HALF YEAR REPORT, 2019

NV Nederlandse Spoorwegen

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.

NV Nederlandse Spoorwegen Half year report 2019 for the six-month period ended 30 June 2019

Condensed consolidated statement of income
for the first six months period ending on 30 June 2019
NV Nederlandse Spoorwegen

(in millions euros)		**first six months**	
	Note	**2019****	**2018***
Revenue	6)	3,156	2,871
Operating expenses		-3,039	-2,843
Share in result of equity accounted investees, accounted for using the equity method		3	6
Result from operating activities		**120**	**34**
Net finance income		-25	-7
Result before income tax		**95**	**27**
Income tax	7)	-1	-6
Result for the period		**94**	**21**
Attributable to:			
Equity holder of the Company		90	19
Minority interest		4	2
Result for the period		**94**	**21**

* Adjusted to take account of the change in the policy for the rail pension plans in the United Kingdom, as explained in the accounting policies.

** The Group applied IFRS 16 from 1 January 2019, with application of the modified retrospective approach. The cumulative effect of the introduction of IFRS 16 has therefore been included as a change in the opening balance as at 1 January 2019, without any change to the comparative information, as explained in the general information.

Condensed consolidated statement of comprehensive income for the six months period ending on 30 June 2019 NV Nederlandse Spoorwegen

(in millions euros)	first six months 2019**	2018*
Result for the period	94	21
Other comprehensive income that is or ma be classified into the income statement	7	9
Other comprehensive income not being reclassified into the income statement	3	-
Other comprehensive income recognised directly in equity	**10**	**9**
Total comprehensive income	**104**	**30**
Attributable to:		
Equity holder of the Company	99	25
Minority interest	5	5
Total comprehensive income	**104**	**30**

* Adjusted to take account of the change in the policy for the rail pension plans in the United Kingdom, as explained in the accounting policies.

** The Group applied IFRS 16 from 1 January 2019, with application of the modified retrospective approach. The cumulative effect of the introduction of IFRS 16 has therefore been included as a change in the opening balance as at 1 January 2019, without any change to the comparative information, as explained in the general information.

Condensed consolidated balance sheet* as at 30 June 2019 NV Nederlandse Spoorwegen

(in millions euros)	Note	30 June 2019*	31 December 2018
Assets			
Property, plant and equipment		4,137	3,979
Investment property		137	151
Intangible non-current assets		438	416
Right-of-use assets		1,625	-
Investments recognised using the equity method		16	17
Other financial assets, including investments	1)	160	159
Deferred tax assets		201	196
Total non-current assets		**6,714**	**4,918**
Inventories		172	169
Trade and other receivables		910	830
Income tax receivable		20	16
Cash and cash equivalents		795	906
Assets held for sale		-	191
Total current assets		**1,897**	**2,112**
Total assets		***8,611***	***7,030***
Equity and liabilities			
Total equity	2)	**3,659**	**3,627**
Deferred credits		253	275
Loans and other financial liabilities, including derivatives	3)	694	696
Lease liabilities	3)	1,495	44
Employee benefits		30	30
Provisions		125	119
Accruals		37	42
Deferred tax liabilities		48	48
Total non-current liabilities		**2,682**	**1,254**
Loans and other financial liabilities, including derivatives	3)	201	96
Lease liabilities	3)	192	2
Corporate tax payable		7	12
Trade and other payables		1,354	1,315
Deferred income		443	694
Provisions		73	24
Liabilities held fore sale		-	6
Total current liabilities		**2,270**	**2,149**
Total liabilities		**4,952**	**3,403**
Total equity and liabilities		***8,611***	***7,030***

* The Group applied IFRS 16 from 1 January 2019, with application of the modified retrospective approach. The cumulative effect of the introduction of IFRS 16 has therefore been included as a change in the opening balance as at 1 January 2019, without any change to the comparative information, as explained in the general information.

Condensed consolidated cash-flow statement*
for the six months period ending on 30 June 2019
NV Nederlandse Spoorwegen

(in millions euros)	first six months	
	2019**	**2018***
Profit for the period	**94**	**21**
Adjustments for:		
Depreciation and amortisation	384	176
Impairment losses	0	0
Other changes	21	5
	499	**202**
Changes in working capital and other positions	-208	238
	291	**440**
Finance expenses paid and income tax paid	-34	-26
Net cash flow from operating activities	**257**	**414**
Finance revenues received	4	7
Dividend from investments recognised using the equity method	4	15
Acquisition of assets (tangible and intangible)	-319	-349
Acquisition of property investments	-1	0
Disposal of assets (tangible and intangible)	11	194
Receipts/payments for other investments	0	0
Disposal of financial assets, including investments	9	1
Acquisition of financial assets, including investments	-20	-11
Net cash from investment activities	**-312**	**-143**
Net cash from operating and investments activities	**-55**	**271**
Repayment of loans taken out	-121	-222
Repayment of lease liabilities	-153	
Long-term loans and other financial liabilities taken out	250	300
Dividend paid	-37	-8
Net cash from financing activities	**-61**	**70**
Net increase/decrease in cash and cash equivalents	**-116**	**341**
Cash and cash equivalents as at 1 January	906	565
Cash and cash equivalents classified as held for sale	4	0
Effect of exchange rate fluctuations on cash held	1	1
Geldmiddelen en kasequivalenten per 30 juni	**795**	**907**

* Adjusted to take account of the change in the policy for the rail pension plans in the United Kingdom, as explained in the accounting policies.

** The Group applied IFRS 16 from 1 January 2019, with application of the modified retrospective approach. The cumulative effect of the introduction of IFRS 16 has therefore been included as a change in the opening balance as at 1 January 2019, without any change to the comparative information, as explained in the general information.

Condensed consolidated statement of changes in equity in the six months period ending on 30 June 2019 NV Nederlandse Spoorwegen

(in millions euros)	Subscribed share capital	Miscellaneous reserves	Retained profits	Total	Minority participating interest	Total Equity
Balance as at 1 January 2018	1,012	42	2,467	3,521	1	3,522
Realised and non-realised profits over the period						
Result for the period			19	19	2	21
Non-realised profit		6		6	3	9
Total recognised profit for the period	-	6	19	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**	**36**	**2,491**	**3,539**	**6**	**3,545**

(in millions euros)	Subscribed share capital	Miscellaneous reserves	Retained profits	Total	Minority participating interest	Total Equity
Balance as at 31 December 2018	1,012	39	2,565	3,616	11	3,627
Effect IFRS 16		-3	-31	-34	-1	-35
Balance as at 1 January 2019	1,012	36	2,534	3,582	10	3,592
Realised and non-realised profits over the period						
Result for the period			90	90	4	94
Non-realised profit		9		9	1	10
Total recognised profit for the period	-	9	90	99	5	104
Transactions with owners, recognised directly in equity						
Other movements		5	-5	-		-
Dividend paid to shareholders			-37	-37		-37
	-	5	-42	-37	-	-37
Balance as at 30 June 2019	**1,012**	**50**	**2,582**	**3,644**	**15**	**3,659**

Explanatory notes to the condensed consolidated Half year Report for 2019

General information

Reporting entity
NV Nederlandse Spoorwegen has its registered office in Utrecht in the Netherlands.
The company's consolidated six-monthly report for the first half of 2019 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 2018.

This condensed consolidated Half year report was prepared by the Executive Board and discussed and approved by the Supervisory Board on 15 August 2019. This condensed consolidated Half year report was reviewed by Ernst & Young Accountants LLP, but it was not 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 2018 financial year, with the exception of IFRS 16. The application of the revised IFRS standard 16 as of 1 January 2019 has a major impact on the half year figures (income statement and statement of financial position). This is due in particular to the recognition of lease contracts in operations outside the Netherlands, which were recognised off the balance sheet as operating leases up to 1 January 2019. The impact of the transition is shown below. The other new or revised standards that came into effect on 1 January 2019 do not have a significant impact on the Group's consolidated figures.

IFRS 16 – Leases
IFRS 16 introduces an unambiguous on-balance-sheet reporting model for lessees. For the Group as a lessee, this means that the right of use, representing the right to use the underlying assets, is capitalised as an asset, with lease liabilities representing the obligation to make lease payments.

The Group has applied IFRS 16 with effect from 1 January 2019, using the modified retrospective approach. The cumulative effect of the introduction of IFRS 16 has therefore been included as an adjustment to the opening balance as at 1 January 2019, without any change to the comparative information. The Group has elected not to make use of the practical expedient of only applying the standard to contracts that had previously been identified as lease contracts on first application of IAS 17 and IFRIC 4; instead, a comprehensive new assessment was made of all lease contracts.

There are substantial differences, in addition to the effects of discounting to the present value, between the explanatory note on the off-balance-sheet liabilities relating to lease contracts as at 31 December 2018, which was drawn up in accordance with the IAS 17 rules, and the valuation of the right of use as at 1 January 2019 in accordance with IFRS. These differences are due to the following:

- Under IAS 17, liabilities as at 31 December 2018 that relate to concluded lease contracts under which assets will be delivered in future are included in the explanatory note, but under IFRS 16 there is no recognition yet on 1 January 2019 of the right of use of assets and lease liabilities associated with such contracts (approximately €1.5 billion).
- Specific lease contracts in the United Kingdom that are classified as leases under IAS 17 but not under IFRS 16. As of 1 January 2019, these payments are recognised as usage fees in the period to which they relate (approximately €0.6 billion).

The Group elected to make use of the exemption for the recognition of lease contracts with a lease period of 12 months or less from the start date and no purchase option (short-term lease contracts) and lease contracts where the underlying assets are of low value.

The effect of the application of IFRS 16 as of 1 January 2019 is shown below (increase/(reduction)):

(in millions euros)

Property, plant and equipment	-31
Financial leases	-14
Right-of-use assets	1,600
Investments recognised using the equity method	-3
Deferred tax assets	8
Lease liabilities	-1,595
Equity	35

The effect of €35 million on equity is due to lease contracts in Germany and the United Kingdom where the difference between the right of use and the lease liability net of the deferred tax receivables has been recognised in equity.

The impact on the income statement (increases, or reductions if in parentheses) for the first six months of 2019:

(in millions euros)	**first six months 2019**
Depreciation	196
Rental expenses	-211
Result from operating activities	15
Interest expenses	18
Income tax	0
Result for the period	-3

Nature of the effect of applying IFRS 16

The Group has lease contracts for rolling stock, property and other operating assets. Prior to the application of IFRS 16, the Group had classified each of its lease contracts (as a lessee) on the start date as either a finance lease or an operating lease. A lease contract was classified as a finance lease if the risks and benefits associated with ownership of the leased asset were transferred to the Group to a substantial degree; if that was not the case, the lease was classified as an operating lease. Finance leases were capitalised at the start of the lease contract, using the unobservable fair value of the leased asset, or the present value of the minimum lease payments if lower. Lease payments were divided into interest (recognised as financing costs) and reductions in the lease liability. In the case of operating leases, the leased good was not capitalised and the lease payments were recognised on a straight-line basis over the lease period as rental expenses in the income statement. Any prepaid rent was recognised in 'Prepayments' and deferred rent was recognised in 'Trade and other payables'.
When applying IFRS 16, the Group used a single method for the recognition and measurement of all lease contracts, with the exception of short-term contracts and lease contracts for assets of low value. The standard includes specific transitional rules and practical expedients that have been applied by the Group.

Lease contracts that were previously classified as finance leases

The Group has not changed the initial book value of the recognised assets and liabilities on the date of first application in the case of lease contracts that were previously classified as finance leases (that is to say, the assets and liabilities with a right of use are equal to the assets and liabilities that were recognised under IAS 17). The IFRS 16 rules were applied to these lease contracts with effect from 1 January 2019.

Lease contracts that were previously classified as operating leases

The Group has recognised assets with a right of use and lease liabilities for those lease contracts that were previously classified as operating leases, with the exception of short-term leases, lease contracts for low-value assets and contracts that the comprehensive assessment showed not to be covered by the definition of a lease under IFRS 16.

In the case of the lease contracts in Germany and the United Kingdom, the recognised right of use of the assets is based on the book value as if the standard had always applied, apart from the use of the marginal interest rate on the date of first application. In the case of leases in the Netherlands, the right of use of assets is recognised using an amount equal to the lease liabilities, adjusted for any prepaid and current lease payments that have been recognised previously. Lease liabilities were recognised using the present value of the remaining lease payments, discounted on the basis of the marginal interest rate on the date of first application.

The book value per category of the right of use of the assets is shown below.

(in millions euros)	Rolling stock	Investment property	Other	Total
Netherlands	*96*	*131*	*4*	*231*
United Kingdom	*702*	*17*	*6*	*725*
Germany	*623*	*19*	*2*	*644*
Balance at 1 January 2019	1,421	167	12	1,600
Balance at 30 June 2019	1,443	169	13	1,625

Marginal interest rate

When calculating the present value of the lease payments, the Group uses the marginal lending rate on the start date of the lease contract. After the start date, additions are made to the amount in lease liabilities to reflect the increasing interest and deductions are made to account for lease payments made. The book value of the lease liabilities is also reassessed if there has been a change in the lease period, a change in the fixed lease payments or a change in the assessment of the purchase of the underlying asset.

The interest rate is determined on the basis of the marginal interest rate, which is taken from the internal rating model for the country in question, with a discount for asset-specific elements. The interest rate that is used depends on the term of the contract as follows:

Incremental borrowing rate (in percentages)		average used
Netherlands	0,0% - 2,0%	0.3%
United Kingdom	2,3% - 6,4%	3.1%
Germany	0,1% - 2,7%	1.6%

Change to accounting policies for defined benefit plans in the United Kingdom in 2018

In the 2018 financial statements, the Group changed the reporting of defined-benefit pension plans for the rail industry in the United Kingdom. The current franchise agreements stipulate that the franchise holder bears sole responsibility for the agreed contributions during the franchise period. After the franchise ends, all rights and obligations regarding the staff are transferred to the new franchise holder.

The Group has changed the accounting policies for recognising pension costs in the income statement. From now on, the only costs that will be recognised in the income statement are those that are borne by the franchise holder (the Group) during the franchise period. Calculations of these net pension costs therefore allow for the share of the costs that will be borne by employees (40%) and by other parties after the end of the current franchise period. This net calculation does, however, take account of a possible accrual of costs during the franchise period that could occur as a result of the three-yearly review or of adjustments to the annual contributions during the franchise period.

Up to and including the financial year 2017, the IAS 19 service costs were recognised in the income statement, whereby allowance was only made for the portion of the costs that would be borne by employees. That portion of the costs that would be borne by other parties after the termination of the current franchise period was recognised as part of the 'Unrealised actuarial gains and losses'. The revised policy for accounting for the rail pension plan gives a better understanding of the costs that are actually borne by the Group in the various franchises. Furthermore, this change is in line with similar changes that a number of other franchise holders in the United Kingdom have implemented in recent years.

The same amendment to this accounting policy was implemented in the valuation of the Group's participating interest in the joint venture Merseyrail Ltd. The comparative figures for the first six months of 2018 have been adjusted in line with this change in accounting policies for the purpose of comparison. This change led to an increase of €15 million in the result and reduction of €15 million in the unrealised result recognised directly in equity. There was no effect on equity as at 30 June 2018.

Brexit
The expected impact of Brexit on the franchises in the United Kingdom was discussed in the 2018 financial statements. The developments in the first half of 2019 have not led to any changes in the expected impact.

New and revised guidelines for 2020
The revised standards that come into effect as of 2020 will not have a significant impact on the Group's consolidated figures.

Estimates and assessments
The preparation of the Half year report requires the management to make judgements, estimates and assumptions that affect the application of accounting policies for financial reporting and the reported value of assets and liabilities, and the size of items of income and expenditure. The estimates and corresponding assumptions are based on past experience and various other factors that could be considered plausible under the circumstances. The actual outcomes may deviate from these estimates.

Unless stated otherwise below, the significant judgements formed by the management in the application of the Group's accounting policies for financial reporting and the main sources of estimates used in the preparation of this consolidated Half year report are the same as the judgements and sources used in the preparation of the consolidated financial statements for the financial year 2018, with the exception of the judgements formed with regard to lease accounting under IFRS 16.

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 2018.

Acquisition and sale of equity interests
The following transaction for the sale of equity interests took place in the first half of 2019.

DISA
On 2 October 2018, the Group took the decision to dispose of the company DISA Assets Ltd (a subsidiary of NSFSH). From that date on, the assets and liabilities were reclassified as held for sale and depreciation of the assets ceased. The Group disposed of its 100% stake in the company DISA Assets Ltd on 10 April. The main consideration in deciding how to account for the disposal was the substance of the transaction (sale and leaseback) rather than the legal form. Consequently, a large part of the book profit will be recognised over the term of the lease contract.

That part of the sale profit on this transaction (the difference between the sale proceeds of €17 million and the net asset value) that does not relate to the value of the acquired right of use was recognised as a profit in the first half of 2019. This part amounted to €2 million.

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 euros)	30 June 2019	31 December 2018
Other financial assets included in the fixed assets		
Interest in shares	84	81
Interest in bonds	33	28
Loans and receivables	6	6
Financial leases	31	41
Comodity derivatives	5	2
Other financial fixed assets	1	1
Total	**160**	**159**

There are no material differnces 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.

2) Equity and dividends

The financial statements for 2018 and the profit appropriation were adopted in the shareholders' meeting of 18 March 2019. In accordance with the proposal, a sum of €69 million from the profit over the reporting period of €106 million was added to the reserves and a sum of €37 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 euros)	30 June 2019	31 December 2018
Non-current liabilities		
Private loans	651	652
Other financial obligations	42	42
Comodity derivatives	1	2
Total	**694**	**696**
Short-term liabilities		
Private loans	183	72
Current account financial institutions	17	22
Comodity derivatives	1	2
Total	**201**	**96**
Total liabilities	**895**	**792**

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

Lease liabilities
The lease liabilities (long-term liabilities of €44 million and short-term liabilities of €2 million) that were recognised as at 31 December 2018 refer to finance lease liabilities under IAS 17.

4) Settlement of claims and legal proceedings

Individual redress for the Second World War
NS operated trains during the Second World War for the occupying forces. Various conversations with Mr Salo Muller, a Holocaust survivor, have shown that both Mr Muller and others have a wish that NS should not only commemorate the victims of the transportations and their immediate family collectively but also recognise their individual suffering. There is a clear demand for individual compensation. NS does not believe that anyone benefits from lengthy legal proceedings. NS has expressed its willingness to provide individual financial compensation on moral grounds for those most directly affected by its actions. A joint decision was therefore made to renounce legal proceedings concerning liability and to set up a committee to implement the compensation scheme. This committee started work in January 2019 under the chairmanship of Mr Job Cohen, with the instructions to handle individual compensation on moral grounds to an as yet undefined group of survivors and their immediate family.

On 26 June 2019, the Committee on Individual Compensation for Victims of WWII Transport by NS presented its recommendations. NS plans to implement these recommendations and has formed a provision of €42.5 million as at 30 June 2019 for the expected payments and administration costs. There is an inherent element of uncertainty in this estimate given the nature of the scheme, with uncertainty about both the numbers of survivors and immediate family and the proportion of applications.

Chromium 6
On Thursday, 31 January 2019, the National Institute for Public Health and the Environment (RIVM) presented the results of the chromium VI investigation for the reintegration project tROM in Tilburg. In the Tilburg tROM project, people on unemployment benefit worked between 2004 and 2011 on trains belonging to NS and the Dutch Railway Museum at the then NedTrain workshop in Tilburg. RIVM carried out an investigation, with which NS cooperated. An independent committee drew conclusions and formulated recommendations based on the investigation results. The committee drew some strong conclusions, including about the role of NS in the Tilburg project. According to the committee, the municipality of Tilburg, NS and the Dutch Railway Museum all individually cut corners. At the start of February 2019, the parties announced that they would be jointly making arrangements, each taking their share of the responsibility, with the aim of providing clarity to the people affected as soon as possible.

NS has made provisions for its share in the expected costs of €5 million as at 31 December 2018.

Furthermore, the police are currently carrying out a criminal investigation on the instructions of the Public Prosecution Service, whereby NedTrain is one of the suspects. It is not clear at present what the outcome is likely to be of this investigation.

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 for a number of facilities in the Limburg tendering process.

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 framework of norms 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 conclusion that it made a loss-making offer for 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 submitted a notice of objection, asking the ACM to reconsider its decision. On 29 March 2018, the ACM dismissed NS's objections. NS lodged an appeal against the ruling on the objection. The penalty was paid in 2017 and charged to the income statement in 2017.
On 27 June 2019, the district court of Rotterdam overturned the ruling by the ACM. The penalty no longer applies; it was refunded to NS in July 2019 and this is recognised in the income statement as at 30 June 2019. The ACM has lodged an appeal and asked for a timeframe for adding to its arguments.

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 appeal and the financial consequences (the size of any penalty, out-of-court settlement etc.). As a result, no provision has been included for this.

5) Off-balance-sheet liabilities

Investment commitments
At the end of June 2019, the Group had outstanding investment commitments of €1,390 million (31 December 2018: €1,377 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 2019, the purchasing commitments were €218 million (31 December 2018: €218 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 euros)	first six months 2019	2018
Train related transport in the Neterlands	1,308	1,234
Station developement and explaitation in the Netherlands	274	289
Train related transport in the United Kingdom	1,211	1,072
Bus related transport in the United Kingdom	111	108
Train related transport in Germany	252	168
	3,156	**2,871**

Revenue for the NS Group rose by €285 million from €2,871 million in the first half of 2018 to €3,156 million in the first half of 2019.

The increase in the Netherlands is largely the result of growth in passenger-kilometres and the fare increase. Growth in the United Kingdom is mainly due to the organic growth of the current British franchises, in particular the ScotRail and East Anglia franchises. The Group continues to closely monitor Brexit and any impact it may have on the British railway market. The growth in Germany is primarily the result of the start of the DISA and RXX franchises on 8 December 2018.

In addition to the increased revenue from transport, the result for the first six months of 2019 was heavily affected by a number of exceptional items, specifically the provision for individual compensation relating to the Second World War (€ -42.5 million), the Fyra remarketing fee (€21 million) and the refund of the ACM penalty (€41 million). As the ACM penalty and Fyra remarketing fee are not subject to tax, the effective tax rate for the first six months of 2019 is substantially less than the nominal rate.

7) Corporate income tax

(in millions euros)	first six months 2019	2018*
Result for income tax	95	27
Taxes on profit according to the Dutch tax rate for corporate income tax (25% in 2019 and 2018)	-24	-7
Permanent differences	21	0
Effect of the tax rate of foreign jurisdictions	2	-2
Miscellaneous corrections		3
	-1	**-6**

** Adjusted to take account of the change in the policy for the rail pension plans in the United Kingdom, as explained in the accounting policies.*

8) Seasonal effects

The operating result is concentrated in the second half of the half year period because of the higher revenues from rail transport at this time of year.

9) Staff

The average number of employees expressed in FTEs rose from 33,327 in 2018 to 33,501 in the first six months of 2019. The number as at 31 December 2018 was 33,571.

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 (€230 million in the first six months of 2019, €226 million in the first six months of 2018).

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

- The access charge for the Dutch rail infrastructure was €167 million in the first half of 2019 (€157 million in the first half of 2018).

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 2019 and publication of this half year report.

Utrecht, 15 August 2019

Executive Board

R.H.L.M. van Boxtel, CEO
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 NV Nederlandse Spoorwegen

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the period 1 January 2019 until 30 June 2019 (hereinafter: Interim financial information) of NV Nederlandse Spoorwegen, Utrecht, that comprises the condensed consolidated statement of income, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash-flow statement, the condensed consolidated statement of changes in 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 Dutch Standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (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 Standards on Auditing 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 for the period 1 January 2019 until 30 June 2019, is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 15 August 2019

Ernst & Young Accountants LLP

signed by drs. J. Verhagen RA