", NS has not included any such claims in these figures.

Transdev BBA

Transdev BBA and NS have reached a settlement in the dispute about irregularities that occurred during the public tender by the Province of Limburg for public transport in Limburg and part of North Brabant for the period 2016-2031.

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 is focusing 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 has now decided to charge NS Groep NV. A pre-trial review was held on 13 December 2016. It is expected that the substantive proceedings will take place in the second half of 2017. What the outcome will be and the nature of the financial consequences (level of penalties imposed, transaction, etc.) cannot be determined reliably at this point in time. As a result, no provision has been included.

Other
There is an inherent risk that additional claims will be received 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 recorded.

6) Off balance sheet commitments
Investment commitments
At the end of June 2017, the Group had outstanding investment commitments of €1,402 million (31 December 2016: approximately €1,428 million), primarily for purchasing rolling stock and investments in the areas around the stations.

Obligations relating to energy 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. The purchase obligation came to €232 million as at 30 June 2017 (€231 million as at 31 December 2016).

Explanatory notes to the consolidated profit and loss account
7) Trend in sales and profitability
Revenue decreased by €44 million from €2,573 million for the first half of 2016 to €2,529 million over the first six months of 2017. If exchange rates had remained constant, there would have been an increase in sales of approximately €40 million. The result for the first six months came to a net loss of €14 million, as opposed to the net profit of €69 million over the comparable period in 2016. This decrease was to a large extent due to the penalty that the ACM imposed of €40.95 million and against which NS will be appealing , whereas an exceptional income item of €12 million was recorded in the first six months of 2016 from sale of property. Furthermore, the growth in revenue in the Netherlands was lower than the increase in operating expenses, in particular personnel expenses and other operating costs. The investments needed for realising the challenging franchise KPI targets for passengers by 2019, for extra staff on trains in order to implement the safety agreement plus the influx of new train rolling stock (FLIRT) were the root cause of the increased operating expenses in the Netherlands. Abellio's results were also down on the previous year as a result of lower profits from ScotRail and the Northern Rail franchise being handed over to the new operator on 1 April 2016.

8) Corporate income tax

(in millions of euros)	first six months 2017	2016
Result before taxation	-13	80
Taxes on profits according to the Dutch tax band for corporate income tax (25% in 2015 and 2016).	3	-20
Permanent differences	-10	2
Effect of the tax rates of foreign jurisdictions	6	7
Miscellaneous corrections	-	-
	-1	**-11**

9) Seasonal influences
Seasonal influences have no materially effect on the figures.

10) Employees
The average number of staff (expressed as FTE) rose from 30,945 in 2016 to 31,573 during the first half of 2017. The increase in staff numbers was principally in the Dutch passenger transport company, resulting from the influx of new trains, upgrades to existing rolling stock and the implementation of the personal safety agreement, which has led to double staffing of trains after 22:00 on Thursday, Friday and Saturday evenings and the deployment of additional Safety & Service staff on the other evenings.

11) Related parties
The transactions with related parties are carried out 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 from student railcards (first half of 2017: €238 million, first half of 2016: €235 million).

The following transactions took place with ProRail BV, an enterprise that is related to the State of the Netherlands:

- The access charges for use of the Dutch rail infrastructure were €153 million in the first half of 2017 (€157 million in the first half of 2016).
- For the financing of commercial facilities at stations (New Key Projects), €1 million had been agreed to be paid by NS to ProRail BV as at 30 June 2017 (€8 million as at 31 December 2016). In the first six months of 2017, €5 million was paid to ProRail BV (first half of 2016: €6 million).

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

(in millions of euros)	**first half of 2017**	**first half of 2016**
transactions		
Interest expenses	-	-
	30 June 2017	**31 December 2016**
balance sheet positions		
Private loans (short-term and long-term)	30	59

There have been no other significant transactions with the related parties.

Other information

Events after the balance sheet date
Sale of Qbuzz B.V.
NS and Busitalia signed the finalised purchase agreement on 13 July 2017 for the sale of Qbuzz. The assets and liabilities of Qbuzz had been classified since 11 July 2016 as 'held for sale' and NS stopped depreciating the non-current assets as of that moment. The sale of Qbuzz has in the

meantime been approved by the Netherlands Authority for Consumers & Markets. No materially relevant sales result was achieved on the transactions.

Expansion of the equity interest in Westfahlenbahn
On 11 July 2017, Abellio signed an agreement with the other shareholders of Westfahlenbahn in order to transfer their interests (75%) to Abellio. Abellio has thus extended its interest from 25% to 100% This transaction is still subject to the approval of the Group’s shareholder, local authorities and competition authorities.

West Midlands franchise
It was announced on 10 August 2017 that West Midlands Trains Ltd. has won the tender for the West Midlands franchise. Abellio UK has a 70% stake in the company; its partners Mitsui and East Japan Railway Company (JR East) have an interest of 30%. The starting date of this franchise is 10 December 2017 and it runs until the spring of 2026. The West Midlands franchise handles rail services connecting London to Birmingham and Liverpool via an intercity line plus various regional lines in the West Midlands. The current annual revenue is about €0.5 billion. The West Midlands franchise will be profitable over the term of the franchise.

Utrecht, 14 August 2017

Executive Board

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

Review report
To: the shareholder of N.V. Nederlandse Spoorwegen

Introduction
We have reviewed the accompanying condensed consolidated interim financial information, as set out on page 2 to 13, over the period 1 January 2017 to 30 June 2017 (hereinafter: Interim financial information) of N.V. Nederlandse Spoorwegen, Utrecht, which comprises the condensed consolidated balance sheet as at 30 June 2017, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement the condensed consolidated statement of changes of equity over the period 1 January 2017 to 30 June 2017 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 2017 to 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

Amsterdam, 14 August 2017

Ernst & Young Accountants LLP

signed by J. Verhagen