



Press Release

Utrecht, February 27, 2020

Train passengers are making good progress in five years

- **Passenger satisfaction from 75% in 2015 to 89% in 2019**
- **Renewed strategy: The Netherlands sustainably accessible, for everyone**
- **After improvements on train and track, also improved financial results**

The journey of a Dutch train passenger has improved considerably over the past five years. This is evident from the NS annual report 2019, halfway through the current concession. Passengers appreciate the improvements: 89% of passengers were satisfied, as compared to 75% at the start of the franchise in 2015.

During those years, the number of daily passengers increased from 1.1 million to 1.3 million. We worked with ProRail to improve the stations, including the full renovation or refurbishment of 16 stations. This yielded considerable improvement in passenger perceptions of the stations. Our total investment was over €3 billion, with the purchase and modernisation of trains accounting for €2.1 billion. Use of public transport bicycles (OV-fiets) increased from 1.9 million to 5.3 million rides per year and. As a result of switching to 100% wind energy for our trains, CO2 emissions were reduced from 16 to 0 grams per passenger-kilometre.

Because NS now wishes to take the next step towards its accessibility goals for the Netherlands, it launches its renewed strategy 'The Netherlands sustainably accessible, for everyone'.

Chairman and CEO of NS Roger van Boxtel: 'Our renewed strategy is ambitious and realistic at the same time. Which it should be. The current popularity of train travel cannot be taken for granted, but rather the result of hard work by thousands of colleagues. Due to the growing number of passengers and increasing urbanisation, we will face enormous mobility challenges in the coming years. We are in the midst of an energy transition. European countries are looking to curtail air travel and promote train travel. To that end, it is vital for us that the Netherlands invests in the necessary infrastructure for the long term. There's no time to waste.'

A look back at our results for 2019: strong growth, satisfied passengers

Train travel is popular. In 2019, the number of passenger kilometres increased by 3.7% relative to 2018: the highest growth rate since 2008. This growth occurred primarily on busy routes in the Randstad conurbation (+6.4%) and on the Amersfoort – Deventer (+10.7%), Arnhem – Utrecht (+8.2%), Venlo – Eindhoven (+7.4%) and Groningen – Zwolle (+5%) routes. The chance of finding a seat during peak times remained more or less constant during this growth, at 94.9% (2018: 95.1%). As in the previous year, 92.6% of passengers arrived on time. Passengers once again indicated an increase in satisfaction: 89% gave a score of 7 out of 10 or higher (2018: 86%). NS fulfilled the agreements in all respects. In fact, it even met the ambitious upper targets for 10 of the 12 agreements. Thanks to its performance, NS can now expect a €6 million bonus from the Ministry of Infrastructure and Water Management. NS has paid nearly €2 billion in concession fees and rail infrastructure charges in the Netherlands over the past five years.



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Realisation of major NS KPIs for 2019

	Realisation in 2019	Realisation in 2018	Minimum value for 2019	Target value for 2019
Customer satisfaction	89%	86%	74%	80%
Punctuality for passengers	92.6%	92.6%	88.9%	91.1%
Punctuality for passengers on HSL	83.4%	82.5%	82.1%	84.1%
Seat availability at peak times	94.9%	95.1%	94.3%	95.5%
Seat availability on HSL at peak times	97.1%	94.0%	91.2%	94.9%

Renewed strategy: The Netherlands sustainably accessible, for everyone

In the next few years, NS intends to create ample scope for 'flex passengers', an ambition that is expressed in the strategy 'The Netherlands sustainably accessible, for everyone'. Van Boxtel: 'Flex passengers do not think of themselves as car drivers, train passengers or cyclists; instead, they choose a mode of transport based on their destination and the situation at that moment. To make that possible, we have to remove the barriers separating the various forms of private, shared and public transport wherever possible, in cooperation with the entire mobility sector. This will provide passengers with the broadest possible range of options, and ensure smooth and seamless travel between the international, domestic, urban and regional domains. By doing so, we can offer flexible transport possibilities to serve a new generation of passengers, for whom the train is a logical choice.' The renewed strategy has been formulated in careful consultation with NS's Central Works Council (COR). The COR and NS remain in disagreement however on a single point. The COR recommends that the company provide job security throughout the period covered by the strategy and has asked the Netherlands Enterprise Court to render a verdict on this issue.

Better affordability for young people

NS is making train travel more affordable for young people between 12 and 18 years of age. This is among the measures resulting from the renewed strategy. With the introduction of a new Youth 1-day pass and a new Youth weekend subscription, travel will become 55% to 60% less expensive for this target group. As a result, families with children in this age category will be able to save up to a hundred euros per month. The measure will initially be in effect for six months. If the Youth tickets prove popular, the measure will be extended.

Strong network, expansion of the train fleet

The backbone of the NS strategy remains the train with a powerful and vital network in which stations are increasingly becoming a mobility hub and, together with the Dutch Core Network, are an inseparable whole. NS has increased its investment program to more than € 6 billion for the entire concession period. In addition to these improvements, NS is working on shortening travel time and improving transfer options in various regions.

NS expects a further increase in passenger volumes over the next five years. As a result, the chance of finding a seat will remain under pressure. In recent years, NS has invested heavily in the purchase, overhaul and upgrading of trains. Following the introduction of the Sprinter FLIRT (2017) and the New Generation Sprinter (SNG 2018-2023), NS is now working to develop New Generation Intercity trains (ICNG 2021-2028). In connection with the further expansion of its train fleet, NS is exploring the possibility of purchasing new trains which would be deployed on the tracks in the 2027-2030 period. For these new trains, NS is considering an intermediate form between double-decker and single-decker.



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Stations: a vital link for passengers and the city

Satisfaction regarding NS stations has been on the rise for years. In 2019, 77% of passengers were satisfied with their stations, compared to 65% at the start of the concession in 2015. Together with ProRail, we are working to realise safe, comfortable stations. We began implementing upgrades to 200 stations in 2019. To date, eight new StationsHuiskamers (Station Living Rooms) have been opened and 50 updated toilets have been installed. New entry doors that make it possible for users to submit contactless payment were installed on 108 toilets. In addition, 189 drinking water fountains were opened, bringing the total to 241.

The station also serves as a crucial link in the overall door-to-door journey; it is the place where bicycles, cars and public transport facilities all come together. In 2019, the municipality of Utrecht, ProRail and NS Stations opened one of the world's largest bicycle parking facilities, which can accommodate 12,500 private bicycles and 1,000 public transport bicycles. Last year saw the official opening of Heerlen station after a seven-year renovation project. Other station areas in cities including Roosendaal, Zwolle and The Hague are also scheduled for redevelopment.

Improvements in train operating performance followed by better financial performance

Financially, NS concluded 2019 with revenue of €6,661 million, an increase of 12.4% with respect to 2018 (€5,926 million). The profit from operating activities was €287 million (2018: €195 million). Profit from operating activities excluding exceptional income and expenditure amounted to €242 million, €37 million more than in 2018 (€205 million). A net profit of €215 million was recorded in 2019, compared with €116 million in 2018. These improved results were generated by our operations in the Netherlands.

Key financial figures (in millions)

	2019	2018
Turnover	6,661	5,926
<i>Of which in the Netherlands</i>	3,208	3,102
<i>Of which abroad</i>	3,453	2,824
Result from operating activities	287	195
<i>Of which in the Netherlands</i>	232	148
<i>Of which from abroad</i>	55	47
Underlying result	242	205
<i>Of which in the Netherlands</i>	213	144
<i>Of which from abroad</i>	29	62
Net profit	215	116
<i>Of which in the Netherlands</i>	211	95
<i>Of which abroad</i>	4	21
Investments	769	898
<i>Of which in the Netherlands</i>	611	831
<i>Of which abroad</i>	158	67

Operations in the Netherlands

In the Netherlands, revenue from transport increased by 6.0% to €2,661 million (2018: €2,510 million). This resulted from a rise in the number of passenger-kilometres (3.7%) and the annual price indexation (1.8%). In 2019, revenue from station development and operation decreased by €45 million to €547 million, owing to retail formats HEMA, Broodzaak, Smullers and Starbucks having been franchised to third parties. This yields a drop in retail revenue and an increase in rental income. Adjusted for this effect, we see that revenue grew from sources including an increase in the use of public transport bicycles, additional parking revenue and a like-for-like increase in retail revenues of over 4%. The underlying result in the Netherlands rose by €70 million to €213 million (from €144 million in 2018). This improvement in result can be attributed to an increase in sales,



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combined with a negligible rise in costs. Enhancement of our operational performance, satisfied passengers and dedicated employees provide a solid foundation for improving the results of our activities in the Netherlands. Last year, NS invested €611 million in the Netherlands, most of which was spent on the purchase and upgrading of trains and on IT solutions, which are becoming an increasingly vital part of how we run our business.

International operations

In 2019, Abellio achieved revenues abroad of €3,453 million (€2,824 million in 2018), of which €2,919 million came from Abellio UK and €534 million from Abellio Germany. The underlying result from operating activities abroad decreased by €33 million to €29 million (2018: €62 million). The primary cause of this decrease was a deterioration in the performance of Abellio Germany, whose results dropped by €31.4 million to negative €32.8 million (2018: negative €1.4 million). Abellio UK managed to slightly increase its underlying result from operating activities to €61.8 million (€60.4 million in 2018). Abellio's*1 net profit for 2019 amounted to €4 million, compared to €23 million in 2018.

In the United Kingdom, turnover in British pounds increased by 18.9%, of which 10.4% was organic growth. This organic growth was realised primarily in the franchises of Greater Anglia, ScotRail and West Midlands. The launch of the East Midlands franchise in August 2019 accounted for the remaining growth. Abellio UK achieved an operating result of €81.6 million. Adjusted for IFRS16*2, Abellio UK achieved an operating result of €57.7 million (2018: €41.0 million), with an associated net profit of €30.8 million (2018: €16.0 million).

The situation in the United Kingdom remains turbulent and uncertain, thanks in part to Brexit. With regard to Greater Anglia, the dispute with the UK Department of Transport about the CLE settlement mechanism for the franchise has not yet been resolved. Transport of Scotland has decided to end the franchise in March 2022 and not to use the option to extend the contract by a term of three years. The so-called Williams Review – a study of the British rail industry's structure – remains ongoing as well. These developments have our full attention.

In Germany, Abellio generated €534 million in turnover, up €177 million compared with 2018. This growth resulted primarily from the start of the Dieselnetz Sachsen-Anhalt (DISA) franchise in central Germany and the Rhein-Ruhr-Express (RRX) franchise in North-Rhine Westphalia in December 2018, as well as the launch of Stuttgarter Netz (STN, Baden-Württemberg) in June 2019. Abellio Germany posted a negative operating result of €24.5 million in 2019. Adjusted for IFRS16*2, this works out to negative €32.8 million (2018: negative €1.4 million). Consequently, Abellio Germany ended the year with a net loss of €28.8 million, adjusted for IFRS16 (2018: net loss of €6.6 million).

In addition to mobilisation costs, the loss in Germany can be largely attributed to three factors. Firstly, Deutsche Bahn and the unions have reached a new collective labour agreement which both increases compensation and decreases labour productivity. Due to a shortage of labour within the German market, other carriers in Germany (such as Abellio) are obliged to adopt the terms of this collective labour agreement without benefit of reciprocal compensation from their own commissioning parties. Secondly, the labour shortage has also resulted in higher costs for education and training. Finally, a strong increase in work being carried out on the tracks has decreased punctuality and therefore increased deductions from the fees paid by commissioning parties, despite the fact that carriers are unable to exert any influence on this loss of punctuality. The carriers and commissioning parties are discussing compensation at the national level.

All Abellio franchises in the United Kingdom and Germany are expected to be profitable over the term of their contracts.



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Financial position and outlook

At the end of 2019, NS posted cash balances of €818 million, against €755 million in financial obligations. As such, NS was effectively without debt at year-end 2019. In view of the expected growth in passenger numbers and crowding on trains and stations, NS will continue to invest in the years ahead – in trains, stations and IT solutions to deal with passenger flows and meet customers' expectations. NS expects that cash flows and funding capacity will be sufficient to support its investment programme of approximately €3.7 billion through 2024. However, NS will have to continue existing initiatives to improve results, based on good operational performance and satisfied customers.

*1 The Abellio consolidation consists of Abellio UK, Abellio Germany and the Dutch entity Abellio Transport Holding. The holding realised a net profit of €6 million, the majority of which arose from the intercompany financial result on its international operations. The intercompany financial result consists of interest income on loans extended by Abellio Transport Holding and compensations for guarantees provided.

*2 IFRS 16 introduces an unambiguous 'on balance' reporting model for lessees. For NS, as a lessee, this categorises the right of use as an asset and classifies the lease commitments (which represent the obligation to make future lease payments) as liabilities. This also means that, in the statement of income and expenditure, the lease payments owed on an annual basis are replaced by depreciation and interest charges. Where NS is concerned, the implementation of IFRS 16 will have a positive effect on the result from operating activities in the amount of €33 million and a negative effect on the net profit of €4 million compared to 2018.

For full NS Annual Report & Financial Statements (in Dutch), please check www.ns.nl/jaarverslag.

To the editor

In case of further queries, please contact NS Persvoorlichting via

T: +31 (0)30-2357070

E: persvoorlichting@ns.nl