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NS Annual Report 2016

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This annual report is published both Dutch and English. In the event of any discrepancies between the Dutch and English version, the Dutch version will prevail.

IV Financial statements

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Consolidated financial statements

Consolidated income statement for 2016

	(in millions of euros)	2016	2015
1	**Revenue**	**5,093**	**4,973**
2	Personnel expenses	2,039	1,873
3	Depreciation, amortisation and impairments	345	330
4	Use of raw materials, consumables and inventories	508	504
5	Own capitalised production	-128	-115
6	Subcontracted work and other external costs	481	481
7	Infrastructure and concession fees	861	852
8	Other operating expenses	859	951
	Total operating expenses	**4,965**	**4,876**
14	Share in result of investees recognises using the equity method	142	70
	Result from operating activities	**270**	**167**
	Finance income	22	12
	Finance expenses	-31	-35
9	**Net finance result**	**-9**	**-23**
	Result before income tax	**261**	**144**
10	Income tax	-49	-26
	Result for the period	**212**	**118**
	Attributable to:		
	Shareholder of the company	212	118
	Minority interests	-	-
	Result for the period	**212**	**118**

Consolidated statement of comprehensive income for 2016

(in millions of euros)	2016	2015
Result for the period	**212**	**118**
Other comprehensive income items that are or may be classified to profit and loss		
Currency translation differences on foreign activities	-19	3
Effective portion of changes in fair value of cash flow hedges	46	-4
Income tax	-10	-
Effective portion of changes in fair value of cash flow hedges as a consequence of revaluation of investments in equity accounted investees	2	-4
	19	**-5**
Other comprehensive income items that never be reclassified to profit and loss		
Actuarial result for defined benefit plans	13	16
Income tax	-1	-3
Actuarial result for defined benefit plans as a consequence of revaluation of investments in equity accounted investees	1	15
	13	**28**
Other comprehensive income recognised in equity	**244**	**141**
Attributable to:		
Shareholder of the company	244	141
Minority interest	-	-
Total comprehensive income	**244**	**141**

Consolidated statement of financial position as at 31 December 2016

before profit appropriation

	(in millions of euros)	December 31, 2016	December 31, 2015
	Assets		
11	Property, plant and equipment	3,654	3,296
12	Investment property	197	194
13	Intangible assets	257	225
14	Investments recognised using the equity method	39	183
15	Other financial assets, including investments	267	340
16	Deffered tax assets	229	278
	Total non-current assets	**4,643**	**4,516**
17	Inventories	139	138
15	Other investments	-	270
18	Trade and other receivables	724	659
	Income tax receivables	4	32
20	Cash and cash equivalents	709	671
19	Assets held for sale	140	-
	Total current assets	**1,716**	**1,770**
	Total assets	**6,359**	**6,286**
	Equity and liabilities		
21	Equity		
	Share capital	1,012	1,012
	Reserves	2,287	2,179
	Unappropriated result	212	118
	Total group equity	**3,511**	**3,309**
	Minority interest	-	-
	Total equity	**3,511**	**3,309**
22	Deferred credits	328	263
23	Loans and borrowings, including derivatives	293	440
24	Employee benefits	31	30
25	Provisions	100	155
26	Accruals	36	55
16	Deferred tax liabilities	160	168
	Total non-current liabilities	**948**	**1,111**
23	Loans and borrowings, including derivatives	77	488
	Corporate tax payable	7	22
27	Trade and other payables	1,023	1,060
28	Deferred income	641	260
25	Provisions	37	36
19	Liabilities held for sale	115	-
	Total current liabilities	**1,900**	**1,866**
	Total liabilities	**2,848**	**2,977**
	Total equity and liabilities	**6,359**	**6,286**

Consolidated cash flow statement for 2016

	(in millions of euros)	2016	2015
	Result for the period	***212***	***118***
	Adjustments for:		
	Income tax expenses	49	26
	Results on investments in equity accounted investees	-142	-70
11,13	Depreciation	319	330
	Impairment losses and reverals	26	-
	Net finance result	9	23
	Change in provisions	-54	16
15.16	Change in non current financial assets (including deferred tax positions)	192	-100
	Change in other non cash, non-current liabilities	55	75
	Change in deferred credits	-23	151
		431	**451**
	Change in inventories	-1	-19
	Change in trade and other receivables	-171	-160
	Change in current liabilities excluding credit institutions	459	79
	Changes working capital	**287**	**-100**
	Interest paid	-28	-25
	Income tax paid	-11	-3
		-39	**-28**
	Net cash from operating activities	**891**	**441**
	Interest received	20	9
14	Dividends received and recognised using the equity method	72	47
	Disposal of discontinued operation, net of cash	-	-
11, 13	Acquisition of intangible assets and property, plant and equipment	-784	-532
12	Acquisition of investment properties	-1	-8
	Receipts (payments) other investments	270	-47
	Acquisition of non-current financial assets, including investments	-23	-48
14, 15	Disposal of non-current financial assets, including investments	239	58
11, 13	Disposal of intangible assets, property, plant and equipment and investment properties	23	12
	Net cash flow from investing activities	**-184**	**-509**
	Net cash flow from operating and investing activities	**707**	**-68**
	Repayments of liabilities	-899	-57
	Non-current liabilities taken out	300	58
	Dividends paid	-41	-48
	Net cash from financing activities	**-640**	**-47**
	Net increase in cash and cash equivalents	**67**	**-115**
	Cash and cash equivalents as at 1 January	671	775
	Effect of exchange rate fluctuations on cash held	5	11
	Cash and cash equivalents classified as held for sale	-34	-
	Cash and cash equivalents as at 31 December	**709**	**671**

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Other reserves	Retained earnigns	Total	Minority interests	Total equity
Revised balance as at 1 January 2015	**1,012**	**-20**	**2,224**	**3,216**	**-**	**3,216**
Profit for the period			118	118	-	118
Other comprehensive income		23		23		23
Total comprehensive income	**-**	**23**	**118**	**141**	**-**	**141**
Dividend paid to shareholder			-48	-48	-	-48
Other		-		-		-
Balance as at 31 December 2014	**1,012**	**3**	**2,294**	**3,309**	**-**	**3,309**
Profit for the period			212	212	-	212
Other comprehensive income		32		32		32
Total comprehensive income	**-**	**32**	**212**	**244**	**-**	**244**
Dividend paid to shareholder			-41	-41	-	-41
Other		-	-1	-1		-1
Balance as at 31 December 2015	**1,012**	**35**	**2,464**	**3,511**	**-**	**3,511**

Notes to the 2016 consolidated financial statements

General information

NV Nederlandse Spoorwegen has its registered office in Utrecht, Netherlands. The company's consolidated financial statements for the 2016 financial year include 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 NV, which in turn is the holding company of the operating companies. The figures for the consolidated financial statements of NS Groep NV are the same as the consolidated figures for NV Nederlandse Spoorwegen. The operating companies of NS Groep NV are listed in note 32. The Group's activities consist mainly of transporting passengers and the management and development of property and station locations.

The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) and their interpretations by the International Accounting Standards Board (IASB), as adopted for use by the European Union. The Executive Board prepared the financial statements on 24 February 2017. In its preliminary report to the General Meeting of Shareholders, the Supervisory Board advised that the financial statements should be adopted unaltered. On 24 February 2017, the Executive Board and Supervisory Board approved the publication of the financial statements. The financial statements are on the agenda of the General Meeting of Shareholders on 27 February 2017.

The accounting policies that have been adopted when drawing up the financial statements are stated in note 33.

Acquisition and disposal of companies

No participating interests were acquired or sold in 2016.

Notes to the consolidated income statement for 2016

1. Revenue

(in millions of euros)	2016	2015
Netherlands	3,172	3,098
UK	1,727	1,797
Germany	194	78
Total revenue	**5,093**	**4,973**

The revenue Netherlands includes a sum of €22 million (2015: €48 million) relating to development activities.

2. Personnel expenses

(in millions of euros)	2016	2015
Wages and salaries	1,467	1,409
Social security contributions	215	175
Contributions to defined contributions plans	90	52
Contributions to defined benefit plans	41	44
Other staff costs	75	69
Staff hired	151	124
Total	**2,039**	**1,873**

The average staffing level (in fte) was:

(in fte)	2016	2015
Netherlands	19,886	19,411
UK	10,168	8,828
Germany	891	509
Total	**30,945**	**28,748**

The increase in the average staffing level in the United Kingdom is in particular the result of the ScotRail concession, which started up per 1 April 2015.

Remuneration of Executive Board members

(in euro's)	Fixed salary	Alternative for the gap on pension accrual	Various allowances	Pension expenses	Termination benefits (excluding compensation legal costs)	Total 2015
R.H.L.M. van Boxtel	179,167	16,500	2,475	2,354	-	200,496
E.M. Robbe**	434,541	61,408	9,664	10,146	-	515,759
T. Huges***	215,000	23,100	13,619	2,824	175,583	430,126
total	828,708	101,008	25,758	15,324	175,583	1,146,381

(in euro's)	Fixed salary	Alternative for the gap on pension accrual	Various allowances	Pension expenses	Termination benefits (excluding compensation legal costs)	Total 2016
R.H.L.M. van Boxtel	438,600	40,450	4,368	14,171	-	497,588
H.L.L. Groenewegen*	101,289	8,571	5,915	4,169	-	119,943
M.E.F. Rintel*	157,667	14,448	3,278	6,495	-	181,887
S.M. Zijderveld*	315,333	26,673	18,414	12,990	-	373,410
E.M. Robbe**	176,922	26,251	25,176	5,904	-	234,254
total	1,189,811	116,393	57,151	43,728	-	1,407,083

* Mr. Groenewegen has been appointed to the Board by September 15, 2016, Ms. Rintel by July 15, 2016 (the pay is included for the period prior to this date in the table remuneration to key management personnel) and Ms. Zijderveld by February 1, 2016.

** As of June 1, 2016 Mr. Robbe left the company.

*** Mr Huges' employment contract was terminated with legal effect as of 10 July 2015. Mr Huges waived the dismissal compensation of one year's salary that he would have been entitled to claim under the terms of his employment contract. Mr Huges has voluntarily paid back his variable remuneration of €75,250 received for 2014. The net result is that NS has paid Mr Huges a sum of €175,583 to settle the termination of his employment. In addition, Mr Huges received remuneration for costs relating to his legal assistance in the matter of the termination of his contract of employment, amounting to €65,000.

Mr A. P. Schouws has been hired as statutory director (Director of Finance) for the period from April 18, 2016 until September 15, 2016. For this he received a management fee of EUR 176 515.

For further details, reference is made to the remuneration policy for the Executive Board to chapter Remuneration of the Board of Directors in the Annual Report

Remuneration to key management personnel (excluding the Executive Board)

(in euro's)	Fixed and variabel remuneration	Pension expenses	Termination benefits (excluding compensation legal expenses)	Total
2015	1,994,323	33,894	249,802	2,278,019
2016	3,013,445	168,129	565,956	3,747,530

In 2016, the group key management has been expanded with IT Director, HR Director and two directors of Abellio.

In 2016 the Group two key managers left through a settlement agreement. This has led to the payment of termination benefits.

Remuneration Supervisory Board

The remuneration of members of the Supervisory Board for 2016 paid by the company totalled €173,716. In 2015, the remuneration of members of the Supervisory Board paid by the company was €188.965. The remuneration comprises a fixed fee and an allowance for participating in one or more committees. The specification of the amounts for each member of the Supervisory Board is as follows:

(in euro's)	2016	2015
G. van de Aast	37,923	32,519
Chairman Supervisory Board (since August 16, 2016), member auditcommittee, member remuneration and nomination committees		
J.J.M. Kremers	34,994	34,900
Chairman audit committee		
P. Rosenmöller	36,980	32,804
Chairman remuneration and nomination committees, vice chairman Supervisory Board (since August 16, 2016)		
M.E. van Lier Lels	25,942	-
(Since February 3, 2016)		
J.L. Stuijt	11,379	-
(Since August 15, 2016)		
T.M. Lodder	16,750	39,916
Chairman Supervisory Board until June 2, 2016, member remuneration and nomination committees		
I.M.G. Jankovich	9,748	29,900
(until April 28, 2016)		
C.J. van den Driest	-	18,926
(until June 24, 2015)		
Total	**173,716**	**188,965**

The company has not extended any loans, advances or guarantees to members of the Executive Board or the Supervisory Board.

All the shares of NV Nederlandse Spoorwegen are held by the State of the Netherlands. Members of the Executive and Supervisory Boards and staff members have not been granted rights to hold or acquire shares in the company.

3. Depreciation, amortisation and impairments

(in millions of euros)	2016	2015
Depreciation of property, plant and equipment	270	286
Depreciation of investment property	9	8
Amortisation of intangible assets	40	36
Total depreciation and amortisation	**319**	**330**
Impairment (and reversal of impairments) of property, plant and equipment	24	-2
Impairment investment property	2	2
Impairment intangible assets	-	-
Total (reversal of) impairment losses	**26**	**-**
Total	**345**	**330**

For disclosure on impairment of property, plant and equipement refer to note 11.

4. Use of raw materials, consumables and inventories

(in millions of euros)	2016	2015
Materials	309	303
Energy	199	201
Total	**508**	**504**

5. Own capitalised production

The own capitalised production comprises the directly attributable personnel expenses and costs of materials used in the construction of assets for own use. This was mainly for the overhaul of trains.

6. Subcontracted work and other external costs

(in millions of euros)	2016	2015
Subcontracted work	75	72
Cleaning	87	82
Maintenance	149	161
IT costs	170	166
Total	**481**	**481**

The costs of subcontracted work are costs related to the execution of assignments to third parties not covered by the other categories in this category.

7. Infrastructure and concession fees

(in millions of euros)	2016	2015
Dutch trainconcessions	383	375
English trainconcessions	389	443
German trainconcessions	89	34
Total	**861**	**852**

8. Other operating expenses

Other operating expenses include insurance, office accommodation and inventory costs, auditor's fees, marketing costs, rental and lease costs for operating assets and additions to provisions.

Auditor's fees

(in millions of euros)	2016	2015 *)
Statutory audits	2.6	2.3
Other assurance engagements	0.4	0.4
Tax advisory services	-	-
Other services	-	-
Total	**3.0**	**2.7**

* The 2015 comparative figure has been adjusted for charges in relation to additional work in 2015, agreed after the issue of the financial statements 2015.

The auditor's fees comprise the fees both for services in the Netherlands and those for the network abroad.

The fees for the Dutch audit firm for the year amounted to € 2.5 million (2015: € 2.3 million).

9. Net finance result

(in millions of euros)	2016	2015
Interest income from available-for-sale financial assets	1	2
Interest income from deposits and banks balances	-	2
Exchange rate differences	9	2
Other interest income from other investments	12	6
Finance income	**22**	**12**
Interest expense from financial liabilities measured by amortised cost	-21	-23
Interes expenses from interest rate swaps for cash flow hedging	-13	-15
Financial benefits	4	3
Exchange rate differences	-1	-
Interest expenses from discounting of provisions	-	-
Finance expense	**-31**	**-35**
Net finance result included in the income statement	**-9**	**-23**

The other financial income in 2016 includes an amount of € 6 million relating to interest rate component of the settlement of a claim from the past.

10. Income tax

(in millions of euros)	2016	2015
Included in the income statement		
Current taxes	-22	-17
Deferred taxes	-27	-9
Total income tax	**-49**	**-26**
Reconciliation with effective tax rate		
Profit before tax	261	144
Income tax at Dutch tax rate for corporation tax (2016 en 2015: 25%)	-65	-36
Non-deductible costs	-1	-1
Other permanent differences	6	16
Effect of the tax rate in foreign jurisdictions (different rate)	10	16
Effect of non-valuation of deductible losses	-	-23
Settlement previous years	1	2
Total income tax	**-49**	**-26**
Income tax on income and expenses recognised directly in equity	-11	-3

Corporate income tax is calculated based on the applicable tax rates in the Netherlands, the UK, Ireland, Belgium, Germany, France and the Scandinavian countries, taking into account the tax rules that produce permanent differences between the result valued for commercial purposes and the result valued for tax purposes. The tax rules include participation exemption and limits to deductible costs.

The effective tax burden for income tax on the result was 19% (18% in 2015). Agreements have been made with the Dutch Tax and Customs Administration about the tax returns up to and including 2012. Finalised assessments for the subsequent years have not yet been received. In the financial statements for this year and previous years, tax is included on the basis of the tax returns submitted and the underlying principles adopted in those tax returns. Refer to note 16 for further details of the tax position.

Notes to the consolidated statement of financial position at 31 December 2016

11. Property, plant and equipment

(in millions of euros)	Land	Building	Other fixed installations	Rolling stock	Parts	Machinery & equipment	Assets under construction	Total
Composition per 1 January, 2015								
Cost	129	557	170	5,966	96	604	405	7,927
Cumulative depreciation and impairments	31	256	129	3,800	66	488	-	4,770
Carrying amount as at 1 January, 2015	**98**	**301**	**41**	**2,166**	**30**	**116**	**405**	**3,157**
Changes in 2015								
Additions							463	463
Capitalisations	2	133	7	155	1	52	-351	-1
Depreciation	-1	-21	-8	-224	-3	-29	-	-286
Exchage rate differences	-	1	-	1	-	-	-	2
Divestments	-2	-	-	1	-	-4	-	-5
Impairments	-	-	-1	-	-	-1	-	-2
Reversal impairments	-	-	-	2	-	-	-	2
Other changes	-	-	-7	2	-	-26	-3	-34
Total changes	**-1**	**113**	**-9**	**-63**	**-2**	**-8**	**109**	**139**
Composition per 31 December 2015								
Cost	125	688	144	5,860	97	526	514	7,954
Cumulative depreciation and impairment	28	274	112	3,757	69	418	-	4,658
Carrying amount as at 31 December 2015	**97**	**414**	**32**	**2,103**	**28**	**108**	**514**	**3,296**

(in millions of euros)	Land	Building	Other fixed installations	Rolling stock	Parts	Machinery & equipment	Assets under construction	Total
Changes in 2016								
Additions							704	704
Capitalisations	47	70	7	406	1	58	-542	47
Depreciation	-2	-25	-7	-206	-3	-27	-	-270
Exchange rate differences	-	-1	-	-2	-	-3	-	-6
Divestments	-4	-1	-3	-6	-	-2	-	-16
Impairments	-	-24	-	-	-	-	-	-24
Reversal impairments	-	-	-	-	-	-	-	-
Other changes	-	-3	1	-62	-	-9	-4	-77
Total changes	**41**	**16**	**-2**	**130**	**-2**	**17**	**158**	**358**
Composition per 31 December 2016								
Cost	168	750	144	6,139	97	529	672	8,499
Cumulative depreciation and impairment	30	320	114	3,906	71	404	-	4,845
Carrying amount as at 31 December 2016	**138**	**430**	**30**	**2,233**	**26**	**125**	**672**	**3,654**

The other changes in 2016 are mainly due to the transfer of tangible assets to assets held for sale (note 19) of € 76 million. Works and equipment under construction mainly consist of investments in trains and buildings.

Part of the rolling stock included as at the balance sheet date is part of the cross-border lease transactions that were concluded in the past. The book value of rolling stock financed by cross-border leases was €81 million at year-end 2016 (2015: €112 million).

For Eurofima loans that are not part of the cross-border lease finance arrangements, collateral has been provided in the form of pledges on rolling stock (see note 30). The book value for this is €10 million (2015: € 274 million). The decline of the pledge is due to the decrease of the Eurofima loans.

Impairment and reversals

As a result of developments in the lease portfolio of a station complex in the Netherlands, a review has been performed of the recoverable amount of this complex. The recoverable amount is set at € 78 million. This has resulted in an impairment loss of € 24 million.

The calculations that give rise to the impairments and their reversals are based on a weighted average post-tax discount rate that is between 5.5% and 7% (2015: between 5.5% and 7%).

12. Investment property

(in millions of euros)	Total real estate
Composition per 1 January 2015	
Cost	292
Cumulative depreciation and impairments	-96
Carrying amount as at 1 January 2015	**196**
Changes in 2015	
Additions	8
Depreciation	-8
Divestments	-2
Impairment	-
Reversal impairment	-
Other changes	-
Total changes	**-2**
Composition per 31 December 2015	
Cost	295
Cumulative depreciation and impairment	-101
Carrying amount as at 31 December 2015	**194**
Changes in 2016	
Additions	1
Depreciation	-9
Divestments	-
Impairments	-2
Reversal impairment	-
Other changes	13
Total changes	**3**
Composition per 31 December 2016	
Cost	306
Cumulative depreciation and impairments	-109
Carrying amount as at 31 December 2016	**197**

The other changes in 2016 relate to the transfer from other asset categories to investment property.

Given the nature, diversity and locations (station environments) the fair value of the property portfolio can not be determined reliably. Is expected to be the fair value substantially higher than the book value of the properties.

The properties exist alongside commercial properties also of other real estate properties that are leased to third parties or held as strategic real estate. The leases include a period of several years in which cancellation is not possible. Thereafter, a negotiation about extension with the tenant will take place. The total contractual rent until the end of the leases amounts to approximately € 200 million in 2016. No contingent rents are charged.

The direct rental income was €68 million (2015: €55 million). The direct rental costs are maintenance costs, property taxes and direct management costs, coming to a total of €19 million (2015: €16 million).

13. Intangible non-current assets

(in millions of euros)	Goodwill	Software and concessions	Total
Composition per 1 January 2015			
Cost	37	209	246
Cumulative depreciation and impairment	5	67	72
Carrying amount as at 1 January 2015	**32**	**142**	**174**
Changes in 2015			
Additions	-	65	65
Depreciation	-	-36	-36
Divestments	-	-	-
Impairment	-	-	-
Reversal impairment	-	-	-
Other changes	1	19	19
Total changes	**1**	**48**	**48**
Composition per 31 December 2015			
Cost	38	361	404
Cumulative depreciation and impairment	5	169	179
Carrying amount as at 31 December 2015	**33**	**192**	**225**
Changes in 2016			
Additions	-	86	86
Depreciation	-	-40	-40
Divestments	-	-	-
Impairments	-	-	-
Reversal impairment	-	-	-
Other changes	-13	-1	-14
Total changes	**-13**	**45**	**32**
Composition per 31 December 2016			
Cost	20	469	489
Cumulative depreciation and impairment	-	232	232
Carrying amount as at 31 December 2016	**20**	**237**	**257**

The other changes in 2016 mainly due to the transfer of goodwill to assets held for sale. The remaining goodwill relates to our operations in the UK and Germany.

The cash flows that were used for determining the impairments are based on the business plans drawn up by the business unit concerned for a period of at least five years. A weighted average discount rate is determined for each cash-generating unit, in line with those for comparable companies. The calculations that give the impairments and their reversals are based on a weighted average post-tax discount rate that is between 5.5% and 7% (2015: between 5.5% and 7%). Changes in the assumptions did not lead to a deviation from the amounts calculated.

14. Investments recognised using the equity method

The financial data for the investments that are recognised according to the equity method, which have a book value of €39 million (2015: €183 million), are as follows:

Name entity (in millions of euros)	Merseyrail Ltd	Northern Rail Ltd	Vastgoed fondsen	Trans Link Systems BV	Other joint ventures	Total joint ventures	Other associates	Total
Share percentage	**50.00%**	**50.00%**	**53.00%**	**68.75%**				
2015								
Current assets	54	124	65	-	3		38	
of which cash and cash equivalents	*39*	*61*	*51*	-	-		*18*	
Non-current assets	12	13	245	-	2		17	
Current liabilities	56	123	15	-	2		16	
of which current financial liabilities	-	*2*	-	-	-		*2*	
Non-current liabilities	1	3	-	-	-		15	
of which non-current financial liabilities	*1*	-	-	-	-		-	
Net equity (based on 100%)	8	12	296		3		22	
Carrying value investments in investees recognised using the equity method	4	6	157	-	1	168	15	183

Name entity (in millions of euros)	Merseyrail Ltd	Northern Rail Ltd	Vastgoed fondsen	Trans Link Systems BV	Other joint ventures	Total joint ventures	Other associates	Total
Revenue	212	777	41	61	29		87	
Depreciation, amortisation and impairment	2	6	-	4	1		5	
Result from operating activities	26	24	20	14	4		2	
Finance income	-	-	-	-	-		-	
Finance expense	-	1	-	-	-		-	
Income tax expense	5	5	-	-	-		1	
Result for the period	21	19	20	14	4		1	
Total comprehensive income over the period	29	33	20	14	4		1	
Share in result of investees recognises using the equity method	**10**	**10**	**10**	**36**	**3**	**69**	**1**	**70**
Share in other comprehensive income	4	7	-	-	-	11	-	11
Share in total comprehensive income of investees recognised using the equity method	**14**	**17**	**10**	**36**	**3**	**80**	**1**	**81**
Dividend received	10	8	8	18	3	47	-	47

Name entity (in millions of euros)	Merseyrail Ltd	Northern Rail Ltd	Vastgoed fonds	Trans Link Systems BV	Other joint ventures	Total joint ventures	Other associates	Total
Share percentage	**50.00%**	**50.00%**	**53.00%**	**0.00%**				
2016								
Current assets	38	20	38	-	2		42	
of which cash and cash equivalents	*24*	*17*	*34*	-	-		*24*	
Non-current assets	11	-	-	-	2		21	
Current liabilities	38	15	9	-	1		17	
of which current financial liabilities	-	-	-	-	-	-	*1*	
Non-current liabilities	1	-	-	-	-		23	
of which non-current financial liabilities	*1*	-	-	-	-		-	
Net equity (based on 100%)	10	4	28		3		20	
Carrying value investments in investees recognised using the equity method	**5**	**2**	**15**	**-**	**2**	**24**	**15**	**39**

Name entity (in millions of euros)	Merseyrail Ltd	Northern Rail Ltd	Vastgoed fondsen	Trans Link Systems BV	Other joint ventures	Total joint ventures	Other associates	Total
Revenue	182	165	483	-	27		89	
Depreciation, amortisation and impairment	2	2	17	-	1		4	
Result from operating activities	23	19	228	-	4		-	
Finance income	-	-	-	-	-		-	
Finance expense	-	-	-	-	-		-	
Income tax expense	5	4	-	-	-		-	
Result for the period	18	15	228	-	4		-	
Total comprehensive income over the period	29	33	-	-	4		1	
Share in result of investees recognises using the equity method	**9**	**7**	**121**	**-**	**3**	**140**	**2**	**142**
Share in other comprehensive income	1	2				3	-	3
Share in total comprehensive income of investees recognised using the equity method	**10**	**9**	**121**	**-**	**3**	**143**	**2**	**145**
Dividend received	8	12	49		3	72	-	72

Interests in joint ventures

Merseyrail Services Holding Company Ltd and Northern Rail Holdings Ltd

The Merseyrail concession and the Northern Rail concession are carried out under 50/50 joint arrangements with Serco, a listed British company. NS and Serco have joint control, each with a 50% financial interest in the holding entities. The concessions are held by independent entities in which the holding company has a 100% interest. The results of the holding companies are distributed 50-50 to NS and Serco.

Property funds

The Group has direct and indirect interests in the following limited partnerships:

	Percentage holding	Registered office
Stationslocaties OG CV	55.8	Utrecht
Basisfonds Stationslocaties CV	50.9	Utrecht

The parties with a participating interest in the limited partnerships have raised a joint equity stake that is invested in property at shared costs and risks. The Group is also the controlling partner, investing and managing the equity at the shared costs and risks of the partners, with the managing partner being jointly and severally liable for the debts of the limited partners. The interests in the property funds are classified as joint ventures.

In 2016, the Basisfonds Stationslocaties C.V. sold the office portfolio for an amount of € 455 million (100%). This has led to a result of € 117 million for NS. Furthermore, € 212 million of capital was refunded from the property fund.

As regards the investments that have been recognised according to the equity method, there are no material contingent assets and/or liabilities. As regards the valuation of the interests in the joint ventures, there are no significant estimates or assessments.

Pursuant to Sections 379 and 414 of Book 2 of the Dutch Civil Code, a complete list of the Group's subsidiaries, associates and joint ventures has been filed with the office of the Trade Register in Utrecht.

15. Other financial assets, including investments

(in millions of euros)	December 31, 2016	December 31, 2015
Other non-current financial assets, including investments		
Available-for-sale financial assets	89	132
Loans and receivables	127	149
Held-to-maturity investments	-	1
Financial leases	29	32
Other investments	22	26
Total	**267**	**340**
Other current financial assets		
Deposits	-	270
Total	**-**	**270**

Bonds and term deposits (included in 'Financial assets available for sale') are partly intended for the payment of the investment commitments of approximately €1,428 million (€838 million in 2015), repayments and interest payments on the loans, and long-term provisions and liabilities.

The other financial assets as at December 31, 2015 include a loan granted to HTM Personenvervoer NV in the form of cumulative preference shares, which is divided into fair value of a loan (€ 26 million) and fair value of an option from € 4 million. On 30 June The Group has effectuated the option implemented in cooperation agreement with HTM Beheer B.V. As a result, the share capital of HTM Personenvervoer NV was sold back to HTM Beheer B.V. The resulting claim on HTM consisting of the nominal value less already received return is received at the end of 2016.

At year-end 2016, a receivable of € 136 million on the Ministry of Infrastructure and the Environment has been recorded concerning the correctionmechanism concession fee (see note 29), of which € 121 million has been identified as long-term (under the Loans and receivables) and € 15 million has been identified as short-term (note 18).

As of December 31, 2015 The loans and receivables include the non-current part of the receivable (€118 million) payable by the Railway Pensions Fund, which derives from a new agreement between Railway Pensions Fund and NS, as described in note 24 Employee benefits. It is expected that this receivable will be received in full by the end of 2017 and by December 31, 2016 classified as current.

The Group's credit risks, currency risks and interest rate risks associated with the other investments are explained in more detail in note 30.

16. Deferred tax assets and liabilities

(in millions of euros)	net balance as at 1 January 2015	Recognised in incomestatement	Recognised in total result	Other changes	Net position	Deferred tax assets	Deferred tax liabilities
					Position as at 31 December 2015		
Property, plant and equipment	-92	-8	-	-9	-109	38	147
Intangible assets	-4	-3	-	-	-7	-	7
Financial fixed assets	-8	-3	-	-	-11	-	11
Receivables	31	-31	-	-	-	-	-
Provisions	1	-1	-	-	-	-	-
Deferred credits	35	38	-	-	73	73	-
Loans and other financial liabilties	14	3	-4	-	13	13	-
Other items	-1	-4	-	4	-1	2	3
Loss compensation	150	-	-	2	152	152	-
Deferred tax assets (liabilities)	**126**	**-9**	**-4**	**-3**	**110**	**278**	**168**

(in millions of euros)	net balance as at 1 January 2016	Recognised in incomestatement	Recognised in total result	Other changes	Net position	Deferred tax assets	Deferred tax liabilities
					Position as at 31 December 2016		
Property, plant and equipment	-109	-8	-	-1	-118	23	141
Intangible assets	-7	-	-	-2	-9	-	9
Financial fixed assets	-11	9	-2	1	-3	4	7
Receivables	-	-	-	-	-	-	-
Provisions	-	3	-3	1	1	2	1
Deferred credits	73	-9	-	1	65	65	-
Loans and other financial liabilities	13	-1	-6	-2	4	4	-
Other items	-1	-	-	-1	-2	-	2
Loss compensation	152	-21	-	-	131	131	-
Deferred tax assets (liabilities)	**110**	**-27**	**-11**	**-3**	**69**	**229**	**160**

The ‘Other changes’ are due to alterations to the fiscal position as a result of submitting the tax return.

Net operational losses that have been categorised as tax losses under Dutch tax law and that arose in the Dutch subsidiaries can in general be settled against future profits achieved during the nine years after the year in which the loss was suffered, and can be settled against profits made in the year preceding the loss-making year. There are comparable rules for the positions in foreign enterprises.

As at 31 December 2016, the Group had deferred tax assets for downward valuations amounting to €272 million for the fiscal unity in the Netherlands. These deferred tax assets are partly covered by deferred tax liabilities that produce taxable profits in the reference period through to 2024 and forecast profits through to 2024, based on the Concern Plan 2017-2021. The forecasts assume the current breakdown of the Group's activities, taking account of the main rail network concession, which started on 1 January 2015. On top of that, the Group has tax planning possibilities that can be implemented if necessary. Because the forecasts through to 2024 have an inherent margin of uncertainty, €67 million of the sum has not been valued (31 December 2015 : €67 million).The net deferred tax assets of the fiscal unity in the Netherlands therefore amount to €205 million (31 December 2015 : €246 million).

A rate of 25% applied in 2016 for Dutch corporate income tax (25% in 2015). For the calculation of the deferred tax position of the Dutch entities, the applicable rate of 25% has been assumed. The Dutch tax authorities are currently investigating the fiscal handling of transactions with the Irish subsidiary, NS Financial Services. The investigation is focusing *inter alia* on the classification of the leasing agreements signed between NS and NS Financial Services; this relates to the years from 2013 onwards. The conduct of NS since these agreements were signed has been consistent in this regard; any other opinion about the eligibility of the lease agreements could have a material impact on the tax burden. On the tax returns up to 2012, there is agreement with the tax authorities.

17. Inventories

(in millions of euros)	**December 31, 2016**	**December 31, 2015**
Maintenance materials	120	110
Projects under construction, unsold	5	17
Trade goods	14	11
Total	**139**	**138**

Inventories of maintenance materials consist of raw materials and materials for the purpose of production and maintenance of semi-finished and finished products of the maintenance department. In 2016, the write-down of inventories to the net realisable value and recognised as an expense amounted to €11 million (€6 million in 2015). The cumulative impairment, after withdrawals, came to €94 million at the end of 2015 (€95 million in 2015).

18. Trade and other receivables

(in millions of euros)	December 31, 2016	December 31, 2015
Receivables from clients from projects in progress	1	1
Trade receivables	228	227
Unbilled revenue	202	106
Other taxes and social security charges	23	33
Other receivables	270	292
Total	**724**	**659**

'Trade and other receivables' includes an amount of €104 million (€16 million in 2015) that concerns related parties.

The combined credit risk exposure from trade receivables and other receivables (excluding the construction contract work in progress) and the impairment losses are shown in note 30.

The 'Other receivables' show the current part of the receivable (€120 million) payable by the Railway Pensions Fund and the current part of the receivable connected to correction mechanism concession fee (€15 million).

Work in progress

(in millions of euros)	December 31, 2016	December 31, 2015
Costs of work in progress	10	22
Realised gains and losses	-1	-2
	9	**20**
Less: billed instalments	12	23
	-3	**-3**
Presented under:		
Receivables from clients for projects in progress	1	1
Advance payments received for projects in progress	-4	-4

The trade payables and other liabilities are stated in note 27.

19. Assets and liabilities held for sale

In accordance with the communicated strategy, the sales process of participation Qbuzz B.V. started on July 11, 2016 and on July 11, 2016 has stopped the depreciation of fixed assets. It is expected that the sale will be completed during 2017. The assets and liabilities held for sale at December 31, 2016 consist of:

(in millions of euros)	December 31, 2016
Property, plant and equipment	76
Intangible assets	13
Other financial assets, including investments	2
Deffered tax assets	1
Trade and other receivables	13
Cash and cash equivalents	35
Assets held for sale	**140**
Loans and borrowings, including derivatives	62
Provisions	2
Trade and other payables	34
Deferred income	17
Liabilities held for sale	**115**

The assets and liabilities held for sale are valued at book value, since the fair value less costs to sell is less than the book value.

The loans and other financial liabilities consist of finance lease liabilities the gross liability amounts to € 68 million and employed an average interest rate of 3.8%. An amount of € 68 million (2015: € 83 million) was pledged regarding (leased) assets.

20. Cash and cash equivalents

(in millions of euros)	December 31, 2016	December 31, 2015
Cash and bank balances	709	671

The cash and bank balances are excluding € 62 million (December 31, 2015: € 118 million) freely available. The Group's interest rate risk and a sensitivity analysis for financial assets and liabilities are stated in note 30.

21. Equity

Please refer to the Consolidated statement of changes in equity.

The authorised capital as at both 31 December 2016 and 31 December 2015 consisted of 4 million ordinary shares with a nominal value of €453.78 (originally NLG 1,000). There are 2,230,738 shares that are issued and fully paid up. All issued shares are held by the State of the Netherlands. The shareholders are entitled to a dividend, as annually declared, based on the resolution of the General Meeting of Shareholders regarding the appropriation of the profit. The shareholders have the right to cast one vote per share at meetings of the company.

The financial statements for 2015 and the profit appropriation were determined in the shareholders' meeting of 3 March 2016. In accordance with the proposal, the profit of €118 million over the reporting period plus a sum of €77 million were allocated to the reserves and a sum of €41 million was paid out as a dividend.

The movements in the other reserves were as follows:

(in millions of euros)	Translation reserve	Hedging reserve	Fair value reserve	Actuarial reserve	Revaluation reserve for associates	Total other reserves
Balance as at 1 January 2015	**5**	**-39**	**0**	**4**	**10**	**-20**
Other comprehensive income	3	-4		13	11	23
Revised balance as at 31 December 2015	**8**	**-43**	**0**	**17**	**21**	**3**
Other comprehensive income	-19	36		12	3	32
Balance as at 31 December 2016	**-11**	**-7**	**0**	**29**	**24**	**35**

Translation reserve
This reserve covers all foreign exchange differences arising as a result of the conversion of the financial statements of foreign operations, as well as the conversion of liabilities hedging the company's net investment in an international group company.

Hedging reserve
The hedging reserve consists of the cumulative change in the fair value of hedging instruments if the hedged transaction has not yet taken place or the hedged position has not yet been settled.

Fair value reserve
The fair value reserve consists of the cumulative change in the fair value of investments available for sale until such time as the investment is no longer accounted for in the balance sheet.

Actuarial reserve
The actuarial reserve refers to the actuarial gains and losses, which comprise the difference between the actual and anticipated changes in the pension liabilities and investment returns on pension assets.

Revaluation reserve for associates
The revaluation reserve for associates comprises the cumulative non-realised results, recognised directly in associates' equity in accordance with the equity method. The change in 2016 is related to changes in the hedging reserve and actuarial reserve recognised by these associates.

General reserve
The recognition in equity is after deduction of taxes.

Profit appropriation as stipulated by the Articles of Association
In accordance with Article 21 paragraph 2 of the Articles of Association of NV Nederlandse Spoorwegen, the Annual General Meeting of Shareholders decides on the appropriation of any positive balance in the income statement.

Profit appropriation proposal
A proposal will be put to the meeting to add €212 million of the net profit of €133.3 million to the general reserves, consisted of €74 million of regular dividend and €4.7 million as a consequence of a agreement from the past.

22. Deferred credits

(in millions of euros)	December 31, 2016	December 31, 2015
Financing benefits	-	1
Lump sum payments	249	272
Adjustment mechanism for the main rail network concession	119	-
Deferred credits	**368**	**273**
Less: current	-40	-10
Total non-current as at 31 December	**328**	**263**

The one-off payments plus the original balance (one-off payment for pay increases resulting from making SPF independent in 1994) are expected to be released in 2035, and be credited to the income statement. The concession fee adjustment mechanism included in HRN concession (see Note 29) and will be released linearly in the income statement during the term of the concession until 2024.

23. Loans and other financial liabilities, including derivatives

This note contains information concerning the contractual stipulations for the Group's interest-bearing loans and other financial liabilities, which are measured at amortised cost.

(in millions of euros)	December 31, 2016	December 31, 2015
Non-Current liabilities		
Private loans	240	339
Finance lease liabilities	47	59
Interest rate swaps used for hedging	3	17
Commodity derivatives	3	24
Total	**293**	**439**
Current liabilities		
Private loans	74	454
Finance lease liabilities	-	18
Interest rate swaps used for hedging	-	-
Commodity derivatives	3	17
Total	**77**	**489**
Total liabilities	**370**	**928**

The private loans include a debt owed by NS Reizigers to the Ministry of Infrastructure and the Environment of €246 million (2015: €278 million) associated with the deferred payments of concession fees. Of that sum, € 206 million has been included under non-current liabilities, for the proportion that is due to be paid after 2017. The portion that will be paid in 2017 (€40 million) is recognised in current liabilities. The interest rate is fixed at 3.027%. The terms and conditions of the loan were agreed in more detail as of 1 January 2015 in the new main rail network concession.

The finance lease liabilities have a gross liability of €91 million and a apllied discount rate of 2.5%.

The Group's liquidity risks, currency risks and interest rate risks associated with the loans and other financial liabilities are explained in more detail in note 30.

24. Employee benefits

The non-current employee benefits comprise:

- other non-current employee benefits, including long-service awards;
- obligations entailed by occupational disability and supplements to social security payments;
- obligations in connection with defined benefit pension plans.

(in millions of euros)	December 31, 2016	December 31, 2015
Defined benefit plans	2	2
Other long-term employee benefits	29	28
Total	**31**	**30**

Pension liabilities

The staff of the NS Group companies are covered by the pension plans of the following pension funds. The table also shows the numbers of active members.

(number participants)	December 31, 2016	December 31, 2015
Railway pensionfund	16,514	16,073
Industry pensionfund Horeca & Catering	2,719	2,835
Industry pensionfund provision company	991	670
Additional pensionfund Servex	149	151
ScotRail	4,665	4,660
Greater Anglia	2,302	2,191
Abellio Transport Holdings	170	78
Abellio London & Surrey	2,120	1,918
Qbuzz	1,829	1,993

In cases where an employee is a member of an industry pension fund, the NS Group companies have no obligation to pay supplementary contributions in the event of a deficit in that industry pension fund, other than payment of future contributions. Equally, the NS group companies have no claim to any surpluses in the funds. Consequently, these pension plans have here been accounted for in these financial statements as defined contribution plans, as required by IFRS.

The total value of the pension contribution payments charged to the income account in 2016 was €131 million (2015: €96 million).

Spoorwegpensioenfonds pension plan (defined contribution plan)

The pension plan for the railway industry is administered by Spoorwegpensioenfonds. The plan qualifies for recognition in the financial statements as a defined contribution plan. The contribution agreed with SPF is a fixed annual contribution agreed in advance and expressed as a percentage of the pensionable earnings. In 2016 Ns paid the nominal pension premium of 24% to the pension fund. Two-thirds of the pension contributions paid to Spoorwegpensioenfonds are at the expense of the company and one-third at the expense of the employees. After payment of the agreed contribution, the company has no obligation to pay additional amounts should there be a deficit in the pension fund. The actuarial risks and investment risks are borne by the pension fund and its members. The pension costs up to 2035 are partly offset by the release of the lump sum payment for wage increases (see note 22).

At the end of 2015, the Group made new agreements with the pension fund for dealing with the contribution build-up that came into effect from 1 January 2016. This led to a receivable payable by Spoorwegpensioenfonds of about €240 million that will be paid in two years' time. The employees' part of the contribution build-up (one third of the amount) is included as a debt and will be settled with the employees over the next few years up to and including 2022. The employer's part of the contribution build-up (two thirds of the amount) has been added to the lump sum payment for wage increases and will be credited to the pension costs up to 2035.

There is a defined contribution plan for Abellio London & Surrey, Qbuzz and the Servex supplementary pension scheme.

Defined benefit plans

Abellio Greater Anglia, Abellio ScotRail and Abellio Transport Holdings have arranged for a pension for their staff through the UK Railways Pension Scheme. The fund in question can be considered as a company pension fund and the pension plan as a defined benefit plan.

Every company is a designated employer for one or more cost-sharing agreements within the Railways Pension Scheme. Such cost-sharing agreements are geared to a lifelong pension. The size of the pension depends on how long an employee was an active member of the pension plan and on their salary when leaving the plan (final-salary plan).

Because of the character of the cost-sharing agreements, the amounts payable to cover both the costs of the accrued pension entitlements and any shortfall between the value of the assets and the value of the pension liabilities are borne jointly by the employer and the contributing members in a ratio of 60% to 40% respectively. As a consequence, the employer recognises 60% of the total pension costs and pension liabilities in the balance sheet. The Railways Pension Scheme is administered by the Trustee, the Railways Pension Trustee Company Limited. The plan's assets are invested in investment funds, each with a different risk and return profile.

The pension liabilities and the pension assets are based on actuarial calculations that were performed for the situation on 31 December. At year-end 2016, the net liabilities of Abellio Transport Holdings Limited were €2 million (€2 million in 2015). The average term for the pension liabilities is about 24 years.

To reflect the nature of the concession, the shortfall between the pension liabilities and the pension assets for Abellio Greater Anglia and Abellio ScotRail have been included in 'Non-current liabilities' to the extent that they concern the concession period. The remaining amount at the end of the concession period is not recognised in the balance sheet because it will constitute part of the debts of the following concession holder.The net liabilities were zero at year-end 2016 (zero at year-end 2015). The average term for both companies' pension liabilities is about 20 years.

Basic assumptions for defined benefit plans

The following assumptions were used for determining the pension liabilities and the pension assets (based on a weighted average):

	December 31, 2016	December 31, 2015
Discountrate	2.9%	3.8%
Increase of salaries	2.7%	3.4%
Increase of pension benefits	2.1%	2.1%
Inflation	3.2%	3.1%

* Mortality table: 2013 SFO valuation (Greater Anglia and ScotRail) and S1NA tables with CMI 2013 projections (Abellio Holdings) plus long term expectation + 1.25%.

Breakdown

The breakdown of the pension liabilities is as follows:

(in millions of euros)	December 31, 2016	December 31, 2015
Fair value of plan assets	1,193	1,221
Defined benefit obligations	1,721	1,700
Deficit	**528**	**479**
Members' share of deficit	-211	-192
Deficit at the end of the concessionary	-315	-285
Write-down of pension surplus	-	-
Group's commitments concerning franchise period	**2**	**2**

Sensitivity analysis

Reasonably likely changes in one of the relevant actuarial assumptions on the balance sheet date while keeping all other assumptions constant would have the following effect on the gross liability pursuant to the defined benefit entitlements:

(change of 0.25%) (in millions of euros)	Increase	Decrease
Discountrate	-84	88
Inflation	89	-85
Future salary increase	31	-31

A change in life expectancy of one year would lead to a change in the gross liability of about €43 million (December 31, 2015 : €43 million).

The impact that these changes would have on the Group's net liabilities during the concession period is expected to be limited given the transfer of liabilities at the end of the Greater Anglia concession.

Movement

The changes in the pension assets and liabilities are as follows:

(in millions of euros)	2016	2015
Plan assets as at 1 January	1,221	460
Addion new fund	437	735
Interest income	40	36
Pension contributions	38	44
Pension benefits paid	-75	-30
Administration expenses	-5	-5
Return on plan assets, excluding interest income	141	-9
Reduction participants in the fund	-437	-36
Exchange rate gains and losses	-167	26
Plan assets as at 31 December	**1,193**	**1,221**
Defined benefit obligations as at 1 January	1,700	722
Addion new fund	698	1,048
Pension costs	64	66
Interest expenses	55	54
Pension benefits paid	-75	-30
Net actuarial gain or loss	210	-140
Reduction participants in the fund	-698	-61
Exchange rate gains and losses	-233	41
Defined benefit obligations as at 31 December	**1,721**	**1,700**

Breakdown of plan assets

The breakdown of the plan assets is as follows:

(in millions of euros)	December 31, 2016	December 31, 2015
Shares	722	769
Fixed-income securities	148	80
Property	121	150
Cash	146	134
Other	56	88
Total	**1,193**	**1,221**

Pension costs recognised in the income statement

(in millions of euros)	2016	2015
Pension costs	38	41
Interest expenses	-	-
Administration expenses	3	3
Total	**41**	**44**

Unrealised actuarial gains and losses

(in millions of euros)	2016	2015
Net actuarial gain or loss		
-Demographic assumptions	-	-6
-Financial assumptions	-244	145
-Experience adjustments	35	25
Return on plan assets, excluding interest income	141	-9
Franchise adjustment	58	-78
Changes in members' share	23	-61
Total	**13**	**16**

The Group expects to recognise pension costs amounting to €47 million relating the above-mentioned defined benefit plans in 2017.

Other non-current employee benefits

This includes long-service obligations. The AG2016 mortality table is used for the calculation of the long-service obligations.

The changes in the provision were as follows:

(in millions of euros)	2016	2015
Long-service award obligation as at 1 January	28	31
Payments	-4	-3
Actuarial gains and losses	2	-1
Accrued interest	3	1
Long-service award obligation as at 31 December	**29**	**28**

The current portion of this provision is €4 million.

The sensitivities are as follows:

Discounting (-0.5%)	4.4%	4.1%
Total wage increase (-0.5%)	-4.1%	-3.8%
Careeropportunities (+25%)	2.8%	2.6%
Resignation probability (+25%)	-4.7%	-4.4%

25. Provisions

(in millions of euros)	Reorganisation costs	Provision for soil remediation	Other provisions	Total
Carrying amount as at 1 January 2016	**3**	**66**	**122**	**191**
Addition	12	9	32	53
Accrued interest	-	-	-	-
Withdrawal	-2	-	-62	-64
Other changes	-	-	-	-
Release	-1	-8	-33	-42
Carrying amount as at 31 December 2016	**10**	**67**	**59**	**137**
Presented as:				
Non-current	6	50	44	100
Current	4	17	15	37

Provision for reorganisation costs

The purpose of the provision for reorganisation costs is to cover the costs arising from reorganisation measures. Most of the provision is needed for redundancy schemes, bridging payments and the redeployment of staff whose jobs have disappeared as a result of restructuring.

Provision for soil remediation

The provision for soil remediation is for managing and remedying environmental damage. The provision is calculated using an average discount rate of 1.5% (1.5% in 2015).

Other provisions

Other provisions include provisions for losses arising from accidents and fire and provisions for risks deriving from the dissolution of cross-border leasing transactions. The release of the other provisions comprises inter alia a release of the settlement of a provision for personnel expenses that is paid out with retrospective effect.

26. Accruals

The accruals include the non-current part € 36 million (December 31, 2015 : € 55 million) of the outstanding pension contributions for employee benefits deriving from the new pensions agreement between SPF and NS as explained in note 24 (Employee benefits). Over the coming years through to 2022, the item will be settled with the employees, based on the discount defined with respect to the nominal contributions in the NS collective labour agreement.

27. Trade and other payables

(in millions of euros)	December 31, 2016	December 31, 2015
Advance payments received for work in progress	4	4
Trade payables	239	227
Current portion of deferred credits	40	10
Other taxes and social security charges	83	101
Other liabilities	461	464
Accrued expenses and deferred income	196	254
Total	**1,023**	**1,060**

The accrued expenses and deferred income include the monies received in the context of the FENS agreement (fund for one-off contributions). At the end of 2012, NS received a sum from ProRail as a consequence of the addendum to the FENS framework agreement. The total outstanding liability (€30 million) has been allocated through project-related decisions. About €10 million of the amount in this item is expected to have a term of more than one year.

The trade and other payables include an amount of €16 million (€13 million in 2015) that concerns related parties (ProRail and government).

The Group's liquidity risk due to trade and other payables is stated in note 30.

For more detailed information about the sums received in advance for work in progress, see note 18.

28. Deferred income

This consists largely of season ticket payments received in advance.

29. Off balance sheet commitments

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. At the start of July 2016, the ACM sent a report on the investigations to NS. NS has accordingly presented its views.ACM will now assess whether there is a violation of the Competitive Trading Act or the Railway Act has taken place-and if so, whether a penalty or fine imposed by means of a decree.

The decision taken by the ACM may include imposing a penalty on NS. Any such penalty imposed by the ACM would be based on a percentage of the turnover involved, with a legal maximum of 10% of the consolidated turnover. The bandwidth for any such fine is this from zero to the said legal maximum. At this stage, NS is not in a position to make a reliable estimate of the size of any penalty and no provision has therefore been made for it. It is possible to object to a decision to impose a fine, to appeal against it and to take it to the higher appeals court.

Veolia

NS and five associated companies are summoned on July 22 2016 by Veolia Transport Netherlands Holding B.V. and four of its affiliated companies in relation tot the tender in Limburg. Veolia seeks mainly a number of statements privilege that NS is liable for damage Veolia claims to have suffered in connection with the tender in Limburg. The basis and extent of the damage allegedly suffered by Veolia, are not sufficiently concrete. The outcome of the legal procedure (and thereby any potentially allowable claims for damages) cannot currently be estimated with certainty or reliably and has therefore not included.

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 N.V., Qbuzz BV, Abellio Transport Holding BV and Abellio Nederland BV. In February 2016, NS Groep N.V. received the final report of the criminal investigation. The prosecution has already decided to sue NS Groep N.V. afterwards. On December 13, 2016 a pre-trial review took place. The trial is expected to occur in the second part of 2017. How this will be done and what the financial consequences will be (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 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 included for it.

Long-term contracts

There were a number of long-term financial commitments to third parties at year-end 2016. These mainly concern operating lease agreements for trains, company cars and copiers. Secondly, there are long-term contracts for services by third parties in the areas of IT, employee health and safety, maintenance and cleaning.

Operational lease agreements

The lease amounts payable for operational lease agreements (including rental agreements for offices) that cannot be cancelled fall due as follows:

(in millions of euros)	December 31, 2016	December 31, 2015
< 1 year	366	181
1-5 years	1,215	808
>5 years	536	896
Total	**2,117**	**1,885**

* The figures of December 31, 2015 have been corrected for the usage fees for use of rail. These were misidentified as lease.

In 2016 an amount of approximately € 350 million as an expense for operating leases.

The amounts recorded above include amounts which relate to a number of concessions in Germany which will be 1 on 1 covered by the concession grantors. These amounts are due as follows:

(in millions of euros)	December 31, 2016	December 31, 2015
< 1 year	19	8
1-5 years	63	52
>5 years	91	72
Total	**173**	**132**

Energy contracts

As at the end of 2016, the purchase obligations under the energy contract in the Netherlands for the volumes already covered and the payments for the programme of responsibilities and the surcharge for green electricity over the period 2016-2024 (the remainder of the 10-year contract) came to €231 million (as opposed to €207 million at the end of 2015). The volume expected to be required for 2017 is fully covered. Transport costs and energy tax are not included in the purchase obligations shown. If the difference between the market values and the contract value exceeds a given threshold, the Group or Eneco does then have to give the other party guarantees or provide cash collateral. Any payments and liabilities are netted as they are both inextricably linked. At the end of 2016 no collateral has been granted.

With respect to the forward contracts that are used for covering fuel costs abroad, Abellio has given guarantees for a sum of €3 million.

For more detailed information about the energy contracts, please refer to note 30.

Tax group

For the purpose of income tax, all the Dutch subsidiaries belonging to the Group (with the exception of Qbuzz) are part of the NS tax group. As a result, the Group is ultimately liable for all tax liabilities of the subsidiaries included in the tax group.

Investment commitments

At the end of 2016, the Group had outstanding investment commitments of €1,428 million (2015: approximately €838 million), primarily for purchasing and upgrading trains and investments in the areas around the stations.

Contingent liabilities

The Group has paid €28 million (after conversion) into its share in the issued share capital of Eurofima AG (a sum of €112 million after conversion). The Group has a liability for full payment on demand of the shares and other guarantee commitments totalling €252 million. Payment of the liability can be demanded if Eurofima AG's own equity position gives reason to do so. For Eurofima loans that are not part of the cross-border lease finance arrangements, collateral has been provided in the form of pledges on rolling stock.

The IC Brussels is part of agreements within the context of the entire HRN concession. Operating results from IC Brussels are settled upon agreement with the Belgian carrier. The size of the result is to be settled, depending on the realised operational result on this route.

A number of investigations are ongoing and various claims have been submitted against NS and/or its group companies, which NS is contesting. Although the outcome cannot be predicted with certainty, it is expected that these will not have negative financial consequences of any material significance.

Guarantees

The Group has provided for an amount of € 869 million of guarantees for the implementation of the various concessions.

Concessions

The Group has the following concessions:

Concessions in 2016	Expiry date	Type contract
Netherlands		
Hoofdrailnet/ HSL-Zuid	December 31, 2024	net
Regional train concessions	see hereafter	net
Groningen-Drenthe (bus)	December 13, 2019	net
Bestuursregio Utrecht (bus)	December 16, 2023	mixed
Great Brittain		
Merseyrail-concession surrounding Liverpool	July 20. 2028	mixed
Greater Anglia-concession (East Anglia)	October 12, 2015	mixed
Abellio London-concession (bus)	see hereafter	gross
ScotRail-concessie in Scotland (from 1 April 2015)	March 31, 2022	mixed
Germany		
Emscher Ruhrtal	December 1, 2019	gross
Ruhr Sieg Netz	December 1, 2034	gross
Der Mungstener	December 1, 2028	gross
Saale-Thüringen-Südharz (vanaf december 2015)	December 1, 2030	gross
Niederrhein-Netz	December 1, 2028	gross
Rhine-Ruhr-Express (start of the operation in two steps; December 2018 and December 2020)	December 1, 2033	gross
Stuttgarter Netze (start of the operation in June 2019)	December 1, 2032	gross
Dieselnetz Sachsen-Anhalt (start of the operation in December 2018)	December 1, 2032	gross
S-Bahn Rhein-Ruhr (start of the operation in December 2019)	December 1, 2034	gross

Explanation

A net contract is a contract with a revenue risk in respect of passenger revenues.

A gross contract is a contract without revenue risk in respect of passenger revenues.

A mixed contract is a net contract with certain anti-takeover measures in respect of passenger revenues.

Main rail network

The main rail network concession is awarded by the Ministry of Infrastructure and the Environment and it covers passenger transport by rail on the main rail network in the Netherlands. The old main rail network concession and the HSL concession (see next paragraph) ended in 2014 and the ministry decided in December 2014 to award a new integrated main rail network concession to NS for the period from 1 January 2015 to 31 December 2024. The train services on the HSL South are also covered by this concession from 1 January 2015 onwards. It has been stipulated in the concession that performance must improve during the term of the concession. The interim evaluation and final evaluation will take place in 2019 and 2024 respectively. If NS does not achieve the target values for 2019 or 2024 respectively, NS will be obliged to pay a sum from €1.5 million up to a maximum of €19.5 million for each performance indicator not attained at each evaluation moment. If NS does meet the conditions, a maximum bonus of €10 million can be earned for each evaluation. In addition, the ministry can impose a fine of a maximum of €6.5 million a year if NS does not achieve the baseline minimum values for the concession performance indicators. In 2014, that maximum was still €2.75 million. The performance indicators are measured for the following performance areas: general (customer satisfaction), the door-to-door journey, comfortable journeys (transport capacity at peak times), journey information (in the event of disruptions), safety (including personal safety) and reliability (punctuality for passengers). In 2016, NS received a fine from the Ministry of Infrastructure and the Environment for an amount of €0.5 million.

The agreements made with the governmental authorities include ones on the production resources (rolling stock in particular) that are to be used for operating the main rail network concession. Depending on the ownership details and the form of tendering, the production resources may be leased in the event of complete or partial loss of the main rail network concession to a subsequent concession holder, sold at book value and/or their leases may be transferred unchanged to the subsequent concession holder.

The overall fees for track use and the concession for the integrated main rail network/ HSL South concession were €314 million in 2016. The negotiation agreement of 2011 included an adjustment mechanism for avoiding the liquidation of HSA. This adjustment mechanism has been included in the implementation agreement for the concession. It essentially means the following: if the average return on investment for the concession holder over a fixed period turns out to be lower than the threshold value (4%), then the holder will be entitled to an adjustment to the concession price (equal to the difference between the actual return and 4%, with the adjustment over the entire duration of the concession being capped at the equivalent of €144 million at 2010 prices). There is no entitlement to any such adjustment over 2015. Any entitlement to an adjustment is first calculated over 2016 over the average return on investment for 2015 and 2016, and thereafter on a rolling basis over the previous three years. An entitlement to an adjustment to the concession price deriving from the implementation agreement will not then lapse if at any moment in subsequent years the return on investment is higher than the threshold value. Payment of any entitlement that may have arisen to an adjustment to the concession fee will be spread in instalments, as per the implementation agreement.

The concession also includes an adjustment mechanism for a settlement of any windfalls in energy price changes over the concession period. This adjustment will be calculated cumulatively, with NS owing the Ministry of Infrastructure and the Environment 75% of the difference between the actual energy prices and the forecast energy prices according to the business case, with no adjustment being made at times when the cumulative actual return on investment falls below the cumulative norm return. Separately from the calculation outlined above, NS is liable for an unconditional one-off sum of €56 million to the ministry for 2015; this payment is being amortised linearly over the entire term of the concession. This arrangement is capped at €290 million (including the one-off sum) and will never result in a payment to NS by the Ministry of Infrastructure and the Environment. No energy cost adjustment is owed for 2016.

Regional rail concessions

This concerns passenger transport by rail on the routes listed below. The concessions specify the conditions with respect to frequency, accessibility, level of service, etc.

During 2016, NS operated the following four concessions, which will run for the periods stated:

- Gouda – Alphen aan den Rijn until 11 December 2031
- Zwolle – Kampen until 9 December 2017
- Zwolle – Enschede until 9 December 2017
- Rotterdam – Hoek van Holland Strand until 31 March 2017

The concessions have been awarded by the provinces or metropolitan regions in question. For the operation of the concessions, a fee is received from the authority granting the concession.

Merseyrail concession

This concession is operated as a 50-50 joint venture with Serco, a listed British company. It concerns passenger transport on the rail network in the region around Liverpool. There is an obligation to operate defined services (timetable, quality of the service) for a fixed fee paid by the regional authorities. Every five years there is an evaluation that includes checking whether the operations are still 'efficient'. Merseyrail have completed 2 successful reviews with the third due in 2018. The concession runs for 25 years (through to 20 July 2028). There is an option for a five-year extension. The annual payment received from the authorities (grant) is determined in the contract and is index- linked annually.

Greater Anglia concession (East Anglia)

Abellio was the operator of the previous Greater Anglia concession, which expired in October 2016, and won the new Greater Anglia concession in August 2016. This concession is operated by the full subsidiary Abellio East Anglia Ltd. It has recently been announced that a 40% share of the concession is proposed to be sold to Mitsui. The concession operates passenger transport on the rail network in the Anglia region in the east of England. The number of train-kilometres for this concession is around 29 million per annum. The concession started operation on 16 October 2016 and runs to 12 October 2025, with an option for a further extension of a year. There is an obligation for the replacement of the entire current fleet, with 1,043 new vehicles by September 2020 to run on the Rural, Intercity, Stansted Express, West Anglia and Great Eastern routes. This will increase the number of seats into London in the peak by 55%. Other obligations include a commitment to invest £120m in depot facilities, £60m in station upgrades and £115 million in other expenses and investments.

ScotRail concession

Abellio won the ScotRail concession in October 2014. The concession started on 1 April 2015 and will run for a minimum of 7 years. An extension to 31 March 2025 is possible by mutual consent after an evaluation in Year 5, with an option for a further extension of 2 years through to 31 March 2027. The ScotRail concession was awarded by Transport Scotland and is operated by the fully-owned subsidiary Abellio ScotRail Ltd, providing intercity, regional and provincial passenger transport by train on the Scottish national rail network. There is an obligation to provide the specified services (timetable, quality of the services) for a predetermined fee paid by the government (grant), which is index-linked on an annual basis.

Concessions in Germany

Abellio currently operates various train services in the North Rhine-Westphalia (NRW) and Central Germany regions for a fixed payment by the government, which is index-linked on an annual basis. The concessions run for periods that end at various points between 2019 and 2030.

In December 2016, the Niederrhein-Netz rail concession started the German part of operations. From April 2017 onwards trains will also commute between the Netherlands and Germany.

In June 2015, Abellio won two routes of the Rhine-Ruhr-Express (RRX) with a two-step start of operations; the first will run from Münster to Dortmund, Düsseldorf, Cologne and Aachen in 2018 and the second from Düsseldorf to Essen, Dortmund, Paderborn and Kassel in 2020.

In November 2015, Abellio won the Stuttgarter Netze concession. From June 2019 onwards, Abellio will be running 43 new trains in the Baden-Württemberg region.

In addition, Abellio won the Saxony-Anhalt diesel network (DISA) concession in December 2015. From December 2018 onwards, Abellio will be running 12 routes in the Saxony-Anhalt region.

In July 2016, Abellio won the S-Bahn Rhein-Ruhr concession. From December 2019 onwards, Abellio will be running 6 routes in the NRW region.

In December 2016, Abellio successfully defended the Ruhr Sieg Netz concession. From 2019 on, Abellio will operate the concession with 18 trains.

Concessions in London

Abellio London operates 49 bus routes in London from 5 depots representing 8% of the market, and 21 bus routes in Surrey from one depot. The concessions in London have terms of 5 years on average with an option for an extension of 2 years, depending on the attainment of various performance criteria.

Qbuzz concessions

Qbuzz operates regional bus concessions in Friesland (until December 2016, after which the concession was handed over to Arriva), Groningen-Drenthe (until December 2019) and Utrecht (December 2014 until December 2023).

30. Financial instruments – Risk management and fair value

Because financial instruments are used, the Group is exposed to the following risks:

- Market risks consisting of:
  - Interest rate risk
  - Currency risk
  - Price risk for energy
- Credit risk
- Liquidity risk
- Insurance risks
- Risks deriving from cross-border transactions

Risk management framework

The Executive Board bears the final responsibility for setting up monitoring of the Group's risk management framework. The Risk & Audit Committee and the Supervisory Board make sure that the risk management framework is sufficient in view of the risks to which the Group is exposed. The Group's Risk & Audit Committee is supported in its supervisory role by NS Audit and the Group's Control & Expertise department. NS Audit provides additional assurance concerning the proper control of all the NS business processes by performing regular and occasional evaluations. The findings of NS Audit are reported to the Risk & Audit Committee.

The Group's risk policy aims to identify and analyse the risks confronting the group, establish suitable risk limits and controls, and monitor compliance with the limits. Policy and systems for financial risk management are regularly assessed and, where necessary, adjusted to allow for changes in the market conditions and the Group's activities. Financial risk management is one element of the NS risk framework.

In order to ensure appropriate risk management, additional policies have been defined for a number of business units. For instance, NS Insurance, Abellio and NSFSC have specific risk controls compared to other business unts, given the nature of the businesses, for which Corporate Treasury determines the substantive content of the financial risk management.

The Group is also involved through Abellio in transport concessions abroad. These activities are mainly in the UK, largely independent and with the remainder in a joint venture with the partner Serco in which the two parties have equal representation. Abellio also has companies in the Netherlands and in Germany. The financial risk management of Abellio is part of the Abellio risk framework and therewith part of the NS risk framework.

Market risks

Market risk is the risk that the Group's income and expenditure, or the value of investments in financial instruments, will be negatively affected by changes in market prices, such as commodity prices, currency exchange rates and interest rates. The management of market risk has the goal of keeping the market risk position within acceptable limits with the best possible return on investment. The market risk comprises three types of risk: interest rate risks, currency risks and price risks.

Interest rate risk

The Group's policy is aimed at ensuring that at least 50% of the interest rate risk on loans taken out is based on a fixed rate of interest. When determining the interest rate risk on the loans taken out, the Group can take account of the available liquidity that can neutralise the interest rate risk of loans at variable rates. The Group uses derivatives such as interest rate swaps to limit the interest rate risks.

Interest rate risks are predominantly managed centrally. Retaining interest rate positions relating to foreign parts of the concern is subject to regulations and the positions adopted are restricted to defined limits. No speculative positions are held.

Exposure to interest rate risks

The interest rate profile of the interest-bearing financial instruments is as follows:

(in millions of euros)	December 31, 2016	December 31, 2015
Liabilities with a variable interest rate		
Financial liabilities	-59	-449
Effects interestswaps	28	358
	-31	**-91**
Liabilities with a fixed interest rate		
Financial liabilities	-255	-421
Effects interestswaps	-28	-358
	-283	**-779**
Financial assets		
Financial assets with a fixed interest rate	209	277
Financial assets with a variable interest rate	709	923

Cash flow interest rate risk

The cash flow interest rate risk is the risk that future cash flows of a financial instrument with a variable interest rate will fluctuate as a consequence of movements in market rates.

A reasonably feasible change of 0.5% in the interest rate as of the reporting date could mean that the equity and the result could increase or decrease by the amounts stated below. This analysis assumes that all other variables, particularly the exchange rates, remain constant.

Interest rate sensitivity of the result/equity after tax to variable rates

	Results, after taxes		Equity after taxes	
(in millions of euros)	Increase of 0.5%	Decrease of 0.5%	Increase of 0.5%	Decrease of 0.5%
December 31, 2015				
Financial instruments with a variable interest	4	-4	-	-
Interestswaps	1	-1	-1	1
Sensitivity of cash flows (net)	**2**	**-2**	**-1**	**1**
December 31, 2016				
Financial instruments with a variable interest	3	-3	-	-
Interestswaps	-	-	-	-
Sensitivity of cash flows (net)	**-**	**-**	**-**	**-**

As at the reporting date, the percentage of loans with variable rates after hedging using interest rate swaps was 47% of the overall portfolio. The term of the interest rate swap is equal to the term of the loan. The hedging of the interest rate risk using cash flow hedge accounting is as follows:

(in millions of euros)	December 31, 2016	December 31, 2015
Cashflow hedge accounting		
Hedged value of the underlying private loans	28	417
Underlying value of the interest rate swaps	28	417
Hedge effectiveness	**100%**	**100%**

In 2016, the Group has entered into a forward contract to hedge the interest rate risk on future financing of equipment on behalf of a foreign concession (cash flow hedge accounting). The underlying value of the forward contract amounts to €126 million. The book value of this instrument as at December 31, 2016 is €3 million.

Fair value interest rate risk

The interest rate risk for part of the financial fixed assets available for sale is hedged by means of a fair value hedge making use of interest rate swaps. These interest rate swaps had a nominal value of €60 million at the end of 2016 (2015: €60 million). The book value of these derivatives was nihil at the end of 2016 (2015: €0.5 million).

Currency risk

The Group is exposed to currency risks on purchases, trading activities, liquid assets, loans taken out, other balance-sheet positions and liabilities not included in the balance sheet denominated in currencies other than the euro. Because of its business activities, the Group mainly has currency positions in sterling (GBP), Norwegian krone (NOK) and Swiss francs (CHF).

The risk of fluctuations in exchange rates is hedged using forward exchange contract, spot and forward purchases and sales and swaps, thereby hedging one or more of the risks to which the primary financial instruments are exposed. Buying and selling, investment and financing commitments, and settling accounts with foreign railway companies that are denominated in a currency other than the functional currency of the Group's business units take place in euros (EUR) and pounds sterling (GBP).

Only if the Group expects to end the operations, currency risks relating to the translation differences of both the underlying balance sheet items, and participation value, where the functional currency differ from the Euro, are capped. The currency risk of these regular balance sheet items and participation value by means of the legal translation reserve recognized in equity.

At year end of 2016 and 2015, no material items were held in other than the functional currency of the relevant business.

At the end of 2016, the Group entered into a number of forward contracts in order to cover specific currency positions. The nominal position of the hedged positions amount at the end of 2016 €30 million. (end of 2015: €125 million). The fair value of these currency derivatives at the end of 2016 was €1 million (year-end 2015: €1 million).

Sensitivity analysis for foreign currencies

Given that no materially significant items of financial instruments held in foreign currencies were held at the end of 2016 or the end of 2015, a change in the value of the euro with respect to a foreign currency at the yearend will not have any material effect on the equity and the profits over the reporting period.

Price risk for energy

Netherlands

The Group is affected by market fluctuations in the price of energy. In 2014, the Group signed a ten-year contract (2014-2024) with Eneco for the supply of green traction electricity for the rolling stock fleet in the Netherlands. From 2015 onwards, 50% of the trains in the Netherlands will be running on renewable 'green' electricity, and by 2017 the Group's traction will be entirely green. The contract covers the following risks (entirely or in part) as follows:

- Price risk: the fees for the Programme for Responsibility and Guaranteed Origins are fixed for the entire contractual period. The contract offers the possibility of purchasing the requisite electricity in future years based on a hedging strategy, which will limit the exposure to market prices.
- Credit risk: the credit risk is limited to the thresholds that depend on the credit rating. If the so-called exposure (which allows for aspects such as the difference between market values and contract values of electricity covered using a hedging strategy) turns out to be above a certain threshold (that depends on the credit rating), the Group or Eneco does then have to give the other party guarantees or provide cash collateral.
- Volume risk: the volume risk is limited because the volume for the previous year is given as the volume required in each new year. Within the year in question, in addition to the above, there is also a bandwidth for the volume within which a greater or smaller consumption figure does not affect the price.
- Image risk: the contract provides for an evaluation in 2019 to assess whether the traction energy is sufficiently 'green' by then. Should this not be the case, which we neither expect nor want, then the Group is entitled to terminate the contract as of 2020.

The contract complies with the 'own use' criteria and is not classified as a derivative.

United Kingdom

Abellio has entered into fuel hedging contracts for a number of subsidiaries to cover movements in fuel prices and the associated currency risks. To do that, monthly forward contracts are used for a proportion of its fuel costs for a future period (ranging from January 2016 to March 2020) in order to cover the risks relating to the fuel costs and the associated currency risks. The guarantees given with these hedging contracts are included in note 29.

Sensitivity of commodity (fuel) derivatives

The sensitivity of the commodity derivatives with a book value as at 31 December 2016 of €6 million (€41 million on 31 December 2015) is as follows: A rise of €0.10 in the fuel price would cause a reduction in the negative value of the commodity derivatives of approximately €15 million (31 December 2015: €19 million) and equity would increase by €12 million (31 December 2015: €15 million). If the fuel price fell, an opposite effect would be seen.

Credit Risk

Credit risk is the risk of financial loss by the Group if a customer or counterparty to a financial instrument does not meet its contractual obligations. Credit risks mainly arise from receivables from customers and from investments. There was no significant concentration of credit risks as at the balance sheet date.

The book value of the financial assets represents the maximum credit risk. For details of the credit risk regarding Eurofima, please refer to note 29. The maximum exposure to credit risk at the reporting date was as follows:

(in millions of euros)	Disclosure	December 31, 2016	December 31, 2015
Available-for-sale financial assets	15	89	132
Loans and receivables	15	127	149
Held-to-maturity investments	15	-	1
Finance leases	15	29	32
Other financial assets	15	22	26
Deposits	15	-	252
Trade and other receivables	18	498	519
Cash and cash equivalents	20	709	671
Total		**1,474**	**1,782**

Investments

The Group limits its credit risk in its investments by only investing with other parties that comply with the policy drawn up by the company. There are regular checks to see if the contractual parties still comply with the policy or whether further actions are needed.

Given the creditworthiness of the counterparties, the Group expects that those counterparties will fulfil their obligations. No impairment losses were suffered on the investments, bonds and deposits in 2016 or 2015. Investments are in principle made with counterparties with a long-term credit rating of at least A- from Standard & Poor’s and a long-term credit rating of at least A3 from Moody’s, or with a number of Dutch municipalities. If a counterparty only has a single credit rating, it must fulfil the rating requirements stated above from Standard & Poor’s or Moody’s. Investments that no longer comply with this policy are either permissible as exceptions and monitored frequently or reduced (generally through normal progression), which may mean they persist for some time after the balance sheet date. The Group’s foreign companies do not have significant long-term cash surpluses, unless this is the result of their normal business activities (monies received in advance).

Trade and other receivables

The Group's credit risk relating to trade and other receivables is mainly determined by the individual characteristics of the separate customers. The demographic features of the customer base, the risk of non-payment in the sector and the country in which the customers are active, have less impact on the credit risk. About 9% (2015: 9%) of the Group’s revenues are realised through sales transactions with the Dutch Education Executive Agency (DUO).

As part of the credit policy used by the business units, the individual creditworthiness of each new customer is assessed before standard payment and delivery conditions are offered to the customer. In the case of contract extensions, figures from the business unit's own experience are also used in assessing the customer's creditworthiness. In the assessment of the credit risk, customers are divided into groups based on credit characteristics, including government, companies, private individuals and customers with possible financial problems in the past. Deliveries to customers with a high risk profile are only made after approval by the Executive Board. Business has been conducted with the majority of customers for many years, with only occasional (non-material) losses having been incurred.

The Group has formed a provision for impairment for the amount of the estimated losses from trade and other receivables. The most important elements of this provision are a specific loss provision for significant individual positions and a group loss provision for groups of comparable assets concerning losses that have been incurred but not yet identified. The group loss provision is determined on the basis of historic payment data for comparable financial assets.

The ageing of trade receivables as at the reporting date was as follows:

(in millions of euros)	December 31, 2016 Gross	Provided for	December 31, 2015 Gross	Provided for
Not past due	137	-	170	-
Past due 0-30 days	78	-	29	-
Past due 31-120 days	7	1	6	1
Past due 121-180 days	4	1	11	2
Past due 181-360 days	6	2	10	1
Past due more than one year	2	2	9	4
Total	**234**	**6**	**235**	**8**

Impairment losses

The movement in the provision for impairments of trade receivables during the year was as follows:

(in millions of euros)	2016	2015
Balance as at 1 January	8	8
Additions	2	3
Use	-3	-2
Release	-1	-1
Balance as at 31 December	**6**	**8**

Provisions relating to debtors are made in the case of an impairment, unless the Group is certain that it will not be possible to recover the sum owed. In that case, the amount is considered irrecoverable and is written off directly against the financial asset.

Liquidity risk

The liquidity risk is the risk that the Group will have difficulty meeting its financial obligations that need to be settled using cash or other financial assets. The principles underlying liquidity risk management are that sufficient liquid assets must be retained, as far as possible, to be able to meet the current and future financial obligations in the short term, under normal and difficult circumstances, without any unacceptable losses being sustained or the Group's reputation being jeopardised. The risk that the Group cannot meet its financial obligations is limited as the Group has sufficient cash or assets that can be swiftly cashed in. In addition, the Group has a committed credit facility at its disposal through which €345 million can be withdrawn and with a term up to 2021, as well as a project credit facility for a sum of €426 million.

At the end of 2016, the cash and cash equivalents (that is, resources that can quickly be made liquid) comprised €1,434 million (2015: €1,600 million). The contractual financial liabilities due within one year are €788 million (2015: €1,197 million).

The Group manages the cash and cash equivalents on the basis of regular cash forecasts using a bottom-up approach. On the basis of this forecast, financing limits are set for the business units that are clients of the In-House Bank of Corporate Treasury. The bank monitors these limits and they cannot be exceeded unless authorisation has been obtained. This gives Corporate Treasury an early warning system. The cash forecast, together with the financing limits mentioned above, enables Corporate Treasury to manage the cash and cash equivalents by lending and withdrawing funds.

The following table shows the contractual maturities of the financial liabilities, including the estimated interest payments. The sums are gross amounts and have not been converted to present values.

(in millions of euros)	Carrying amount	Contractual cash flows	< 6 mth	6-12 mth	1-2 yr	2- 5 yr	> 5 yr
							December 31, 2015
Non-derivative financial liabilities							
Private loans	793	797	56	398	85	174	84
Finance lease liabilities	77	78	9	9	23	21	16
Trade and other payables	691	691	691	-	-	-	-
Trade and other payables							
Interest rate swaps used for cash flow hedging	17	17	8	9	-	-	-
Interest rate swaps used for fair value hedging	-	-	-	-	-	-	-
Commodity derivatives	41	41	9	8	10	14	-
Total	**1,619**	**1,624**	**773**	**424**	**118**	**209**	**100**

(in millions of euros)	Carrying amount	Contractual cash flows	< 6 mth	6-12 mth	1-2 yr	2- 5 yr	> 5 yr
							December 31, 2016
Non-derivative financial liabilities							
Private loans	314	314	29	44	71	114	56
Finance lease liabilities	47	47	-	1	1	2	43
Trade and other payables	702	702	702	-	-	-	-
Trade and other payables							
Interest rate swaps used for cash flow hedging	3	3	-	-	-	1	2
Interest rate swaps used for fair value hedging	-	-	-	-	-	-	-
Commodity derivatives	6	11	1	1	2	1	6
Total	**1,072**	**1,077**	**732**	**46**	**74**	**118**	**107**

The above items have been netted off, because the contract requires the hedging transactions to be netted on settlement. When calculating the future cash flows, it is assumed that the future variable interest rates are identical to the last known variable interest rates.

As regards the risks relating to capital, the Group has an agreed dividend policy with the shareholder.

Insurance risks

As part of the operational activities, the Group is exposed to risks against which insurance can be taken out. Risks beyond the scope of the business units are managed by the subsidiary NS Insurance. This refers to the risk of claims due to collisions, fire, accident and liability. The maximum size of these claims are calculated by external specialists once every three years, or more often if changed circumstances make this necessary. The subsidiary, NS Insurance, insures the above risks for the business units. It does not insure third parties. If the total claim burden in any year exceeds NS Insurance's own internal cover, the additional cover required is provided by reinsurance. The Group's loss claims are paid from the premium income and investment income of NS Insurance. If the total costs, including claim costs are higher than revenues, these costs are paid from the freely distributable reserve of NS Insurance, if this is sufficient.

NS Insurance is reinsured by means of stop-loss reinsurance contracts. MPL (*maximum possible loss*) studies are carried out regularly to determine the insured limits. Provided market conditions allow, NS Insurance only takes out reinsurance with parties that have at least an A-rating and a stable outlook. If the rating drops below A-, it has the option of cancelling the reinsurance agreement. This has as yet never happened. The reinsurers of NS Insurance have ratings of at least A- as at the end of 2016.

NS Insurance is an insurance company that is supervised by De Nederlandsche Bank and the Netherlands Authority for the Financial Markets (AFM). Insurers must maintain a minimum equity of the solvency requirement of Solvency II (SCR or Solvency Capital Requirement). Insurers are expected to define their own standard solvency. NS Insurance has adopted her normsolvency as such that upon the occurrence of the stressscenario stillto meet the SCR. The standard solvency amounts to € 41 million. NS Insurance complies generously. NS Insurance is 100% consolidated within the Group.

Risks deriving from so-called 'cross-border lease transactions'

Up until 1998, the Group entered into cross-border lease transactions with the object of reducing financing costs. These cross-border leases relate only to rolling stock. Economic ownership remains with the Group, so the assets concerned are included on the balance sheet. The book value of rolling stock financed by cross-border leases was €102 million at year-end 2016 (2015: €112 million). The financial benefit from the cross-border leases has been deducted from the financing costs, spread over the terms of the transactions concerned in the income statement. A sum of €8 million has been provided for the financial risks deriving from dissolution of cross-border lease transactions. Measured against the realistic risk, the Group believes the that provision amount to be sufficient. A proportion of the positions involved in these leases are off balance sheet positions. The currency risk in these contracts is covered, unforeseen risks notwithstanding.

Fair value

Fair value versus book value

The book values of the financial assets and liabilities recognised in the balance sheet are materially the same as the fair values.

Determining the value of investments included under the financial assets

For bonds, the fair value is calculated using the available current market prices/closing prices.

Valuation of derivatives

When determining the value of interest rate swaps and currency derivatives, the Group uses valuation methods in which all the significant items of information required are derived from visible market data (Level 2).

The valuation of the HTM option for 2015 (see note 15) is based on data that is in turn based on market data that is not observable (non-observable input, Level 3).

31. Events after the balance sheet date

Sale of 40% interest Greater Anglia

On January 17, 2017 the Group has signed a contract under which it will sell 40% of its interest in Greater Anglia to Mitsui & Co., Ltd., pending final regulatory approvals. It is expected that the interest in Greater Anglia will continue to be consolidated for 100%, the minority interest will be recognised as a financial instrument.

32. Related parties

The transactions with related parties are done 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 remuneration received for student railcards (2016: €466 million, 2015: €459 million).

Furthermore, the Group received a sum of €30 million in grants from the State in 2016 through various schemes (2015: €30 million). Of these grants, €29 million (€29 million in 2015) was recognised as ‘Other revenue’ and €1 million (€1 million in 2015) was deducted from the related costs.

The following transactions took place with ProRail BV, a company with links to the State:

- The payment of the access charges for the rail infrastructure in the Netherlands. This is explained under note 7;
- For the financial of commercial facilities in New Key Projects (Nieuwe Sleutel Projecten) at stations, €8 million was agreed to be paid to ProRail BV as at 31 December 2016 (€11 million as at 31 December 2015). In 2016, €10 million (2015: €19 million) was paid to ProRail BV.

The transactions with the Executive Board and the Supervisory Board members are explained under note 2.

There were no significant transactions in 2016 and 2015 with joint ventures and other participating interests.

The Group has a 5.8% participating interest in Eurofima. Eurofima is a European company that was set up for financing railway rolling stock. It is a supranational organisation that is headquartered in Basel, Switzerland. The following transactions and balance sheet positions apply for this party:

(in millions of euros)	2016	2015
Interest expenses	-	1

(in millions of euros)	December 31, 2016	December 31, 2015
Private loans	59	449

Group companies

The main companies included in the consolidated financial statements are:

	Percentage interest 2016	2015	Statutory Seat
Operating companies			
NS Reizigers BV*	100.0	100.0	Utrecht
Abellio Transport Holding BV	100.0	100.0	Utrecht
NedTrain BV*	100.0	100.0	Utrecht
NS Financial Services (Holdings) Ltd	100.0	100.0	Dublin
NS Stations BV*	100.0	100.0	Utrecht
NS Vastgoed BV*	100.0	100.0	Utrecht
NS Insurance NV	100.0	100.0	Utrecht
NS Opleidingen BV*	100.0	100.0	Utrecht
NS Lease BV*	100.0	100.0	Utrecht
Subsidiaries of operating companies			
Thalys Nederland NV*	100.0	100.0	Utrecht
NS Internationaal BV*	100.0	100.0	Utrecht
NedTrain Ematech BV	100.0	100.0	Utrecht
NS Stations Retailbedrijf BV*	100.0	100.0	Utrecht
NS Fiets BV	100.0	100.0	Utrecht
NS-OV Fiets BV	100.0	100.0	Utrecht
Qbuzz BV	100.0	100.0	Amersfoort
Stationsfoodstore BV*	100.0	100.0	Utrecht
NS Poort Ontwikkeling BV	100.0	100.0	Utrecht
NS Financial Services Company	100.0	100.0	Dublin
DISA Assets Ltd	100.0	100.0	Dublin
Abellio Nederland BV	100.0	100.0	Utrecht
Abellio Transport Group Ltd	100.0	100.0	Glasgow
Abellio Transport Holdings Ltd	100.0	100.0	London
Abellio Greater Anglia Ltd	100.0	100.0	London
Abellio Rail Baden-Württemberg GmbH	100.0	100.0	Stuttgart
Abellio Rail Mitteldeutschland GmbH	100.0	100.0	Halle
Abellio Rail NRW GmbH	100.0	100.0	Essen
Abellio GmbH	100.0	100.0	Essen
Abellio ScotRail Ltd	100.0	100.0	Glasgow
Abellio West London Ltd	100.0	100.0	London
Abellio London Ltd	100.0	100.0	London
Joint ventures			
Stationslocaties OG CV	55.8	55.8	Utrecht
Basisfonds Stationslocaties CV	50.9	50.9	Utrecht
Merseyrail Services Holding Company Ltd	50.0	50.0	Hampshire
Northern Rail Holdings Ltd	50.0	50.0	Hampshire
Joint operations			
Stationsdrogisterijen CV	50.0	50.0	Zaandam
Other interests			
WestfalenBahn GmbH	25.0	25.0	Bielefeld
Eurofima	5.8	5.8	Basel

* Pursuant to the provisions of Section 403, Book 2 of the Dutch Civil Code, NS Groep NV has assumed liability in respect of the debts arising from legal acts.

Pursuant to Sections 379 and 414, Book 2 of the Dutch Civil Code, a complete list of the Group's subsidiaries, associates and joint ventures has been filed with the office of the Trade Register in Utrecht.

33. Significant accounting policies

The section below gives details of the important accounting policies used for consolidation, valuation of assets and liabilities, and determining the Group's result.

These principles have been applied consistently for all the periods presented in these consolidated financial statements, unless otherwise indicated.

Pursuant to Section 402, paragraph 1, Part 9, Book 2 of the Dutch Civil Code, an abridged income statement is included in the company financial statements of NV Nederlandse Spoorwegen.

The financial statements are presented in euros (the functional currency), rounded to the nearest million. The financial statements have been prepared on the basis of historical cost, unless reported differently. The figures for the previous year have been adjusted in order to make comparison possible.

The Group has applied the accounting policies for financial reporting as explained below consistently for 2016 in these consolidated financial statements.

As of 1 January 2016, the Group has adopted the following new standards and amendments to standards, including all consequent changes deriving from them in other standards. These new standards have not resulted in important changes in the way the accounting policies are applied.

- Equity method in company financial statements (amendment to IAS 27)
- Disclosure initiative (amendments to IAS 1)
- Annual IFRS improvement cycles 2012-2014
- Clarification of accepted methods for depreciation and amortisation (amendments to IAS 16 and IAS 38)
- Processing the acquisition of interests in joint operations (amendment to IFRS 11)

New standards and amendments to standards that are mandatory from 2017 or later

The Group has not voluntarily opted for the early adoption of any new standards or amendments to existing standards or interpretations that are only mandatory with effect from the financial statements for 2017 or later.

The Group is currently investigating the consequences of the following new standards, interpretations and amendments to existing standards, the application of which is mandatory with effect from the financial statements for 2017, or later where specified:

IFRS 9 — Financial instruments

IFRS 9, published in July 2015, replaces the current regulations of *IAS 39, Financial instruments: Inclusion and Valuation*. IFRS 9 contains revised regulations relating to the classification and valuation of financial instruments, including a new anticipated credit loss model for calculating impairments of financial assets, plus new general hedge accounting requirements. The stipulations of IAS 39 relating to including and dropping financial instruments have been taken on board in the new guideline. IFRS 9 is coming into effect for financial years starting on or after 1 January 2018, with the option of implementing the guideline earlier than that. The Group will analyse the potential impact on the consolidated financial statements as a result of the application of IFRS 9. It is expected that this guideline will be approved by the EU.

IFRS 15 — Revenue from contracts with clients

IFRS 15 defines an all-embracing framework for determining whether, to what extent and when revenues have to be included. It replaces the existing regulations relating to the recognition of revenue, including *IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.*

IFRS 15 is coming into effect for financial years starting on or after 1 January 2018, with the option of implementing the guideline earlier than that. The Group is analysing the potential impact on the consolidated financial statements as a result of the application of IFRS 15. It is expected that the impact of this guideline will be limited.

IFRS 16 — Leases

A new guideline IFRS 16 (Leases) was published on 13 January 2016. Applying this guideline is 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 method, in which a distinction is made between financial leasing (on balance) and operational leasing (off balance). Instead of that, there will be a single model for recognition, comparable to the current financial lease accounting. The Group has started with the assessment of the impact of this guideline. It is expected that this guideline will have a major impact on the Group's balance sheet. This guideline has not yet been approved by the EU.

Other

The following new or amended standards have no significant impact on the consolidated financial statements of the Group:

- Recognition of deferred tax assets for unrealized losses (Amendments to IAS 12)
- Disclosure Initiative (Amendments to IAS 7)
- Clarifications IFRS 15 Revenue from contracts with customers
- Classification and valuation of share-based payment transactions (Amendments to IFRS 2)
- The application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Annual IFRS improvements cyclus2014-2016
- Foreign currency transactions and processing of payments (IFRIC 22)
- Transfer of Property (Amendment to IAS 40)

Estimates and assessments

The preparation of the financial statements 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.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions of estimates are recognised in the period in which the estimate is revised or in future periods if the revision has consequences for these periods.

The key estimates and evaluations involve (largely) estimates of provisions/claims relating to irregularities (note 25 and note 29) and valuation of deferred tax receivables (note 16).

The accounting policies described below have been applied consistently to the periods presented in these consolidated financial statements.

Principles of consolidation

Subsidiaries

The Group has control over an entity if its involvement with that entity means that the Group is exposed to or is entitled to variable returns and that it has the power to influence those returns by virtue of its say in that entity. The financial statements of the subsidiaries are incorporated in the consolidated financial statements as from the date on which control commences until the date on which control ceases.

In the event of a loss of control over the subsidiary, the subsidiary's assets and liabilities, any minority interests and other equity components associated with the subsidiary are no longer recognised in the balance sheet. Any excess or shortfall is included in the income statement. If the Group maintains an interest in the former subsidiary, that interest is recognised at the fair value on the date on which the Group ceased to exercise control.

Interests in investments are recognised according to the equity method.

The Group’s interests in investments accounted for using the equity method consist of interests in associates and joint ventures.

Associates are entities in which the Group has significant influence on the financial and operational policy, but which it does not control. A joint venture is an agreement whereby the Group has a share of the control and in which the Group has rights with respect to the net assets of the venture rather than rights with respect to the (gross) assets and obligations with respect to the liabilities.

Associates and joint ventures over which control is exercised jointly are accounted for using the equity method and valued at cost price upon initial recognition. The cost price of the investment includes the transaction costs. Subsequent to initial recognition, the consolidated financial statements contain the Group’s share in the realised and unrealised results of the investments, accounted for according to the equity method, through to the date on which the significant influence ceases.

Acquisition of subsidiaries

Business combinations are recognised according to the acquisition method as at the date on which control is transferred to the Group. The remuneration for the acquisition is generally assessed at its fair value, as are the net identifiable assets that are acquired. Any goodwill deriving from this is assessed annually for impairments. Any recognised gain from a beneficial sale will be recognised directly in the income statement. Transaction costs are recognised at the time when they are incurred.

Elimination of transactions on consolidation

Intra-group balances and transactions plus any unrealised gains and losses on transactions within the Group or income and expenses from similar transactions are eliminated. Unrealised gains and losses arising from transactions with investments that are recognised according to the equity method are eliminated in proportion to the Group's interest in the investment. Unrealised losses are eliminated in the same way as unrealised profits, but only insofar as there are no indications that they should be treated as an impairment.

Currency translation

Foreign currency transactions

Transactions denominated in foreign currency are translated to the respective functional currency of the Group entities at the exchange rate applying on the transaction date. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate applying on the balance sheet date. Non-monetary assets denominated in foreign currencies and liabilities that are assessed at fair value are converted to the functional currency using the exchange rates that applied on the dates when the fair values were determined. Non-monetary assets denominated in foreign currencies and liabilities that are assessed using historical costs will not be recalculated.

The exchange rate differences on monetary items concern the difference between the amortised costs in the functional currency at the start of the period, adjusted for effective interest and payments during the period, and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Exchange rate differences arising when the following items are converted are recognised in the unrealised results:

- financial liabilities that are designated as a hedge of the net investment in a foreign operation
- qualifying cash flow hedges, insofar as the hedging is effective

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euros at the exchange rates applying at the reporting date. The revenues and costs of foreign operations are converted into euros at an average exchange rate that approximates to the exchange rate on the transaction date.

Currency conversion differences are included in the unrealised results and recognised in the reserve for foreign exchange differences. If the sale of a foreign activity means that the Group loses control, significant influence or joint control, then the cumulative amount from the foreign exchange differences reserve associated with that foreign activity will be transferred to the income statement when the profit or loss from the sale is recognised. If the Group only sells part of its interest in a subsidiary, while retaining control, then a proportionate share of the cumulative amount will be reassigned to the minority holding. If the Group only sells part of its interest in an associate or joint venture, while retaining significant influence or joint control, then a proportionate share of the cumulative amount will be transferred to the income statement.

Property, plant and equipment

Property, plant and equipment are measured at cost, less cumulative depreciation and cumulative impairment losses. The cost of self-produced assets includes the cost of materials, direct labour costs, a reasonable portion of the indirect production costs, and - if relevant - the estimated costs of dismantling and removing the asset and the costs of restoring the site where the asset was located.

Computer software that is an integral part of the computer equipment is capitalised as part of the equipment in question.

Assets of which the Group is merely the economic owner are accounted for in the balance sheet.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the book value of the asset and are recognised net within ‘Other revenue’ in the income statement.

Investment property

Investment property includes property held in order to earn rental income or an appreciation in value, or both. Investment property is measured at cost, less cumulative depreciation and cumulative impairment losses. The cost of self-produced assets includes the cost of materials, direct labour costs, a reasonable portion of the indirect production costs, and - if relevant - the estimated costs of dismantling and removing the asset and the costs of restoring the site where the asset was located.

The following policies apply equally to property, plant and equipment and to investment property.

Components

If property, plant and equipment or investment property consist of categories with differing economic lives, these categories are listed separately under property, plant and equipment or investment property.

The book value of property, plant and equipment or investment property is adjusted for the cost of replacing all or part of that asset when such costs are incurred and if it is likely that the replacement will deliver future economic benefits. All other costs of maintaining the asset are charged to the income statement as and when they are incurred.

Depreciation/amortisation/impairment

Depreciation of property, plant and equipment is linear, after deducting the residual value, based on the estimated operational lifespan of each individual item of property, plant and equipment. Depreciation is charged to the income statement.

Except where it is reasonably certain that the Group will be taking over the ownership of a leased asset at the end of the lease period, leased assets are depreciated over the period of the leasing agreement or the operational lifespan (whichever is the shorter). Land is not depreciated with the exception of paving. The estimated economic service life for property, plant and equipment is as follows:

Asset type	Depreciation terms
Buildings	broken down into components (15 to 100 years); average 40 years
Other fixed plant	10 to 25 years
Trains	20 years
Buses	6 to15 years
Plant and equipments	3 to10 years
And for investment property:	
Foundations and underlying land	100 years
Structure and core	50 years
Facades and outer walls	33 years
Roofing	15 years
Interior finish	15 years
Technical equipment	15 years

The indicated service life is an average for the assets concerned and for the components of which the assets are made up.

The depreciation method, remaining useful life and residual value are assessed each year.

If a change in use causes an item of property, plant and equipment to be treated as investment property or if an investment property is intended for the company's own use, it is transferred to investment property or property, plant and equipment respectively. Because the valuation of both categories of fixed assets is the same, they are transferred at the book value.

Intangible non-current assets

Goodwill

All business combinations are accounted for using the acquisition method. Goodwill is the sum deriving from the acquisition of subsidiaries, associates and joint ventures. Goodwill equals the difference between the cost of the acquisition and the fair value of the identifiable assets and liabilities on the date on which they are acquired. Goodwill is carried at cost less impairment.

Negative goodwill from an acquisition is taken directly to the statement of income.

Other intangible non-current assets.

Other intangible non-current assets with a limited lifespan acquired or produced by the Group are recognised in the balance sheet at cost less cumulative amortisation and cumulative impairment.

Subsequent to initial recognition, expenditure on capitalised intangible fixed assets is only capitalised when this causes an increase in the future economic rewards associated with the specific asset involved. All other expenditure, including internally generated goodwill and trademarks, is charged to the statement of income when it is incurred.

Amortisation is charged to the statement of income on a straight-line basis over the estimated useful lives of the intangible assets, with the exception of goodwill, from the date on which they become available for use. The estimated useful economic lives are as follows:

- Software 3 - 10 years
- Contracts 5 - 10 years

Inventories

Inventories are stated at the lower of cost and the net realisable value. The net realisable value is the estimated sales price in the normal conduct of business, less the estimated cost of completion and the cost of sales.

The cost of the inventories is based on the average purchase price or cost price and includes expenditure incurred in acquiring the inventories and the associated costs of purchase. The cost of inventories of finished goods and work in progress includes a reasonable portion of the indirect costs based on normal production capacity.

Projects in progress commissioned by third parties

Projects in progress commissioned by third parties (construction contracts) are carried at cost plus profit as at the balance sheet date, less a provision for anticipated losses and less invoiced instalments pro rata to the progress of the project. The cost encompasses all expenditure relating directly to specific projects and an attributable portion of the fixed and variable indirect costs incurred in connection with the contract activities, based on normal production capacity.

A receivable is created if the amount of the expenses incurred (including the recognised result) exceeds the amount of the invoiced instalments. If the amount of the costs incurred (including the result recognised) is less than the invoiced instalments, the item is classed as a liability.

Financial instruments

On initial recognition, loans, receivables and deposits included by the Group from the date on which they first arose. All other financial assets are first included on the transaction date. The Group ceases recognition of a financial asset in the balance sheet once the contractual rights to the cash flows from the asset expire, or if the Group transfers the contractual rights to the cash flows from the financial asset by means of a transaction in which virtually all risks and benefits associated with ownership of the asset are transferred.

The Group ceases recognition of a financial asset in the balance sheet once the contractual rights to the cash flows from the asset expire, or if the Group transfers the contractual rights to the cash flows from the financial asset by means of a transaction in which virtually all risks and benefits associated with ownership of the asset are transferred, or whereby virtually all risks and benefits associated with ownership of the asset are neither transferred nor retained and control of the asset transferred is not retained either. If the Group retains or creates an interests in the financial assets being transferred, then that interest is included as a separate asset or liability.

The Group ceases recognition of a financial liability in the balance sheet once the contractual obligations have been fulfilled or cancelled or have expired.

Financial assets and liabilities are included as net values, and the resulting net amount is presented on the balance sheet only if the Group has a legally enforceable entitlement to that net value and if it intends to show the balance as a net item or to realise the asset and the liability simultaneously.

The Group uses the following financial instruments:

Non-derivative financial instruments

Non-derivative financial instruments include investments in equity securities, deposits and bonds, trade and other receivables, cash and cash equivalents, loans and other financial liabilities, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold financial assets to maturity, they are measured at amortised cost plus any directly attributable transaction charges, using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in certain bonds and deposits are classified as available-for-sale financial assets. Subsequent to initial recognition, these assets are measured at fair value, and any changes in the fair value, other than impairment losses and exchange rate gains and losses on available-for-sale monetary items, are recognised directly in equity via the comprehensive income. Attributable transaction costs are included in the income statement as a charge at the moment when they are incurred. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

If no information is available for determining the fair value, the assets will be valued at cost price.

Other non-derivative financial instruments

These instruments are valued at fair value (plus any directly attributable transaction costs) when first recognised. Subsequent to initial recognition, loans and receivables are valued at an amortised cost price using the effective interest method.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate or commodity risks. Derivative financial instruments are valued on initial recognition at fair value, which is the same as the cost price applicable at the time. Attributable transaction costs are included in the income statement as a charge at the moment when they are incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes are accounted for as described below.

Hedge accounting

The accounting method in the result depends on the question of whether hedge accounting is used and if so, whether the hedging relationship is effective. If the hedging relationship is effective, then hedge accounting is used for these derivatives. When a hedging transaction is entered into, the hedging relationship is documented. Checks are made regularly to see if the hedging transaction has been effective over the period just completed and whether it is expected that the hedging transaction will be effective over the coming period. If the hedging instrument expires, is sold, terminated or exercised or no longer complies with the criteria that allow hedge accounting to be applied, then its application will be halted immediately.

Cash-flow hedges

If a derivative financial instrument is designated as a hedge for fluctuations in cash flows ensuing from a certain risk associated with a recognised asset or liability, or because an extremely likely expected transaction could affect the profit or loss, then the effective portion of the changes in the fair value of the derivative financial instrument is recognised in the unrealised results and presented in equity in the hedging reserve. Any ineffective portion of the changes in the fair value of the derivative financial instrument is recognised directly in the income statement. The accrued amount is transferred to the income statement in the same period in which the hedged position affects the income statement.

Fair value of hedges

Changes in the fair value of a derivative hedging instrument that is designated afair-value hedge are charged or credited to the income statement together with the changes in the fair value of the (group of) assets and liabilities insofar as they are attributable to the hedged risk.

If a hedge instrument no longer qualifies for hedge accounting, expires or is sold, then hedge accounting is discontinued prospectively. The cumulative profit or cumulative loss that was previously recognised in equity remains part of the equity until the expected transaction has taken place. The amount recognised in equity is transferred to the income statement (with the net change in the fair value of the cash-flow hedges transferred from equity) in the same period in which the hedging instrument affects the income statement.

Economic hedges

Hedge accounting is not applied to derivative instruments that are used as economic hedges of assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the income statement as part of the exchange rate gains and losses.

Hedging energy costs

The Group uses 'accrual accounting' for commodity derivatives intended for its own use, claiming the exception allowed by IAS 39.5, insofar as the stipulations of IAS 39.5 are met. This is applicable to purchases of diesel and fuel oil and energy in the Netherlands and is explained in the risks section and in 'Off balance sheet liabilities'. The other commodity derivatives that do not meet the criterion of being intended for the Group's own use are valued at fair value and hedge accounting is used where possible.

Impairments

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of any impairment. A financial asset is considered to be impaired if there is objective evidence indicating that one or more events has had a negative effect on the projected future cash flows of that asset.

An impairment loss for a financial asset carried at amortised cost is calculated as the difference between the book value and the present value of the projected future cash flows, discounted at the original effective interest rate. Any impairment loss on an available-for-sale financial asset is calculated using the fair value.

Significant financial assets are individually tested for impairment. The remaining financial assets are grouped into comparable credit risk classes and assessed collectively.

All impairment losses are charged to the statement of income. Any cumulative loss on an available-for-sale financial asset that was recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised as income in the income statement.

Non-financial assets

The book value of the Group’s non-financial assets, except for inventories and deferred tax receivables (where specific guidelines are applicable), are reviewed at each reporting date to determine whether there is any indication of impairment. If there are such indications, an estimate is made of the recoverable amount of the asset in question. For goodwill and intangible fixed assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or a cash generating unit equals the higher of the value in use and the fair value net of selling costs. In assessing the value in use, the present value of the estimated future pre-tax cash flows is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the ‘cash-generating unit’). For the purpose of impairment assessments, the goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the book value of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income. Impairment losses recognised in respect of cash-generating units are first deducted from the book value of any goodwill allocated to units, and then deducted from the book value of the other assets in the unit or group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's book value does not exceed the book value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Equity

Dividends are included in the period over which the appropriation of profits is decided upon and the dividends are declared.

Deferred credits

These credits relate to amounts received in one go under agreements with terms extending to future years. The proceeds are credited to the income statement over the term of the agreements to which they relate. The proceeds are measured at amortised cost.

Employee benefits

Employee benefits includes pension liabilities for pension plans and other obligations relating to employee benefits, consisting of long-service awards, early retirement payments and obligations due to employees' occupational disability.

Defined contribution plans are plans under which the Group has no obligations other than to pay the contractual contributions. These contributions are included in the income statement in the period for which the contribution is payable.

Defined benefit plans are those in which the Group's obligations extend beyond payment of the mandatory, contractually agreed contribution to pension funds or insurance companies. The Group's net liability is determined individually for each plan by estimating the pension benefits that employees have accrued in the reporting period and the preceding years. The net present value of these pension benefits is determined, netted off against the fair value of the pension assets. The discount rate is the interest rate as at the balance sheet date for high-value fixed income securities for which the maturity period is approximately the same as that of the pension liabilities. The calculation takes account of elements such as future wage increases resulting from general developments in wage levels and career opportunities, inflation, and current life expectancies. The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognised asset cannot exceed the net value of any unrecognised past service pension costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The employee's part is deducted from the liability.

The pension liabilities relating to parts of the group that are established in the UK have been included for the period during which the transport concessions operate.

The change in pension liabilities and investment returns anticipated at the start of the year, based on the actuarial calculations, is included as a change in the net liabilities and in the income statement. Contributions paid by employers and employees are deducted from the net liabilities. The actuarial gains and losses, which comprise the difference between the actual and anticipated changes in the pension liabilities and investment returns, are recognised in comprehensive income.

Obligations relating to long-service awards and early retirement are calculated actuarially and carried at net present value. This takes account of developments in wages and prices, recent mortality tables and estimates of the employment duration. Any actuarial gains or losses are recognised in the statement of income in the period in which they occur.

The obligations due to occupational disability are determined in a similar fashion.

Short-term employee benefits

Any entitlements to time off that have not been taken are turned into cash values, taking account of future salary increases.

Other short-term employee benefits are valued without being converted into the present values and recognised when the service associated with them is rendered.

Provisions

A provision is recognised in the balance sheet whenever the Group has a legally enforceable or *de facto* liability as a consequence of a past event and it is probable that the settlement of that liability will entail an outflow of funds.

Provisions are determined by calculating the net present value of expected future cash flows based on a pre-tax discount rate that reflects both the current market valuations of the time value of money and, where necessary, the specific risks relating to the commitment.

Reorganisation costs and non-activity arrangements

Provisions are made in connection with restructurings if a formal, detailed plan has been drawn up for the reorganisation, and the reorganisation is either under way or has been announced. No provision is made for future operating expenses. Provisions for reorganisations relate mainly to redundancy schemes, bridging payments and the redeployment of redundant staff.

Provision for soil remediation

The provision for soil remediation work is intended to cover the costs incurred for the upkeep or repair of operational resources. In line with the Group's published environmental policy and the applicable legal requirements, provisions for the control and remediation of environmental contamination are formed when the pollution occurs or when it is discovered to have occurred.

Onerous contracts

A provision for onerous contracts is included in the balance sheet if the financial benefits that the Group expects to derive from a contract are less than the unavoidable costs of satisfying the contractual commitments.

The provision is accounted for at the present value of the anticipated net costs for continuation of the contract or, where this is lower, the present value of the anticipated costs for termination, being any compensation or fine entailed by the breach of contract. Before the provision is formed, an impairment loss is applied to the assets to which the contract relates.

Other provisions

Provisions are formed for losses arising from fire, accidents, guarantees issued, claims and other risks.

Leases

Assets where the company or its subsidiaries have beneficial ownership by virtue of a lease agreement are classified as financial leases. The company or its subsidiaries have beneficial ownership if almost all the risks and benefits associated with ownership have been transferred to it. Contracts where the beneficial ownership is in the hands of third parties are classified as operating leases. The substance according to IFRS is the determining factor in the classification of lease agreements as operating or financial leases (rather than the legal form of the contract).

Revenues

Revenue covers revenue from passenger services and from other activities, less discounts and turnover tax.

Services rendered and goods sold

Revenue from services rendered is accounted for in the income statement in the period in which the services are rendered. For delivery contracts that extend beyond the balance sheet date, calculation of the revenue is attributed to the individual years in proportion to the stage of completion of the transaction on the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

Revenue from the sale of goods is processed in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer, collection of the amount payable is likely, the associated costs or return of goods, where applicable, can be estimated reliably and when the management has no ongoing involvement in the goods and the scale of the revenues can be estimated reliably.

Payments from the government under passenger transport agreements or transport concessions are recognised in the income statement in the period to which the payment relates.

Work in progress commissioned by third parties

Contractual revenue and expenses arising from projects in progress commissioned by third parties are accounted for in the income statement in proportion to the stage of completion of the project. The stage of completion is determined by ascertaining the costs of the work done in relation to total expected cost. As soon as the result can be reliably estimated, a proportional part of the profit is credited to the income statement. Expected losses on projects are immediately accounted for, in full, in the income statement.

Rental income

Rental income from investment property is credited to the income statement on a straight-line basis over the duration of the rental agreement. The costs of undertakings given to encourage tenants to enter into leases are accounted for as an integral component of total rental income.

Other revenue

This item includes incidental revenue and coverage by third parties of the costs of sideline activities and other activities that are not part of the company's operating activities. The difference between the sales value and the book value of items of property, plant and equipment that have been sold is also recognised under ‘Other revenue’.

Operating expenses

Operating expenses are assigned to the year to which they relate or in which the goods and services are delivered to customers.

Adjustment mechanisms for the main rail network concession

The implementation agreement with the Ministry of Infrastructure and the Environment includes a number of adjustment mechanisms for determining the franchise price. The correction relating to the average return for the concession is recognized as a receivable at the time the right on the correction excist in accordance with the calculation method laid down in the implementation on-contract. As a consequence of further insights, the adjustment mechanism relating to the average profitability over the franchise period will be included linearly over the term of the franchise instead of being accounted for a the moment that it becomes applicable. This is consistent with other (one-off) payments relating to the agreements. This change has no effect on the comparative figures, as no adjustment was accounted for in 2015.

Other (non-recurring) payments under the contract will be included lineair basis over the concession period.

Capitalised production for own use

The capitalised production for own use comprises the directly attributable personnel expenses and costs of materials used in the construction of assets for own use. This is mainly for the overhaul of trains.

Finance income and finance expenses

Finance income includes the interest income from monies invested, including that for financial assets available for sale, leasing income, gains from the sale of financial assets available for sale, and gains from the hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest rate method. Dividend income is recognised in the income statement when the right to the dividend payment occurs.

Finance expenses include the interest expenses on borrowed monies, lease contracts, accrued interest on provisions and losses on hedging instruments that are recognised in the income statement. All finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are included in the income statement using the effective interest method. No financing costs were capitalised in 2015 or 2016.

Financial benefits released from cross-border leasing agreements are deducted from the interest charges. Exchange rate gains or losses are included in the finance income or expenses.

Government grants

Government grants are recognised if there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. The government grants are deducted from the costs and assets to which they relate.

Lease payments

Payments made under operating leases are recognised as operating expenses in the statement of income on a straight-line basis over the term of the lease.

Corporate income tax

Tax on the profit or loss for the financial year comprises the income tax that is payable or can be offset in the reporting period and deferred income taxes. The income tax is recognised in the income statement, except if it relates to items recognised directly in equity via the comprehensive income, in which case the tax is recognised in equity via the comprehensive income.

All taxes are stated at nominal value.

The tax to be paid or offset for the financial year is the expected tax charge on taxable profit for the financial year, calculated using the tax rates in force on the balance sheet date, and includes adjustments to tax payable for prior years.

For the purpose of income tax, nearly all the subsidiaries belonging to the Group are part of the NS tax group, with the exception of the foreign corporate units.

Deferred tax assets and deferred tax liabilities arise from temporary differences between the book value of assets and liabilities in the financial reporting and the book value for tax purposes. These are calculated on the basis of the tax rates that are expected to apply at the reversal of the temporary differences, using tax rates enacted or substantively enacted as at the balance sheet date.

Deferred tax assets, including those deriving from tax loss carry-forwards, are valued if it is probably that sufficient tax profits will be available for compensating for the losses and if possibilities for offsetting losses can be utilised.
Deferred tax assets and deferred tax liabilities are only netted if there is a formal netting right and the company intends to settle deferred tax positions simultaneously. Deferred tax positions are stated at nominal value.

Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The fair value is calculated on the basis of an up-to-date purchase price, or is determined by the historic cost with the aid of index figures to bring it up to the current price level.

Investment property

Given the nature, diversity and locations (station environments) the fair value of the property portfolio can not be determined reliably. Is expected to be the fair value substantially higher than the book value of the properties. The fair value of investment property is only determined for the purpose of the disclosures.

Investments in bonds and deposits

The fair value of held-to-maturity financial assets and available-for-sale financial assets is determined by reference to their price as at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Derivatives

The fair value of derivatives is based on derived market prices, taking account of the current interest rate and current creditworthiness of the counterparties to the contract.

Non-derivative financial liabilities

The fair value of non-derivative financial liabilities is determined for disclosure purposes and is calculated based on the present value of future repayments and interest payments, discounted at the market interest rate as at the reporting date. For financial leases, the market interest rate is determined by reference to similar lease agreements.

Segmented information

The Group is not obliged to comply with the requirements of IFRS 8 on the grounds that the absence of a stock exchange listing. To meet the requirements of the Dutch legislation segment information by geographical area regarding sales and FTEs is included.

Accounting policies for the consolidated statement of cash flows

The statement of cash flows is drawn up using the indirect method, using a comparison between the initial and final balances for the period in question. The result is then adjusted for changes that did not generate income or expenses during the financial year.

Company financial statements

Company statement of financial position as at 31 December 2016

(before profit appropriation)

(in millions of euros)	31 December 2016	31 December 2015
Non-current financial assets	3,511	3,309
Total assets	**3,511**	**3,309**
Equity		
Share capital	1,012	1,012
Other reserves	2,120	2,058
Legal reserve development costs	167	121
Result for the period	212	118
	3,511	**3,309**
Total equity and liabilities	**3,511**	**3,309**

Company statement of income 2016

(in millions of euros)	2016	2015
Other result	-	-
Result of group companies after tax	212	118
Nett result	**212**	**118**

Accounting policies applied for the financial statements

General

For determining the accounting policies for the valuation of assets and liabilities and determining the result for the company financial statements, NV Nederlandse Spoorwegen makes use of the option provided by paragraph 8, Section 362, Book 2 of the Dutch Civil Code. This means that the principles for the valuation of assets and liabilities and determination of the result (hereinafter the 'accounting policies') for the company financial statements of NV Nederlandse Spoorwegen are the same as those used for the consolidated financial statements. The associates over which significant influence is exercised are valued using the equity method.

Participating interests in group companies

The participating interests in group companies are valued using the equity method, with losses only being considered insofar as the shareholder is obliged to settle them.

Result for group companies

The result for group companies consists of the result after income tax.

Notes to the company balance sheet and income statement

The amounts included in the explanatory notes are in millions of euros, unless stated otherwise.

Financial non-current assets

Participating interests in group companies

(in millions of euros)	2016	2015
Balance as at 1 January	3,309	3,216
Share in result	212	118
Dividend distributed for the previous reporting year	-41	-48
Other changes	31	23
Balance as at 31 December	**3,511**	**3,309**

Equity

Revaluation reserve

The revaluation reserve includes a sum of €6 million that arose as the consequence of a revaluation to fair value of an extension to an existing interest in 2012.

Other reserves

(in millions euros)	Translation reserve	Hedging reserve	Fair value reserve	Actuarial reserve	Revaluation reserve for associates	General reserve	Total other reserves	Legal reserve development costs
Balance as at 1 January 2015	**5**	**-39**	**-**	**4**	**16**	**1,946**	**1,932**	**92**
Movements revaluation reserves	3	-4	-	13	11		23	
Dividend paid						-48	-48	
Result previous year						180	180	
Other movements						-29	-29	29
	3	**-4**	**-**	**13**	**11**	**103**	**126**	**29**
Balance as at 31 December 2015	**8**	**-43**	**-**	**17**	**27**	**2,049**	**2,058**	**121**
Movements revaluation reserves	-19	36	-	12	3		32	
Dividend paid						-41	-41	
Result previous year						118	118	
Other movements						-47	-47	46
	-19	**36**	**-**	**12**	**3**	**30**	**62**	**46**
Balance as at 31 December 2015	**-11**	**-7**	**-**	**29**	**30**	**2,079**	**2,120**	**167**

The legal reserves has been created for development costs. Because of the nature of the activities of NS Insurance, a sum of €41 million (2015 : €41 million) is not freely disposable.

Off balance sheet commitments

No claims have been brought against NV Nederlandse Spoorwegen and the consolidated participating interests, other than as indicated in note 29, that have not been recognised appropriately in the balance sheet.

For the purpose of income tax, all the Dutch subsidiaries belonging to the Group (with the exception of Qbuzz) are part of the NV Nederlandse Spoorwegen tax group, with the exception of the foreign corporate units. Consequently NV Nederlandse Spoorwegen is jointly and severally liable for the tax liabilities of the subsidiaries included in the tax group.

Key participating interests

NV Nederlandse Spoorwegen is the holding company of NS Groep NV. NS Groep NV is the sole subsidiary of NV Nederlandse Spoorwegen. Please refer to note 32 for an overview of the associates.

Utrecht, 24 February 2017

Supervisory Board	Board of Directors
Mr. G. van de Aast *Chairman*	Mr. R.H.L.M. van Boxtel *CEO*
Ms. M. van Liers Lels	Mr. H.L.L. Groenewegen *CFO*
Mr. J.J.M. Kremers	Ms. S. Zijderveld *CGRC*
Mr. P. Rosenmöller	Ms. W.E.F. Rintel *COO*
Ms. J. Stuijt	

Other information

Combined independent auditor's report and assurance report

To: the shareholder and supervisory board of N.V. Nederlandse Spoorwegen

Our conclusions

We have audited the 2016 financial statements of N.V. Nederlandse Spoorwegen based in Utrecht. The financial statements include the consolidated and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of N.V. Nederlandse Spoorwegen as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of N.V. Nederlandse Spoorwegen as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

We have reviewed the non-financial information in the NS Annual Report 2016 of N.V. Nederlandse Spoorwegen based in Utrecht over 2016. A review engagement is aimed at obtaining limited assurance. In addition, we have audited the Selected Information included in this NS Annual Report 2016. An audit engagement is aimed at obtaining reasonable assurance. The scope of our assurance engagement is described in the section "Our Scope".

Based on our review procedures performed, nothing has come to our attention that causes us to conclude that the non-financial information, in all material respects, does not present, a reliable and adequate view of:

- The policy and business operations with regard to corporate social responsibility / sustainability; and
- The events and achievements relating to these aspects in 2016

in accordance with the reporting criteria (as disclosed in the chapter "Scope and reporting criteria" of the NS Annual Report 2016).

Based on our audit procedures performed, in our opinion the Selected Information in the NS Annual Report 2016 has been prepared, in all material respects, in accordance with the reporting criteria (as disclosed in the chapter "Scope and reporting criteria" of the NS Annual Report 2016).

Basis for our conclusions

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section "Our Responsibilities" in this report.

We have conducted our review regarding the non-financial information and our audit regarding the Selected Information in accordance with Dutch law, including the Dutch Standard 3810N: "Assurance engagements relating to sustainability reports". Our responsibilities hereunder are further described in the section "Our Responsibilities" in this report.

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Our independence

We are independent of N.V. Nederlandse Spoorwegen in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)" and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagements. Furthermore, we have complied with the Code of Conduct and Professional Practice for Accountants Regulation (Verordening gedrags- en beroepsregels accountants, VGBA).

Our scope

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2016.
- The following statements for 2016: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company statement of financial position as at 31 December 2016.
- The company income statement for 2016.
- The notes comprising a summary of accounting policies applied and other explanatory information.

The non-financial information comprises the chapters Company Profile, Report by the Executive Board, Dialogue with our stakeholders, Our strategy, Finances in brief, Scope and reporting criteria, Activities in The Netherlands and Abellio, in the NS Annual Report 2016 of N.V. Nederlandse Spoorwegen.

The Selected Information consists of the following parameters as listed in the NS Annual Report 2016 of N.V. Nederlandse Spoorwegen:

- $C0_2$ emissions per passenger-kilometer of NS Reizigers, NS HiSpeed and the Abellio Greater Anglia concession;
- $C0_2$ emissions per bus-kilometer of Abellio London Bus & Surrey;
- Tonnage industrial, office and consumer waste from the stations and trains of NS Netherlands and the percentage of waste that NS Netherlands offers separated to its waste processors.

The non-financial information contains prospective information relating to ambitions, strategy, targets, expectations and projections, and risk assessments. Inherent to this information is that actual future results may differ and are therefore uncertain. We do not provide any assurance on the achievability and feasibility of the prospective information included in the non-financial information.

Scope of the group audit

N.V. Nederlandse Spoorwegen is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of N.V. Nederlandse Spoorwegen.

Our group audit mainly focused on significant group entities: NS Operatie, NS Commercie & Ontwikkeling, and Abellio. Based on the full scope and specific scope procedures, we have obtained audit assurance on 98% of assets, 92% of revenues and 98% of result before income tax. At other group entities, we performed procedures with a limited scope.

We have performed audit procedures ourselves at Dutch group entities. We used the work of other auditors in our international network for the foreign group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Reporting Criteria

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted within the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

N.V. Nederlandse Spoorwegen uses version G4 ("Comprehensive") of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the supplemental internally applied reporting criteria as disclosed in chapter Scope and reporting criteria of the NS Annual Report 2016 as a framework for reporting on corporate social responsibility and sustainability.

We consider the reporting criteria used relevant and suitable for our review and audit.

Materiality

General

The scope of our assurance procedures is influenced by the application of materiality. Our assurance engagements aim to provide assurance about whether the financial statements, the non-financial information, and the Selected Information are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements and the non-financial information. Materiality affects the nature, timing and extent of our assurance and review procedures and the evaluation of the effect of identified misstatements on our conclusions.

Financial statements

For the audit of the financial statements our considerations regarding materiality are as follows:

Materiality	€ 40 million
Benchmark used	0.8% of revenue
Additional explanation	Given the nature of NS, its objectives, and the importance of its operating performance in the Netherlands and abroad, its revenue activity base is considered the most relevant basis for materiality.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 2 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Non-financial Information and Selected Information

Based on our professional judgment, we determined specific materiality levels for the non-financial information and the Selected Information as a whole and for each part of the non-financial information and the Selected Information. When evaluating our materiality levels, we have considered the relevance of information for the intended users of the non-financial information and the Selected Information, based on the materiality analysis performed by N.V. Nederlandse Spoorwegen.

Our key audit and review matters

Key audit and review matters are those matters that, in our professional judgment, were of most significance during our audit of the financial statements and the Selected Information, and for our review of the non-financial information. We have communicated the key audit and review matters to the supervisory board. The key audit and review matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of the audit of the financial statements, the review of the non-financial information and audit of the Selected Information as a whole and to conclude thereon, and we do not provide a separate conclusion on these matters.

For the audit of the financial statements, we identified the following key audit matters:

Irregularities identified in the bid for the Limburg franchise

Key Matter	How our audit addressed the matter
In 2015, following the tender in Limburg and a complaint received from Veolia, the Netherlands Authority for Consumers and Markets (ACM) launched an investigation.	We have verified that the actions taken by NS are sufficient to determine the nature and extent of the identified irregularities. NS furthermore received the support of various legal advisers.
The ACM concluded that NS had violated the Railways Act (Spoorwegwet) in certain aspects in the preparation of the tender in Limburg. ACM concluded that NS had prejudiced Veolia in doing so. In 2016, NS presented its views to ACM. A final ruling, or possible decision by the ACM to impose a penalty, has not yet been received.	We assessed the independence and expertise of the external investigators. Where necessary, we have performed additional procedures to mitigate risks identified for our audit.
The Public Prosecution Service also stated that a number of NS Group companies were deemed to be suspects in this case.	The disclosure related to the financial reporting on the identified irregularities is included in note 29 of the financial statements.

Revenue recognition relating to passenger services

Key Matter	How our audit addressed the matter
Revenue of € 4.5 billion from passenger services is included in the account “Revenue”. These passenger revenues include revenues out of the sales of various ticket types entitling their holder to transport as well as, government contributions. In order to determine these revenues, management must make assumptions regarding to the allocation to periods, and other conditions as stated in the various concession agreements. The diversity in ticket types, combined with the high volume of transactions, require high standards of reliability and continuity of transaction-processing systems in order to guarantee that individual transactions will result in correct and complete revenue recognition.	In 2016, NS followed up on various findings we reported and is gradually improving their control over revenue recognition. Our activities include the assessment of internal controls and the IT environment, performing data analysis procedures such as trend analyses and inspection of manual journal entries, performing partial observations on correct and complete transaction processing, and a review of management’s estimates with regard to revenue allocation. The disclosures relating to revenue recognition with regard to passenger services are included in note 1 and 29 of the financial statements.

Tax position and fiscal risks

Key Matter	How our audit addressed the matter
The key issues regarding the tax position are the Group's relationship with the Irish subsidiary NS Financial Services, which operates as a leasing company for the other NS business units, the recognition of the impairment loss on the V250 rolling stock and the valuation of the deferred tax assets.	Where applicable, we took note of the relevant discussions and verified that tax assets and liabilities have been recorded in accordance with IFRS in the financial statements.
In certain circumstances, estimation differences or disputes may occur with the various national tax authorities.	We have performed procedures on the estimation process and tested the acceptability and adequacy of the recorded deferred tax assets and liabilities. We have included our internal tax experts in our team. We reviewed the assumptions underlying the estimates and discussed them with management taking into consideration local tax regulations. We concur with the assumptions used by management.
The Dutch tax authorities (Belastingdienst) is currently investigating the fiscal treatment of the transactions with the Irish subsidiary NS Financial Services.	The disclosures relating to the tax position and tax risks are included in note 10 and 16 of the financial statements.

Sale and valuation of real estate

Key Matter	How our audit addressed the matter
Focus areas relating to the NS Real Estate concern the valuation at year-end, as well as governance of real estate transactions during the year.	We have performed procedures on the estimation process supporting the valuation of the real estate. We have examined the appropriateness of the assumptions used. To this end, we added real estate experts to our team.
If indications of impairment are present, NS examines whether an impairment to a lower net realizable value is required. In this examination, important assumptions are made that support the valuation. If deemed necessary by NS, the assistance of independent external appraiser is used.	We also assessed the independence and expertise of the external appraisers used by NS.
In 2016, NS sold its real estate portfolio, which was held jointly with other participants in a real estate fund. Strict governance procedures have been agreed with regard to the sales process with these participants.	We concur with the assumptions used by management.
	Regarding the sale of the real estate portfolio, we assessed the governance agreed upon between the participants, and subsequently audited compliance. Furthermore, we have performed substantive procedures in relation to sales transactions.
	The disclosures related to property, plant and equipment, investment property and investments recognized using the equity method are included in note 11, 12 and 14 of the financial statements.

Reliability and continuity of the automated data processing system

Key Matter	How our audit addressed the matter
To a considerable extent, NS depends on its IT infrastructure for the continuity of its business operations. In recent years, NS has invested in the improvement of IT hardware, systems and processes focusing on increasing the IT infrastructure effectiveness and the reliability and continuity of automated data processing.	We reviewed the reliability and continuity of the automated data processing only insofar as necessary within the scope of the audit of the financial statements. For this purpose, we included specialized IT auditors in our audit team. Our procedures consisted of the assessment of the developments in the IT infrastructure and testing of the internal control procedures relating to IT systems and processes. In our management letter, we reported on identified risks and recommendations for improvements in this area. As a result of our procedures we note that NS has again improved the quality of its IT management by following up on some of the findings reported in 2015. The findings that still require attention have been highlighted again. Furthermore a number of new attention areas have been identified. We refer to the paragraph Managing risks included in the NS Annual Report.

For the review of the non-financial information and the audit of the Selected Information in the NS Annual Report 2016, we identified the following key review matters:

Reliability of the creation of and reporting on main rail network concession performance indicators

Key Matter	How our review addressed the matter
NS measures its progress in achieving its strategy through the main railway network concession performance indicators. The progress of these performance indicators is also an important part of the mid-term review and final evaluation in 2019 or 2024 respectively regarding to the possible concession extension. Given their relevance we have identified this set of performance indicators as a whole as a key review matter.	As part of our procedures, we gained insight into the reporting process, and reviewed the quality of this process (including controls) in design and implementation. We furthermore reviewed the degree of consistency with the public definitions in the "Vervoerplan 2016" (Transport Plan 2016), and reconciled these with what was reported by NS to the Ministry of Infrastructure and Environment (IenM). We reviewed the disclosures in the chapter Activities in the Netherlands in respect of the performance indicators.

Impact Model Regarding Social Impact

Key Matter	How our review addressed the matter
NS measures its impact on society by means of an impact model. Inherent to the nature of this impact model is that the information used in the model is largely based on external sources, estimates and underlying assumptions.	As part of our review procedures we have taken note of the design of the impact model. We assessed the reasonableness of the assumptions and estimates applied. We also reviewed the correctness of the calculations. Where applicable, we reconciled the applied assumptions to external sources. We reviewed the disclosures in the chapter Our impact on the environment and on society and in the methodology document.

Other information included in the NS Annual Report 2016

In addition to the financial statements and our combined auditor's report thereon, the NS Annual Report 2016 contains other information, which consists of:

- The NS Management Report, which is included in chapters I, II, and III;
- The Report by the Supervisory Board, which is included as part of chapter I; and

- The other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements and the Selected Information or in our review of the non-financial information.

Management is responsible for the preparation of the other information, including the NS Management Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of N.V. Nederlandse Spoorwegen on 3 September 2013 as of the audit for the financial year 2014, and have acted as external auditor since that date.

Responsibilities

Responsibilities of management and the supervisory board

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code.

Management is also responsible for the preparation of the non-financial information and the Selected Information in accordance with version G4 ("Comprehensive") of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the supplemental internally applied reporting criteria as disclosed in the chapter Scope and Reporting Criteria of the NS Annual Report 2016, including the identification of stakeholders and the determination of material issues. The choices made by management with respect to the scope of the non-financial information and the reporting policy are included in the chapter "Scope and reporting criteria".

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements, the non-financial information and the Selected Information that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern principle of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's reporting process.

Our responsibilities

Our objective is to plan and perform the assurance engagements in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusions.

Our audit of the financial statements has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

We apply the 'Nadere voorschriften accountantskantoren ter zake van assurance opdrachten RA' and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and other relevant regulatory requirements.

Our review of the non-financial information is aimed at obtaining limited assurance. The procedures performed in obtaining limited assurance are focused on the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on reasonable assurance. The procedures performed consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in an audit engagement.

Our audit of the Selected Information is aimed at obtaining reasonable assurance. Reasonable assurance provides a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Rotterdam, 24 February 2017

Ernst & Young Accountants LLP

Signed by J. Hetebrij

Appendix to the combined independent auditor's report and assurance report

Work performed

We have exercised professional judgment and have maintained professional skepticism throughout the assurance engagements, in accordance with the Dutch Standards on Auditing and the Dutch standard 3810N, ethical requirements, and independence requirements.

Our audit to obtain reasonable assurance about the financial statements included the following:	Our review to obtain limited assurance about the non-financial information in the NS Annual Report 2016 included the following:
• Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.	• Performing an external environment analysis and obtaining insight into relevant social themes and issues, and the characteristics of the organization.
• Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.	• Evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of management's estimates.
• Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.	• Evaluating the design and implementation of the reporting systems and processes related to the non-financial information in the NS Annual Report 2016.
• Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.	• Interviewing management responsible for the sustainability strategy, policies, and performance.
• Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.	• Interviewing relevant staff responsible for providing the information for the Report, carrying out internal control procedures on the data and consolidating of data in the non-financial information in the NS Annual Report 2016.
• Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.	• Various site visits to Abellio Greater Anglia, Abellio London & Surrey and Abellio ScotRail in the UK to evaluate the source data and to evaluate the design and implementation of control and validation procedures at local level. • Performing analytical review of the data and trend explanations submitted for consolidation at group level.

For our audit to obtain reasonable assurance about the Selected Information in the NS Annual Report 2016, we performed the procedures above with more depth, and additionally performed the following additional procedures, among others:

- Evaluating the underlying transactions and events.
- Auditing source documents during site visits to Abellio Greater Anglia, Abellio London & Surrey and Abellio ScotRail in the UK;
- Assessing relevant data and internal and external documentation, on a test basis, to determine the reliability of the Selected Information.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the assurance procedures and significant findings, including any significant findings in internal control that we identify during our assurance procedures.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We determine the key matters of our assurance engagement on the NS Annual Report 2016 of N.V. Nederlandse Spoorwegen on the basis of all matters discussed with the supervisory board of N.V. Nederlandse Spoorwegen.

We describe these matters in our combined auditor's report and assurance report, unless laws or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

NS ten-year summary

(in million euros)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Balance sheet										
Assets										
Property, plant and equipment	3,654	3,296	3,157	3,115	3,405	3,433	3,272	3,150	2,844	2,710
Investment property	197	194	196	169	314	315	309	317	319	307
Intangible assets	257	225	174	125	117	76	64	157	149	115
Investments recognised using the equity method	39	183	185	197	14	14	14	40	33	27
Other financial assets, including investments	267	340	226	205	176	150	146	305	274	263
Deferred tax assets	229	278	295	385	346	392	407	438	455	524
Total non-current assets	**4,643**	**4,516**	**4,233**	**4,196**	**4,372**	**4,380**	**4,212**	**4,407**	**4,074**	**3,946**
Inventories	139	138	119	109	134	80	95	132	133	133
Other investments	-	270	223	231	279	362	209	150	1,454	1,815
Trade and other receivables	724	659	499	545	509	680	892	1,245	1,377	1,243
Income tax receivables	4	32	32	30	11	14	-	34	154	116
Cash and cash equivalents	709	671	775	759	948	534	386	546	571	291
Assets held for sale	140	-	-	-	-	-	-	-	-	-
Total assets	**1,716**	**1,770**	**1,648**	**1,674**	**1,881**	**1,670**	**1,582**	**2,107**	**3,689**	**3,598**
Total assets	**6,359**	**6,286**	**5,881**	**5,870**	**6,253**	**6,050**	**5,794**	**6,514**	**7,763**	**7,544**
Equity and liabilities										
Equity	**3,511**	**3,402**	**3,216**	**3,044**	**3,168**	**2,977**	**2,831**	**2,871**	**4,249**	**4,109**
Deferred credits	328	263	112	122	134	170	213	229	238	251
Loans and borrowings, including derivatives	293	440	867	730	577	180	315	785	839	794
Employee benefits	31	30	33	33	35	31	34	34	34	40
Provisions	100	155	140	182	277	349	175	233	162	147
Accruals	36	55	1	23	39	239	103	29	8	22
Deferred tax liabilities	160	168	169	158	153	136	103	88	66	51
Total non-current liabilities	**948**	**1,111**	**1,322**	**1,248**	**1,215**	**1,105**	**943**	**1,398**	**1,347**	**1,305**
Bank overdrafts	-	-	-	-	-	-	-	18	42	46
Loans and borrowings, including derivatives	77	488	60	57	48	365	387	292	244	232
Corporate tax payables	7	22	8	8	12	17	7	-	1	84
Trade and other payables	1,023	1,060	868	1,003	1,248	784	794	1,210	1,226	1,101

(in million euros)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Deferred income	641	260	372	314	387	754	751	707	639	616
Provisions	37	36	35	196	175	48	81	18	15	51
Liabilities held for sale	115	-	-	-	-	-	-	-	-	-
Total current liabilities	**1,900**	**1,866**	**1,343**	**1,578**	**1,870**	**1,968**	**2,020**	**2,245**	**2,167**	**2,130**
Total equity and liabilities	**6,359**	**6,379**	**5,881**	**5,870**	**6,253**	**6,050**	**5,794**	**6,514**	**7,763**	**7,544**
Consolidated income statement										
Revenue	5,093	4,973	4,144	3,873	4,638	3,628	3,520	3,271	4,253	4,040
Total operating expenses	4,965	4,876	3,863	3,990	4,284	3,356	3,286	3,121	3,925	3,685
Share in result of investees recognises using the equity method	142	70	40	47	-	-	-	-	-	-
Result from operating activities	**270**	**167**	**321**	**-70**	**354**	**272**	**234**	**150**	**328**	**355**
Net finance result	-9	-23	-35	-26	-25	-12	-22	4	67	56
Share in result of investees recognises using the equity method	-	-	-	-	1	1	1	-	4	5
Result before income tax	**261**	**144**	**286**	**-96**	**330**	**261**	**213**	**154**	**399**	**416**
Income tax	-49	-26	-106	53	-67	-50	-53	-37	-118	-79
Result for the period	**212**	**118**	**180**	**-43**	**263**	**211**	**160**	**117**	**281**	**337**

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This report is compliant with 'G4 comprehensive (assured)'.

The anual report is published in both Dutch and English. In the event of any discrepancies between the Dutch and English version, the Dutch version will prevail.