Annual Report 2014

See **ns.nl/jaarverslag** for the online version

IN BRIEF

4,100,000
Journey Planner Xtra downloads
400,000 to 500,000 journey recommendations per day

NEW
Button for feedback on overcrowding in the train

More than 1,500,000
trips by public transport bicycle

First Public Transport Service Centres
opened in The Hague and Breda

tickets • info • shop

9 July 2014
Everyone in the Netherlands is using the public transport smartcard for checking in and out

76% of passengers give a score of 7 out of 10 or higher for train travel

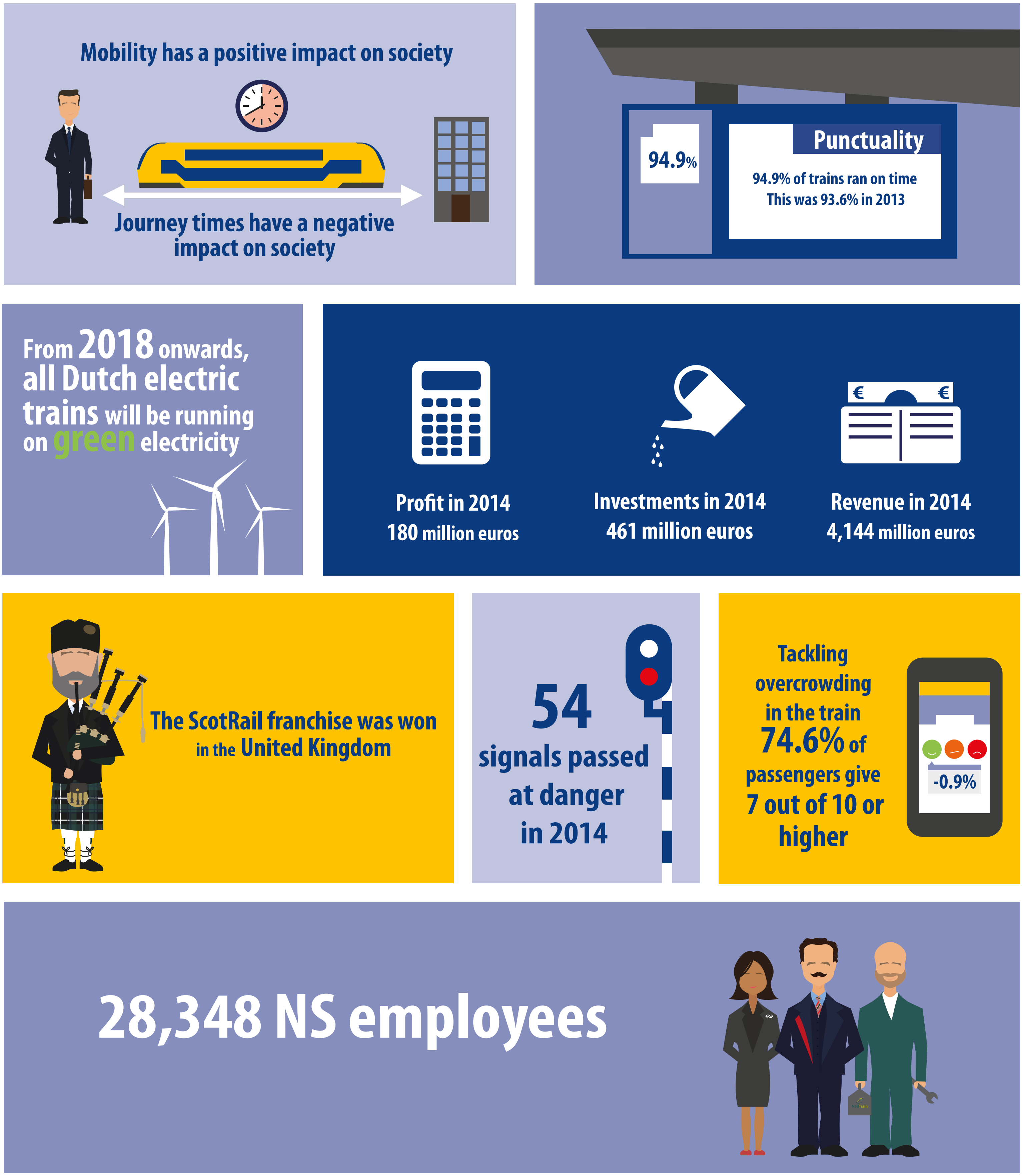
Clean trains
The target of 55% was not feasible because of the cleaners' strike

CO_2
Trains are now running 2.2% more efficiently

INTERCITY BRUSSELS
up from 12 to 16 times a day

18,000 days of training have been taken by our staff

Certificate


Mobility has a positive impact on society
Journey times have a negative impact on society
94.9%
Punctuality
94.9% of trains ran on time
This was 93.6% in 2013
From 2018 onwards, all Dutch electric trains will be running on green electricity
Profit in 2014
180 million euros
Investments in 2014
461 million euros
Revenue in 2014
4,144 million euros
The ScotRail franchise was won in the United Kingdom
54
signals passed at danger in 2014
Tackling overcrowding in the train
74.6% of passengers give 7 out of 10 or higher
-0.9%
28,348 NS employees

2014 in a nutshell

We took steps in 2014, together with other public transport carriers and stakeholders, to put the passenger even more at the centre of things. One result of this has been the tentative improvement that we have seen in overall customer satisfaction, punctuality and our reputation. Cleanliness and overcrowding in the trains scored below par. NS has extended its impact analysis for 2014 from the environment only to include socio-economic impacts as well. This shows how important our door-to-door strategy is.

Our primary objectives

	2014	2014 Target	2013
Customer satisfaction	76%	76%	75%
Punctuality for passengers	92.3%	90.5%	90.0%
LTI Frequency Rate	3.3	3.8	4.3
Reputation	53.5	53.0	50.2

Although we did achieve all our main targets, NS has to remember that merely 'good' is not good enough. We will therefore be concentrating in the coming years specifically on areas where performance is not so good and we will continue to invest, e.g. in new Sprinters, IT and journey information. It is our ambition to take the main objectives systematically up to the next level by 2017.

Our finances

The profit after tax for 2014 was €180 million (2013: a loss of €43 million, partly due to the loss of the V250 trains). The result for 2014 was partly due to exceptional effects, such as the release of provisions that had previously been set aside. The underlying operating result, after correcting for the exceptional items, was insufficient at just €84 million (2013: €78 million). The result will come under additional pressure in 2015 because of the increased franchise costs (including those for being allowed to use the tracks) and considerable investments (in new trains, accessibility, IT and e.g. maintenance workshops). The revenue came to €4,144 million (2013: €3,873 million).

Looking ahead

The top priorities for NS are passengers, passengers and passengers. Every day. 2015 will largely be about implementing the new integrated franchise (which runs from 2015 to 2024). Over the coming years, NS will continue improving personal safety and combating fare dodging. One way of doing this will be to use the access gates at stations. Before the end of 2017, 82 stations will have these gates. In addition, NS will continue to work as hard as ever with other carriers and stakeholders to improve mobility in the Netherlands by making the door-to-door journey and public transport as a whole simpler and more attractive.

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Foreword

"On 15 December 2014 at Den Haag Hollands Spoor station, state secretary Wilma Mansveld, ProRail director Patrick Buck and I signed the track operation and passenger transport franchise for 2015-2024. ProRail, the Ministry of Infrastructure and the Environment and NS have made clear agreements about how we want to work with each other and other carriers and public transport partners to make sure that all passengers have a positive experience with public transport every day. Placing our signatures was a nice way to end the year, as well as a symbolic step towards 2015 and the years thereafter.

In this annual report, we are primarily providing information about the past year for our Dutch stakeholders. In 2014, we laid the foundations for the coming franchise period. NS has realigned its strategy so that it will be able to keep the promises it has made for its passengers over the next ten years. Our top three priorities for all our processes are passengers, passengers and passengers: we are aiming for a good passenger experience for everyone in their door-to-door journeys. In this door-to-door strategy, we are also responding to the changing demands that are being made of public transport. We are using our activities abroad to learn and acquire experience that will be used where possible to the benefit of Dutch passengers.

We also introduced 'Simplicity, Unity and Ownership' as a three-pronged management principle for the day-to-day work of all NS staff. We wanted the company's senior management to be closer to the operations, allowing decisions to be based on an integral overview and management to act more effectively; with this in mind, we changed the company's control structure in 2014. Since then, we have been working with an Executive Committee comprising the two-man Executive Board plus the directors of the business units, HR and Communications & Strategy.

NS can look back on a year in which the results in terms of customer satisfaction and punctuality were generally satisfactory. That is all well and good, but we are also focusing more on routes and stations where performance is still not good enough, for instance because the trains are too overcrowded or because delays occur too often. We want to be transparent about this and so we have been asking passengers themselves for feedback as of last year. They can do that through the Journey Planner Xtra app, giving us more information for making tweaks and adjustments.

We also reached a milestone with the public transport smartcard in 2014: the first country in the world where all public transport passengers check in and out with this smartcard. To make this go as smoothly as possible, we deployed a large number of extra staff at the stations and in the Customer Service department. Another key moment was when NS signed a contract with Eneco for green power on behalf of all the carriers: from 2018 onwards, all electric trains in the Netherlands will be running entirely on green electricity, with half doing so from as early as 2015.

The new timetable came into effect on 14 December 2014. Every station now has at least one train every half hour in both directions during the daytime on weekdays. We are operating 16 trains a day jointly with NMBS on the high-speed line between Amsterdam and Brussels. The Thalys goes to Brussels 12 times a day, with a number of these trains continuing to Paris or Lille.

NS won the Kristalprijs (an award for clarity in environmental reporting) in 2014, largely for the environmental profit and loss account that was included in the 2013 Annual Report. We have extended that reporting further in this annual report and are now also quantifying our socio-economic impact on society.

Over the coming years, we will be raising the bar even higher for the services we provide, with due consideration for our obligations and our passengers' and stakeholders' expectations. The aim is to get even more people opting to travel by public transport.

We would like to thank all our staff for their contributions over the past year."

Timo Huges

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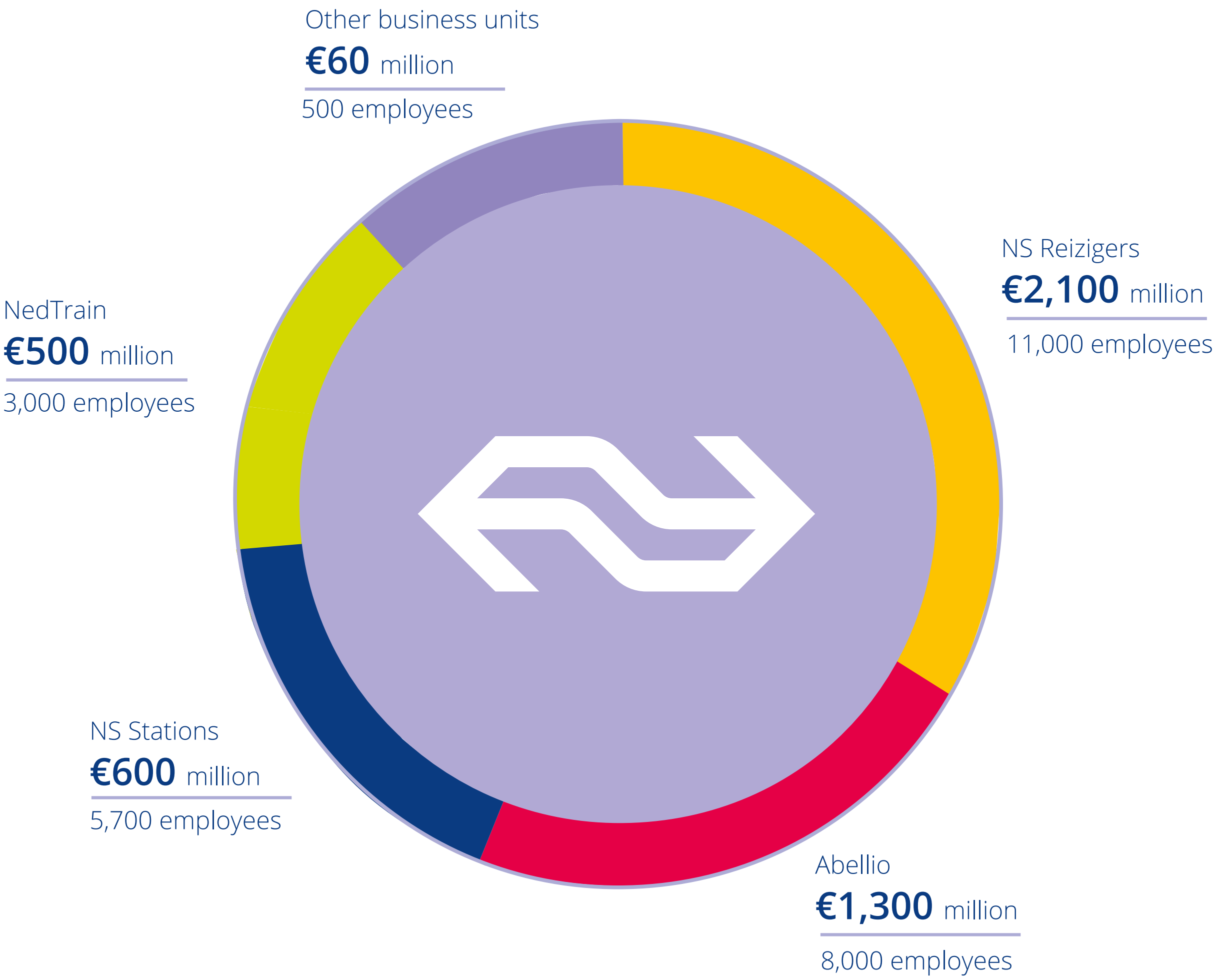
Company profile

NS operates in the public transport sector. It provides reliable passenger transport, comfortable trains and buses, lively stations and station areas and a range of services for a pleasant journey from door to door. Our 28,500 employees put their combined efforts into a single mission: making passengers feel connected by NS. The operations of NS cover both passenger transport and station development and operation, with combined revenues of €4.1 billion. More than 86% of that comes from passenger transport.

NS in the Netherlands and the rest of Europe. The oldest predecessor of NS, HIJSM, was founded in 1837. NS has therefore been contributing to mobility and progress in the Netherlands for over 175 years. The company still plays a very significant social role in its domestic market. Over the past twelve years, NS has been accumulating an increasing share of rail transport in other European countries through its subsidiary Abellio.

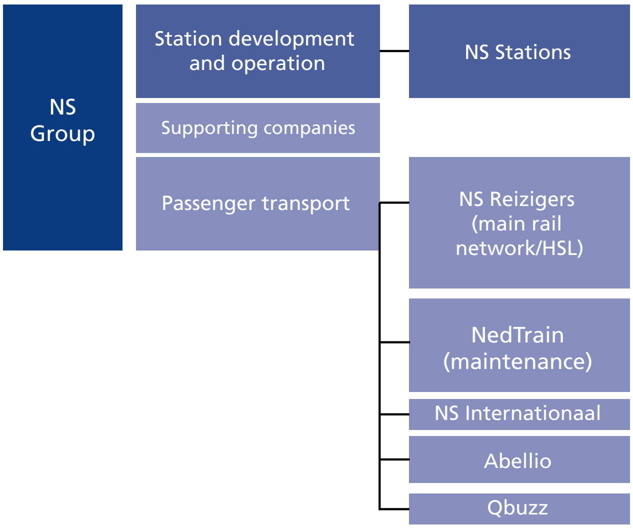
NS Reizigers is responsible for rail transport operations on the Dutch main rail network and the HSL South, and the associated sales and service activities. With more than 11,000 employees and revenue of €2.1 billion, it is both the largest and the most high-profile of the NS business units. NS Reizigers handles the logistics, provides journey information, sells tickets and manages the Customer Service department.



NedTrain is responsible for maintaining the trains in the Netherlands, working on continually upgrading our trains and making them more sustainable. With 3,000 employees, NedTrain's operations are exclusively business-to-business, primarily within NS for NS Reizigers. Its revenue is €500 million.

NS Stations is responsible for the management and commercial operation of stations in the Netherlands and for development in and around these stations. The company, which has 5,700 employees, collaborates closely with public authorities and its partners. NS Stations has a turnover of €600 million. NS Stations is involved in the hospitality and retail sectors as well as the development and operation of property, and it is responsible for the facilities in and around the stations (such as the bicycle hire facility OV-fiets and NS Zonetaxi) that ensure a smooth door-to-door journey. The key items in this are the passengers' needs: a pleasant stay, safety, comfort and journey time. There are 406 stations in the Netherlands.

The NS subsidiary Abellio acquires and implements public transport concessions aimed at consolidating the position of NS in the European market as it becomes more deregulated.

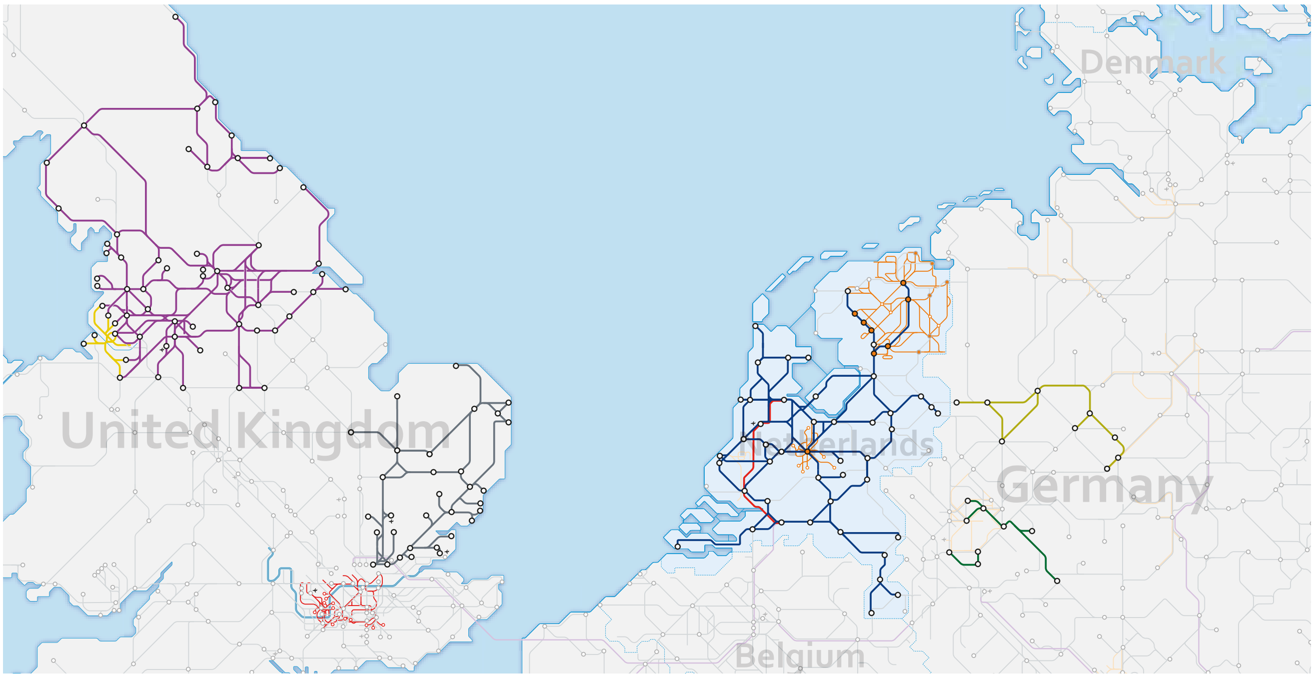


8,000 employees work for Abellio. Abellio currently has rail and bus transport operations in the United Kingdom and (through Qbuzz) in the Netherlands. Abellio has 5 train franchises in Germany. Abellio's revenue is €1.3 billion.

Executive Committee

The Executive Committee (ExCo) takes the company's major

From left to right: Timo Huges, Michiel van Roozendaal, Maurice Unck, Marjan Rintel, Jeff Hoogesteger, Engelhardt Robbe, Michiel Noy and Hans Hemels



NS franchises in Europe
In the Netherlands, Germany and the United Kingdom

Nederlandse Spoorwegen
Intercity direct
Abellio Deutschland
Abellio Deutschland, operated by the joint venture company WestfalenBahn
Abellio Greater Anglia
Northern Rail, a Serco/Abellio joint venture
Merseyrail, a Serco/Abellio joint venture

Other railway lines
Other high-speed lines
RandstadRail - light rail
Qbuzz buses*
Abellio London & Surrey buses*
Railway station
Railway station with Qbuzz city buses
Bus station
*=bus lines are indicative

decisions. At the end of 2014, it was made up of the following: Hans Hemels, HR and Organisation Director; Jeff Hoogesteger, CEO of Abellio Group; Timo Huges, CEO; Michiel Noy, CEO of NS Stations; Marjan Rintel, CEO of NS Reizigers; Engelhardt Robbe, CFO; Michiel van Roozendaal, CEO of NedTrain; Maurice Unck, Communication & Strategy Director.

About the scope of this report

NS realigned its strategy at the start of 2014. Over the coming years, NS will focus on the passengers and ensuring that their door-to-door journeys are comfortable. NS will focus primarily on the Netherlands and on improving operational performance on the railway. It will be supported by activities relating to bicycle facilities, bus transport and the stations. The passengers deserve the best services at the right price. That is one reason why we are building up experience abroad: it keeps us focused. Our goal is to gain knowledge and experience in Europe that will be useful for operating the main rail network, and so that we will be prepared for any further deregulation of the market. NS is a company that is based in the Netherlands and has a Dutch shareholder, the Ministry of Finance. Like NS, the shareholder also wants our foreign activities to contribute to the public interest in the Netherlands. In this annual report we are therefore primarily giving an account of our actions for our Dutch stakeholders. They have indicated that they also think that our activities in Europe are materially relevant. For this reason, we have included the results of our subsidiary Abellio whey they are important for the Dutch stakeholders.

Our stakeholders expect NS to be a financially sound company. Additionally, they are particularly interested in the non-financial results. To many stakeholders, the customer satisfaction, safety and punctuality are much more important than returns. This is also reflected in the dialogues with our stakeholders. We will therefore be paying a relatively large amount of attention to these important items in the annual report.

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Report by the Executive Board

Working on the future

For NS, 2014 was all about working on customer orientation, transparency and collaboration. Within NS, we concentrated on facilitating this by breaking down compartmentalisation, streamlining processes and speeding up decision-making. We set a course for the future with a recalibrated strategy and a new governance model.

The top priorities for NS are passengers, passengers and passengers. that is the slogan that the entire sector has embraced, from passengers' organisations to the Ministry of Infrastructure and the Environment. CEO Timo Huges says, "We were already able to offer passengers a better product last year. There were improvements in the punctuality for passengers and in our reputation. Passengers and passengers' organisations are increasingly saying to us, 'Finally, NS is telling it like it is'." CFO Engelhardt Robbe adds, "We are going in the right direction but we are still only just beginning. An important switch in the mentality at NS is the idea of focusing on output. For example, in the new franchise for 2015-2024 we will be looking at punctuality for passengers rather than train punctuality." What he means is that NS is still too fixated on processes. "What matters is whether passengers get to their destination on time, not whether the trains run to within a certain margin of a certain target value. We need to see things more from the passenger's perspective."

A solid start

With its strategic theme the top three priorities being passengers, passengers and passengers, and its guiding principle for management of 'Simplicity, Unity and Ownership', NS is increasingly seeking to collaborate with other organisations. One example is its collaboration with ProRail in the *Better and More* programme. The outlines of this programme were defined in 2014. The intention is that collaboration in the Better and More programme will result in the implementation of high-frequency services, more capacity, better performance in the event of disruptions during the winter, and improved rail safety. Mr Robbe says, "We made a solid start last year. The aim is to improve services to passengers."

NS is also working more intensively with other organisations, including the ministries of Infrastructure and the Environment and of Finance, regional authorities and other carriers. For passengers are not interested in who the public transport operator is as long as the transport system functions properly. Mr Huges explains, "Self-absorption is not appropriate. What matters is how passengers experience their journey, not who was right."

A share of the cake

In his opinion, this starts with a shared viewpoint and should result in a simpler train product. While it is early days yet, some successful examples can still be given. There is the endeavour to introduce a single boarding fee, the idea of checking in and out once only when travelling with multiple carriers (transport operators) and the public transport service centres at some stations. Other examples are coordinating the timetable and journey information with regional bus, tram and metro operators and integrated sector-wide journey information. Success depends on all parties putting passengers first, insists Mr Robbe. "Not just NS passengers - all passengers in the Netherlands. The key question is who is best able to provide the service in a particular part of the transport system."

Mr Huges explains, "As a player in the public transport sector, we take on our responsibility and we encourage everyone to cooperate in finding solutions in the public interest. Take the example of the contract for green power that we and the other carriers concluded with Eneco. That there will be no more win-lose situations if we work together, only win-win situations." Mr Robbe adds, "It's not primarily about who gets what share of the cake, but bout how we can increase the share that public transport gets in the overall mobility sector."

On the ball

Making every effort for passengers also means being prepared to invest. NS is doing this in part with the purchase of new trains such as the New Generation Sprinter trains and FLIRT trains that NS will be able to operate from 2017 and 2018 onwards. The new franchise will place a heavy financial burden on the organisation over the next few years. "In financial terms we had a reasonable year in 2014 thanks to some one-off windfalls," says Mr Robbe. "But next year will be more challenging." At the same time, NS wants to make significant advances in the quality of its services and internal processes. Mr Huges explains, "That means we need to work more efficiently. Be more on the ball, as it were, getting more results with fewer resources." Mr Robbe says, "We've made our processes much too complex. We need to change the way we work. That can be quite minor things. You don't need to produce a forty-page report if four pages would do equally well. Focus on quality."

ScotRail

NS continued to grow abroad too in 2014. In the autumn NS achieved a major victory when it won the ScotRail franchise. Mr Huges explains, "This is a rail network with many similarities to the main rail network in the Netherlands, with some busy regions and some quieter regions. We put what we learn from our bids in other countries to good use in the Netherlands." In the Netherlands, NS won the franchise for the Alphen-Gouda route and it is expected that the Qbuzz franchise in Groningen and Drenthe will be extended to run until December 2019. On 10 February 2015, the province of Limburg announced that Abellio is being awarded the multimodel franchise for public transport (buses and local trains).

Whereas 2013 was dominated by Fyra/V250, 2014 was a year of recovery. Mr Robbe says, "We were able settle the problems with AnsaldoBreda in 2014 with a result that we find acceptable. No legal battles lasting years. We have drawn some tough lessons within NS. Based on the Fyra/V250 experience, we have formulated seven conditions for a successful project - such as ownership and working on the basis of shared goals - that we are now using in current and new rolling stock projects."

A safe means of transport

NS also made progress in the field of safety, the main precondition for its operations. The number of signals being passed at danger fell by 40% in 2014 while the automatic train protection system for improved safety was rolled out further. Mr Robbe says, "We are pleased that there have been further improvements in our safety performance. That is a priority target for us, ProRail and the Ministry of Infrastructure and the Environment. The train is still one of the safest modes of transport. We are continuing to invest in this and in the safety culture, because safety is still a people issue. Staff health and safety has improved too. Aggressive behaviour towards our staff is unfortunately still much too common. We find that unacceptable; each and every incident is one too many. As we gradually bring the access gates into operation, this should help combat that problem."

Transparency

Information about NS's performance will become more accessible and clearer in 2015. "This is not just a requirement of the the new franchise," explains Mr Huges. "It is also something we ourselves really want to do. Everyone can now go to our website and see how we are performing. We also show what we do with the feedback from passengers, for example about overcrowding on train journeys. NS and the sector are listening to passengers."

In 2015, NS will intensify its communication about the routes with the biggest capacity problems, explaining what is being done to improve matters and whether this is getting results. At the same time, say Mr Huges and Mr Robbe, NS needs to be more realistic about what it can and cannot do. To give an example: "It will remain crowded on some routes and at some times, so you won't always be able to get a seat. That may not be a pleasant message, but that is sometimes the current situation and the ideal outcome is not attainable for operational, social or financial reasons. However we are working hard on getting the best possible solution for everyone, within reason." Mr Robbe says, "Having said that, we have set the bar high for ourselves with our aim of prioritising 'passengers, passengers and passengers'. You have to put your money where your mouth is. No empty promises. Instead, invest in what brings most benefit to passengers."

Close to the operational side

A start was made internally too on the 'new transparency' in 2014. NS wants to be accessible, not just through the customer contact channels but also physically. That is one reason why the Executive Board moved to the first floor from the seventeenth floor at its offices at number 100, Laan van Puntenburg. In full sight of everyone, with glass walls round the meeting rooms and a view of the bus station next to Utrecht Centraal station. Mr Robbe says, "We want to be close to the operational side. We think that all the office staff should have a sense of what it is like for passengers and for our field staff. That is why they will be doing a number of shifts in the field in the coming year. At the same time they will be more recognisable if they travel by train, so people will be able to contact them and they'll be able to offer their services."

Management structure

The physical move is symbolic of the new management structure at NS, with a single Executive Committee (ExCo) instead of an Executive Board and a Group Council. The ExCo fits perfectly with the new strategy and the principle of 'Simplicity, Unity and Ownership'. Mr Huges explains, "Just as passengers come into contact with all the NS business units during their journey, so the issues we face affect all parts of NS. We now have better discussions and consider integrated solutions. This sends a message to our staff too. We want to take decisions more quickly, delegate responsibilities and spend less time haggling with one another. What get prioritised are not our processes but the benefits for our passengers."

Mr Huges and Mr Robbe emphasise that the input of all NS employees is crucial here. Mr Huges explains, "We would like to thank all our colleagues for their contribution over the past year, Both in their day-to-day work and at those times when they were particularly proactive and hospitable such as during the roll-out of the public transport smartcard and the strike by cleaners. We made progress in the past year, but our performance needs to improve further still. We will be working hard on that in the years ahead."

Timo Huges (1965), CEO

Other positions held: Member of the supervisory board of the Rotterdam Port Authority, member of the executive board of VNO/NCW, vice chairman of the Logistics Strategic Platform at the Ministry of Infrastructure and the Environment, member of the board of Ubbo Emmius Fund at Groningen University, chairman of the Blokhuis Loopstra Fund of Gemeentelijk Gymnasium Hilversum, member of the advisory board of H&S Transport Groep

Background: Business Administration (Groningen University)

Career: Koninklijke Frans Maas Groep, FloraHolland flower auction house

Engelhardt Robbe (1955), CFO

Other positions held: Member of the supervisory board of Eurofima Switzerland, chairman of the executive board of NS Financial Services Company, chairman of the supervisory board of NS Insurance, chairman of the supervisory board of Basisfonds Stationslocaties C.V., chairman of the supervisory board of the Dutch Railway Museum

Background: Business Economics (Groningen University)

Career: Shell

Detailed CVs for the CEO and CFO can be found at *www.ns.nl/over-ns*

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Report by the Supervisory Board

NS is facing some major challenges, both operationally for the new franchise and financially: it needs to cut costs and improve results. The Supervisory Board does see plenty of opportunities for improving the services provided to passengers.

Governance

The structure at the top of NS was thoroughly revamped in 2014. The Supervisory Board was closely involved in this process. The new structure fits in with the recalibrated strategy, prioritising passengers, passengers and passengers. The board gave its support to the creation of a new Executive Committee (ExCo) for implementing the strategy. The ExCo members are jointly responsible for the integral control of the business. That shared responsibility helps eliminate the barriers that were compartmentalising the company. The board sees that the shorter lines of communication between the CEO and CFO and the key directors are leading to improved and accelerated decision-making. The board itself also speaks regularly to the ExCo members, bringing it closer to the business operations than it used to be. The new control model also involves the board more closely in the operations, as we wanted.
The members of the Board have been in regular contact with the Central Works Council. These meetings were pleasant and constructive, showing that the Central Works Council broadly supports the NS strategy.

Results

NS achieved a net profit of €180 million this year, compared to a loss of €43 million in 2013. A proposal has been made to pay a dividend of €48 million, which is 35% of the cumulative profit for 2013 and 2014. The board has cast a critical eye over the results and discussed them with the accountants. After a difficult year in 2013, it is good to see that the financial and operational results in 2014 are on the rise in many respects. However, the challenges for the future are legion. The consequences of the Fyra/V250 episode - financial and otherwise - will still be felt over the coming years. The effect that the economic downturn has had on the results and the financial buffers within the business means that we must save on costs and improve the results over the coming years.

Resolving the Fyra/V250 issue

In 2014, NS reached an amicable settlement with Finmeccanica, the parent company of the manufacturer of the Fyra/V250. This put an end to the claims that were going back and forth. That was a key milestone. The board is however well aware that the parliamentary inquiry will play out primarily in 2015. What is more important is that NS itself must learn permanent lessons from Fyra/V250. The 'lessons learned' project that was commenced in 2013 was continued in 2014. The Supervisory Board has discussed the conclusions that were drawn from this at length with the Executive Board. The insights have been applied directly in the tendering processes for the new generations of Sprinter and Intercity trains.

Supervision in 2014

Main Rail Network franchise, 2015-2024

The main rail network franchise for 2015 to 2024 presents new challenges to NS as well as opportunities to provide a better service for passengers. The board is looking forward to this. Improved operational results do not mean that everything is always going well everywhere. NS's focus has been (purely) on the average figures for too long. The new structure at the top led to a sea change in the thinking; we, the Supervisory Board, are fully behind the new attitude that "Merely 'good' is no longer good enough."

Safety

At every regular meeting, the Executive Board informs us about current safety issues such as accidents and the associated investigations. The board paid special attention this year to cutting down the number of accidents at work and the number of signals passed at danger (SPADs). We are pleased to see that these figures fell in 2014. The board has had discussions with the Executive Board several times about whether they are doing enough to encouraging the internal safety culture.

Abellio

Abellio's strategy, combined with the diversification and discussions about how large we want the foreign portfolio to be, was a much-discussed topic for the board in 2014. There were critical discussions for instance about how sensible it was to bid for franchises outside the United Kingdom and Germany, and we concluded that further diversification would make the portfolio stronger. These discussions with the Executive Board will continue in 2015. The board is pleased to see that the ScotRail franchise was won and that the tender for the

Limburg franchise has been submitted. A delegation from the board went on a working visit to London in September to get a more in-depth picture of the foreign operations. We are also pleased about the franchise for the Alphen-Gouda train service, which was won jointly by Abellio and NS Reizigers. On 10 February 2015, the province of Limburg announced that Abellio is being awarded the multi-model franchise for public transport (buses and local trains).

Stakeholders

Contact with the shareholder was intensified in 2014. This is a result of their greater involvement in NS, *inter alia* for the strategy realignment, the reshaping of the structure at the top and the standardisation of the articles of association for the state participations. In addition, the board was closely involved in setting up the Rail Coordination Committee in the second half of 2014. The committee, with representatives from the top of NS and ProRail, handles cross-company dossiers and issues within the sector that need to be tackled quickly and efficiently. The board also actively encouraged the approach adopted for more constructive cooperation with other carriers. We can only achieve a seamless door-to-door experience for the passenger if the whole sector acts together.

Investments

The purchasing processes for the new generations of Sprinter and Intercity trains were the subject of considerable debate between the board and the ExCo. For the procurement of new rolling stock, starting with the New Generation Sprinter, the board wants to ensure that the lessons learned from Fyra/V250 are being applied properly and that the ExCo is sufficiently involved in the procurement process. On the board's recommendation, the ExCo is taking a more hands-on approach here. In addition, the board itself will be looking more closely than it did before at large investments. The board also debated various wide-ranging investment proposals in 2014. These included purchases and conversions of rolling stock, the tenders for IT services, purchasing climate-neutral electricity for traction, a new IT platform for selling international tickets, and the development of commercial facilities at the Amsterdam Zuid station.

Risk management

The board believes that risk management and scenario-driven thinking at NS could and should be handled better. The board therefore initiated the commissioning of a reputable external agency to provide advice on this matter. An improvement programme was then set up. Appropriate risk management helps eliminate internal boundaries and changes the focus - controlling the outputs rather than the inputs - as well as making things more predictable for passengers and the shareholder.

Miscellaneous

We also discussed the green electricity contract with Eneco, the need for IT modernisation, reputation management and the WACC rate (Weighted Average Cost of Capital). There were also discussions about the dilemma presented by the position of NS Financial Services Company (NSFSC), relating to which country NS pays tax in. At the end of 2013, the board had an external evaluation carried out into the way it was functioning. The result was positive and also yielded a number of recommendations that led to further improvements in cooperation in 2014.

Changes in the Executive Board, ExCo and Supervisory Board

Executive board and ExCo

In 2014, Merel van Vroonhoven left for a position with the Netherlands Authority for the Financial Markets. As of 1 April, she stepped down as an NS board member voluntarily. She has put a great deal of energy and expertise into her work for NS over a period of four and a half years. We are very grateful to her for this.

The introduction of the ExCo meant that the Group Council and Executive Board were no longer the decision-making bodies. The composition has also been changed. The new faces are Maurice Unck, who started work on 1 April as the Communications & Strategy Director, and Marjan Rintel, who has taken on the task of chairing the board of NS Reizigers as of 1 November 2014. In that particular role, she is the successor to Ingrid Thijssen, who left NS in March of this year to join the board of Alliander. We would also like to thank Ingrid for her many years of efforts for NS. The Supervisory Board was closely involved in these appointments.

Supervisory Board

During the year under review, we said farewell to committee member Frans Cremers, who had been on the board for three full terms of office. He used his financial knowledge with great dedication to support NS for twelve years. In his

From left to right: Truze Lodder, Carel van den Driest, Gerard van de Aast, Jeroen Kremers, Ilonka Jankovich and Paul Rosenmöller

Carel van den Driest (1947) chairman, Dutch national
Appointed on 24 October 2012 until 2016
Former chairman of the Executive Board of Vopak NV
Other positions held: chairman of the Supervisory Board of Van Oord, chairman of the Supervisory Board of Anthony Veder Group, member of the Supervisory Board of Koninklijke Vopak, member of the Supervisory Council of the Municipal Museum of The Hague

Truze Lodder (1948), deputy chair, Dutch national
Appointed on 1 June 2004 until 2008, reappointed until 2012 and 2016.
Former chair of the Executive Board of the 'Het Muziek-theater' foundation in Amsterdam and former Commercial Director of De Nederlandse Opera
Other positions held: chair of the Supervisory Council of Maastricht University, member of the Advisory Board of the Nexus Institute, board member and treasurer of Europa Nostra, chair of the Supervisory Board of Stichting NJO

Ilonka Jankovich, LLM (1963), Dutch national
Appointed on 13 March 2013 until 2017
Managing Partner of Randstad Innovation Fund
Other positions held: Managing Director of Brainpower (angel investor), committee member of Vonq/Qandidate and committee member of Exact

Paul Rosenmöller (1956) Dutch national
Appointed on 1 June 2007 until 2011, reappointed until 2015.
Chairman of the Secondary Education Council
Other positions held: chairman of the Healthy Weight Covenant Steering Committee, member of the Supervisory Board of CSU

Jeroen Kremers (1958), Dutch national
Appointed on 26 January 2012 until 2016
Former Vice-Chairman & Chief Risk Officer, Managing Board, Royal Bank of Scotland NV and Head of Global Country Risk, RBS Group
Other positions held: member of the Senior Advisory Board of Oliver Wyman Financial Services, member of the Supervisory Board of Robeco, chair of the Supervisory Board of Bunq

Gerard van de Aast (1957), Dutch national
Appointed on 4 March 2014 until 2018
Chair of the Executive Board of Royal Imtech N.V.
Former chair of the Executive Board of Koninklijke Volker Wessels N.V., member of the Executive Board of Reed Elsevier and member of the Supervisory Board of Océ N.V.

place, we welcomed Gerard van de Aast, who has chaired the executive board of Royal Imtech NV since 2013, before which he worked for VolkerWessels and Reed Elsevier. Truze Lodder succeeded Frans Cremers as deputy chair of the board; Jeroen Kremers became chairman of the Audit Committee.

Composition and meetings of the board and its committees

Supervisory Board

The board met nine times in 2014, of which one meeting was by telephone. With only occasional exceptions, all members of the Supervisory Board were present at all the meetings. The Supervisory Board has the following permanent committees: the Audit Committee, the Remuneration Committee and the Selection and Appointments committee.

Audit Committee

At the beginning of 2014, the audit committee consisted of Frans Cremers (chairman), Jeroen Kremers and Paul Rosenmöller. When Frans Cremers left on 4 March 2014, Jeroen Kremers took over the chairmanship and Gerard van de Aast joined as a new committee member. The committee met four times. With one exception, all the members attended all the meetings. The key topics were the financial statements, the annual report, the annual and six-monthly figures, the budget, the corporate plan for 2015 to 2017, audits, risk management, the hedging strategy for the sustainable energy for running the main rail network franchise, NSFSC and IT developments.

Combined Remunerations and Appointments Committee

The combined Remunerations and Appointments Committee, which was functionally split in two in 2013, was merged back again in 2014 with Truze Lodder in the chair. Their meetings were held successively, using a single shared agenda. The committees met five times in 2014 and all members were present each time. The items discussed were the structure at the top of the company, the rules for the ExCo and Executive Board, target setting and assessments for the Executive Board, remunerations for the ExCo, variable remunerations, a gain-sharing plan for Abellio, the impact of the tax changes in the pensions system, the results of the leadership effectiveness audit among the ExCo members, changes to the terms and conditions of employment for staff with individual employment contracts, succession for employees in key positions within the company, and the recruitment of a new director for NS Reizigers and a new Communications & Strategy director.

All members of the Supervisory Board are independent, as defined in the Dutch Corporate Governance Code. The Supervisory Board broadly subscribes to and applies the best practices and principles in Chapter III of the Dutch Corporate Governance Code.

About this report

The financial statements for 2014, as prepared by the Executive Board, were discussed by the Supervisory Board. The external auditor (EY) was present during the discussion. The financial statements are accompanied by the report by the Executive Board. We invite the General Meeting of Shareholders to approve the 2014 financial statements, which can be found on pages 101 to 171 of this report. We also invite our shareholder, the Ministry of Finance, to ratify the decisions of the Executive Board and the supervision exercised by the Supervisory Board. The profit appropriation proposed by the board has been included on page 172 of this report.

We would like to thank the ExCo and the staff of NS both in the Netherlands and abroad for their efforts during this challenging year.

Utrecht, 10 February 2015
The Supervisory Board

5

Dialogue with our stakeholders

NS is a socially committed service provider, a role that places us right at the heart of Dutch society. NS belongs to everyone. We believe it is very important to discuss things with the various interested parties - the stakeholders - and for them to be involved.

NS is continually in discussions with its Dutch stakeholders: from consumer organisations to suppliers, and from municipalities to interest groups and ministries. There are points of contact throughout the company, at all levels and in all parts of NS. This ongoing dialogue with our stakeholders enables us to utilise opportunities and tackle or accept any risks in good time. At the same time, NS listens to both positive and negative criticism so that we can learn from it and provide even better services for our passengers.

Stakeholder management at NS

NS wants to use stakeholder management as a way of setting up transparent relationships with its stakeholders and ensuring that the organisation is aware (in good time) of signals from the world around it. The aim is to help achieve NS's company objectives. This will strengthen engagement with the company and its policies, as well as letting NS bounce ideas and decisions off the stakeholders. We involve our stakeholders closely when choices have to be made that affect passengers. We tell them about developments and planned policy decisions and we make sure that there is a constructive dialogue about these matters. In addition, we regularly invite stakeholders to come on working visits. The NS ExCo is heavily involved in these and also discusses things frequently with the stakeholders. Because the ExCo believes stakeholder management is so important for NS, responsibility for this has been given to the Communications & Strategy director.

Who are our stakeholders?

We see our stakeholders as the people or groups who are affected by our actions and whose actions have an effect on our organisation and services. Our key stakeholders are our customers, the employee participation, our staff, the unions, ProRail, carriers, major suppliers, various governmental authorities (including our shareholder) and civil society interest groups such as consumers' organisations. Stakeholder management continuously monitors who the interested parties are and thereby identifies and selects our stakeholders. There can also be stakeholders who are on the scene temporarily for specific subjects - their input can be relevant and we therefore take them seriously.

In the case of some specific stakeholders, our relationship with them is defined by law (the ministries and supervisory authorities), by cooperation within the transport sector (carriers, ProRail), or by the public nature of the services we provide (the media and interest groups). We discuss who the current and new stakeholders are once every two years at the Council for Sustainable Business. The results are then presented to the ExCo.

Frequent discussions and feedback

We hold regular and frequent discussions with our key stakeholders such as the national public transport users' forum (LOCOV), ProRail and the ministry of Infrastructure and the Environment. This applies e.g. to consumer organisations, franchise awarding bodies, our shareholders, unions, municipalities and the provinces who are represented in the regional forums. For instance, NS is in discussions with consumer organisations, ProRail and the ministry of Infrastructure and the Environment all year round in LOCOV. Both current issues and annually recurring topics are discussed, and the consumer organisations are entitled to make recommendations. We bring in participating organisations such as the ANWB, ROVER and the Consumers' Association for topics that have a longer-term impact. These include e.g. changes to the timetable, the accessibility of trains and using the public transport smartcard. We provide our stakeholders with a steady stream of feedback about their ideas and recommendations and the effect that the dialogue has on NS policy, both in the regular discussions and in reports and recommendations. We used the feedback from our contacts for determining our goals and for recalibrating our strategy.

Changes made after recommendations

Recommendations made by LOCOV regularly lead to us changing a decision. For instance, LOCOV advised us to postpone the intended plan for changing the timetable between Haarlem and Uitgeest. We are now working with all the parties to find a broadly supported solution, including connections to bus transport, for running the Haarlem-Uitgeest route.

There are also occasions when NS does not follow the recommendations. There were two different timeframes for the evening peak period in 2014, for instance: 16:00 to 18:30 for various season tickets (Budget Off-Peak, Off-Peak Freedom, AnyTime Budget, Weekend Freedom and Fixed-Route Freedom), but 16:30 to 18:00 if you wanted to take your bicycle. This was confusing for both passengers and staff. NS therefore wants to bring these into line, from 16:00 to 18:30 (on weekdays). LOCOV's advice on this was negative, arguing "The times when bicycles can be taken on the train are stated on the ticket. Moreover, there are inevitably differences in what the peak times mean. For the price calculation, for instance, the time at which you check in is the determining factor, rather than when you are actually in the train. For the bicycle ticket, the usual interpretation of the rules is that you may not be on the train with your bicycle between the indicated times. Those are - and will always be - two different things." In the opinion of NS, transparency for the passengers is the most important thing. Confusion about times and validity periods must be avoided as far as possible. A growing number of customers are putting their bicycle ticket on their public transport smartcard, which means that the actual travelling times are not visible. It therefore benefits both our customers and our staff if the peak period definitions are harmonised.

Thinking along with NS

Stakeholders also actively help NS think things through when there are clashes between the interests of society and the financial choices. For instance, after discussions with the consumer organisations, NS decided to develop an alternative product and offer Keuzedagen (Bonus Days) on single-use smartcards as well. This alternative makes it easier for off-peak season ticket holders - particularly the elderly - to use this product.

We have also developed a train/bus ticket together with Eindhoven Airport, the bus company Hermes, the municipality of Eindhoven and the regional consortium Samenwerkingsverband Regio Eindhoven, which will let passengers get to and from the airport more quickly. Hermes operates a direct shuttle bus every fifteen minutes between the station and Eindhoven Airport. Passengers can buy tickets through ns.nl, the Spoordeelwinkel rail discount shop, the GWK shop at the airport or a ticket machine. Flight departure times are shown at the station and train departure times are shown at the airport.

Dilemmas in the discussions

Any dilemmas can be made clear to our stakeholders during the dialogues, which lets us think up solutions together. Bringing the access gates into operation that respond to the chips in public transport cards is one such dilemma. NS is starting to use these gates at about eighty stations. We are doing this in order to reduce fare dodging and improve personal safety for staff and passengers at the stations and in the trains. Twelve of the stations that are getting access gates are also used a lot by pedestrians who are not passengers. The municipalities are therefore not very enthusiastic about the access gates being brought into operation. NS has held a lot of discussions with these municipalities. We have come up with a transit pass that provides access for non-travelling pedestrians free of charge. Consumer organisations and the Vereniging OV Centrumgemeenten (association of municipalities with public transport centres) criticised this solution. NS held detailed discussions with them and with the Ministry of Infrastructure and the Environment. NS ran a trial at Rotterdam Zuid in 2014 with the transit passes and the gates there are now permanently operational. The trial will be evaluated by NS in 2015 together with all the other parties to see what lessons can be learned for other stations.

Another example of a dilemma is journey information at the stations. Increasing numbers of passengers are using online journey information and apps such as 9292 and the NS Journey Planner. Customer surveys held by NS show that only 2% to 4% of all passengers use the yellow departure lists posted at the stations and on the platforms. The costs of maintaining them have remained the same for NS, though, and we therefore wanted to phase out all the yellow departure charts. However, the consumer organisations recommended against doing this. NS is now working with the consumer organisations on an alternative solution, in which we are also examining examples from other countries. The aim is to ensure that we do retain functions fulfilled by the yellow departure lists that are not covered by digital resources.

Dialogues with stakeholders

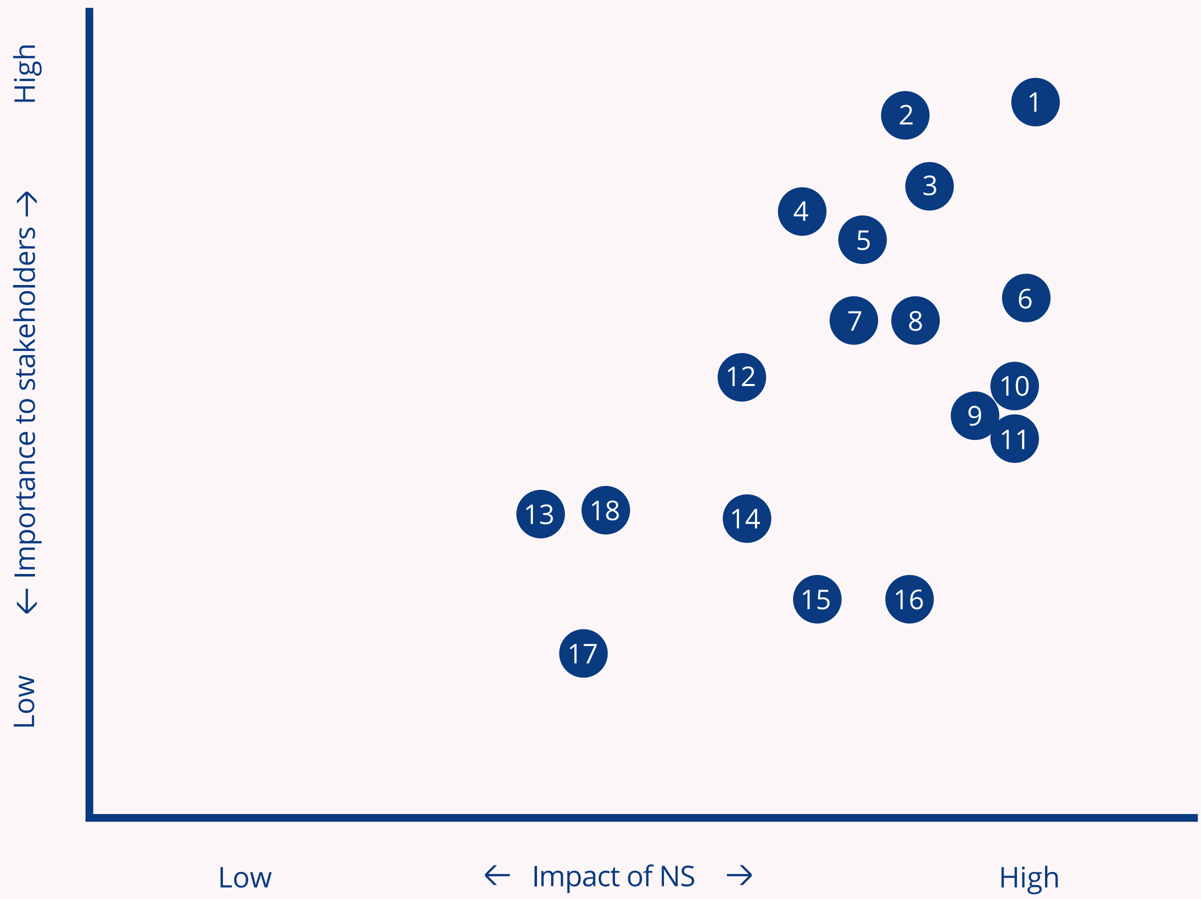
In addition to regular contacts with stakeholders, NS also arranges centralised dialogues with key stakeholders about our social role or about specific themes that our organisation has an impact on. Earlier dialogues about sustainability were the trigger for us to start thinking about the role that NS plays as one of the biggest users of electricity in the Netherlands. Using the knowledge and recommendations of experts and environmental organisations such as Natuur & Milieu, Milieu-Centraal, Greenpeace and Milieudefensie, NS finally signed a contract in 2014 on behalf of the purchasing consortium VIVENS for green electricity for all carriers in the Netherlands.

On 24 September 2014, NS organised a meeting for all the important stakeholders at the same time. On that day, we examined key themes for NS and how we were performing with respect to them, and we discussed the future developments that will or could have an effect on our organisation. On that day, we also informed stakeholders about the refinements to the NS strategy and told them about the introduction of an environmental profit and loss account.

Stakeholder dialogue and materially relevant themes

NS bases its policy priorities on material relevance: weighing up the interests of stakeholders and the actual impact that NS

Material relevance matrix 2014



1 Customer satisfaction (passengers, passengers and passengers as the top priorities - including satisfaction with transport capacity)
2 No barriers in the door-to-door journey (public transport smartcard, connections, journey information)
3 Punctuality
4 Safety (including personal safety)
5 Sustainable mobility (off-peak occupancy rates, encouraging modal shift, relaxation and encounters in the train and at the station)
6 A sustainable NS (energy, CO_2, efficient reuse of waste, and making both internal processes and sector processes greener)
7 Transparency
8 Financial position
9 Risk management
10 Integrity
11 Stations and station facilities
12 Accessibility (ease of use)
13 Infrastructural improvements and developments
14 Activities in Europe
15 Purchasing policy
16 An attractive employer
17 Privacy
18 Innovation

can have on the topic. Our material relevance themes are reassessed annually, for example based on the discussions with the stakeholders. Over the last twelve months, NS assess the materially relevant themes for 2013 to check they were up to date and valid, once again using the new, refined strategy.
From the material relevance matrix, you can see which themes our key stakeholders deem most important and what priorities they assign to them. This picture is confirmed by a number of extra checks: continuous monitoring, media and Internet tracking, an e-survey among our stakeholders and meetings with stakeholders. In addition, internal experts with knowledge of the sector looked at developments within the public transport sector.

Material relevance matrix

The material relevance matrix shows that our stakeholders see customer satisfaction (prioritising passengers, passengers and passengers), no barriers to door-to-door travel and punctuality as the most materially relevant themes. The accessibility and innovation themes were deemed more important by the stakeholders than NS had thought and they have therefore also been assigned a higher priority. Stakeholders see accessibility as an increasingly important theme because of the increase in the number of elderly people using public transport. They see opportunities for letting the elderly make better use of NS services by focusing on the door-to-door aspect and the cooperation with other carriers. Encouraging innovations at NS and in the entire public transport sector is seen by the stakeholders as important in order to make mobility greener and to help make door-to-door journeys easier. As well as links with other modalities of public transport, a better fit between train and car can also help improve door-to-door journeys. Integrated journey information about P+R facilities and other public transport facilities can help get more passengers to where they want to go.

Looking to the future

The Dutch Cabinet has agreed on the Long-term Rail Agenda (LTSA). This says what the State wants from the development of the rail sector over the next fifteen years. NS and ProRail are working in close consultation with the Ministry of Infrastructure and the Environment in order to achieve the shared ambitions for the rail sector and the operational implementation of the LTSA. One example is the Better and More programme. Where possible and necessary, we aim to cooperate with other stakeholders as well. This programme focuses principally on improving the reliability of train services and running trains very frequently on the busiest corridors, improving safety on and around the tracks and an approach for improving stations that is aimed at e.g. carriers and passengers. More information about *Better and More* is available on page 63.

The table below summarises the wide range of dialogues between NS and its stakeholders. The numbering refers to the themes from the material relevance matrix

	Type of dialogue	Content of dialogue	Effects of the dialogue on NS policy
European			
EU institutions, Community of European Railways (CER), Union Internationale des Chemins de Fer (UIC)	For information and to determine standpoints	14 Fourth EU Railway Package; enhancing interoperability; improving the passenger's position	Strengthening the position of the passenger and representing NS's position as the key rail passenger carrier in NL
National (NL)			
Customers (consumers and businesses)	Informational, monitoring	1, 2, 3, 4, 12, 17 Timetable and public transport smartcard, winter measures, customer satisfaction, handling of complaints and queries, travelling on account, new corporate portfolio, cooperation with bus/tram/metro companies	Improved services Longer trains when overcrowded. Introduction and optimisation of the ease of use and communication about the public transport smartcard, together with the whole public transport sector - developing and adjusting the new timetable - improving journey information - introducing a Service Forum - improving information about season tickets and promotional actions - introducing the BusinessCard for the blind and partially sighted, including in the bus, tram and metro

continued on the following page

	Type of dialogue	Content of dialogue	Effects of the dialogue on NS policy
Shareholder			
Ministry of Finance	Intensive involvement	7, 8, 9, 10, 14 Performance of NS, the profitability requirement, remunerations, strategy, appointments, major investments	Determining financial policy and the board's remuneration, TOP, transparent reporting as per GRI, governance, policy on participating interests, the Irish leasing company and the foreign operations
Ministry of Infra-structure and the Environment	Intensive involvement	1, 2 ,3 ,4, 5, 6, 7, 8, 11, 12, 13 Performance of NS, implementation of the main rail network franchise, alternative offer for HSL South, safety, public transport smartcard, accessibility, timetable	Transport Plan 2015 Satisfactory Transport Capacity programme Transparency about performance
National political bodies	Informational, with detailed involvement for various dossiers	2, 3, 4, 5, 8, 12, 13 Performance of NS, main rail network franchise, public transport smartcard/access gates, link between Belgium and the Netherlands, winter measures, safety (including personal safety), ERTMS, the Fourth EU Railway Package, new rolling stock	Long-term Rail Agenda, the 2015 Transport Plan, the Amsterdam-Brussels alternative, the integration of NS Hispeed and NS Reizigers into NS International, sector-wide winter measures, implementation schedule for the ERTMS Rail Map
ProRail	Intensive involvement	1, 2, 4, 12, 13 Long-term Rail Agenda, *Better & More*, performance of the rail system, availability of infrastructure for the timetabled services, safety	Better & More, close cooperation about seasonal measures, cooperation in safety and safety policy
Locov national public transport users' forum	Intensive involvement	1, 2, 3, 4, 7, 11, 12 NS timetable, overcrowded trains, journey information, public transport smartcard, fares, services for passengers, safety and suicides, transport plan, customer satisfaction figures, punctuality, autumn measures, cooperation, new rolling stock, major interruptions, accessibility of rolling stock and stations.	- A better train product by processing timetable suggestions (Haarlem-Uitgeest) - Using alternative bus transport in the event of services being interrupted - Changes to the system for calculating international fares - Developing an alternative for digital *Keuzedagen* (Bonus Days) - Provisionally retaining the yellow departure posters
Interest groups and NGOs (including employers)	Involvement, consultative, informational	5, 6, 7, 12, 15, 16, 18 Encouraging sustainable mobility/modal shift, SER (Social and Economic Council of the Netherlands) energy agreement for sustainable growth, mobility component; tendering process to make the energy greener, social policy, CSR, sustainability ambitions, the Dutch Climate Coalition	Encouraging sustainable mobility, signing a green electricity contract involving the construction of new sources, starting to use the social profit and loss account, taking part in various coalitions
Unions	Intensive involvement	4, 16 Collective labour agreement, personal safety, social plan, personal and social consequences of organisational changes, signs suggesting satisfaction or dissatisfaction of staff	New collective labour agreement, new social plan, joint efforts on personal safety, employee satisfaction
Suppliers	Consulting, negotiating, contractual agreements, intensive involve-ment	6, 7, 8, 9, 15, 18 Performance of suppliers (including IT services), cooperation with NS, innovation, sustainability, improvements in efficiency and effectiveness	Socially responsible procurement (Green Deal for circular purchasing, code of conduct for suppliers, sustainability assessments of suppliers, sustainability as a tender award criterion) Cooperation and innovation together with partners. Focus on improving the total cost of ownership
Media	Intensive involvement	1-18 Virtually all NS-related subjects. This includes the new transport franchise (2015-2024), ordering new rolling stock, various disruptions, realigned strategy	Position statements, sometimes for specific measures

continued on the following page

	Type of dialogue	Content of dialogue	Effects of the dialogue on NS policy
Regional			
Regional authorities and official representatives	Informational, negotiation, contractual agreements	1, 2, 3, 5, 7, 11, 12, 13 Quality of stations, timetable, cross-border transport, roll-out of the access gates ('controlled access to stations'), safety, transport sector-wide agreements, regional franchises	More and longer trains, new and improved stations and areas surrounding them, expansion of bicycle storage capacity, cooperation with provinces about the new timetable, new contracts about safety, transport sector-wide services, agreements with other carriers e.g. about connections and journey information
Internal: Central Works Council, vocational training centres	See here: 'Other results'		

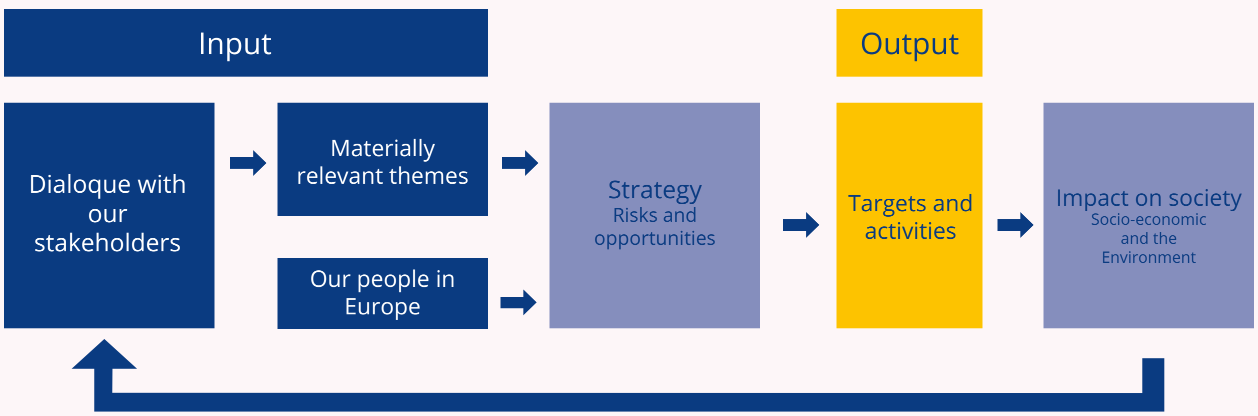
The decision to make all Dutch train journeys greener from 2015 onwards using electricity from new wind farms means that NS is a genuine social leader. There is no other company in the Netherlands that is improving its sustainability on this scale. We see our partnership with NS and the other rail carriers as an example for other energy-intensive sectors.

Jeroen Overgoor, Director of Communication & Public Affairs, Eneco

The car and the train are not competitors - they are complementary in making people more mobile. That perspective makes a partnership between the ANWB and NS more than logical. In the past, our organisations were often diametrically opposed to one another, without talking to each other properly. Those times are behind us now. The relationship has been strengthened and mutual trust has grown. A good example of how we are working together in practice is a project to provide information about P+R sites more effectively.

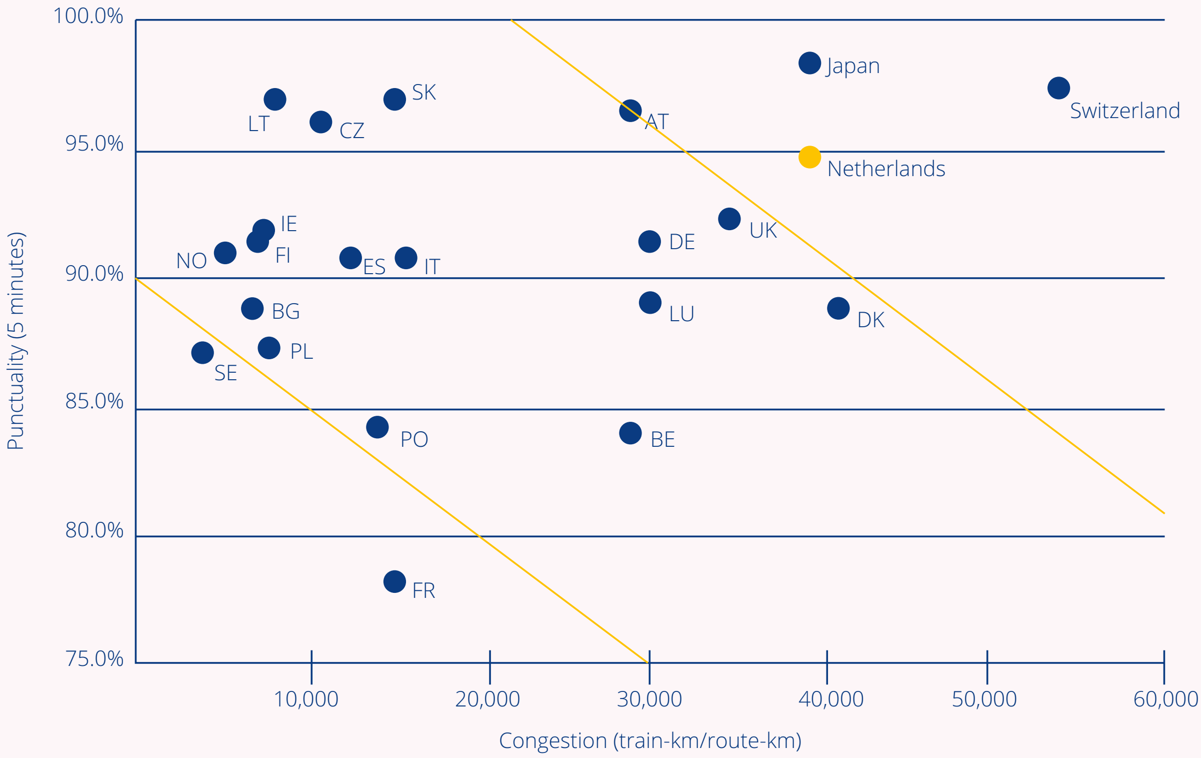
Niels van Unnik, Senior Public Affairs Advisor, ANWB (Dutch Automobile and Cyclists' Association)

From dialogue to impact



Our performance in a wider context

Punctuality vs congestion



A comparison between punctuality and track occupancy in twenty countries shows that NS is in third place. The Netherlands has shared the top spots for many years now with Switzerland and Japan, both of which also achieve a high level of punctuality on heavily congested tracks.

NS carries out benchmarks regularly to monitor performance and to encourage the process of continuous improvement. In 2013, NS carried out a benchmark aimed at the transport franchise for the main rail network. This benchmark compared the performance of NS against other carriers, looking at aspects such as the attractiveness of the product and the quality and capacity of rail transport. In addition, the benchmark provided a comparison of productivity and financial aspects of rail transport.

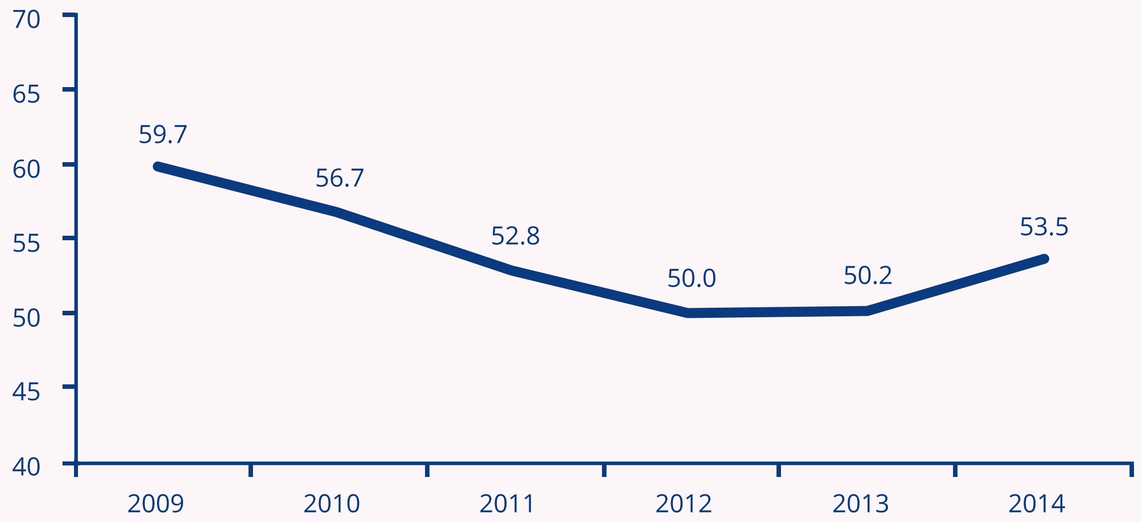
It turns out the NS offers a relatively attractive product for passengers: frequent and reliable train services with good accessibility. In terms of safety and productivity, NS gets above-average scores. This means that the costs remain par for the course for passengers and low for the government. There were various areas when passengers' level of satisfaction with NS was not up to scratch. NS is working on improving this by making sure that its services focus on the wishes and interests of passengers. And the rule here is that merely 'good' is not good enough.

Reputation

One indicator for the attractiveness of travel with NS is our reputation. NS obtains regular measurements of its reputation using the Reptrak method (from the Reputation Institute). After a period showing a rising trend (2006-2009), the reputation of NS weakened in the period 2010-2012. This fall was caused, among other things, by the performance of the railways in three successive winter periods, the tragic train accident in Amsterdam in 2012 and the developments around Fyra/V250. This downward trend stopped in 2013. The development in the reputation figures in 2014 was positive, with an average annual score now up to 53.5 (on a scale of 100). Our goal is 65 in 2017.

This development means that the gap with the average score for the international public transport sector (at 55.5 in 2013) has been reduced. Public transport receives scores that are systematically lower than organisations in most other sectors. During the period 2015-2017, NS will be aiming to improve its reputation further to a point above the average for the sector by focusing more on its passengers and by means of structured reputation management.

Changes in the RepTrak Pulse score for NS



Sustainable mobility

NS wants to be at the vanguard of sustainable mobility. Despite our good performance over previous years, though, this is still not how we are perceived. We are therefore working on improving our reputation in this field. Eight out of ten passengers believe it is important for NS to run entirely on green electricity (market response in 2013). Studies for *Dossier Duurzaam* have shown that NS was fifteenth in terms of the sustainable public image of its corporate brand, and first in the mobility category. Dossier Duurzaam published a longer list in 2013 as well, listing product brands as well as the corporate entities. NS was number 49 in that list. NS is aiming to be one of the top ten corporate brands by 2017.

In Europe, 31% of direct CO_2 emissions are caused by the transport sector, of which 1.8% comes from the railways (source: UIC, IEA). CO_2 emissions from the railways have decreased in recent years, whereas those from the transport sector as a whole have increased substantially. In line with this trend, we have also seen a reduction in CO_2 emissions by NS over the last five years. Our CO_2 performance has been improved by our energy efficiency measures. If we compare this against the sector, we can conclude that (in the Netherlands in 2014) we were a good 36% below the European average of the UIC international railway norm of 0.11 kWh per passenger-kilometre.

Transparency

NS is in the permanent group that is assessed in the Transparency Benchmark. This is a tool provided by the Ministry of Economic Affairs for improving reporting on social matters within the Netherlands. The results are presented in a Transparency Ladder that is made publicly available and widely communicated. A score of 195 points out of 200 put NS in first place on the 2014 Transparency Ladder (2013: 6th). This achievement won us the Krijstalprijs. The jury complimented NS on aspects such as its environmental profit and loss account and the openness about Fyra/V250 in the 2013 annual report. "The jury thinks it is highly commendable that NS has brought its reporting into line with current social expectations," wrote the organisation. The jury was generally critical: "The top 20 are lagging behind in terms of transparency about themes such as human rights, corruption and bribery. This applies to policy and results, and even more so to risk management and KPIs."
We aim to retain our position in the top ten in 2015.

Top 5 on the Transparency Ladder

1. NS
2. AKZO Nobel
3. KPN
4. Royal BAM Group
5. Unilever

The annual report was also one of the top three for the *Financieel Dagblad's* Henri Sijthoff award for the best financial reporting in the unlisted companies category. Achmea won the award.

6

Our strategy

People want to be able to move about freely, as this is part and parcel of our society and a precondition for a growing economy. NS transports people to where they need to be, enabling them to meet each other and contributing to progress in society at large. NS has been doing this for 175 years and aims to continue making this contribution in future.

Our vision, mission and ambition

Our society is increasingly characterised by great diversity and dynamics. Individuals' wishes and the public interest are pulling in different directions more than ever before. The most successful companies are those that know and serve their customers and stakeholders well because they are in a personal dialogue with them. As well as financial objectives, social objectives are becoming progressively more important to companies. Urbanisation, the ageing population and new working patterns are creating different mobility needs. Passengers want more choices to match their individual needs and requirements.

NS wants to provide easy, fast, safe and affordable travel and ensure the sustainable accessibility of destinations. To achieve this, NS is extending its scope beyond the train. We want to provide combinations of private and public transport with smooth connections between the train, car, bus, tram, metro and bicycle. NS is developing into a broad-based service provider, enabling its customers to merge their social, recreational and business goals with no problems, as well as offering customers the option of 'smart' travel based on the latest information by collaborating with other companies. Simple door-to-door journeys.

The NS mission is that passengers must feel connected by NS. Our ambition is to work with partners to let passengers control their door-to-door journeys by public transport. This is our contribution to affordable and sustainable mobility in the Netherlands.

Our objectives

To realise the ambitions of NS, we have formulated several concrete and measurable objectives which we want to have achieved by 2017. The target values are higher than what has been agreed for the main rail network franchise.

- Customer satisfaction rising from 75% to 80%.
- Punctuality for passengers increasing from 90% to 92%, with a lower limit of 80% per route.
- Safety: the Lost Time Injury Frequency Rate decreasing from 4.3 to 3.6 (score for accidents at work)
- One good indicator for the attractiveness of travel by NS is our reputation. NS will continually measure this using the RepTrak method. We want our score to increase from 50 out of 100 in 2013 to 65 out of 100. That would be the top score in the public transport sector.

A healthy financial position that ensures the continuity of NS is a precondition for realising our goals.

Strategy plan 2014-2017

Mission

Passengers feel connected by NS

Vision

Simple door-to-door journeys

Ambition

To work with partners to let passengers control their door-to-door journeys by public transport. This is our contribution to affordable and sustainable mobility in the Netherlands

Strategy

The priorities: passengers, passengers and passengers
Door to door: we're working on it together
Europe is making us stronger

Objectives

This is what NL thinks of NS	: Reputation score up from 50 to 65
What the customer thinks	: Customer satisfaction up from 75% to 80%
Operational	: Punctuality for passengers up from 90% to 92% with a lower limit of 80% on any given route
Safety	: LTIFR down from 4.3 to 3.6

Management principle

Simplicity
Unity
Ownership

Our strategic themes

The NS strategy was realigned in 2014 to help us meet our objectives. Over the next few years, NS will be focusing on the Netherlands and improving operational performance on the railways. Our top priorities will be passengers, passengers and passengers: merely 'good' is not good enough anymore. The objectives will be realised through three strategic themes with eight strategic initiatives. Various activities, projects and programmes with quantifiable objectives have already been initiated within these themes in 2014. Every member of the ExCo is responsible for the progress of a specific initiative - an application of the management principle of 'Unity, Simplicity and Ownership'.

Theme: The priorities are passengers, passengers and passengers. NS prioritises each and every passenger at all times during their journey. Merely 'good' is not good enough anymore. Initiatives:

- Hospitality: Our passengers can feel confident that friendly and professional help will be available, because hospitality is in de DNA of all NS staff.
- Punctuality: Our passengers arrive on time as we improve performance, paying special attention to the ten lines that need it most.
- Carrying capacity: Our passengers are satisfied with the space in the train because we not only raise clear expectations but also live up to them.
- Abroad: Our passengers can travel to and from foreign destinations quickly and comfortably by train, thanks to high-quality cross-border transportation.

Theme: Door to door: we're working on it together. Cooperation with public transport partners is crucially important in making passengers feel they have had a single, uninterrupted journey. That is why we adopt an open attitude and collaborate closely with ProRail, other carriers and the authorities. Initiatives:

- Travelling without barriers: Our passengers can travel from door to door without barriers thanks to the public transport smartcard and coordinated timetables created through collaboration with public transport partners.
- Journey information: All passengers can feel confident that they will always be well-informed about how and when they will reach their destination, because the latest information is available for passengers and NS staff.
- Stations: Our passengers enjoy top-quality facilities at our stations, ensuring a pleasant experience and optimum use of time.

Theme: Europe makes us stronger. The passenger deserves the best possible service at the right price. To help us achieve this, we are gaining experience abroad that keeps us focused. Our goal is to gain knowledge and experience in Europe as well as earn money, and be prepared for any further deregulation of the market. Initiative:

- Our passengers get better service because we demonstrably learn and earn money from our European activities.

Responding to developments from within our surroundings

It is important for NS to respond appropriately to developments and events that could affect our customers and operations. There are a number of developments and trends in our domain that constitute a challenge for NS. We see opportunities as well as threats in for us in the future. The refined strategy forms a basis for tackling the challenges by placing passengers first, working to improve operational performance in both the short and long term, and carefully considering how we handle the costs and investments.

The economic predictions vary between continuing stagnation and fragile recovery. Continued geopolitical tensions mean a high degree of certainty. This translates into a moderate and uncertain growth in mobility.

Further urbanisation is leading to increasing demand for mobility in the Randstad conurbation and a reduction in demand outside the Randstad conurbation. New working patterns are altering mobility needs: people are changing when and where they work. Public transport companies and the parties awarding franchises will need to respond appropriately to changes in demand for public transport. One way NS is doing that is its door-to-door strategy.

Proper collaboration between carriers and other service providers is crucial if a smooth journey is to be provided from door to door. New technologies and methods of cooperation such as with HTM make this possible. There are various developments in the transport chain by which NS is responding to the needs of passengers. We are doing this either on our own (OV-fiets, Qbuzz) or jointly with other carriers or service providers.

The global pressure on natural resources and the climate is becoming increasingly clear. This is causing a demand for renewable energy and sustainable mobility. Consumers can make an impact on their environment by their choice of transport. In the coming years, the train will remain the most energy-efficient form of transport, other than cycling and walking. From 2018 onwards, electric trains in the Netherlands will run completely on green power.

The markets for mobility and franchises remain strongly competitive, yet they also require collaboration with various partners. The European Commission is aiming for further deregulation of the market and more technical standardisation. The political decision-making associated with the Fourth European Railway Package is in full swing.

Being awarded the new concession for the main rail network has provided NS with a good basis for continuity, though it also presents challenges in terms of performance and results. Regulatory authorities and other stakeholders are playing an increasingly important role in this.

Finally, getting and retaining properly qualified staff is requiring more and more effort. NS recruits large numbers of new employees and pays due care and attention to the training required if we are to provide optimum services for passengers. If NS can anticipate the opportunities as well as the threats, we expect that travelling by public transport will become more appealing, thus securing the continuity of the company.

	Strategic programme	Materially relevant theme	KPI
Perception of the door-to-door journey			
	Hospitality	Customer satisfaction	Customer experience
			General customer satisfaction
			RepTrak
	Journey information/travel without barriers	Travel without barriers	Journey information
			% information provided on time
			Customer satisfaction with journey information
	Hospitality	Safety (including personal safety)	Personal safety
			Passengers' perception of safety
	Hospitality, without barriers	Accessibility	Accessibility
			Customer satisfaction with seating capacity
	Stations	Stations and the facilities at them	The station experience
			Customer satisfaction with stations
	All	Sustainable mobility	Sustainable mobility
			Perception of NS as a sustainable business
Operational performance			
	Punctuality	Punctuality	Punctuality
			% punctual arrivals
			% punctuality for passengers
	Hospitality		Occupancy rates
		Accessibility	Occupancy rates
		Sustainable mobility	Off-peak occupancy rates
	Carrying capacity, hospitality	Customer satisfaction	Withdrawal of rolling stock for maintenance
		Sustainable NS	Sustainable operations
			Energy-efficient traction
			Waste reduction and recycling
			Quieter transport
		Purchasing policy	Sustainable procurement
	Hospitality		Railway safety
			Number of SPADs
		Transparency	Transparency
			Position in the Transparency Benchmark
	Hospitality	Being an attractive employer	Employees
			Position in the list of best employers
			LTIFR
			Sickness absence
Risk management	All	Risk management	Risk management
			Management of significant risks
Finances	All	Financial position	Financial position
			EBIT
			ROI
			Investments (in millions of euros)
			TOP savings (in millions of euros)

Objective for 2014	Objective for 2014	Status	Risks	Social impact
			Complexity of the external environment International growth strategy	
				socio-economic
76%	76%	☺		
53	53.5	☺		
			Major disruptions	
74	79%	☺		
--	61%			
			Terrorist threats	
87.50%	80%	☹		
70%	75%	☺		
58%	65%	☺		
top 10 (2017)	15	☺		
			Implementation of the HSL offer IT continuity	
				socio-economic
93%	95%	☺		
90.50%	92%	☺		
99%	98.9%	☹		
A rise of 6% in five years, 2012: 28.4%	28.3%	☹		
12%	12.6%	☺	Rolling stock shortages	
				environment
72%	74%	☹		
17% less waste, 60% recycling (2017)	4% reduction compared to 2012 and 32% recycling			
100% (2030)	95%			
100% (2017)	50%	☺		socio-economic
			Safety incidents	
115	101	☺		
			Portfolio choices	
top 10	1st place	☺		
			Labour relations problems	
top 10 (2017)	16	☹		
3.8	3.3	☺		
4.90%	5.0%	☹		
Progress report four times a year	100%	☺		
155	321	☺	Labour relations problems	
7.0%	7.2%	☺		
625	461	☹		
36	23	☹		

7

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7.1 The train journey experience

Dutch passengers' satisfaction depends on numerous factors. In this chapter, we will be considering the key factors, namely customer service, safety, accessibility and the level of comfort in trains. The consequence of giving its passengers top priority in all respects is that NS seeks to offer added value at all points in the train journey and continually improve its customer satisfaction scores through close cooperation with its partners in the public transport sector. And the rule here is that merely 'good' is not good enough.

Customer satisfaction

Customer satisfaction on the main rail network

The services provided by NS and its organisation revolve around its passengers. In 2014 as a whole, 75% of passengers on the main rail network gave a score of 7 out of 10 or higher for the train journey. That is the same as both the target score and the customer satisfaction score in 2013.

The mild winter and resulting smooth service had a positive effect on customer satisfaction in the first quarter of 2014, with higher scores than in the same period in the previous year. However, the lengthy strike by cleaning staff in April and May resulted in customer satisfaction scores that were lower than in 2013. The abolition of paper tickets had virtually no impact on general customer satisfaction.

General customer satisfaction on the main rail network

giving 7 out of 10 or higher, per passenger category

	2014	2013
Business travel	79%	78%
Social and recreational travel	81%	80%
Commuter travel	74%	73%
Travelling to school/college/university	70%	70%

% of passengers giving a score of 7 out of 10 or higher

	2014	Target 2014	2013
General	75%	75%	75%
Running on time	50%	53%	47%
Cleanliness	57%	55%	59%
Journey information (during disruptions)	61%	not available	60%
Personal safety	80%	87,5%	79%
Seat availability	75%	70%	76%
Staff customer focus	60%	not available	60%

Satisfaction with cross-border services

Satisfaction with cross-border services rose, in part thanks to favourable weather conditions and good performance on the track. NS International ended the year three percentage points higher than in 2013 (up to 86% from 83%). Customer satisfaction with Intercity Brussels and Thalys in particular dropped in the third quarter due to problems with both the rolling stock and the infrastructure, and dissatisfaction with the availability of seats.

A single measurement method

NS Reizigers and NS International aligned their customer surveys and measurement processes last year and combined their customer panels. We also developed a methodology in which the same approach is used to measure the customer satisfaction of both domestic and international rail passengers.

Customer satisfaction in the Netherlands for the integrated franchise

In 2014, NS made a distinction between the customer satisfaction scores for train services on the main rail network and its cross-border services. On the main rail network, 75% of passengers gave a score of 7 out of 10 or higher. The percentage for cross-border services was 86%. The average general customer satisfaction score weighted according to the number of passenger-kilometres was 76%. The equivalent score in 2013 was 75%.

Social media interaction and customer service

In 2014, staff dealt with around 120,000 customer contacts a week (including phone calls, e-mails, letters, forms and social media contacts). 84% of customers gave our customer services a score of 7 out of 10 or higher (82% in 2013). 84% said they were helped satisfactorily in the first contact

(82% in 2013). In June, we reduced the cost for phone calls from €0.10 per minute to the local rate, to make contacting customer services as inexpensive and simple as possible. What is more, we extended the opening hours in December. Various call centres were also merged to simplify the processes for customers and bring them more in line with one another. Once again the complaints website klacht.nl chose the NS customer service as the best customer service in 2014 in the public transport category.

Online service

In March, NS launched the NS Service Forum with the aim of making it easier and quicker to access information about travelling with NS and to let passengers help one another. The Service Forum was visited 1.3 million times last year and had about 9,800 members by the end of 2014. Both the NS Twitter and Facebook accounts passed 100,000 followers. @NS_online, which gets an average of 1,100 tweets a day, remained one of the largest Dutch social media customer care accounts. NS ended ninth in the Social Media Monitor, the same position as in 2013. This survey compares the online performance of the 100 biggest advertisers in the Netherlands.

Campaign: "Hands off our colleagues"

Personal safety in trains and at stations

NS gives high priority to the safety of our passengers and staff. Customers' perceptions of safety at stations and in trains improved in 2014, with 80.2% of customers giving a score of 7 out of 10 or higher, as opposed to 79.5% in 2013. This marks the third year-on-year increase in a row for the perception of safety. The feeling of being safe in the evenings rose, both at stations (from 61.2% in 2013 to 62.8% in 2014) and in trains (from 69.2% in 2013 to 70.1% in 2014). Unfortunately there were a number of very disagreeable incidents involving NS employees. NS condemns such bad behaviour in the sharpest terms. NS has made clear that we do not tolerate violence or the intimidation of our staff with the 'Hands off our colleagues' campaign directed at the general public. Safety is a social problem that NS can only tackle by working with the judiciary, the police, passengers, trade unions and other public transport companies. We expect support from society at large and politicians. We find it unacceptable for our staff to be threatened or assaulted. The increased feeling of safety is also the result of preventive monitoring and the targeted deployment of Safety and Customer Service teams. CCTV monitoring at stations and in trains was extended. The focus was on combatting fare dodging and tackling nuisance and aggression. Having the gates at stations become operational helped here too.

Jointly improving safety at stations

Personal safety is an important aspect of the station experience. Together with ProRail, we have determined how we can improve safety for passengers in transfer areas and how we should implement this. We have also carried out pilot projects to improve safety in shops.

Accessibility for people with functional disabilities

NS wants people with functional disabilities to have a pleasant experience when travelling by train. NS lent assistance in 46,000 journeys last year (41,000 in 2013). In the new franchise, it was agreed that the provision of assistance should be faster, simpler and extended to more locations. These improvements were prepared in close consultation with interest groups and the Ministry of Infrastructure and the Environment. As of 2015, requests for assistance can be made at any time of day. The period of notice for NS assistance was reduced from three hours to one hour with effect from 1 January 2015 and the number of stations offering assistance increased from 94 to 101. NS and Transvision are working to improve door-to-door journeys by taxi and train for customers with functional disabilities.

Rolling stock modifications

In 2014, NS and ProRail studied the option of a facility in Sprinter trains that would let passengers in a wheelchair board the train independently. The aim is for all Sprinter trains to be accessible without assistance by 31 December 2024. That will certainly be the case for all new Sprinters put into operational service over the next few years.

Service

OV-chip Plus is making travelling with a public transport smartcard (the OV-chipkaart) easier for customers with a visual impairment. We have optimised this product. NS consulted the Oogvereniging, the lobby group for the visually impaired, in a number of sessions to get their advice for example regarding a new digital channel for booking journeys. When developing new public transport service centres, we pay special attention to the needs of passengers with functional disabilities.

The train experience

Train Experience Monitor

The Train Experience Monitor studies how changes in the train can affect the scores passengers give for the quality of the trains and the journey. It is an instrument for quantification and steering that helps us improve our services to our passengers.
The results of the 2014 measurement show a drop in scores for the Sprinter trains in 2014. This is due to the irritation of dirty Sprinter and Intercity trains during the strike by cleaning staff.

Train Experience Monitor	Train	Train journey
Sprinter trains:	7.0 (2013: 7.2)	7.2 (2013: 7.3)
Intercity trains:	7.1 (2013: 7.1)	7.3 (2013: 7.3)

The activities linked to big events were much appreciated. Some examples are the extended service put on by the NS during the Rotterdam marathon and the treats and small gifts handed out in connection with the soccer World Cup, festivals and the anniversary events to celebrate 175 years of the railway.

Comparing data

In 2014, the Train Experience Monitor was carried out in the same trains and at the same time as the current customer satisfaction survey. This makes it easier for us to compare data and lets us use the Train Experience Monitor as a standard measuring instrument for various business units.

Clean trains

Clean trains contribute to a pleasant journey and to the perception of personal safety. In general, passengers found trains to be less clean in 2014 than in the previous year: 51.42% of customers gave cleanliness a score of 7 out of 10 or higher, as opposed to 56.1% in 2013. The strike by cleaners in the spring was an unforeseen external factor that had such a big impact on the customer satisfaction score that the target of 55% agreed with the Ministry of Infrastructure and the Environment could not be achieved.

Effect of the strike by cleaning staff

Cleaners went on strike for a period of five weeks in the spring. The result was unsightly stations and dirty trains. NS took measures such as hiring additional cleaners and handing paper rubbish bags to passengers in the train. As one of the cleaning industry's big clients, NS also put pressure on trade unions and employers to reach an agreement. NS's own staff showed their commitment as almost 400 employees in total took action to deal with the rubbish in the trains. When the strike ended, NedTrain and the cleaning company HRS made every effort to get the cleanliness back to the desired level. Even so, it took quite a while before all the trains were properly clean again: after three weeks of hard work, all passengers could travel in clean trains. NS is engaged in serious talks with the trade unions and employers as its passengers so often pay the price of industrial action, as was the case with the cleaning industry.

Upgrades improve trains and make them more sustainable

NS invests in modern and reliable trains. Good, safe and comfortable transport improves satisfaction levels among our customers. Passengers' requirements are constantly changing and also affect the sustainability of their train journeys.
In 2014, NS upgraded and delivered the last of the type DDZ double-decker trains. These trains are 20% more efficient. Then a start was made on the upgrades of the Intercity coaches to enable them to be used on the high-speed line (HSL), and on the type VIRM-1 double-decker trains. The older double-decker trains of the DDAR type are being brought back into operation to provide more seating capacity for passen-

The StationsHuiskamer opened its doors for the first time at Rotterdam station

gers. In 2014, NedTrain also started an upgrade project for the Norwegian rail company NSB. This project has no impact on the quality and availability of trains in the Netherlands.

Toilets in the train

In 2014, we made preparations for the installation of toilets in Sprinter trains in response to new agreements in the main rail network franchise for 2015-2024 and following the reaction of passengers to the absence of toilets in the type SLT Sprinter trains. NS has made binding agreements with the Ministry of Infrastructure and the Environment to install one environmentally friendly toilet with wheelchair access on each SLT train. The first trains will have this type of toilet by no later than 2021.

The station experience

Stations are an important part of the door-to-door journey for passengers: a positive experience at the station boosts the overall appreciation of the door-to-door journey. Pleasant stations also increase the chance of people choosing to travel by train. Customer satisfaction increased from 59.5% in 2013 to 64.9% in 2014. Each station is different and measures have to be customised so we use the Station Experience Monitor to constantly monitor our stations. We take action and make adjustments when the Station Experience Monitor shows a need to do so.

Toilets at stations

NS and ProRail want to improve the toilet facilities at stations. Many minor stations still do not have toilets and we would like to improve the facilities at major stations too. A tendering process was started in 2014 for operating staffed toilet facilities at big stations.

StationsHuiskamer opened

The StationsHuiskamer - literally the Station Living Room - opened at Rotterdam Station. It offers passengers a pleasant spot to work or relax, with free Wi-Fi and additional sockets to recharge mobile phones, for example.

Stations undergoing renovations

Major stations including Arnhem, Den Haag Centraal and Utrecht Centraal are undergoing renovations to enable them to cope with the growing number of customers and passengers. Renovation work is also underway at Zwolle and Eindhoven stations (new passenger underpasses) and Delft (station concourse and municipal offices). The renovation work at Amsterdam Centraal is particularly radical with two new underpasses being built under the existing tracks. The underpasses will have unrestricted access and will give passengers a quick and easy route between the city centre and the River IJ.

Stations opened

On 13 March 2014, King Willem-Alexander opened the renovated Rotterdam Centraal station. It received numerous awards in 2014, including the Dutch Design Award, the National Steel Award, the Living Daylights Award, the Wooden Architecture Award and the international Brunel Award. The station roof is fitted with solar panels that provide the energy for the lifts and escalators. In Helmond the Track Zone was opened with a sustainable new station building, a supervised bicycle storage facility, a bus station and an underpass under the tracks. The new Nijmegen Goffert station was opened in December.

Sustainable mobility

Travelling by train is better for the environment than many other forms of motorised transport given that the CO_2 emis-

From 2018 onwards, all Dutch electric trains will be running on green electricity

sions per passenger-kilometre are about 75% lower than for the average car.
NS also plays a big role in connecting people in the Netherlands with 1.2 million train journeys every day and 22,000 employees. We would like our passengers to see the train and station as a social environment, where you can meet people in a pleasant environment, whether for business or pleasure.

We are putting this into practice with our 'encounter zones' in trains and the flexible workspaces, business lounges and meeting rooms at 14 stations (the Station2Station facilities). We also organised four Social Carriages in trains built around various themes: flirting workshops for Valentine's Day, European politicians for the EU election, forest wardens from the Dutch nature conservation society Natuurmonumenten and knitting with Innocent (a smoothie brand) for the lonely elderly. We did this to show that the train is a good place for meeting new, interesting people.

Hartkloppingen (via Twitter and Facebook) - literally 'Heartbeats' - is a platform for people who want to come into contact with someone after having seen them on the train or at the station. We encourage people to travel together with the NS Group Return, where you travel together by train (for part of the journey) and meet up at the destination station. Around 87,000 NS Group Returns were sold in 2014 with almost 550,000 passengers using them. Four in ten users would otherwise have gone by car.

Contract for green power

As of 2018, all of our electric trains in the Netherlands will be running on green power, enabling passengers to be truly green as they travel, producing no CO_2 emissions at all. That will already be possible in half of the trains in 2015. NS concluded a contract for this purpose with Eneco on behalf of all the rail companies, united in the buyer's cooperative VIVENS, on 1 July 2014. Eneco emerged as the winner from a tender for a new energy contract for all electric train traffic in the Netherlands for the period from 2015 to 2024. This is the largest contract for green power ever in the Netherlands.

The green power will come from new wind farms that are gradually coming on stream in the Netherlands, Sweden and Belgium. Half the power will come from the Netherlands, the other half from abroad. These new wind farms were included as a requirement in the invitation to tender to avoid tying up the limited existing capacity of sustainable energy projects in the Netherlands and to give a boost to the production of green power. The specially designated wind farms also make the supply traceable.

Carola Wijdoogen, the director of the NS *Duurzamer Ondernemen* programme (Doing Business More Sustainably), was voted 'CSR Manager of the Year 2014' on 4 November 2014 at the National Sustainability Conference for the important part she played in the tendering process for green power. Carola Wijdoogen was also involved from the start in the first environmental profit and loss statement, which NS published with the 2013 annual report 2013 and for which it was awarded the Kristalprijs for transparent sustainability reporting.

Paying extra attention to the customer

Passengers want to know what the implications are for them of any adjustments or changes to the service. Our staff feel responsible for this. As an example, hundreds of office staff helped out at stations during the switch to the public transport smartcard. We took various measures to improve passengers' ability to decide what to do so that they remain in control of their journey.

An attentive service provider when there are disruptions

As in 2013, NS sent passengers who suffered multiple disruptions a letter with an explanation and a small gift. We also continued our notifications of modified timetables via Journey Planner Xtra, text messages or e-mail. Passengers received extensive information in the event of major interruptions to services. They would be given a letter, for example, with a voucher for a newspaper or cup of coffee. Passengers aged 60 or older were also given a folder explaining what they could do when faced with (unexpected) disruptions.

7.2 Operational performance

Every day, more than 600,000 passengers go on 1.2 million train journeys on a busy rail network. Every passenger should be able to count on their trains running on time, with no technical problems and with good facilities. NS is therefore constantly working on optimising its operational processes and collaborating with its partners to improve harmonisation in the rail sector. Important elements include punctuality, congestion on trains, the quality of international connections, safety on the track and at work, and our energy consumption.

Punctuality

At 92.3%, punctuality in 2014 for passengers (which includes not just punctuality but also the number of connections that were not missed) was up on 2013 (90.0%), and above the target (90.5%). Although punctuality meets the required minimum level, this does not mean that NS is satisfied. Merely 'good' is no longer good enough. We are paying just as much attention to punctuality as ever. We conduct daily analyses within NS and in close collaboration with ProRail of the punctuality of train services, capacity and the handling of incidents on the track, focusing in particular on the lines that need the most attention. These analyses are continually resulting in improvements to the way we work.

Punctuality of arrivals

In 2014, we recorded improvements not just in punctuality for passengers but also in the punctuality of arrivals compared with 2013: despite disruptions, 94.9% of our trains on the Dutch main rail network arrived at their destination within the norm of five minutes (93.6% in 2013). This means that we met the target of 93.0% that had been agreed with the Ministry of Infrastructure and the Environment.

Routes needing attention

There are certain routes and certain days in the train service with systematically poor performance. There are also problems with specific connecting trains and passenger categories for whom the journey does not go smoothly enough. NS and ProRail have identified the ten routes with the most tenacious problems with delays and are jointly putting in an extra effort to reduce the delays and improve customer satisfaction. 'Average' is not good enough for poorly performing lines either.

Overcrowded trains

Customer satisfaction with the availability of seats, certainly in the autumn, was far lower than what we would have wanted in 2013. NS therefore started the Satisfactory Transport Capacity programme in order to be able to offer as many passengers as possible a seat. The aim is to achieve systematic, demonstrable improvements from 2015 onwards. We are doing this for example by aligning NS's available capacity with passengers' expectations and by making sure we do indeed provide the planned capacity. We are investing in new trains, such as the New Generation of Sprinters and the FLIRT trains. Staff are trying to improve the spread of passengers within and between trains by providing additional information on trains and at stations. Some lines are particularly likely to suffer capacity problems so NS is making an extra effort there to resolve the issue of overcrowded trains.

As part of the programme, NS put together a task force for the autumn of 2014. It took measures to limit the inconvenience from overcrowded trains and to enable speedy, effective adjustments:

- Around 30% of the trains in the morning and evening peak periods were longer in the autumn. This meant 6,000 additional seats from September.
- A feedback function was added to the Journey Planner Xtra to make it easier for passengers to report overcrowding on their train and give NS better management information. The passengers' organisation Rover also collaborated with NS to launch a mobile app for reporting overcrowding on trains.

However, customer satisfaction with the availability of seating did not rally despite our extra efforts: whereas 75.5% of passengers gave a score of 7 out of 10 or higher in 2013, the score in 2014 was 74.6%. The score for the likelihood of getting a seat in the rush hour fell from 68.6% in 2013 to 67.8% in 2014. We maintained our target of 99% for transport capacity at peak times (the likelihood of being able to get a seat or standing room during peak periods in any arbitrary train), as agreed with the Ministry of Infrastructure and the Environment.

At 98.9%, the transport capacity actually realised in 2014 was just below the target. Satisfaction with the chance of getting a seat could and should be higher: we are implementing the lessons we have learned in new sub-projects in the Satisfactory Transport Capacity programme.

Influence of the weather on train services

Weather conditions can have a major effect on the train service given how intensively the rail network is used. NS seeks to limit disruption caused by the weather, including by taking preventive action where possible. The winter of 2013-2014 was very mild, with almost no snow or frost. The planned measures such as the 'anti-icing equipment' were ready but hardly had to be used. We had to operate a modified timetable once at the end of 2014 due to snow. NS also conducted tests in the autumn of 2014, in collaboration with ProRail, Strukton and other partners, to investigate tackling ice on the rails using lasers and water jet equipment. The results will become available in 2015.

2015-2024 franchise

In December 2014, NS was awarded the new franchise for the main rail network by the Ministry of Infrastructure and the Environment on behalf of the State of the Netherlands, giving it the exclusive right to transport passengers on the main rail network. The franchise came into effect on 1 January 2015 and has a duration of 10 years. A major difference compared with the previous franchise is the combination of the network and HSL South in a single franchise.

The obligations in the franchise include obligations for the improvement of NS's operational performance. When operating the franchise, NS will increase the appeal of its services to passengers and achieve the goal of having four out of five customers giving a score of 7 out of 10 or higher by 2017 for the service provided by NS. Performance agreements have been made with the Ministry that could result in fines or bonuses, depending on the performance.

2015 timetable: at least one train every half hour

In the new timetable, which came into effect on 14 December 2014, NS is running more trains: every station has at least one train in both directions stopping every half hour during the day. In the weekend, trains run from the Randstad conurbation to busy stations such as Zwolle, Deventer and Arnhem until about 01:00.

More Sprinters and Intercity trains

There are more trains running on various routes in order to achieve the target of one train every half hour. For example, there are more Sprinters between Arnhem and Ede-Wageningen, Breda and Dordrecht, Roosendaal and Dordrecht, and Heerlen and Sittard. There are now four trains an hour instead of two between Nijmegen and Wijchen in the peak periods.

The number of Intercity trains between Amersfoort, Apeldoorn and Deventer has gone up from two an hour to three an hour. The improved connections cut journey times by 10 to 30 minutes. The frequency in peak periods on this route remains unchanged at four trains an hour.

Improved access to Schiphol

Buses rather than trains were running between Schiphol and Amsterdam for three nights a week because of work on the tracks. As of the new 2015 timetable, there are once again trains running every night to Schiphol and back.

International connections

As of 2014, NS International is fully incorporated within NS Reizigers. NS International and its international partners connect cities and regions on either side of the borders. Last year was dominated by the implementation of the agreements for the replacement of Fyra/V250. In December 2014, NS and the Belgian transport company NMBS increased the number of Intercity Brussels trains from 12 to 16 a day. IC Brussels also started serving Amsterdam Centraal again in December. Together met Thalys, NS has increased the number of daily services between Brussels and Amsterdam from 9 to 12. Nine of the Thalys trains continue on to Paris every day and two a day go on to the new destination of Lille.

Improved Amsterdam-Berlin service

In the new timetable, NS and Deutsche Bahn run a service from

05:00, with an early Intercity train from Amsterdam Centraal to Berlin on Mondays through to Saturdays. This increases the number of direct trains between Amsterdam and Berlin from six a day to seven. NS and Deutsche Bahn also welcomed the 15 millionth passenger on board ICE International in 2014.

Regional cross-border connections

As part of the new main rail network franchise, NS is investigating the possibility of new cross-border connections and improvements to existing routes.

Alphen-Gouda franchise

In April it was announced that NS would be operating the rail franchise between Alphen aan den Rijn and Gouda as of 11 December 2016. The franchise was granted by the province of South Holland and is for a period of 15 years. NS has ordered six new, quiet, comfortable trains for the franchise with no steps and a wheelchair-accessible toilet. NS will also increase the number of trains between Alphen aan den Rijn and Gouda. The current half-hourly service will run every quarter of an hour every weekday until 19:00. Alphen aan den Rijn-Gouda is the first train service in South Holland's new R-net (high-quality public transport network).

The availability of trains

NS withdrew an overall average of 12.6% of the NS fleet for maintenance, repairs and upgrades on any given day. This meant that the daily availability of trains in 2014 was still too far short of what is needed for the timetable. We want to improve our ability to predict how much rolling stock will be needed and when; therefore we need not only to be able to explain why problems arise with rolling stock but also to be able to prevent them. This will let us make the right investments in purchases, maintenance and upgrades of trains.

Investing in new trains

In the period under review, we invested in new trains such as the new generation of Sprinter trains. The Spanish train manufacturer CAF won the tender for delivering approximately 120 new train sets. NS will already need additional Sprinters by the end of 2016 because of growth in passenger numbers and various other factors. To meet that need, NS plans to order around 60 additional Sprinters (FLIRT trains) from the Swiss manufacturer Stadler. Eleven double-decker trains of the DDAR type will help keep capacity up to standard pending the arrival of the new Sprinters.

Technical centres

We are building Technical Centres at major stations to let us resolve faults and problems with trains quickly and effectively. Last year, we opened one Technical Centre at Utrecht Centraal station (with the building receiving a BREEAM Excellent sustainability certificate) and started building another Technical Centre at Den Haag Centraal station. Two more Technical Centres will follow in 2015. The construction of the Technical Centres is part of what we call the NedTrain Location Strategy: we deal with rolling stock problems at a location closer to the train services, reducing withdrawals of rolling stock and increasing the reserve capacity as a result. In 2014, this strategy received the Maintenance Awareness Award from World Class Maintenance, an innovation institute, for the positive impact on the availability of rolling stock.

Railway safety: accidents and SPADs

In January 2014 a passenger train carrying 150 people derailed in Hilversum when leaving the station due to a faulty point. Fortunately no-one was hurt in the incident.

The number of non-technical incidents of signals being passed at danger (SPADs) – a railway safety indicator along with accidents – fell to 54 in 2014 (from 94 in 2013). The number of trains that reached a dangerous position (a place where an incident could occur) fell from 37 to 17. The decreases are partly because many more signals were fitted with ATBvv (automatic train protection for improved safety) and due to the drivers receiving training. The introduction of ORBIT, a system that warns drivers if they approach a red signal too quickly, is expected to lead to a further reduction. Furthermore, we collect data on trains and communicate openly about safety with our employees so that we can learn more from one another.

Train departure incidents

In 2014, there were 43 train departure incidents. These are incidents such as passengers tripping or becoming caught between the doors as the train leaves. Staff are aware that they themselves can reduce the risk of incidents by execution of the departure procedure properly. Additional inspections and attention from staff and management ensured that the procedure was increasingly carried out properly.

New safety certificate

In 2014, NedTrain received a safety certificate again for the next five years. In addition, the Human Environment and Transport

Inspectorate (ILT, the supervisory body) gave NedTrain workshop certification for the service centres in Randstad Zuid and an extension of the certification for the Watergraafsmeer maintenance centre. The company complies with the legal stipulations for the maintenance and railway safety of trains on the HSL.

Health and safety

NS pursues a sound safety policy and does everything it can to reduce the number of accidents at work and sickness absence days due to accidents.

Aggressive behaviour

Last year, 6.6% of our staff had to deal with physical aggression (including spitting and threats) at work. This is the same percentage as in 2013. Each and every incident is unacceptable and one too many. NS is collaborating intensively with the police and the judiciary to reduce this aggressive behaviour, for example by increasing the number of access gates in operation as quickly as possible (given that aggressive behaviour often begins when fare dodgers are caught).

Conduct

We will not tolerate violence or intimidation directed at our staff. A precondition for healthy social interaction is that we must be able to rely on the respect of our customers and attention to this matter from politicians. We also looked at internal conduct, finding large differences between different groups and departments. In 2014, we made professional conduct and the underlying factors a topic of discussion in focus groups and training courses. We also took the initiative in 2014 to develop a protocol that helps determine what should be done in a situation of undesirable behaviour or aggression. This protocol will be finalised in 2015. New training courses and uniforms for the Safety and Customer Service employees are planned.

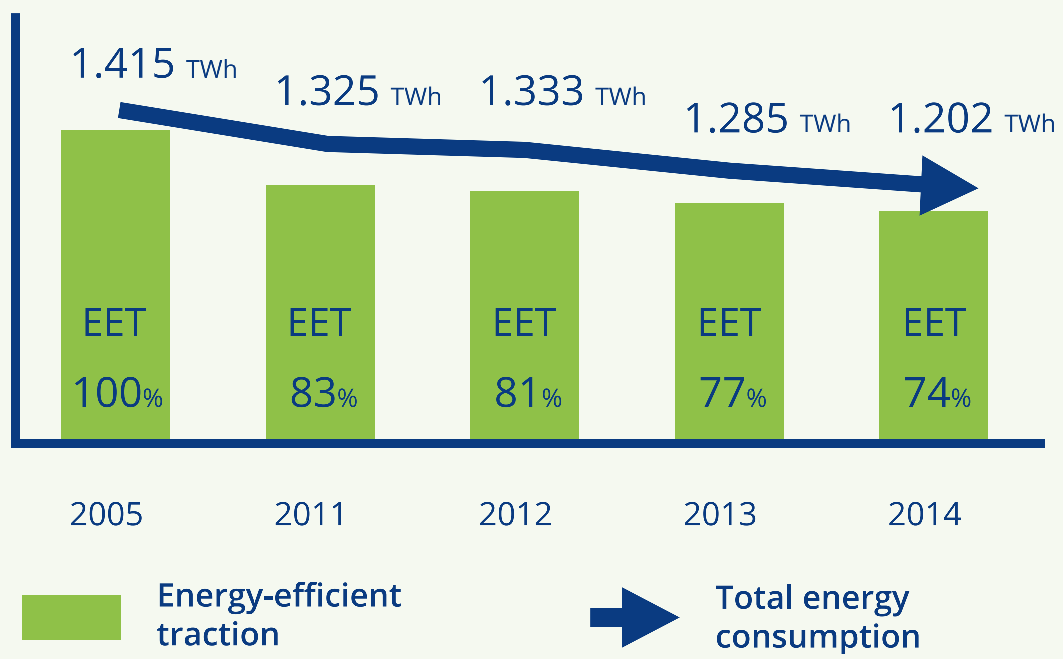
Lost Time Injury Frequency Rate

We monitor developments in the number of accidents at work by calculating the Lost Time Injury Frequency Rate (LTIFR). This score includes all accidents at work resulting in absences of more than 24 hours. When expressed as the number per million hours worked, the physical accidents resulted in a LTIFR of 3.3 for NS (including Abellio). This is 1.0 less than in 2013.

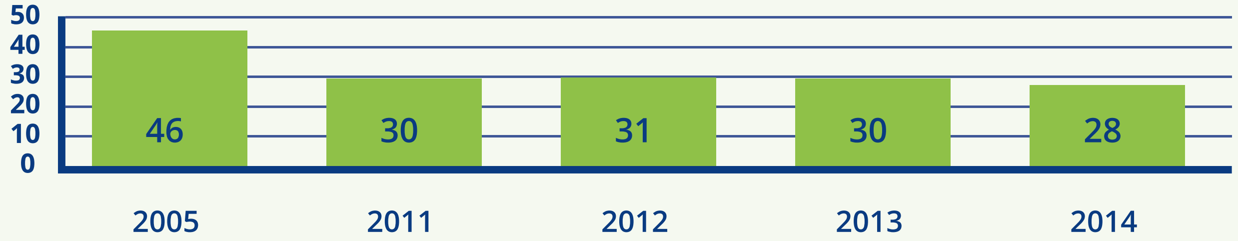
Energy efficiency and CO_2 emissions

NS consumes 1.4 TWh of electricity a year, making it one of the biggest consumers in the Netherlands: responsible for about 1% of the national electricity consumption, as much as all the households in Amsterdam. 90% of the electricity consumption is for running the trains and 10% for our buildings. NS seeks to be increasingly efficient in its use of electricity and we want all new sources of electricity to be sustainable. By 2020 we aim to be 50% more efficient in running our trains than in 2005. And as of 2018 we intend to offer our passengers climate-neutral train journeys by running on green power from newly constructed

Energy consumption by NS trains in the Netherlands



CO_2 emissions (grams per passenger-kilometre) for NS rail transport in NL



Grams of CO_2/passenger-km NSR+ in 2014, including replacement bus services (28 grams/passenger-km) for the first time this year

wind farms. In addition, energy consumption by our facility services will become 2% more efficient and we are aiming for climate-neutral energy consumption in all our buildings by 2018.

Our results	2014	2013
Efficiency of trains in the Netherlands	+2.2 percentage points	+4.2 percentage points
Off-peak occupancy rates	28%	29%
Improvement in efficiency of buildings in NL	Not yet available	+2%
Grams CO_2/passenger-km	28g/ passenger-km	30g/ passenger-km
Green power for trains	12%	11%
Green power for buildings	22%	22%

Measures in 2014

NS is improving its energy efficiency for example with energy-saving driving and by using an energy-efficient setup in the trains (switching the lights and heating off). In 2014, this resulted in savings of 37 GWh with respect to 2013. After the summer, NS deployed more rolling stock in an extra effort to prevent overcrowding in trains. As a result, energy consumption rose and occupancy rates fell slightly. This meant that we were unable to achieve the target of a 4.5% decrease on an annual basis.

Other energy-conservation measures in the past year included the replacement of air-conditioning units and the installation of climate control systems. In Utrecht and Breda we started using thermal energy storage (TES), for example for the sustainable control of the temperature at stations. This brings the total number of TES systems to six.

Future energy savings

NS aims to reduce energy consumption in the future through numerous measures. For instance, our new and upgraded trains will be much more efficient in their electricity consumption. We aim to increase occupancy rates will ensuring sufficient room in the train through the more efficient deployment of trains and more passenger in the off-peak hours. This will reduce the electricity consumption per passenger. Together with ProRail, we are examining whether the power losses in the overhead lines can be reduced by increasing the voltage in the overhead lines to 3000 volts. We are installing more thermal energy storage systems for stations and the adjoining buildings. When carrying out maintenance and replacement work in existing buildings, we opt for more energy-efficient materials and systems. We are also installing refrigeration doors and smart meters and we are encouraging energy-efficient behaviour in our staff. We applied energy conservation measures in the new Technical Centre in Utrecht.

In its effort to provide sustainable transport, NS collaborates with Eneco, the sustainability organisation MVO Nederland, ProRail and Union Internationale des Chemins de Fer. In the rail sector we have been working according to Version 3 of the Long-term Agreement on Energy Efficiency since 2011. We are also involved in the implementation of the Energy Agreement organised by the Social and Economic Council of the Netherlands.

Waste reduction and reuse

NS produced more than 17.5 million kilograms of waste in 2014 in its trains and at its workshops, stations and offices. Our aim is to be more efficient in our use of materials and we want new raw materials to be extracted from our waste. When disposing of materials, we look first to see whether the product can be reused, then we consider the reuse of product parts and finally the option of recycling the materials.
As we spend one billion euros on goods and services every year, our measures can help boost the circular economy: NS ensures that manufacturers or suppliers can take the products or ma-

terials at the end of their useful life or phase of operation and reuse them in a new cycle, thereby not generating any waste.

Waste: our results in 2014

- 32% of waste separated in offices, workshops, stations and trains
- 4% reduction in waste compared with 2013
- NS signed the Circular Procurement Green Deal (circular procurement is procurement in accordance with the circular-economy philosophy)

Waste measures in 2014

In October, we started separating paper from the rest of the waste at Rotterdam Centraal station. Other stations will follow. We will use our experience at the first stations to find out what is an efficient setup and how we can influence passengers' behaviour. We have also started systematically collecting paper waste separately in trains. In cooperation with the cleaning company Hago Rail, we are disposing of newspapers from trains separately. Paper can be taken away separately thanks to waste paper containers at the stations.

Sustainability and the achievement of our waste targets have a high priority in our invitations to tender for waste contracts. The contract for Randstad Noord was awarded to Van Gansewinkel in November. The contract for the rest of the Netherlands will be put out to tender in 2015.

We also want to reduce waste and improve the separation of waste internally. Waste separation in offices was rolled out further in Amersfoort, Eindhoven, Amsterdam, Zwolle and Rotterdam. We also introduced 'follow-me' printing, which reduces unnecessary printing. Furthermore, we replaced the 80gsm printing paper by 75gsm (reduction of 7% in paper density). NS produced 20% less waste paper in its offices in the second half of the year compared with the first half. There was a successful pilot project in the Watergraafsmeer workshop aimed at increasing waste separation by the employees themselves.

2020: 80% of waste recycled as raw materials

Our goal is to separate out more than 60% of our waste by 2017 and to produce 17% less waste than in 2012. By 2020, we want 80% of our waste to be recycled as raw materials for new products. We aim to achieve this for example by:

- separating out waste at the source
- putting circular procurement into practice when purchasing materials
- organising process ownership (waste managers) across NS business units in order to achieve waste targets
- collaborating with key stakeholders such as suppliers and ProRail
- Green Deal for circular procurement
- Green Deal for waste at stations and in trains (preparations made in 2014 with ProRail and the Ministry of Infrastructure and the Environment).

During the Lost and Found Action in December, NS handed out 4,000 KeepCups for NS outlets at the station. This reduces waste from discarded plastic cups.

Staff in the Netherlands

HRM & Organisation

The services provided by NS revolve around its passengers. Our staff are a key factor in how passengers experience their journey and assess our performance. We think it is important for staff to take this into account in their behaviour and attitude and to be prepared to take responsibility for this. They make the difference by acting on the basis of our core values: being hospitable, proactive, cohesive and professional. We aim for mature working relationships with room for flexibility and a tailored approach.

Our staff

- At the end of 2014, the NS workforce comprised 28,348 staff (25,532 FTEs).
- 22,142 of our staff work in the Netherlands.
- 85.7% of NS staff have permanent contracts.

28,348 NS employees

- Women make up 26.9% of the employees at NS.
- The average age of our employees is 43.1.

Trends in the labour market

The labour market is becoming tighter. NS is taking mitigating measures with targeted recruitment, in-house training, consideration for staff engagement, the retention of professional skills and the development of talent. We are doing this to keep our leading position in the Dutch labour market. In 2014 NS was involved in the Public Transport Sector Plan, in which employers in the transport sector and the Ministry of Social Affairs and Employment are providing 20 million euros for apprenticeships and public transport traineeships for young people and for helping sustained employability of bus and train drivers, conductors and mechanics.

Employee participation

In the context of 'Simplicity, Unity and Ownership' and prompted by the change in the decision-making structure in the form of the ExCo, the employee participation structure became the subject of discussions in 2014. We established the criteria for alternative solutions, for instance. Points for attention included the need to be representative of our workforce, clear agreements on what topics the employee participation body should be discussing, and a collaborative model with the relationship between the controlling body and the participatory body being based on equality, respect and intensive contacts. Discussions will continue in early 2015, looking at possible changes to the structure and working method. There will be new Works Council elections in September 2015.

Central Works Council in 2014

The Central Works Council (COR) met with the NS Executive Board regularly in 2014. The key topics were the establishment of the Executive Committee, the phasing out of paper tickets, bringing all the access gates into operation, the bid for the Limburg franchise, advice relating to TOP phase 3 (Legal, Procurement, NS Leercentrum and HR), ProRail-NS master plan and NS Next.

Recruitment

In 2014, we filled 2,057 vacancies for people with vocational qualifications and 419 vacancies for graduates (29 of them trainees). We also took on 125 interns. NS provides places for interns both to give young people work experience and to develop ties with talented individuals for the future. In 2014 the InhuurDesk (hiring desk) filled 656 temporary positions with external experts. All recruitment-related activities were integrated in 2014 and are now coordinated by a single department.

Online recruitment

NS increasingly comes into contact with potential new employees through social media. We have therefore increased our expertise in this field. In addition, improvements were made to the recruitment site www.werkenbijns.nl, making NS's online visibility as an employer even better.

Intermediair Image Survey

NS was ranked 16th in *Intermediar* magazine's Image Survey (14th in 2013). It is important for NS to have a positive image if it is to persuade talented people to work for NS and to make sure it has a committed, highly qualified workforce. We also aim for diversity and an inclusive working environment with opportunities for people with poor prospects in the labour market.

Staff engagement

We use the Staff Engagement Survey, which covers all NS staff in the Netherlands, to find out whether our staff feel an involvement with NS's vision, ambitions and corporate culture. We also investigate whether they feel they are able to make a specific contribution to NS's success. Employees gave working for NS a score of 7.3 out of 10 in 2014, the same score as in the previous year. A striking aspect is that some teams and departments scored much higher than in 2013. This shows that there is still a great deal of potential for learning from one another. Employees make concrete agreements in team meetings on whether to change, accelerate or supplement actions aimed at improving their engagement. NS is working on methods for monitoring progress simply, including online measurements using the Railpocket.

7.3 The door-to-door journey

A seamless journey from the starting point to the final destination makes public transport a more attractive option for passengers. The introduction of the public transport smartcard and close cooperation with our partners in public transport lets passengers experience their journey as a single trip. The door-to-door journey has also been made more attractive by parking spaces, public transport bicycles, NS Zonetaxi, Greenwheels, public transport service centres and bus transport.

The year of the public transport smartcard

Everyone's talking about the smartcard

On 9 July 2014, the Netherlands became the first country in the world where everyone who is travelling by public transport can check in and out using a single card. A single card lets you travel on all forms of public transport. From trains and buses through to trams and the metro, from public transport bicycles and the NS Zonetaxi to Greenwheels. It followed ten years of development, preparation and close cooperation with our partners. In the months leading up to 9 July, the transition from paper tickets to smartcards drew a great deal of attention in political circles and from the media.

We did everything we could to help passengers, after 9 July as well. NS carried out a nationwide campaign to make sure passengers knew of the change. Off-peak season ticket holders were sent a letter explaining it. During the summer months, NS made efforts to meet passengers' wishes, for instance with both anonymous and personalised public transport smartcards for €2 instead of €7.50. During the lead up to 9 July, on the day itself and in the weeks that followed, NS deployed extra staff at 116 stations. It was a major change, particularly for the many people who only travel occasionally, and there were a lot of complaints e.g. about the joint journey discount and the surcharge for individual tickets.

Questions from passengers and improvements

NS Customer Service received a lot of questions and complaints about the public transport smartcard during the summer - a total of 30,000 a week. NS therefore decided to deploy extra staff there in the period around 9 July. Passengers had a lot of questions for example about refunds after forgetting to check out, Keuzedagen (Bonus Days), their My NS accounts and cancellation of particular products.

Thanks to all these questions, NS was able to implement various changes after the summer. For instance, passengers are able to use the Journey Planner Xtra to see if they have checked in or out, and payment by credit card is possible from now on at the ticket machines and desks. Additionally, some of the tickets have been made easier to find on the machines, for example the joint journey discount and the single-use smartcard. We put in extra checkin/checkout posts where necessary as well and we shall continue to do so in 2015. Transfer points have been set up at various stations to make switching to other carriers easier. Special points have been made for international passengers at Rotterdam Centraal. Market research has incidentally shown that four out of five passengers give the public transport smartcard a score of 7 out of 10 or better (survey carried out in May 2014).

New and improved products for consumers

NS has introduced a number of new products for consumers over the past year.

- Traject Vrij (Fixed-Route Freedom) has replaced the old paper route season ticket.
- The Border Season Ticket lets passengers check in in the Netherlands without having to check out abroad.
- Since October, passengers have been able to top up the balance on their public transport smartcards to the amount that they need for their journey, instead of a mandatory fixed amount.

- For international passengers, NS put a transfer guide online in November, showing them how they can use their ticket to a foreign destination to get through the access gates.

Public transport smartcards for people with functional disabilities

In 2014, we started arrangements to let consumers travel on account in combination with the Fixed-Route Freedom season ticket. This has also been followed up e.g. by the Rotterdam public transport operator RET. There will also be one desk at Trans Link Systems for passengers who want to correct things after forgetting to check out. NS is working on a solution to let passengers claim refunds via Journey Planner Xtra. We also extended the period for reclaims after forgetting to check out from three to six months. We have also agreed with Infrastructure and the Environment that money that is not reclaimed will be used for the benefit of passengers.

Other innovations

Since December 2014, NS and GVB have been working together on a single-use smartcard for the Amsterdam Travel Ticket. All the railway carriers are introducing KidsVrij in 2015: free travel for children aged up to 11 who have a KidsVrij season ticket. This avoids whole families having to check out. In addition, it will also soon be possible to buy a single use smartcard for a specific date. We will be doing a pilot together with Connexxion in 2015 to allow a single check-in and check-out on the Valleilijn between Amersfoort and Ede, and a test with HTM letting you pay with your bank card. We are also working on a 2-D barcode (e-ticket) for mobile phones and we want to carry out a trial selling season tickets at the station, starting in the public transport service centre in Breda.

NS Business Card

The number of NS Business Card users for the business market increased to 280,000 in 2014. Since last year, retrospective payment applies to all modes of public transport: travelling on account is possible for the train, train, bus, and Metro, ferry and water bus, and pay-per-use is available for the OV-fiets (public transport bicycle), OV-scooter (public transport moped), Greenwheels, Q-park, Zonetaxi and the Regus meeting rooms. Together with other carriers, we have started selling season tickets for journeys involving multiple carriers.

Cooperation

NS works closely with other parties to make sure that using the public transport smartcard goes smoothly. We held monthly themed sessions in 2014 with LOCOV (the national public transport users' forum), asking for instance for recommendations about changes to the topping-up process and access for people with special passes for accompanying others.

Together with the regional carriers, we found a solution in 2014 for retaining the Long-distance Discount. Most passengers can now travel more cheaply than if the discount had not been retained. The carriers held a joint campaign publicising this. In addition, the fares for regional carriers have been included in NS prices since 2 April. As a result, some passengers have seen prices rise and others have seen them fall. Furthermore, all the carriers have agreed that ticket machines for single-use tickets will be retained at virtually all non-NS stations for now.

An agreement was made in 2014 that all the carriers will be involved in the cooperative TLS venture that is being set up. The Nationaal Openbaar Vervoer Beraad (NOVB, National Public Transport Council) came into existence in 2013. It looks after the interests of passengers whose journeys cross multiple franchises. This cooperative grouping of governmental authorities, passenger carriers and consumer organisations functioned well last year.

Gates in use

In order to improve personal safety for passengers and staff at stations and in the trains, NS is fitting access gates at some eighty stations. Passengers can use their public transport smartcards to open the gates. During the first quarter of 2014, NS held lengthy trials with all the gates in operation at five stations: Woerden, Almere Centrum, Enschede, Houten and Rotterdam Alexander. We then started using the gates permanently at 26 stations over the course of last year, starting with Woerden on 19 August.

Barcode

A barcode reader was integrated into the public transport smartcard gates during 2014. This lets passengers travelling on an international ticket or e-ticket use the barcode to get through the gates, as well as people with a new deferred payment form with a barcode on.

Transit passes

There are about ten stations with gates that are also used by non-passengers. To let them get through the gates with no problems, NS came up with the transit pass. NS tested the concept at Rotterdam Zuid in November and December. People who were given a transit pass include NS staff, suppliers and security companies.

Journey information improvements

Every year, NS issues over 500 million items of journey advice about timetables, engineering work and disruptions. Passengers are more in control if they get good journey advice and they can make better-informed choices. In 2014, we provided advice in good time for 78.8% of disruptions (2013: 77.4%). Customer satisfaction with 'Journey information from preparation to arrival' was 73.7%, compared to 72.1% in 2013. Reasons for the increase included the information screens placed in the 130 Sprinter trains, further optimisation of information to our staff, and improvements in the journey planners. In addition, we opened the first public transport service centres in The Hague and Breda, in which local and regional public transport companies are also represented, and a large journey information screen was placed at Schiphol. We also worked on making journeys more convenient for international passengers: A new app keeps them updated about possible delays or platform changes and gives modified travel advice if necessary.

Extensions to the Journey Planner Xtra

The Journey Planner Xtra has been extended to include a button for feedback about congestion in the train. This makes it easy for passengers to tell us how busy they thought the train was, which will let NS adjust services in future if necessary. In addition, passengers can use the app to confirm their check-ins and check-outs, look at their credit balance and log in on their My NS account. The app has been downloaded about 4.1 million times since 2009. Journey information is requested on average 400,000 to 500,000 times a day.

Services during planned disruptions

Passengers had to cope with 4% more planned work on the tracks in 2014, for instance in Utrecht, Den Bosch and Delft. Overall nuisance to customers, expressed in lost journey time, increased considerably more in 2014, by 21%. The way in which we provide additional information, facilities and services to clients during major work on the tracks - an approach that we started in 2013 - was expanded further in 2014 to include the top 11 most disruptive engineering works. Customer satisfaction for the services provided during planned engineering works was three percentage points lower. 56% of passengers surveyed gave a score of 7 out of 10 or higher for this in 2014 (2013: 59%).

Car and bicycle parking

14% of train passengers use cars for getting to the station. Last year, we constructed or improved over 1,500 parking spaces. There are now more than 9000 paid parking spaces in station areas and more than 27,000 free parking spaces at P+R locations. Since the end of 2014, the new contactless Dip & Go payment method has replaced the Chipknip at the car parks managed by Q-Park on behalf of NS.

Bicycles

A large proportion of passengers use bicycles for getting to the station. They are able to use the supervised bicycle storage facilities for around 100,000 bicycles, unsupervised facilities for 296,000 bicycles and 16,000 bicycle lockers at the stations. The number of cyclists is expected to increase over the years to come, which means we will have to be cost-conscious about operating the bicycle storage facilities. For that reason, we started a project in 2014 together with various municipalities and ProRail: an attractive, new offering for customers that makes effective use of the storage spaces. This includes one day's free storage and digital indications of the free storage slots; passengers can also count on a high-quality, consistent design and they will be able to use their public transport smartcards. Trials are currently being held with the new products at Utrecht Jaarbeursplein and Breda Belcrum. We will evaluate them jointly with the Ministry of Infrastructure and the Environment in 2015.

OV-fiets

The public transport bicycle - OV-fiets - is *the* sustainable means of transport. Research has shown that over 50% of OV-fiets users travel more often by train because the public transport bicycle makes it easier. In total, private individuals and business users made over 1.53 million trips. At the end of 2014, there were 180,000 subscriptions.

More than 1,500,000 trips by public transport bicycle

OV-fiets rental locations

In 2014, we opened five new rental locations and the number of bicycles was increased at several other rental locations. An OV-fiets can now be rented at 252 locations in the Netherlands. The majority of these are at NS stations. In addition, an OV-fiets can also be hired at metro stations and bus stations, in city centres, at business locations at P+R sites, and at ferry terminals. Given the growing demand for more space for public transport bicycles at busy public transport hubs, there are two locations in Utrecht where we are looking at a flexible OV-fiets product on the street.

Recycling public transport bicycles

A trial was started in September using components of end-of-life public transport bicycles in new ones. These are being made in social employment projects. This will let OV-fiets cut wastage of valuable materials and contribute to sustainable mobility.

NS Zonetaxi

NS Zonetaxi takes passengers to and from the stations for fixed fares. In 2014, we introduced 75 new NS Zonetaxi locations, almost doubling the number of taxi ranks compared with 2013 (49). The total number of NS Zonetaxi locations is now 124. Subscribers made a total of 8,900 trips last year using NS Zonetaxi.

Greenwheels

Greenwheels is available at 1,648 street corners in 97 towns and cities. Greenwheels cars are available at 90 stations.

Transfer

Together with ProRail, NS provides safe, logical and readable pedestrian routes in and around the stations. We took a major step in 2014 towards reconfiguring the pedestrian flows through stations, based on the timetabling and the public transport smartcard. In addition, we started a trial with Qbuzz and TLS that uses public transport smartcard data to obtain a picture of pedestrian traffic between trains and buses at the respective stations in Utrecht.

NS is also continuously examining the passenger flows, often working with companies and universities. At three major stations – Utrecht Centraal, Schiphol and Leiden – measurements are made on an ongoing basis to improve services and provide support for renovation work.

First Public Transport Service Centres opened in The Hague and Breda

Shops at the stations

We want to have retail and hospitality sector outlets at the stations offering services that are in line with our passengers' requirements and are appropriate for a modern station. Last year, passengers indicated that they wanted more fresh and healthy products in the NS shop formats. We have listened to what they are saying and there are now fresh fruit and vegetables in the Kiosk shops, more salads at AH to go and Julia's, and fresh fruit and vegetable juices at Brooodzaak and elsewhere.

Shops closed

Sissy Boy expanded and took over the commercial operation of shops in the stations in 2014. The Desigual, Shoeby and Hunkemöller shop formats have closed their doors because they were insufficiently in line with passengers' requirements. The international YamYam shop format went bankrupt in 2014. NS was the franchise holder for three branches in the Netherlands, which will be closing in mid-2015. We are investigating the options for an alternative format for Asian food at the station.

Innovative payment methods

Customers have been able to make contactless payments in virtually all our shops and with many other tenants at the stations since 2014. This makes paying quicker and simpler. They are now also able to use the self-scan checkouts at AH to go in the station.

OV-servicewinkels: public transport service centres

NS is working on a new service concept with service centres, information desks and close cooperation with other carriers. Customers can be helped directly at the station with any questions about train travel. In July, NS and HTM opened the first public transport service centre together at Den Haag Centraal, with Breda following in September. We worked with Veolia there until December, after which Arriva took over.

Bus transport

NS has bus franchises in both the Netherlands and the United Kingdom (Abellio London & Surrey). In the Netherlands, Qbuzz provides bus transport in the Groningen-Drenthe, Zuid-Oost Friesland and Utrecht regions. The knowledge that NS is acquiring in all of the franchise markets can be used to improve our door-to-door offerings.

Customer satisfaction with Qbuzz

Qbuzz operated the bus franchise in the Utrecht region for the first full year in 2014. Customer satisfaction figures from Qbuzz appear annually in April, which is why we are now able to publish the 2013 figures here. Qbuzz passengers gave the services provided a score of 7.5 out of 10 in the Zuid-Oost Friesland franchise area and a score of 7.4 in Groningen-Drenthe. This means that we have achieved the norm of 7.3 for the regions.

Cooperation with other carriers

The Airport Shuttle has been running between Eindhoven station and Eindhoven Airport since 2014. The Airport Shuttle is a joint initiative involving NS, Eindhoven Airport, Hermes and GWK Travelex. Over the course of the year, this service developed to include features such as journey information in the luggage hall, combination tickets for bus and train, and drivers who can speak English.

At seven stations including Utrecht and Schiphol, pilots were started for providing integrated journey information for bus, tram and metro. A pilot was also held with HTM for integrating transport and timetable data to make it possible to make the timetables fit together better. There is also a joint study looking at the possibilities for further optimisation.

7.4

Our activities in Europe

The NS subsidiary Abellio provides public transport both in the Netherlands and elsewhere. Working and doing business in other countries will let us learn from the rest of Europe and improve the services we provide in the Netherlands. That knowledge and experience are useful and necessary in the light of the anticipated further deregulation of the European public transport market. We therefore bid for franchises and we develop public transport and retail services. Abroad, we are also finding out that being good on average is not good enough. In this part of the annual report, we report primarily on the franchises and activities that we operate independently: Abellio Greater Anglia (franchise period 2011-2016) in the east of the United Kingdom and London Bus & Surrey (various franchise periods for different elements) in Greater London and Surrey. We will describe the joint ventures briefly in a separate section.

Employees abroad

Every day, our Abellio staff provide safe, accessible and reliable public transport, mainly in the United Kingdom. We aim for optimum collaboration with our customers, stakeholders and each other. The workforce is every bit as diverse as the passengers we work for. This gives us a picture of what our passengers really value, letting us adjust what we are offering to suit.

Our staff (excluding joint ventures)

- 5,948 employees (5,812 FTEs)
- 5,380 work in the United Kingdom

Abellio Greater Anglia

Abellio Greater Anglia operates the rail franchise in the Anglia region, from eastern England to London. About 3,000 employees provide transport for 354,000 passengers on a daily basis. In nationwide surveys held in the United Kingdom in 2014, 80.5% of the passengers gave the services of Abellio Greater Anglia a score of 7 out of 10 or higher. That is the same as in 2013.

Punctuality of Abellio Greater Anglia

In the United Kingdom, Abellio Greater Anglia achieved punctuality of 90.8% for arrivals. This means that the punctuality figures were lower than in 2013 (91.5%). Poorer punctuality was caused by extreme winter weather, train failures and infrastructural issues.

A different definition of punctuality applies for trains in the United Kingdom than in the Netherlands: 9:59 minutes for intercity services and 4:59 minutes for other rail traffic.

Track safety and occupational safety

The number of SPADs (signals passed at danger) in 2014 was 21 for Abellio Greater Anglia. That is an increase compared with 2013 (19). The total number of SPADs elsewhere (including the joint ventures) was 47, a slight drop compared to 2013 (49). The 2014 target for the maximum number of SPADs abroad (namely 43) was not achieved, however.

Lost time injury frequency rate

The LTIFR for physical accidents at Abellio Greater Anglia was 4.8 in 2014.

Environment

In the United Kingdom, Abellio Greater Anglia had CO_2 emissions of 44 g/passenger-km.

The objectives of the various franchises are not identical. Their targets are determined by their own ambitions, and the targets of the franchise holder, the national government and the sector association. Given that this policy is not coordinated, determining targets and steering to achieve them is a challenge.

Abellio Greater Anglia has improved energy management by installing meters and carrying out an energy analysis. A picture of the possibilities for savings has been produced.

Abellio London Bus & Surrey

Abellio London Bus & Surrey operates bus lines in London and in Surrey. We have 2,000 staff and we carry 326,000 passengers a day. The satisfaction figures for our bus services appear annually in April. We are reporting the figures for 2013 here. Customer satisfaction with the services in Surrey scored 86% in 2013, slightly below the national average of 88%. In response, we invested in improving the reliability and the travel

experience, for instance with better journey information and buses. We scored 87% in London, which is higher than the average in the rest of the London network (84%).
The Lost Time Injury Frequency Rate for Abellio London Bus & Surrey was 4.0 in 2014. CO_2 emissions were 1,102g per kilometre per bus.

Abellio Germany

Abellio Rail NRW runs three rail franchises in North Rhine-Westphalia: Emscher-Ruhrtal-Netz (2005-2019), Ruhr-Sieg-Netz (2005-2019) and Der Mungsterer (2013-2028). 180 staff work there, providing services every day for about 37,000 passengers. In this German state, Abellio Rail NRW is preparing the cross-border rail franchise Niederrhein-Netz (2016-2028).
The Saale-Thürigen-Südharz (STS) rail franchise was also being prepared in 2014 and will be operated by Abellio Mitteldeutschland from December 2015 onwards. This franchise will run for 15 years.

ScotRail franchise awarded

Transport Scotland selected Abellio in October as the new operator for the ScotRail franchise. ScotRail provides intercity, regional and suburban rail services on the nationwide rail network throughout Scotland. This new franchise has allowed Abellio to strengthen its position in the railway sector in Britain. Transport Scotland has awarded the franchise for a seven-year period starting 1 April 2015. After an evaluation in the fifth year, an extension to ten years may follow.

The ScotRail franchise fits in well with the core activities of NS in the Netherlands. Both networks operate in a combination of densely populated, major urban areas plus relatively thinly populated regional areas. On top of that, the timetable - involving 348 stations, with 800 trains putting on over 2,000 services a day for 90 million train journeys - is also comparable to that of Northern Rail.

Learning from Europe

In 2014, over 1.5 million customers used Abellio's train and bus services every day. In addition, thousands more customers every day visited the shops that we operate at stations in the United Kingdom, Belgium and France. In 2014, our foreign activities were concentrated on further improvement of operational services and profitability. Our experience abroad helped us provide high-quality services to passengers in the Netherlands and is preparing us for possible further deregulation of public transport in Europe. We are learning how the franchise market works and acquiring the necessary tendering skills. Because NS operates in competitive markets abroad, we are also learning how NS can work more cost-effectively.

Participating in tenders

In 2014, Abellio worked on various tenders aiming to consolidate the portfolio or expand it where possible. Pre-qualification for the Northern Rail franchise began in the United Kingdom, for instance, assessing the suitability of the interested market parties beforehand. Abellio was able to pass the pre-qualification without help from the current joint venture partner Serco.
Preparations for the Northern bid began in 2014, as did preparation for the pre-qualification for the new bid for Greater Anglia. Both will happen in 2015. In the Netherlands, Abellio submitted a tender for the public transport franchise in Limburg, which will run for 15 years. On 10 February 2015, the province of Limburg announced that Abellio is being awarded the multi-model franchise for public transport (buses and local trains). The Authority for Consumers & Markets has started an investigation into the tendering procedure used in the tender for public transport in the province of Limburg. There were disappointments too: Abellio did not win the tenders for Essex Thameside and Thameslink Southern and Great Northern (TSGN) in the United Kingdom or for the Gothenburg Rail franchise in Sweden.

Joint ventures

In addition to Abellio Greater Anglia and the Abellio London & Surrey bus companies (of which Abellio is the sole owner), Abellio's British operations include the Merseyrail and Northern Rail franchises in a 50-50 joint venture with Serco.

Merseyrail

The franchise started in 2003 and it expires in 2028. With 1,200 staff, over 110,000 passengers and 830 scheduled trains daily, Merseyrail provides train services in one of the busiest networks in the United Kingdom.

Northern Rail

Northern Rail (2004-2016) has 5,000 staff who provide close on 2,500 scheduled local and regional train services from nearly 500 stations in the north of England. The franchise was extended in 2014 by 22 months, through to February 2016.

7.5 Other activities

NS as an employer

Diversity and inclusiveness in the Netherlands

NS wants to be seen as an attractive employer where everyone can feel at home. This can be done by ensuring that the workforce and management reflect the composition of society at large. NS therefore ensures that it is a diverse and inclusive organisation. We actively pay attention to recruiting and retaining women, employees from ethnic minorities and people at a disadvantage in the normal labour market. We expect our suppliers to do the same. We discussed this with several of them in 2014.

Women at the top

Merel van Vroonhoven and Ingrid Thijssen, two top-level managers within the company, left NS in 2014. One of the two vacancies in the new ExCo was again filled by a woman candidate, meaning that 13% of the ExCo was then female. When making the new appointments, we expressly looked at skills for sustainable business practices and cooperation with the stakeholders. Last year, 33% of the NS Executive Board were female, as were 67% of the Remuneration Committee.

People with occupational disabilities and employees from ethnic minorities

Under the details of the collective labour agreement, we arranged for 50 people with occupational disabilities to gain work experience with us last year. These were people covered by the Invalidity Insurance (Young Disabled Persons) Act or the Sheltered Employment Act, plus our own employees with occupational disabilities. The experience and knowledge acquired from this pilot is being made available to the wider public transport and railway sector. NS is also aiming to increase the number of staff from ethnic minorities, particularly in supervisory positions and the higher salary scales. Our activities included involvement in setting up Agora, a nationwide umbrella network for cultural diversity at all management levels in organisations.

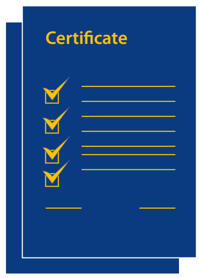
Work experience placements for refugees

NS is closely involved with the UAF foundation, which helps more highly qualified refugees find appropriate positions within society. In 2014, NS provided four paid work experience placements for people with refugee backgrounds. This gives them the opportunity to acquire work experience and progress through to a permanent job. At the same time, NS believes in the added value that people with a refugee background can offer. They broaden our perspective and offer additional international focus. Our CFO Engelhardt Robbe is the NS ambassador for UAF. He works to achieve a better position for UAF clients in the private sector.

Training and educating staff

Drivers and trainee drivers, chief guards, safety staff and technicians followed a total of 17,280 days of training in 2014 (basic training, courses, refreshers and e-learning). In addition, other staff followed a total of 670 days of training in 2014 (courses and e-learning). This principally involved investment in new forms of learning with higher returns and the specific areas of learning that are important for our strategy. There is a structural exchange of talented individuals between the Dutch business units, Abellio and other public transport parties. Furthermore, we are continuing to invest in trainee programmes and management development programmes. We also introduced a new Learning Management System and we launched an online learning portal for our employees, giving 21,826 users access to a variety of courses. It was used effectively for learning and development by 15,476 of them.

18,000 days of training have been taken by our staff



Sickness absence

The sickness absence rate was 5.0% in 2014 (4.8% in 2013). The sickness absence rate refers to the first year of sickness, corrected for lighter duties. We paid extra attention in 2014 to employees who were frequently off sick for long periods. We looked together at the possibilities for utilising them more effectively for NS, either within their existing job or elsewhere. We also modified the medical check-up criteria for chief guards, train managers and Safety and Customer Services staff, as well as preparing a new tender for first-line occupational healthcare. A key element of this involves focusing on employability and prevention.

Employability and prevention

To make it easier to deploy staff, we are sharply reducing the job tenancy time - the period for which someone keeps performing the same role - and we are making both managers and staff aware of the relationship between mobility and vitality. Furthermore, we are looking at taking action related to age, health risks and work organisation, such as dealing with highly irregular shift patterns. One examples of these is the vitality coach, who helps employees improve their lifestyles. In addition, NedTrain has started a pilot for activating staff to undergo preventive medical examinations. Employees and managers can have a health check at their own request. From 2015 onwards, NS will be offering all its staff preventive medical examinations.

Mobility

Move NS Loopbaanadvies helps over 500 staff analyse their career opportunities and find another job. Over the coming years, NS wants to make better use of the internal labour market for filling job vacancies. In addition, 2014 saw the start of an inventory and evaluation of the processes at Move NS, the department for career advice, recruitment and hiring in external staff.

Long-term Rail Agenda: developments and improvements on and around the tracks

In March the Dutch Cabinet agreed to the Long-term Rail Agenda (LTSA) put forward by the Ministry of Infrastructure and the Environment. Together with the new franchise and the closer working relationship with ProRail, it creates a clear framework for the future of the rail sector and better services for passengers. The *Better and More* improvement programme that NS and ProRail have set up together is aligned to the ambitions and goals of the LTSA and is an operationalisation of it.

Better means improving the reliability of the rail system, particularly at the times and places where we are able to offer improved product quality for many passengers. Higher reliability levels are an absolute requirement if there are to be more trains and more passengers.

And More means running at least six Intercity trains an hour on busy routes and more Sprinters than we do now, as many direct train connections as possible without needing to change trains and easy journeys from door to door thanks to smooth connections with other modes of transport at attractive stations.

Approaches to improvement in *Better and More*

Better and More consists of various elements focused on achieving operational improvements together with ProRail.

- The initial years of the Approach to Train Improvement emphasise the reliability of train services. Improvements in that respect during this period will create the conditions allowing us to operate high-frequency timetables on busy rail corridors from 2017 onwards.
- The Approach to Safety Improvement focuses on improvements in the shared safety culture.
- The Approach to Station Improvement is intended to create a better position for carriers and franchising authorities, better cooperation in and around stations and improved facilities for passengers, for instance in the transport before and after the train journey.

Cooperation with partners

Regional carriers and freight carriers and the regional authorities involved are informed of measures that could have an effect on them and agreements are made. Where possible, *Better and More* links in as much as it can with existing programmes such as the winter planning, the programme for very frequent rail transport (PHS) and the development of the ERTMS safety system.

To help the ministry set up an integrated approach, ProRail and NS are working with the regional governmental authorities and the regional carriers to look at what is needed by peak-time passengers in the key economic centres and at the regional and international stations.

Sustainable procurement

Suppliers can make a major contribution to the NS sustainability objectives. We take on a steering role in our purchasing activities. As we spend over a billion euros annually on goods and services, our role as purchaser lets us exercise a degree of influence on making our suppliers' products and processes more sustainable.

Our CSR requirements are expressed in the procurement governance rules and are also embedded in the General Terms and Conditions of Purchase (www.nsprocurement.nl). NS has documented its responsibilities with regard to society and a number of goals, following the United Nations Global Compact in doing so.

We also work closely with the market parties and challenge them to submit innovative and sustainable offers. We are using the following initiatives to carry out our steering role:

- Supplier assessments
  Since 2014 we have been carrying out Corporate Social Responsibility (CSR) assessments at our biggest suppliers, looking to see how they handle aspects such as the environment, the social and ethical sides, and the supply chain. Scores make it possible to compare suppliers and estimate the risks. Assessments will also be used in 2015 for selections and for awarding contracts. NS is working together with DB, SNCF, Alstom, Bombardier and Siemens on the Railsponsible initiative. This aims to use the method as a standard within the rail industry.
- Making procurement more sustainable by using tendering plans and circular purchasing (looking at recycling etc.)
  NS uses a tendering plan already for all its European tenders. This is an internal document that describes the process steps that are needed when preparing an invitation to tender. We added additional checks in 2014 to make our procurement more sustainable. In addition, NS has signed the Green Deal for circular procurement. Signing up to this means that we undertake to use 'circular' purchasing where possible and to share our experiences with other buyers.
- Code of conduct for suppliers with the biggest spend
  In 2014, the NS suppliers with whom we spend most - making up over 50% of all NS procurement - received a code of conduct. This states explicitly what conditions we want to do business with suppliers under. One general requirement is that all suppliers should shoulder their share of corporate social responsibility in their business practices. This means they should subscribe to the principles encapsulated in relevant standards, as laid down in such documents as the Universal Declaration of Human Rights and the standards drawn up by such organisations as the ILO, OECD and ICC.

The suppliers have been requested to act in accordance with these conditions and to indicate when they deviate from them. The code will become part of the terms and conditions of purchase for new suppliers in 2015. NS will have assessments carried out by an independent third party to check observance of the code of conduct. If violations are observed or if the code is not applied, we will first assess the risk. Based on that, we will start discussions with the supplier and ask for an improvement plan. In cases of serious violations such as corruption, a decision to terminate the relationship may be made. This is also stated in the model contracts. Exclusion criteria also apply to subcontractors used by our suppliers.

NS subscribes to the code of conduct drawn up by NEVI, the Dutch association for purchasing management, which provides guidelines for acting ethically and for fair business practices (Guide to responsible procurement, NEVI 2012). NS has drawn up a policy to prevent bribery and corruption. As part of the implementation, all purchasers within NS are taking an e-learning module on Ethics & Compliance, and attention is being paid to the importance of the proper observance of the policy.

Innovation

As a nationwide carrier, NS wants to be in the vanguard of sustainable mobility, with an attractive product. This ambition is a driving force behind innovation and something we focus on together with our staff, sector partners and other stakeholders such as suppliers. We encourage each other to develop new technologies, services and products that will improve the service we provide to passengers. We implemented a variety of innovations in 2014 and carried out tests to check the feasibility and value of new applications.

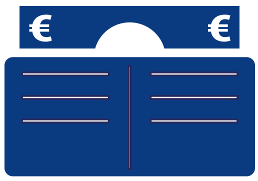
- Development of congestion notification in the Journey Planner Xtra app
- Launch of an app providing information for international passengers
- Development of public transport service centres at large stations
- Test using a laser to combat slipperiness
- New version of the KidsVrij season ticket
- Tests with 2D barcodes for mobile phones
- Recycling public transport bicycles
- Crews Solver – a new staff planning system
- ORBIT
- Routelint
- Using infrared to measure congestion

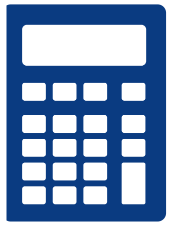
New IT contract

After a European tender process, NS signed an agreement with KPN for the supply of IT services. This covers system management for 12,000 workstations, data centre services including hosting websites such as ns.nl, the service desk, application management and information security. The new contract will let us clean up the IT systems and make them more stable. At the same time, we will save on costs by moving from three suppliers to just one.

7.6 Our finances

Revenue in 2014 was €4,144 million. NS invested €461 million, mainly in trains and stations. A profit of €180 million was recorded in 2014; in 2013 there was a loss of €43 million





Revenue in 2014
4,144 million euros

Investments in 2014
461 million euros

Profit in 2014
180 million euros

Consolidated income statement 2014 for NV Nederlandse Spoorwegen

(in millions of euros)	2014	2013 *
Revenue	**4,144**	**3,873**
Operating expenses	**3,863**	**3,990**
	281	**-117**
Share in result of equity accounted investees, accounted for using the equity method	40	47
Result from operating activities	**321**	**-70**
Net finance income	**-35**	**-26**
Profit before income tax	**286**	**-96**
Income tax	-106	53
Profit for the period under review	**180**	**-43**

** The revision of the comparative figures is the result of changes to the accounting policies (see pages 108 to 111)*

The position of NS

The sole shareholder of NS is the Dutch State. As the shareholder in NS, the State ensures that the authorised capital invested in the state participation is managed in a responsible manner. To this end, the State:

- safeguards the public interest through its use of its controlling rights;
- takes action to maintain the financial value represented by the state participations;
- works to promote sound corporate governance.

Return

As the shareholder, the State considers maintenance of NS's financial value to be its core task. That is also in the interest of the company and its operations, because the company has no viable future as an independent entity if it cannot generate a healthy return. A sound return helps ensure the company's continued existence and therefore helps safeguard public interests. If NS is to maintain the financial value it represents in the future, it needs to be capable of systematically generating sufficient return. To keep its value and enable future investment, NS must as a minimum recoup the costs of debt and equity capital. A target post-tax return of 7% of equity has been agreed with the shareholder.

ROI

The return on invested capital (ROI) increased to 7.1% in 2014 (as opposed to 1.6% in 2013). In the longer term, NS seeks to achieve a return on invested capital that is in line with the market. Increasing the quality and improving the cost efficiency of the support departments will help improve the return.

NS agreed with its shareholder in 2014 that it would make cumulative additional savings of €340 million in the period through to 2024. This is to compensate for the loss of dividend and reduced accrual of capital as a result of the decision to choose Fyra/V250. These cost savings have been incorporated in the NS business plan. The measures include restrictions on consultancy fees, limiting the increase in personnel expenses in part through a freeze on hiring temporary staff and the implementation of end-to-end process optimisation and cost-cutting programmes in all business units and staff departments.

Financial position

The robustness of NS's financial position is clear from the structure and the composition of its capital, de available cash and cash equivalents and the fact that it has a committed credit facility. A substantial portion of the current loans may have to be refinanced in 2016.

Standard & Poor's (S&P), a reputable agency that investigates the financial position of companies, has given NS a credit rating of A+. This means that NS has the same rating as other Dutch state participations such as Gasunie and Schiphol. This rating is in line with the 2013 government paper on state participation policy. NS's solvency, at 55%, was better than in 2013 (52%).

Now that NS has accepted the new main rail network franchise for 2015-2024, it will be making substantial investments over the next few years in trains, stations and systems. Based on the NS business plan and the initiatives it contains for improving results, NS expects the available cash flows and financing capacity to be sufficient to enable it to carry our its investment programme of approximately €8 billion in the period to 2024. The realisation of these improvement initiatives will require a substantial effort from the entire NS company over the next few years.

Specification of operating revenue

(in millions of euros)	2014	2014	2013	2013
	€	%	€	%
Revenue from passenger transport	3,563	86%	3,243	84%
Revenue from station development and operation	620	15%	669	17%
Revenue from other activities	58	1%	73	2%
Intra-group eliminations	-97	-2%	-112	-3%
	4,144	**100%**	**3,873**	**100%**

Operating revenue

Revenue was €4,144 million in 2014 compared with €3,873 million in 2013.

Revenue from passenger transport

Revenue from passenger transport increased by €321 million to €3,563 million. Transport on the domestic network as provided by NS Reizigers increased by €69 million to €2,081 million, mainly as a result of the annual indexation. NS Reizigers also achieved higher revenue because it had more season ticket holders in the consumer market. Transport revenue in the business market remained constant despite the high state of flux in this market.

Revenue from domestic and international (cross-border) transport by NS International rose by €16 million to €179 million. The revenue from passenger transport by rail in other countries provided by Abellio was €942 million in 2014. This is €88 million more than in 2013, primarily because of higher revenue from the Greater Anglia franchise.
Revenue from bus operations also increased, by €141 million to €378 million in 2014. This is mainly due to the start in December 2013 of the operation of the Utrecht administrative region (BRU) franchise by Qbuzz. An increase was also recorded in the revenue from the bus operations in the UK.

Revenue from station development and operation

Revenue from station development and operation fell by €49 million to €620 million. This decrease is due to a fall in the revenue from property development projects, mainly relating to the Utrecht municipal offices.

Revenue from other activities

The 'other activities' include supporting business units in addition to the holding company management and staff.

Operating expenses

(in millions of euros)	2014		2013	
	€	%	€	%
Wages, salaries and social security charges	1,374	36	1,323	33
Other personnel expenses	72	2	71	2
Staff hired in	100	3	96	2
Depreciation, amortisation and impairments	332	8	610	15
Raw materials, consumables, stocks and energy	473	12	485	12
Own capitalised production	-137	-4	-176	-4
Subcontracted work and other external costs	450	12	465	12
Infrastructure levy and franchise fee	779	20	708	18
Other operating expenses	420	11	408	10
Total operating expenses	**3,863**	**100%**	**3,990**	**100%**

Operating expenses

NS's operating expenses fell from €3,990 million in 2013 to €3,863 million in 2014, largely because exceptional expenses amounting to €125 million were recognised in 2013 for the downward revaluation of the Fyra/V250 rolling stock.

Wages and salaries

Wages, salaries and social security charges rose by 4% from €1,323 million in 2013 to €1,374 million in 2014. In 2014, €57 million was paid in pension contributions for staff covered by NS's own and other collective labour agreements (€45 million in 2013). Two thirds of the pension contribution remitted for staff covered by the NS collective labour agreement is borne by the company and one third by the employees.

Depreciation, amortisation and impairments

The depreciation, amortisation and impairment costs fell compared with 2013. This is mainly because of a downward value adjustment in 2013 of the Fyra/V250 rolling stock.

Infrastructure levy and franchise fee

The access charges for the rail infrastructure (infrastructure levy plus franchise fee) increased by a total of €71 million to €779 million (€708 million in 2013). The access charge for the Dutch rail infrastructure alone rose from €358 million in 2013 to €394 million in 2014. The access charges in Britain totalled €357 million (€329 million in 2013) and the charges for the German rail infrastructure were €28 million (€21 million in 2013).

Other items

The costs for the use of raw materials and consumables, stocks and energy as well as the costs of subcontracted work and other expenses were almost the same as in 2013.

Underlying result from operating activities		
(in millions of euros)	2014	2013
Result from operating activities	321	-70
Settlement of the V250 dossier with the manufacturer (AnsaldoBreda)/impairment of the V250 rolling stock	-44	125
Withdrawal from provision for onerous HSL South contract	-174	-97
Release from liability for upgrading rail connections	-26	-
Miscellaneous restructuring expenses	5	76
Other (mainly downward value adjustments)	2	44
Underlying operating result	**84**	**78**

Underlying result from operating activities

Our financial position needs to be sound if we are to achieve all our ambitions. In addition, investments must produce sufficient returns to ensure the company's continued existence. This is also in the public interest.

At €84 million, the underlying operating result in 2014 was virtually the same as in 2013, when it was €78 million.

Net finance income

The net finance income was a negative amount of €35 million (negative amount of €26 million in 2013), mainly due to the accrued interest on provisions.

Income tax

The effective tax rate for the result before corporate income tax was 37%, compared with 55% in 2013. Corporate income tax of €106 million was liable over 2014 (as opposed to a tax credit of €53 million in 2013). The corporate income tax was calculated on the basis of the applicable tax rates, taking the tax rules into account. The valuation of temporary differences was also taken into account. The tax rules include participation exemption, tax compensation of losses and the notional addition for costs that are not deductible in full.

Other tax information

Payroll tax is a tax that NS, as the employer, withholds from the salaries of employees and then pays to the tax authorities. The figures in 2014 were €391 million for the Netherlands, €3 million for Germany and €56 million for the UK.

NS's costs are largely subject to the high VAT rate. NS can set off the turnover tax that is charged against the turnover tax that it has to pay on its revenues. Most of NS's revenues are taxed at the lower or zero rates of turnover tax. Taken over the year as a whole, on balance there is a net receipt of VAT. In the Netherlands this balance resulted in receipts of €24 million, plus net receipts of €7 million in Germany, net receipts of €77 million in the UK and net receipts of €2 million in Ireland.

Corporate income tax is paid on the fiscal profit. The net balance was that €6 million was corporate income tax was received in the Netherlands in 2014. These receipts were the consequence of the tax authorities paying back excess provisional payments made in previous years and a provisional agreement on the settlement of losses. A net sum of €11 million was paid in Ireland.

The explanation above only refers to items of €1 million and more.

Profit for the period under review and profit appropriation

A profit of €180 million was recorded in 2014. In 2013, a loss of €43 million was achieved. A proposal will be made to pay a dividend of €48 million, which is 35% of the cumulative profit for 2013 and 2014, and to add the remaining €132 million to the reserves.

Investments

NS invested €461 million in 2014 (€420 million in 2013), mainly on upgrades to the VIRM and DDZ rolling stock. NS also invested in new rolling stock for use on the HSL. NS Stations invested in property development projects in Breda, Utrecht, The Hague, Amsterdam and elsewhere, as well as in retail formats. In addition, investments were made in systems that facilitate staffing and rolling stock adjustments.

At the end of 2014, NS had €998 million in cash and cash equivalents and financial investments, in part due to advance payments for the public transport student pass. This will be used over the next few years in part for the financing of investments in trains and stations.

Financing

The net cash flow from operating activities was €444 million (€349 million in 2013). The investments required a net outgoing cash flow of €436 million (€332 million in 2013). The net transfer from deposits to cash and cash equivalents came to €12 million (€47 million in 2013). This transfer has been classified as part of the cash flow from investment activities, which partly explains the overall cash flow from investment activities of €374 million (€236 million in 2013). No dividend was paid in 2014. This resulted in a positive cash flow of €6 million (negative cash flow of €37 million in 2013). The working capital rose by €201 million €199 million in 2013) due to a reduction in the payables, provisions and other liabilities.

Equity

At the end of the year under review, equity was €3,216 million (€3,044 million in 2013). The profit for the period of €180 million was credited to equity. Solvency, at 55%, was better than in the previous year (52% in 2013).

TOP programme

In 2012, NS had a benchmark study carried out to evaluate the quality and costs of the supporting services at NS (Finance, IT, HR and Purchasing). It showed that there is potential for improvement in these departments by standardising policy and working methods, looking for economies of scale, and utilising synergy. The TOP programme started in 2013 and will run for five years (2013-2017). It is intended to yield savings of approximately €100 million per year from 2017 onwards.

Programme plans and process descriptions were drawn up in 2014. Some of the plans for finance are now being implemented. For instance, the administrative functions for NS Reizigers+, NS Stations, NedTrain and the holding company staff departments have been merged and transferred to a new department (NS Finance Service Centre). Invoices from a number of major suppliers are now being processed electronically thanks to the introduction of e-invoicing. Further roll-out is planned. The TOP IT programme is also progressing according to schedule: the main projects are currently being executed or have been completed. The tendering process for the technical infrastructure has been completed. Progress has also been made in the modernisation of the infrastructure: four old data centres have been dismantled and the applications installed on a modern platform. Contracts have been successfully renegotiated, resulting in significant savings. In the Application Rationalisation project, a survey was completed of applications that are candidates for being phased out. The outcome of the survey is in line with expectations. The speeding up of purchasing project activities shifted them from 2015 to 2014, leading to temporarily higher costs. Purchasing savings are in line with the schedule and are being achieved in collaboration with the business units. As regards HR, the role of the HR business partner is being redefined. The savings are being achieved in line with the plans at HR too.

Key financial figures for 2014 and 2013

	2014	2013
Relating to the capital position		
Capital base / total assets	55%	52%
Current assets / current liabilities	1.2	1.1
Working capital[1] (in millions of euros)	-693	-894
Total assets (in millions of euros)	5,881	5,870
Relating to profitability		
Result from operating activities / revenue (ROS)	7.7%	-1.8%
Result from operating activities/average invested capital (ROI)[2]	7.1%	-1.6%
Profit for the period/average equity (ROE)	5.8%	-1.4%

[1] *Working capital: inventories plus current receivables minus current liabilities.*
[2] *Invested capital: total assets less non-interest-bearing current liabilities.*

8

Our impact on the environment and on society

More than 1 million trips by train and bus every day mean that NS has a major impact on society in the Netherlands: on mobility, safety, emissions and expenditure. We express the positive and negative environmental and socio-economic effects on our surroundings in euros in order to present a transparent picture of the breakdown and scale of this social impact.

NS SOCIAL IMPACT ANALYSIS 2014

1. Identification of themes

The impact analysis begins with a longlist of themes derived from stakeholder engagement (see Dialogue with our stakeholders). A shortlist of themes is then drawn up based on the material relevance (according to the definitions of GRIG4 and the thinking behind the Integrated Reporting framework).

LONG LIST

No barriers in the door-to-door journey (public transport smartcard, connections, journey information)
Tax
Integrity
Duties as an employer
Ease of use
A living wage
Purchasing policy
Personal safety
Privacy
Customer satisfaction (passengers, passengers and passengers as the top priorities - including satisfaction about transport capacity)
Risk management
Mobiliteit
Punctuality
Financial position
Sustainable mobility (off-peak occupancy rates, encouraging modal shift, relaxation and encounters in the train and at the station)
Innovation
Transparency
Public transport hubs
Raw materials
Activities in Europe
A sustainable NS (energy, CO_2, efficient reuse of waste, and making both internal processes and supply chain processes greener)

2. Materially relevant themes and KPIs

For the materially relevant themes and the KPIs related to them (see Our strategy), we have verified how these can be linked to the social impact analysis.

Materially relevant theme	Included in impact analysis*
Customer satisfaction	Journey time
Door-to-door journeys	Journey time
Punctuality	Journey time
Personal safety	Personal safety
Sustainable mobility	Journey time and mobility
Sustainable NS	Environment
Transparancy	Via the impact analysis as a whole
Financial position	Expenditure
Risk management	e.g. in Safe Journeys and Safety at Work
Integrity	Expenditure
Public transport hubs	Stations
Accessibility	Journeytime
Inkoopbeleid	Expenditure
Duties as an employer	Safety at Work, and Employability of Staff, Diversity, Training

** The analysis only looks at the activities in the Netherlands*

3. Evaluating the impact

Based on the availability of data and the assessment principles, an assessment has been made of the extent to which the impact can be calculated quantitatively for the 2014 Annual Report.

	Theme	Quantitative(€) qualitative(*)	Positive/ negative impact	The chain in scope in 2014
Environmental impact	Emissions	€	+/-	Yes
	Land use	€	-	Yes
	Waste	€	-	No
	Water consumption	€	-	No
	Noise	€	-	No
Socio - economic impact	Journey time	€	+/-	Yes
	Mobility	€	+	Yes
	Education	*	+	No
	Health and safety	€	-	No
	Employability	*	-	No
	Diversity	*	+	No
	Safe journeys	€	+/-	Yes
	Personal safety	*	-	No
	Areas around NS stations	*	+/-	No
	Expenditure	€	+	Yes

**The chain has been included for the most materially relevant environmental and socio-economic topics. For safe journeys and expenditure, the chain is an integral part of the calculation.*

The material topics covered in the material relevance matrix were the foundations for the scope of the social impact analysis (steps 1 and 2 in the diagram above). For each theme (step 3) we show the impact of NS - quantitatively if possible and otherwise qualitatively - including the strategic priorities and the actions to improve this impact.

Using the social impact analysis

NS intends to integrate the results of the impact analysis in strategic decision-making and investment decisions. This will not only let us focus on achieving the financial and operational results, but also on increasing the positive sides and lowering the negative sides of the social impact. In other words, improving social value creation. In 2014, this was for example

Our impact in a nutshell

Socio-economic impact Travel has a positive impact: it gets you from A to B. Using data from the KiM, NS has calculated this positive impact to be 7 billion euros annually. NS has also expressed the negative impact of travel in euros: this is the consequence of delays and reduced levels of comfort (e.g. not getting a seat). It comes to 3 billion euros a year. NS has invested substantially in improvements over the past year, for instance by running trains that are less overcrowded, and we will continue to do so in order to minimise that impact. Nevertheless, this impact will always be present, because the Netherlands has a very heavily occupied rail network, which does make it vulnerable. Calculations from the impact analysis also show that NS can still make substantial gains in the parts of the journey to and from the stations. These have a significant negative impact: 2 billion euros. In short, the impact analysis shows that 'time is money': the time before and after the train journey needs to be shortened, and time spent in the train must be used efficiently and comfortably.

In addition, NS has a relatively large impact on employment. Not only directly via the jobs at NS, but also throughout the sector-wide chain. We create about 22,500 jobs at our suppliers, for instance, benefitting the economy by 1.2 billion euros.

Environmental impact To help minimise our environmental impact, an energy contract was signed in 2014 with Eneco that represented an important milestone. This contract means that 50% of the traction energy for our trains will be from new green power sources in 2015; by 2018, it will be 100%.

already important in the decision to run half our electric trains on sustainably generated energy from 2015, and all of them from 2018 onwards.

Growth process

Last year we calculated the social impact of NS on the environment. This year we are extending the calculation to include our socio-economic impact. NS sees the impact calculation as a growth process. Over the coming year, we will tighten up the methodology further where necessary. In order to maintain transparency, NS has decided to publish the results of the analysis already. We are publishing the methodology, the underlying principles and the choices made on www.ns.nl/mvoberekeningen so that the results can be put in the appropriate context. This is how NS wants to inspire other companies and help develop a standard for calculating social impact. NS is also contributing to a standard for impact analysis by taking part in the 'Social Value Creation' initiative by De Groene Zaak, a Dutch partner of the World Business Council for Sustainable Development.

Key insights from the 2014 social impact analysis

As stated in the chapter about it, the social impact analysis underlines the importance of our role in Dutch society as a public transport provider and shows that we are already creating social benefits through our current strategy of prioritising 'passengers, passengers and passengers' - benefits that are many times greater than our financial results. However, it also provides us with insights into the social costs of our services in terms of e.g. emissions, safety and journey times. It also underlines the importance of continuing our door-to-door strategy. The social costs of transport before and after the train journey (to and from the station) unfortunately turn out still to be relatively high compared to the social costs of the train journey itself. If we are to achieve our ambitions (see Chapter 6, 'Our strategy'), we will therefore have to aim to make investment choices over the years to come together with our partners that minimise the social costs of transport before and after the train journey.

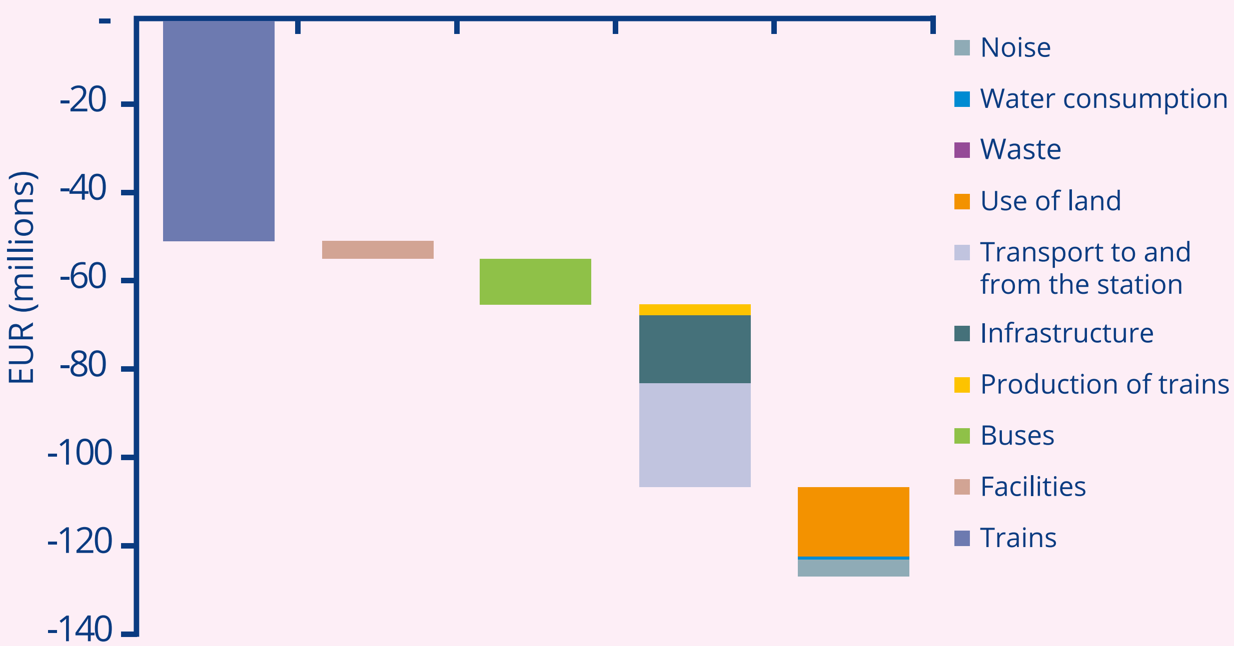
We also want to optimise our positive impact on mobility. Aspects tackled for the projects under our strategy of prioritising 'passengers, passengers and passengers' include running on time, avoiding congested trains and also making the journey time more pleasant.

Results of the environmental impact: emissions, land use, waste, water and noise

The negative environmental impact is above all the result of using fossil fuels for running trains. Consuming fossil fuels causes air pollution through emissions of e.g. CO_2, SO_2, NO_x and fine particulates. This has a negative impact on the climate, on nature and on health, resulting in social costs. Land use, waste, water consumption and noise nuisance also result in negative environmental impacts.

The current negative environmental impact is approximately €120 million, which breaks down into about €70 million directly as a result of NS and about €50 million in the transport chain as a consequence of transport before and after the train

Negative environmental impact



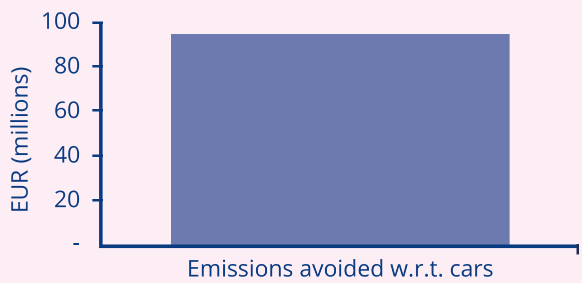
** Compared to 2013, the scope of the negative impact calculation has been extended to include e.g. land use for the tracks and emissions in transport before and after the train journey, infrastructure, the manufacture of the trains and the preceding supply chain of electricity generation and fuel production.*

journey and infrastructure. We have calculated this by adding up the social cost in absolute terms of emissions, water consumption, land use, quantities of waste and noise nuisance, with CO_2 accounting for by far the bulk of the negative environmental impact.

Compared with cars, NS has a positive environmental impact. Travelling by train avoids some air pollution in fact, because it - along with the public transport bicycle - is relatively low compared to car journeys and alternatives for transport to and from the station. Our calculation of the positive environmental impact with respect to the car only includes 'discriminating passengers', i.e. those who are willing and able to make a choice between the car and the train. This positive environmental impact of emissions that were avoided with respect to the car was approximately €90 million in 2014.

In order to reduce the negative impact and increase the positive environmental impact, NS is aiming to become climate-neutral (zero grams CO_2 per passenger-kilometre) by reducing the energy consumption per passenger-kilometre and by using sustainably generated energy for our operations.

Emissions avoided with respect to cars



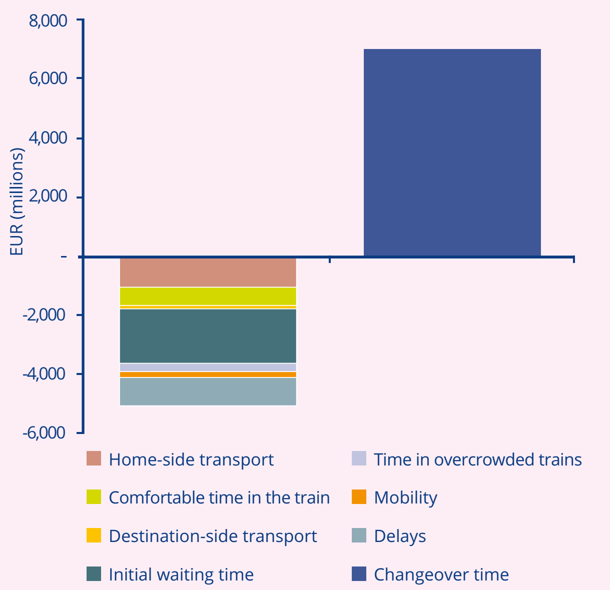
**With respect to 2013, this calculation has been extended e.g. by including emissions that are released during the production of fossil fuels.*

In 2014, NS signed a green energy contract with Eneco that means all trains will be running on wind energy by 2018. It is estimated that this will result in the negative impact being reduced by approximately €50 million and a positive impact improvement with respect to cars of about €20 million. Furthermore, we want to reduce our waste as much as possible and convert it back into raw materials

Results of the socio-economic impact of mobility and journey time

NS and its sector partners are creating a socio-economic impact by providing mobility and by giving society the opportunity to move from A to B for working, studying or recreation, thereby contributing to economic traffic. Travelling by train also helps connect people and promotes social inclusivity. The importance of mobility in the Netherlands has been valued by the Kennis Instituut Mobiliteit (a mobility knowledge centre) at a minimum of €70 billion. At least 10% of this, i.e. 7 billion euros, can be ascribed to NS.[1]

Journey time and mobility



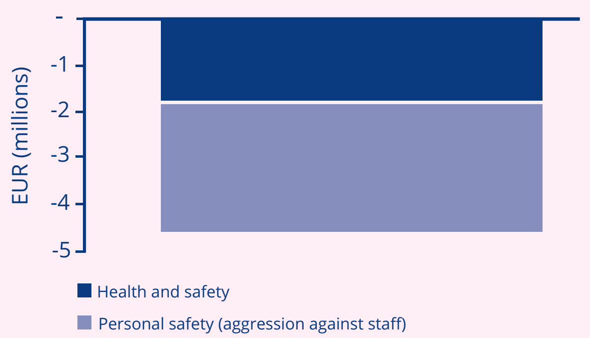
The travelling time for the door-to-door journey results in social costs because passengers are not able to utilise their time as they would like. This applies in particular to time lost to delays and to time spent in overcrowded trains. The social costs of travelling time were approximately €5 billion in 2014. During 2015, an even better picture will be obtained of the impact of journey time on passengers as a consequence of delays and congestion in the trains. The calculation can then be refined further.

To improve the social impact of mobility, NS aims to provide accessible and affordable public transport. We focus on minimising journey times, for example through the Better and More programme which lets us make direct changes aimed at improving waiting times, punctuality and capacity. We also aim to reduce journey times by removing the barriers for changing between the train and other modalities, as well as by providing the best possible information. In addition, we are increasing accessibility and comfort by a better distribution of passengers during busy periods, and through facilities such as quiet zones, social carriages and Wi-Fi in the train. This makes it possible for passengers to utilise their journey time more effectively, reducing the social costs of travel time.

Results of the socio-economic impact of safety

NS can promote safety within society by offering safe transport and a safe environment for passengers and staff. At NS, we are working on safety at work, personal safety and safe travel.

Occupational safety and personal safety



In terms of occupational safety, NS is working on preventing physical or mental harm to our employees, for instance as a result of unsafe working conditions, which can mean they may not be able to work (or not able to work full-time) or may need care. The social costs of occupational safety were about €2 million in 2014. NS wants to reduce this, for

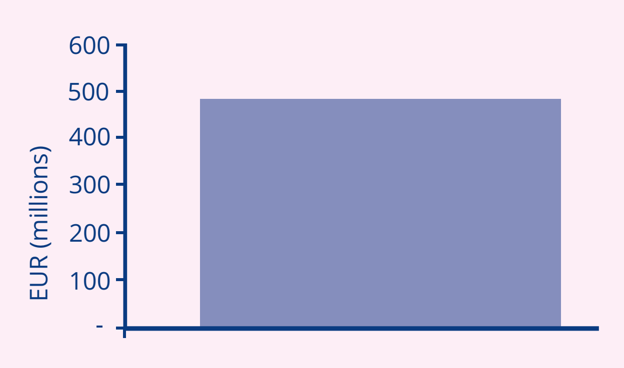
Safe journeys

[1] *Source: Mobiliteitsbeeld 2014, Kennisinstituut voor Mobiliteitsbeleid, Ministry of Infrastructure and the Environment*

instance by tightening up safety instruction and through vitality programmes, campaigns, the complaints committee and confidential advisers.

To provide safe travel, NS is working with its partners on preventing collisions and derailments or unsafe situations at the stations. There were 45 incidents in 2014 that involved injuries to passengers. The associated social costs were approximately €1 million. To promote safe travel even more, NS is working with ProRail and other carriers for example on reducing the number of SPADs, improving automatic train safety systems and continuing to pay attention to safety training and open communication with staff about improvements.

Safe travel compared to cars



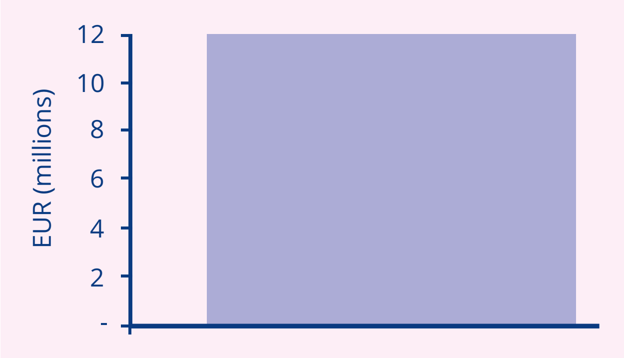
The number of traffic accidents in journeys before and after train transport and the impact of these accidents is much higher, at approximately €100 million. Travelling by train is relatively safe compared to transport by car. The positive impact resulting from accidents that are avoided because of people actively choosing the train is only calculated for the 'discriminating passengers'. The social benefits of safe transport by train were approximately €430 million in 2014.

Results of the socio-economic impact of training, employability of staff and diversity

NS has a positive socio-economic impact on society by developing the knowledge, skills and talents of its staff, by aiming to keep them in sustained employment, and by being a diverse and inclusive organisation. The social benefit of training at NS is improving the economic value of the potential capacity of its workforce after they have left NS. The social benefits of this in 2014 were approximately €12 million.

The result of being unfit to work is that the employability of staff members is limited. This has negative social costs for

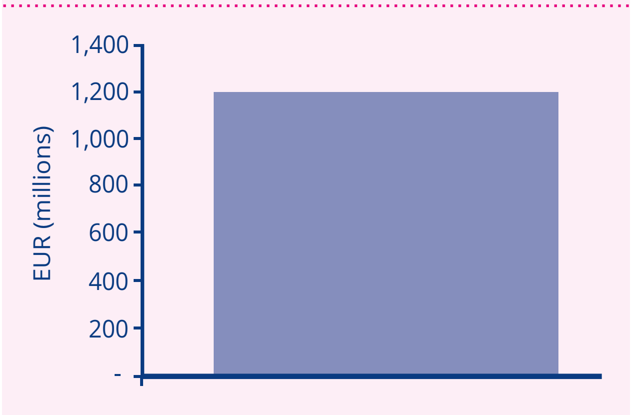
Education and training



example because of hospital costs and the costs of benefit payments and the loss of productivity and purchasing power. NS is undertaking various activities to improve this impact (see Chapter 7.5).

NS wants to be a diverse and inclusive organisation where everyone feels welcome. Diversity means social role models and recognition for e.g. women, people with occupational disabilities and people from ethnic minorities. In addition, diversity ensures that NS is more aware of what is happening within society, which lets us adjust our policy to suit. We are doing more and more to expand the social benefits of diversity (see Chapter 7.5).

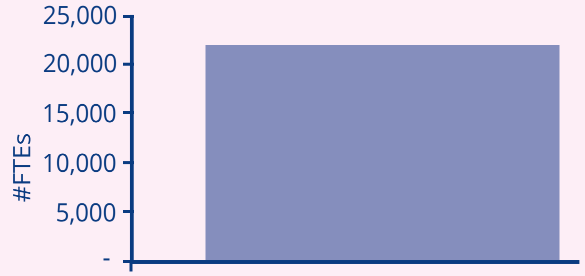
Expenditure - indirect added value



Results of the socio-economic impact of expenditure and stations

NS has a socio-economic impact on society through its own expenditure such as procurement, investments and salaries. These expenditures mean for instance that NS contributes to the added value and employment opportunities at its suppliers. The economic benefits for 2014 were €1.2 billion of added value at suppliers, or approximately 22,500 jobs. NS is able to extend its positive social impact yet further through

Expenditure - indirect employment

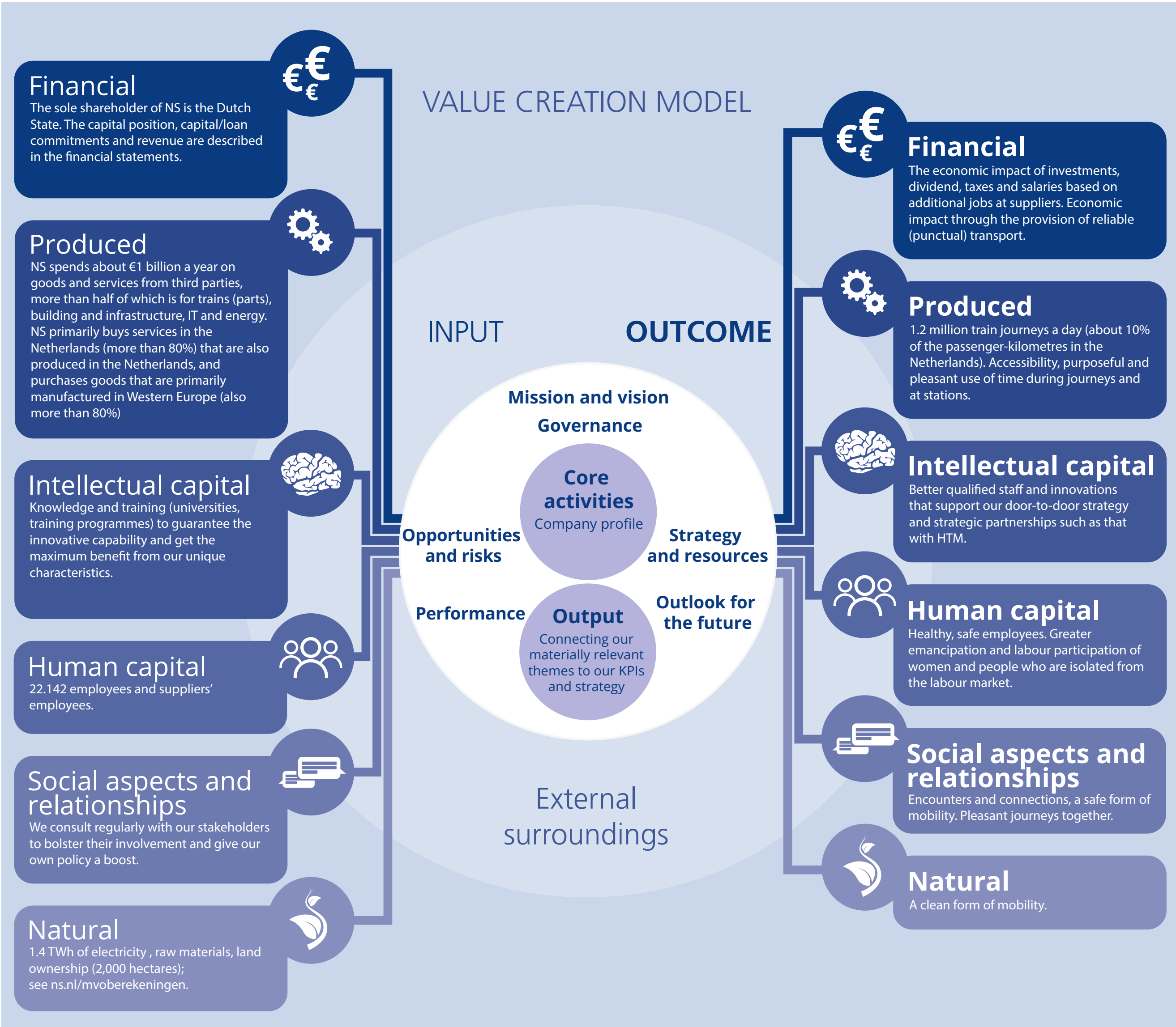


sustainable procurement, e.g. for major categories of purchases such as trains (and components), and buildings and infrastructure, IT and energy. Research[1] has shown for instance that buying in wind energy creates significantly more jobs on balance within the supply chain than fossil energy does.

[1] *In addition, NS has impact on the areas surrounding its stations. This consists primarily of enhancing accessibility for local residents (seen in journey times and mobility) and the contribution to improving the living environment, for example through business activities around stations.*

Methodology, scope and principles

- Overview of the methodology: the methodology for the impact analysis focuses on identifying both negative and positive environmental and socio-economic impacts as NS and valuing those impacts in terms of costs and benefits for society.
- Evaluating the social impact: an assessment was made of the selected topics to see whether quantifying them is feasible with the available data and the define parameters for the valuation. If not (e.g. diversity), the topic is included qualitatively. This is an evaluation of the social costs and benefits that are not covered in the financial results. The evaluation uses external (scientific) studies as well as our own data.
- Scope: the impact analysis focuses exclusively on the activities of NS in the Netherlands, which are included as fully as possible.
- Reference for the methodology and scope: for a detailed description of the methodology and scope for each theme, please see www.ns.nl/mvoberekeningen.
- Changes: the scope of the emissions and land usage parts has been extended with respect to the social impact analysis of 2013 to include the entire value chain for transport by rail by NS. In addition, socio-economic themes have been quantified where possible in 2014.
- Principles for the sector impact and the comparison of the impacts of car and train: for many of the themes, NS works with partners to improve the results and the social impact. Together with ProRail, we are for example improving rail safety, punctuality and journey time. Despite the fact that a share of the impact in many of the themes could be assigned to our partners in the sector, we are not yet going so in the calculations. We are looking at methods for including such a split in subsequent publications. The positive and negative impacts are being presented separately for each topic, given that it is not possible to balance them off against each other (because the positive impact is often expressed as the difference with respect to transport by car).



VALUE CREATION MODEL
Financial
The sole shareholder of NS is the Dutch State. The capital position, capital/loan commitments and revenue are described in the financial statements.
Produced
NS spends about €1 billion a year on goods and services from third parties, more than half of which is for trains (parts), building and infrastructure, IT and energy. NS primarily buys services in the Netherlands (more than 80%) that are also produced in the Netherlands, and purchases goods that are primarily manufactured in Western Europe (also more than 80%)
Intellectual capital
Knowledge and training (universities, training programmes) to guarantee the innovative capability and get the maximum benefit from our unique characteristics.
Human capital
22.142 employees and suppliers' employees.
Social aspects and relationships
We consult regularly with our stakeholders to bolster their involvement and give our own policy a boost.
Natural
1.4 TWh of electricity , raw materials, land ownership (2,000 hectares); see ns.nl/mvoberekeningen.
INPUT
OUTCOME
Mission and vision
Governance
Core activities
Company profile
Opportunities and risks
Strategy and resources
Performance
Output
Connecting our materially relevant themes to our KPIs and strategy
Outlook for the future
External surroundings
Financial
The economic impact of investments, dividend, taxes and salaries based on additional jobs at suppliers. Economic impact through the provision of reliable (punctual) transport.
Produced
1.2 million train journeys a day (about 10% of the passenger-kilometres in the Netherlands). Accessibility, purposeful and pleasant use of time during journeys and at stations.
Intellectual capital
Better qualified staff and innovations that support our door-to-door strategy and strategic partnerships such as that with HTM.
Human capital
Healthy, safe employees. Greater emancipation and labour participation of women and people who are isolated from the labour market.
Social aspects and relationships
Encounters and connections, a safe form of mobility. Pleasant journeys together.
Natural
A clean form of mobility.

9

Managing risks

NS is exposed to various risks on a daily basis. We subdivide these risks into strategic, operational, financial, reporting and compliance risks. It is important for us to have an effective risk management process. Past incidents (such as Fyra/V250 and problems in the winter) as well as topical issues such as the strikes by cleaning staff and the overcrowded trains on certain routes bear out the need for this.

Risk management system

NS has implemented a system for the identification and control of risks. We give an explanation of the different elements in this chapter.

Risk appetite and risk tolerance

What risks we are willing to accept is determined by the fact that we want to do maximum justice to our role in society and operate as an entrepreneurial business. We consider the relationship between a reliable, safe service for customers, visitors and staff on the one hand and, on the other, the consequences for the environment, society at large and NS's financial position.

Risk identification and control

NS has introduced a system for identifying and controlling risks. Risk assessments of key projects and processes are carried out within the business units on a regular basis. Risks are discussed periodically in the directors' meetings. NS records these risks in risk registers. We always carry out a risk analysis of major investment proposals. Some examples are investments in rolling stock and bids for franchises in the Netherlands and abroad. Important risks and control measures relating to issues such as the winter weather are regularly evaluated. NS puts a great deal of effort into risk management but we are also aware that there is room for improvement. That is why we aim to increase the professionalism of our risk management further in the next few years. NS wants to do this in order minimise the likelihood of making errors, taking the wrong decisions and being taken by surprise by unforeseen circumstances. We cannot rule out all risks, but we can ensure that the impact is kept to a minimum.

NS has drawn up a Code of Conduct (including whistle-blowers' scheme) and rules of procedure for various levels of authorisation to support its risk management processes. There is also a Reporting manual, which describes the procedure, principles for valuation and determining the result, and the system for identifying and testing financial reporting risks. There is a safety management system describing the procedure and system for identifying and testing safety risks, as well as a monitoring system for following up on audit findings by the internal and external auditors.

Organisation, governance and reporting

The business units and ultimately the Executive Board have final responsibility for managing the risks. To support them, NS has risk managers in the business units who help identify the risks and monitor progress in the management of significant risks. The risks per business unit are reported every quarter and discussed in the ExCo as part of the planning and control cycle. The risks to the company are established, evaluated and updated in the ExCo. The Executive Board reports to the Supervisory Board and gives an account of the system of risk management and internal control after discussing this with the Audit Committee. In 2014, responsibility for risk management was assigned to the NS Risk & Audit department with the aim of giving the risk function a more prominent place and improving its integration in the business operations. A Chief Risk Officer (CRO) was appointed with access to the ExCo and Supervisory Board. The CRO is also the link to the risk managers within the business units.

Tools and IT support

NS uses software and voting booths as aids in risk sessions. We do not yet have an integrated Enterprise Risk Management System.

Risk culture

We pay attention to the management of risks within NS. There is a particular focus on the management of safety risks and operating risks.

Risk management aims

In 2014, NS Risk invited an external organisation to assess how well NS has implemented risk management. The investigation showed that risk management within NS is at the 'basic' level. NS is further advanced than its peers in the rail sector is some respects, but lags behind in others. In general, risk management in the rail sector is not that mature and tends to focus mainly on controlling operational and safety risks.

Over the next few years, NS aims to increase the professionalism of our risk management further by:

- fleshing out and specifying (where possible) the risk appetite associated with the strategic objectives;
- quantifying risks more, as we already do to some extent in the management of rolling stock availability. This will help make risk control more fact-based;
- reviewing the way the risk function is implemented, reports and reporting lines and the Risk Committee, and making changes where necessary;
- increasing risk awareness during decision-making, in projects, in programmes and in operational activities.

Statement by the Executive Board

The Executive Board believes that the systems of risk management and internal control concerning the financial reporting risks in the financial year functioned satisfactorily and give a reasonable degree of certainty that the financial reports do not contain any material misstatements. We aim to increase the professionalism of our risk management further.

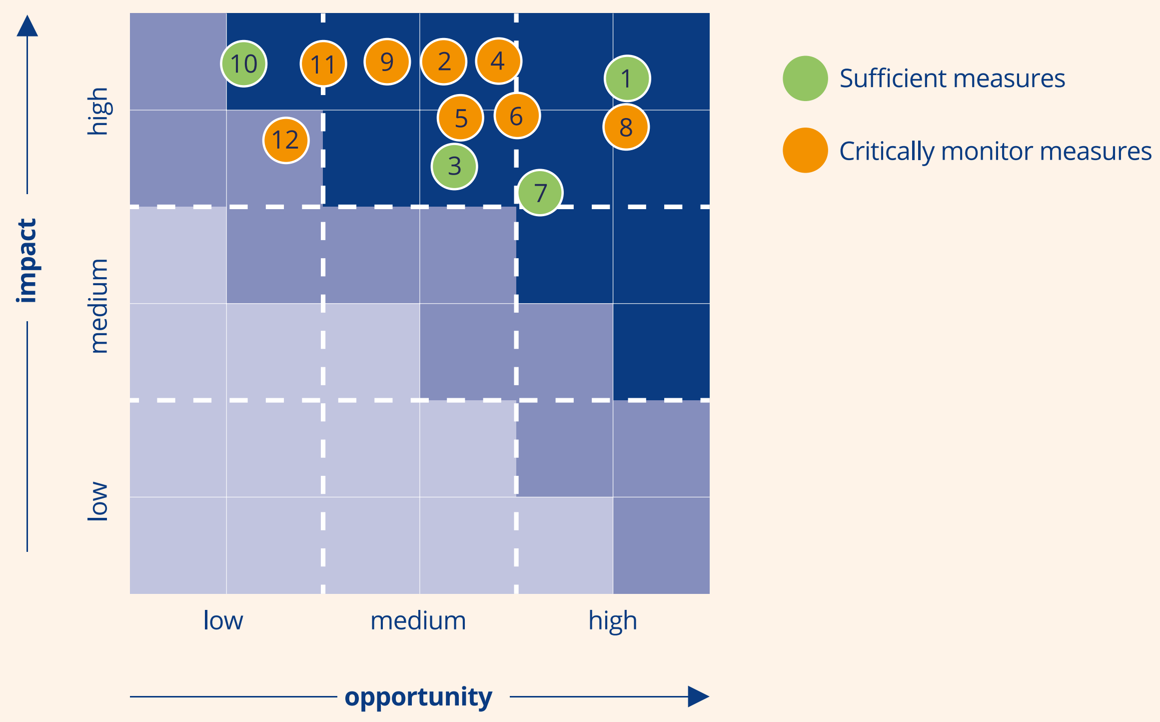
The Executive Board states that as far as it is aware

- the financial statements give a true and fair view of the assets, liabilities, financial position and profits of NS and the companies included in the consolidation as a whole;
- the annual report gives a true and fair view of the situation on the balance sheet date and the course of business during the financial year;
- the annual report contains a description of the principal risks NS is facing.

Clarification of principal risks

As part of the business plan process, the ExCo has determined the principal risks for the company as a whole based in part on the risks identified in the business units. The relationship was also considered with the realisation of the strategic objectives (see Chapter 6) and the materially relevant topics (see Chapter 5). The company risks have been plotted in the table below to show how NS classifies these risks. They are explained in more detail below.

Risk assessment matrix



	Company risks	Other comments
Strategic risks	1, 2, 3, 4, 6	-
Operational risks	5, 7, 8, 9, 10, 11, 12	-
Financial risks	-	See 'Financial risk management' in the financial statements
Reporting risks	-	See independent auditor's report and auditor's assurance assignment
Compliance risks	-	Sufficiently under control, still needs to be monitored

1. Complexity of the external environment

Description
The risk that NS's business processes and stakeholder interests are not aligned in time, and that resulting stakeholder interventions could lead to suboptimal output from the passengers' perspective or adjustments to business processes, both of which could have a negative impact on NS's finances and/or reputation.

Explanation
NS has many regional, national and European stakeholders with a direct or indirect impact on its business processes. For example, the EU is reconsidering statutory regulations in the public transport market for the years ahead as it feels that some of the incumbent operators in the member states are not performing as well as they should. Consumer organisations have the right to give an opinion on business processes while national and regional authorities have more powers with respect to NS under the new franchise. NS collaborates intensively with ProRail, other transport companies and various authorities in and around stations. It needs to take proper account of stakeholder interests when taking decisions about business processes and implementing them. If it does not do so sufficiently, there is a risk of stakeholders using their formal powers and informal influence to get business processes changed in response, with stakeholder interventions as a result. NS carries out stakeholder management to prevent (to the best of its ability) the damage to its finances and reputation that could ensue from this.

Measures
- NS has identified its stakeholders at all levels and maintains contact with them through stakeholder management.
- NS identifies in good time which stakeholders are associated with which business processes, and proactively involves the stakeholders in the design of the business processes in the interests of passengers.
- Those directly responsible for business processes proactively engage in a stakeholder dialogue.
- NS has identified in good time the impact that political decision-making and the implementation of these decisions can have on its business processes. It allows for this in its scenario planning and engages in a timely dialogue with public authorities and society at large to ensure passengers' interests are safeguarded in this decision-making.

Residual risk
Regional, national and European authorities can take decisions that impact upon NS's business operations so that it may have to adjust its business processes after all.

2. NS's financial position

Description
The risk that NS's financial position is not sufficiently strong for it to fulfil its franchise commitments and generate the return demanded by its shareholder.

Explanation
NS has been operating a new main rail network franchise since the beginning of 2015. This entails additional obligations, in particular with respect to rolling stock. In addition, NS's financial results were boosted in the past by various exceptional items, which are gradually reducing in significance. As a consequence, we are not generating a sufficiently large operating cash flow to fulfil all our obligations in the long term. We therefore need to improve profits in order to remain financially sound and meet the requirements set by the shareholder. The risk could have an impact on the interim evaluation of the main rail network franchise in 2019 or the evaluation at the end of the franchise in 2024. Ultimately it could lead to the loss of the main rail network franchise, which would endanger the continued existence of the company.

Measures
The business units have been instructed to examine their own profitability and to come up with measures to increase revenue and reduce costs. This is also a company-wide topic in the ExCo. Progress is monitored on a monthly or quarterly

basis. We take a critical look at investments and their contribution to profitability.

Residual risk

The residual risk is acceptable as at present all the necessary measures have been taken. Even so, the measures need to be managed and monitored so that we can be sure that they deliver what was intended.

3. International growth strategy

Description

The risk that the European operations are not sufficiently diversified and profitable to maintain or extend the current position.

Explanation

Further deregulation of the international rail market offers NS opportunities for using experience acquired abroad to improve services in the Netherlands. If the international operations are not sufficiently diversified and profitable, it will not be possible to maintain the current position and the positive contribution to NS and Dutch stakeholders. However, deregulation is also leading to increasing competition in the Netherlands, which may put pressure on financial results.

If NS is to achieve its international strategy, it is important that these operations are on a sufficient scale and that they generate operational profits. Furthermore, NS will constantly point out the benefits of its international activities to its stakeholders so that they remain aware of the advantages of its operations abroad. In 2014, the franchises for Northern Rail and Abellio Greater Anglia were extended to 2016. NS was also awarded the ScotRail franchise, which signifies a structural improvement to its position in the United Kingdom. We are working hard in Germany on mobilising the franchises awarded there and winning new franchises.

Measures

All the franchises that may be put out to tender in the international market in the next few years have been identified and prioritised based on the NS strategy, taking into account the boundary conditions that the shareholder has set for NS. A franchise must make a positive contribution to the financial results of NS and must have a relatively low risk profile.

When implementing our foreign strategy, we make sure that Dutch interests are safeguarded as specified in the Cabinet's policy on state participations. We have implemented a quantitative risk model for franchise bids. This model reveals the possible positive and negative deviations with respect to our best estimates for a range of different scenarios. When assessing these bids, NS considers not just the financial results but also the potential benefits to passengers in the Netherlands. In 2014, NS actively started drawing lessons from the European organisation (in particular the British organisation) in effectiveness and efficiency.

This is an example of how we can gain experience in reducing costs, creating customer-oriented solutions and punctuality from operating in a competitive, commercial environment.

Residual risk

Risks are associated with a strategy of doing business abroad. These risks have been identified and are being managed satisfactorily.

4. Infrastructure

Description

The risk that ProRail's performance and the investments in the rail infrastructure are insufficient to enable the planned developments in the timetable, passenger-kilometres and day-to-day quality of the transport service.

Explanation

If the pressure on government expenditure means that there are insufficient funds for the management and upkeep of the infrastructure, there will be a risk of lower availability on a daily basis than we need in order to be able to provide a proper service for our passengers. In the longer term, limitations to investments will result in the necessary improvements to and expansion of the rail infrastructure not being achieved on time (or not achieved at all), with consequences for the planned developments in the timetable, passenger-kilometres and day-to-day quality of the transport service.

Measures

NS represents the interests of passengers in decision-making about investments in the rail infrastructure and the elaboration of the details. We do this by providing the right customer-oriented design specifications beforehand, based on customer surveys and passenger forecasts. We also collaborate with ProRail to make sure that the available funds in the National Budget are put to optimum use with regard to the day-to-day operations, the Better and More development programme and investments in the rail infrastructure.

Residual risk

If the alignment is not optimum, there is a residual risk that functional deficiencies in the rail infrastructure result in additional operating costs for carriers and therefore for NS too. That is not good for the rail sector even if NS is allowed to pass on the costs in the fares.

5. Portfolio choices

Description

The risk that NS does not focus strongly enough on the portfolio of programmes and projects and consequently fails to achieve the intended cost savings in time, or fails to realise the necessary quality improvements.

Explanation

NS is at the heart of the community and continuously seeks to tie in with the wishes of various stakeholders. That sometimes necessitates changes in our own organisation or requires us to develop new initiatives. We set up programmes and projects to implement this. It is important for NS to choose the right programmes and projects given NS's financial position (see Risk 2) and the contribution they make to its strategic objectives. Portfolio management should therefore be at a satisfactory level. We aim for an optimum mix of programmes and projects as this helps us achieve our strategic objectives. In doing so, we constantly weigh up the strategic importance of programmes and projects, the available funds, the risks and the opportunities.

Measures

A number of business units have a cohesive, clearly defined portfolio management process. NS Reizigers and NS Groep still have some way to go in this regard. We have set up a system of programme and project management for major programmes and projects such as TOP (cost savings initiatives), implementation of the HSL services, the main rail network franchise for 2015-2024 and the Long-term Rail Agenda.

Residual risk

In specifying eight strategic initiatives, NS has set out a clearer focus to guide the choice of programmes and projects. This will need to be worked out in more detail in the form of a sound portfolio management process. Even though a system of project management has been set up for large-scale initiatives, the success of these initiatives is far from certain and constant monitoring is therefore required, with adjustments being made where necessary.

6. Implementation of the HSL service

Description

The risk that we do not deliver the agreed HSL service. The biggest underlying risk is that we do not have high-quality train carriages, authorised for use on the HSL, available in time.

Explanation

The plans are realistic but require constant attention. In the implementation of the first phase (Amsterdam-Brussels IC sixteen times a day), it became clear that the conversion of the carriages is a crucial factor in the programme, whereby time and quality are key elements. This applies to the subsequent phases too. If the HSL service is not delivered on time or in full, this could seriously damage our reputation as well as leading to dissatisfaction among customers. The project will take about eight years. It is therefore important that we keep in control of schedules and costs.

Measures

The programme organisation is in place, there is a steering group that reports to a member of the ExCo, and there are work flows with close links to the departments contributing to the implementation. Plans are being worked out in detail or are already being executed, risks are being shared and the lessons learned from Fyra/V250 are being incorporated.

Residual risk

There is a residual risk of us still not being able to deliver the agreed quality by the main milestones. We consider this to be unacceptable, which is why we are constantly evaluating whether the risk control measures we have taken are effective. If necessary, we will take additional measures.

7. Major disruptions

Description

The risk that we do not manage major disruptions to the train services in a satisfactory manner.

Explanation

There are disruptions to the train services every day. Any disruptions can soon have knock-on effects because the tracks are used so intensively. We also want to advise passengers on what they should do in any given situation by proactively offering them journey information. But that is particularly difficult during disruptions, whereas that is precisely when passengers have most need of such information. Indeed, we are not always able to do as much as we would like. Ultimately there will be trains every ten minutes on the busy routes, which means that any disruptions will have less of an impact on passengers.

Measures

The organisation responsible for making adjustments to the service is increasingly well equipped with automated control mechanisms and sophisticated scenarios based on evidence from daily experience. We are working methodically here on making the train services systematically more robust. We have also taken seasonal measures to make sure the transport system is less vulnerable and more controlled. For the long term, we have started the Better and More programme in collaboration with ProRail (see also the risks relating to rolling stock shortages and the infrastructure). ProRail is also investigating the possible implications of climate change for the infrastructure. In the event of any disruptions, there are measures in place for caring for and assisting passengers.

Residual risk

Research suggests that disruptions are likely to cause more annoyance as our general performance improves, because when disruptions become less frequent, passengers become more irritated when things happen to go wrong after all. NS needs to take this into account in its communications.

8. Rolling stock shortages

Description

The risk that NS Reizigers and NedTrain fail to ensure a supply of rolling stock that is reliable, stable and in line with the demand for transport services and required mix (Intercity, Sprinter and High-Speed trains).

Explanation

NS aims to have sufficient rolling stock available for our passengers, every day. We want passengers to have realistic expectations and at the same time we want NS to deliver on its promises regarding the services we are offering. We also want to keep reserve capacity as low as possible.

The availability of rolling stock was under pressure in the past year, partly because of the decision to stop running the Fyra/V250 trains, as part of the reserve capacity had to be deployed on the high-speed line, and partly because too much rolling stock was taken out of service for maintenance. The scope of the contract for the student public transport pass is also being extended, which means even more train capacity will be needed in the future. The shortages are resulting in overcrowded trains and deviations from the timetable on some routes, as a result of which we are failing to achieve the target customer satisfaction score for seating capacity on certain routes.

Measures

- We regularly recalibrate our transport capacity policy by working with scenarios in which we explicitly weigh up the appeal to customers against feasibility and the financial implications.
- We actively manage expectations of transport capacity within the Ministry of Infrastructure and the Environment and among passengers through transparent, clear communication.
- We update the long-term rolling stock forecasts every six months to allow for developments in mobility.
- NS is accelerating its investments in rolling stock (FLIRT trains).
- There are also tendering processes in progress for the manufacture and delivery of the New Generation Intercity trains and the New Generation Sprinter trains, which will increase the rolling stock capacity in the longer run.
- Longer trains are systematically put on in the autumn; additional trains are put on in the morning rush hour; withdrawals from service of rolling stock are kept to a minimum in the autumn and winter, in part by a more sophisticated scheduling of work activities over the year and allocation of work to NedTrain's maintenance centres and service centres.

- NS undertakes various actions to achieve systematic operational improvements and ensure that rolling stock availability is more predictable. These actions include improvements in the logistical chain and the creation of a transport capacity control model. We also aim to improve our analyses by zooming in more on the underlying causes.
- We will be using new, more customer-oriented performance indicators.

Residual risk
We aim to provide passengers with good quality transport services on a daily basis, despite the current pressure on the rolling stock fleet. This will remain a challenge in the years ahead given that passengers immediately experience the effect of any disruptions to the train service. The limited reserve capacity offers less flexibility for making adjustments in the event of a disruption (see also the risks relating to major disruptions).

9. Labour relations problems

Description
Industrial action prompted by discontent, organisational changes or differences of opinion within trade unions on the collective labour agreement.

Explanation
Internal labour relations: The Works Council and the directors may disagree on subjects where the employee participation body has the right of consent or to give a formal opinion.

External labour relations: Trade unions and NS may disagree on subjects that the unions bring to the table when lobbying for the interests of their members, as social partners in national consultations between employers and unions, or in collective labour agreement negotiations where the parties are unable to reach an agreement.

The potential impact of this risk
Internal labour relations: If the differences persist, proceedings can be instigated in the Enterprise Division of the Amsterdam Court of Appeal. However, such proceedings have a psychological impact as well as legal consequences and lead to one ‘winner’ and one ‘loser’. That can have knock-on effects on requests for consent or a formal opinion. This may have a PR effect too.

External labour relations: discontent among staff can lead to various kinds of industrial action, from union meetings to local stoppages (such as on 2 December 2014) or a company-wide strike.

Strikes and industrial action have financial, commercial and organisational consequences as well as an impact on the company’s reputation. The extent of the effect depends very much on the situation.

In general, industrial action also affects relations between staff and the management and among the staff.

Stoppages or strikes violate the principle of prioritising passengers, passengers and passengers. That is highly undesirable from the point of view both of passengers and of NS’s commercial interests and reputation.

Measures
- Proper management of the relationship between the directors and the Central Works Council/individual Works Councils: regular meetings, informal contacts and professional support for the meetings.
- Proper management of the relationship between NS and the unions: regular meetings, informal contacts and professional support for the meetings.
- Clear communications directed at the rank and file.
- NS uses professional negotiators for the collective labour agreements who make sure there is always room on the NS side for negotiation and talks.
- If industrial action is undertaken that could cause disruption to train services, discussions are started in good time to enable the crisis policy team to be established.
- Scenarios for making the right moves in the event of disruptive actions.

Residual risk
The risk of strikes or industrial action remains, given the conflicting interests. However, measures have been taken where possible to avoid or deal with the risk.

10. Safety incidents

Description
The risk that an culpable safety incident occurs that results in injuries or fatalities.

Explanation

We define an 'accident' as a safety incident resulting in one or more victims. Such an accident can be caused by the failure of systems or by errors on the part of employees, rail infrastructure operators or contractors or through the aggressive behaviour of passengers towards NS staff. Although the train is one of the safest means of transport, one or two incidents and accidents in the recent past show that improvements can still be made. As well as a safe railway, it is also very important for the continuity of our services that we offer our staff a safe working environment. Safety incidents can result not just in physical injury to passengers or staff but also in damage to our reputation and legal proceedings for the payment of compensation.

Measures

Safety occupies a prominent place in our business operations and we collaborate closely with other parties such as ProRail and the Human Environment and Transport Inspectorate. To improve rail safety, NS is continuously working with ProRail and other carriers to reduce the number of signals being passed at danger (SPADs) on the track. The Ministry for Infrastructure and the Environment is also involved in this. In 2013, an ERTMS trial started on the Utrecht-Amsterdam route. The trial finished at the end of 2014 and is currently being evaluated. This European Rail Traffic Management System is expected to improve safety on the track. Furthermore, there were tests of the ORBIT and Routelint systems, which give the driver information for instance about the signals, enabling him to anticipate what will be happening on the track.

A great deal of effort was spent in 2014 on the safety culture within NS. To give some examples, responsibility for the safety culture was explicitly assigned to the CEO, and the CEO and CFO started regular 'safety walks'. In addition to the safety culture, the safety structure was modified in 2014. Responsibility for all the safety subareas was assigned to senior managers. NS is also working with the trade unions to improve the personal safety of its staff, with a media campaign in 2014.

Residual risk

NS has implemented appropriate control measures. Initiatives to improve safety are being started up wherever possible, in collaboration with other parties in the rail sector in some cases. Despite all these efforts, there is still a risk of a serious accident.

11. Terrorist threat

Description

The risk that NS is insufficiently prepared to deal properly with a terrorist threat or attack.

Explanation

NS has worked out its plans properly within the scope of its own responsibilities in preparation for a potential terrorist threat. These plans were tested four years ago in exercises and in preparation for the Nuclear Security Summit in 2014. The plans for dealing with an attack have been sufficiently elaborated at the operational level in the form of instructions and scenario scripts. Plans concerning NS's tasks at the tactical and strategic levels before and after an attack are currently being developed. NS does not have any practical experience with dealing with terrorist attacks. Agreements and contact lines defined in the past are now less certain because of changes in the police organisation and the government's crisis control organisation. The risk has an impact on the care we can offer our passengers and staff within the scope of our own responsibilities. This risk also has an impact on the continuity of our operations as a whole and NS's image. There is also the risk of a negative impact if there are shortcomings in the response to a terrorist threat or attack.

Measures

NS has scenario scripts ready to let it deal properly with any terrorist threats. The scenario scripts are tested and updated where necessary. Experiences with the preparations for the 2014 Nuclear Security Summit are also incorporated, for instance. Given the nature of this risk, we have decided not to specify any specific measures here.

Residual risk

There is a residual risk of expertise growing rusty and of staff not sticking to the script when they see suspicious behaviour, receive an alert or are involved in an attack.

12. IT continuity

Description

The risk that business-critical systems are insufficiently protected against cyberattacks, thus endangering the continuity of our services.

Explanation

The service NS provides is increasingly dependent on IT systems, for example for the control of our operational processes and for the delivery of information to our passengers. Furthermore, these systems are increasingly accessed via the Internet. At the same time, the Internet is increasingly being abused by malicious individuals. Cybercriminals make use of the Internet for commercial gain while 'hacktivists' and other organisations use it for ideological ends.

Cyberattacks aimed at NS's business-critical systems could affect the continuity of our services, either directly or indirectly. Such an attack can be aimed at directly disrupting our services or at obtaining personal details or confidential business information. This can indirectly lead to systems being down temporarily and consequently to an interruption in the service. Given the increasing threat and increasing dependency, NS needs to evaluate its protection measures continuously and take action to ensure that they are still adequate.

Measures

In the past year, particular attention has been given to improving the continuity of the service and boosting protection against disasters by standardising the IT infrastructure and limiting the number of data centres. The standardisation has helped make the IT systems less vulnerable to cyberattacks. In the next while, NS will reduce vulnerability further still by taking additional security measures. NS will also pay extra attention to increasing awareness among staff and IT personnel of the importance of protection against cyberattacks.

Residual risk

NS has implemented various measures and takes additional measures where necessary. Not all of these measures are in place as yet. That is why it is important to monitor progress.

10

Corporate Governance

NV Nederlandse Spoorwegen

NV Nederlandse Spoorwegen is a public limited company under Dutch law. Its registered offices are in Utrecht. The governance of NS, which is a state participation, is based on the modified two-tier company regime. NS has a two-tier management structure. The company is managed by the Executive Board, supported by an Executive Committee and supervised by the Supervisory Board. These two bodies are independent of each other. Both bodies report on the execution of their tasks to the General Meeting of Shareholders (the 'General Meeting'). NV Nederlandse Spoorwegen is the holding company of NS Groep NV.

Shareholder

The sole shareholder of NV Nederlandse Spoorwegen is the Dutch State. The role of the shareholder is performed by the Ministry of Finance. The General Meeting is held annually, within six months of the close of the financial year.

The matters discussed by the General Meeting include the annual report. The General Meeting also adopts the financial statements and declares the dividend, discharges the members of the Executive Board from liability for their policy work, discharges the members of the Supervisory Board from liability for their supervision and appoints the auditor. Other general meetings can be held as often as is desired by the Executive Board, the Supervisory Board and the shareholder. Resolutions can also be adopted outside meetings.

Corporate Governance Code

As a large corporation with an important public role of great social significance, and with the Dutch State as our sole shareholder, NS is keen to stress the importance of openness and transparency. Although not a listed company, NS voluntarily applies the Dutch Corporate Governance Code (the 'Code'). At NS, the Code is embedded in the rules of procedure for the Executive and Supervisory Boards, the Audit Committee, the Remuneration Committee and the Appointments Committee, as well as in a code of conduct and in a scheme for whistleblowers. As NS is not quoted on the stock exchange and does not have a one-tier management structure, some parts of the Code do not apply.[1]

Executive Board

The Executive Board bears the responsibility for managing the business and reports to the Supervisory Board and the General Meeting. It establishes the vision for the company and the resulting mission, strategy and objectives. The Executive Committee is responsible for implementing the NS strategy. Implementation is partly carried out by business units and subsidiaries, which the executive managers are also responsible for. The Articles of Association and the Supervisory Board rules of procedure mean that some decisions by the Executive Board are subject to approval by the Supervisory Board and/or the General Meeting.

The Executive Board is responsible for managing the business in a transparent way, with the aim of providing all stakeholders with a clear understanding of the company's decisions and decision-making procedures.

Executive Board members are appointed by the General Meeting on the recommendation of the Supervisory Board. Members of the Executive Board can be suspended or dismissed by the General Meeting. In 2014 the Executive Board consisted of three members: Mr Timo (T.H.) Huges as CEO, Mr Engelhardt (E.M.) Robbe as CFO and, until 1 April 2014, Ms Merel (M.W.L.) van Vroonhoven. New members of the Executive Board are appointed for four years, after which they may be reappointed. The employment contracts of members of the Executive Board include the right to compensation upon dismissal, up to a maximum of one year's basic salary. Both the Executive Board as a whole and each individual Executive Board member are authorised to represent the company. The Executive Board's responsibilities, tasks and procedures are laid down in the articles of association of NV Nederlandse Spoorwegen and in the rules of procedure of the Executive Board.

The Executive Board performs its tasks in the company's interests

In cases where a (potential) direct or indirect personal interest of a member of the Executive Board conflicts with the interests of NS and this is of material significance to NS and/or the member in question, the member will immediately inform the chairman of the Supervisory Board and other members

[1] The following best-practice stipulations are not applicable: II.2.4, II.2.5, II.2.6, II.2.7, III.7.1, III.7.2, IV.1.1, IV.1.2, IV.1.7, IV.2.1, IV.2.2, IV.2.3, IV.2.4, IV.2.5, IV.2.6, IV.2.7, IV.2.8, IV.3.1, IV.3.2, IV.3.3, IV.3.4, IV.3.11, IV.3.12, IV.3.13, IV.4.1, IV.4.2, IV.4.3.

of the Executive Board. The member will disclose all relevant information, including information about any spouse, registered partner or other companion, foster child and relatives by blood or affinity to the second degree of consanguinity. A member of the Executive Board will not participate in discussions and decision-making about a subject or transaction where their direct or indirect personal interests conflict with the interests of NS. If all members of the Executive Board have a direct or indirect personal interest that conflicts with the interests of NS and therefore no decision can be made by the Board, the decision will be made by the Supervisory Board. The General Meeting also has the power to designate one or more people to act as representatives.

The Secretary of the Executive Board ensures that the proper procedures are followed and that the actions taken are consistent with the legal and regulatory obligations governing the Executive Board's actions.

Executive Committee

The Executive Committee supports and advises the Executive Board and has decision-making tasks and authorities. This means among other things that the Executive Board is supported by the Executive Committee to help it achieve its objectives and in the implementation and realisation of the strategy as determined at various times by the Executive Board. The Executive Committee consists of members of the Executive Board and three people who are appointed as members of the Executive Committee by the Executive Board. In 2014 these were - other than the members of the Executive Board - the chairmen of the business units and the directors of HR and Communication & Strategy. At least once a year, the Executive Committee discusses its own performance, working methods and the composition of the Committee, as well as any conclusions that may be drawn.

Supervisory Board

The Supervisory Board has the task of supervising the Executive Board's policies and the general management of the company and its affiliated enterprises, and it also provides the Executive Board with advice. The Supervisory Board performs its tasks in the interests of the company and its affiliated enterprises. The Executive Board provides the Supervisory Board promptly with the information and resources it requires in order to do its work properly. The Supervisory Board's responsibilities, tasks and procedures are laid down in the articles of association of NS and in the rules of procedure of the Supervisory Board and its committees. The Supervisory Board broadly subscribes to and applies the best practices and principles in Chapter III of the Code.

The Supervisory Board also evaluates its own organisational structure and performance. The Supervisory Board as a whole is responsible for performing its duties properly, and its members may adopt positions independently of the Executive Board. Members of the Supervisory Board perform their duties without a mandate and independently of any personal interest in the company.

Supervisory Board members are appointed by the General Meeting, on the recommendation of the Supervisory Board and with due observance of a job profile and after consulting the Central Works Council. The Central Works Council has enhanced rights that let it nominate one third of the number of Supervisory Board members. The Supervisory Board has at least five members and at most nine. The Supervisory Board has drawn up a profile for its size and composition, taking account of the nature and activities of the company and outlining the desired expertise and backgrounds of its members. The Supervisory Board aims for a composition that is well mixed, including a mix in terms of gender and age. The profile is evaluated every three years to ensure it is up to date and accurate.

A Supervisory Board member can be appointed for a maximum of three terms of four years each. The manner in which the Board member fulfilled their duties in the previous term is taken into account, and they will only be reappointed after careful consideration. The retirement schedule for the Supervisory Board has been set up in accordance with the principles of the Code and has been designed to avoid too many Supervisory Board members retiring at once.

In view of the extent, diversity and complexity of the matters it has to handle, the Supervisory Board has set up the Audit Committee and a combined Remuneration, Selection and Appointments Committee. The composition of these committees is determined by the Supervisory Board. The committees provide advice to the Supervisory Board about its tasks and prepare its decision-making. The committees therefore facilitate effective decision-making by the Supervisory Board.

Audit Committee

The Audit Committee performs its duties in accordance with the rules of procedure as approved by the Supervisory Board, in accordance with the provisions of the Code. The Audit Committee advises the Supervisory Board on and scrutinises the annual financial statements, financing and financing-related strategies, fiscal planning and the performance of the risk management and control system. The Audit Committee's rules of procedure require the committee to have three members. The Audit Committee is chaired by the Supervisory Board's financial expert, Mr Jeroen (J.M.) Kremers.

Combined Remuneration and Appointments Committee

The Remuneration and Appointments Committee performs its duties in accordance with the rules of procedure as approved by the Supervisory Board, in accordance with the provisions of the Code. The combined Remuneration and Appointments Committee has three members and is chaired by Ms Truze (T.M.) Lodder.

The Remuneration Committee draws up an annual proposal for the remuneration policy for members of the Executive Board. The remuneration policy included in the remuneration report for the coming fiscal years is presented to the General Meeting for approval. The Supervisory Board determines the remuneration of individual Supervisory Board members based on the proposals from the Remuneration Committee, within the limits of the remuneration policy established by the General Meeting.

The Appointments Committee decides the selection criteria and procedures for appointing members of the Supervisory and Executive Boards, as well as periodically reviewing the size and composition of the Supervisory Board and proposing a profile for its makeup. It also prepares a report for the Supervisory Board on its own performance and makes recommendations for the appointment and reappointment of members of the Supervisory Board.

External auditor

The external auditor is appointed by the General Meeting. The external auditor reports to the Supervisory Board and the Executive Board on the audits performed and presents the results of the audits in an audit opinion concerning the truth and fairness of the financial statements.

The Audit Committee, acting on the Supervisory Board's behalf, is directly responsible for overseeing the work of the external auditor. At least once a year, the Audit Committee prepares a joint report together with the Executive Board for the Supervisory Board regarding developments concerning the external auditor, and in particular the latter's independence. Once every four years, the Audit Committee and Executive Board also jointly carry out a thorough appraisal of the performance of the external auditor. The findings of this review are presented to the General Meeting and the Supervisory Board. The external auditor attends those meetings of the Supervisory Board at which its report on the audit of the financial statements is discussed and which deal with the adoption of the financial statements. The external auditor also attends the meeting of the Supervisory Board held to discuss the six-monthly figures.

The accountancy services were put out to tender in 2013. After an extensive evaluation process, EY were selected and appointed as the external auditors as of the financial year 2014, succeeding KPMG in that role.

NS Audit

Internal auditors perform their duties under the aegis of the Executive Board. The results of their work are discussed with the Audit Committee. The Executive Board ensures that the Audit Committee and the external auditor are involved in drawing up the internal auditors' plan of work.

Organising sustainability

Sustainability of the business practices is safeguarded through a formal organisation consisting of a Council for Sustainable Business Practices, a Working Group for Sustainable Business Practices, a Communications Working Group and a number of temporary task groups. This organisation is supported by a Sustainable Business Practices Programme department, which was set up in 2010 (three FTEs with an annual budget of €250,000). The Council, which includes the directors of the business units and is chaired by the Chairman of the Board of NedTrain (a member of the Executive Committee and responsible for sustainability), has the task of preparing decisions and policies. Proposed resolutions and policies to be implemented by the business units and/or staff groups are submitted to the Executive Committee for approval. There are also (communications) representatives of the NS business units in the working group and communications working group for Sustainable Business Practices. Sustainable mobility is one aspect of the strategy of NS. This strategy is translated into plans and KPIs by business units. The plans relate to the three strategic themes of Energy, Waste and Encounters & Connections.

The progress and development of the sustainability results have been observed and managed by the regular planning, control and reporting cycle since 2010. Since 2012, NS has used a CSR reporting manual that specifies how sustainability information should be validated and reported in the monthly, quarterly and annual reports. Investment proposals should include sustainability impact reports.

A mandatory sustainability target was formulated in 2014 for the variable remuneration of senior NS management.

In accordance with the Code, the Executive Board is responsible for the aspects of Corporate Social Responsibility (CSR) that are relevant to NS. The Executive Board reports on this to the Supervisory Board and the General Meeting.

Ethics & Compliance

The NS Board bears the final responsibility for compliance. Compliance is a line management responsibility. The management are responsible for the proper control of the compliance risks within their own areas. The various responsibilities derived from this are handled by the Ethics & Compliance function of NS, led by the NS legal staff director:

- supporting and advising the NS board and line management in identifying, assessing and managing compliance risks and the choices to be made;
- informing and advising NS members of staff about compliance to encourage ethical behaviour.

Ethics & Compliance is involved in the identification and analysis of compliance risks, preparation of policy, communication, training and awareness, monitoring and reporting on compliance and ethical behaviour. Ethics & Compliance collaborates with various NS staff departments that are also involved.

Ethics & Compliance includes not only the short-term company interests in its assessments but also the long-term interests. This is in order to manage compliance risks and to maintain a good reputation in the market, both with NS customers and other stakeholders.

One of the main priorities of the Ethics & Compliance programme is avoiding bribery and corruption. To keep attention focused on this part of NS policy, various newsletters have been distributed internally and the issue has been discussed during training courses and team meetings of the business units. Specially developed e-learning courses have also been used for specific target groups, such as Procurement. Special attention is paid to compliance by suppliers, checking that they observe the basic principles of NS policy for preventing bribery and corruption, for instance through screening as part of Sustainable Procurement and by applying the NS Suppliers' Code of Conduct.

Consideration for privacy

Caring for the customers also means being careful with their data. In accordance with the Dutch Personal Data Protection Act and the Corporate Governance Code, the Executive Board of NS bears final responsibility for the proper observance of the applicable privacy legislation. NS urges the business units to adhere to the privacy rules. NS has a proactive privacy policy aiming to ensure that the administrative processes involving passengers and staff comply with the legal criteria for appropriate and careful data processing. NS has published its Privacy Statement at www.ns.nl/privacy.

11 Outlook for 2015

By the time this annual report is published, the honeymoon period for NS for the main rail network concession 2015-2024 will have passed. We are facing the challenging and rewarding task of improving the quality of train travel on the Dutch main rail network yet further and making it more appealing. We want to improve our performance and intend to invest substantially in new trains.

We recalibrated our strategy in 2014 by making sure that everything we do focuses on three priorities: passengers, passengers and passengers. This is no paper tiger. Within eight strategic programmes, there are dozens of projects that are intended to help us achieve our mission in the coming years: for passengers to feel connected because of NS. We want to be more hospitable, with customer-friendly staff and by deploying office workers as front-desk service providers several times a year, for example during large-scale activities. Under the motto "merely 'good' is not good enough", we will continue to tackle the issues of overcrowded trains and improving the punctuality for passengers. We will also focus on the lines that need particular attention. In addition, we want to make door-to-door travel easier, for example with travel information throughout the chain. We are aiming for the ambitious target of having achieved the goals set by the politicians for the 2019 midterm review of the franchise by 2017.

NS is continuing to improve personal safety and tackle fare dodging. This is why more stations will have access gates in 2015. Roughly eighty stations will get these gates over the coming years. We will be taking further steps to make train travel more environmentally friendly. By 2018, all NS trains will be running on green power. We will work towards this in the coming years. We are also starting the rollout of our plans for the stations: a host/hostess, coffee, good toilets, sheltered and heated waiting areas, Wi-Fi, 24-hour free bicycle parking and car parking facilities.

We will be taking significant steps abroad in 2015. From 1 April onwards, the NS subsidiary Abellio will run ScotRail for at least 7 years: a franchise comparable to the Dutch main rail network. We expect to learn a lot from this experience.

We cannot do this alone and we do not want to. Instead, we will work together with our partners and stakeholders. As agreed with the Ministry of Infrastructure and the Environment, NS and ProRail must cooperate with each other as well as with other parties in the railway and public transport sector. The ministry has defined improvement programmes that ProRail and NS will implement together, such as tackling the nuisance of winter weather and the introduction of the European safety system ERTMS. Requirements that ProRail and NS must meet will be brought more in line with each other and with the franchises of the regional carriers. The goal here is always to improve door-to-door travel further. NS is keen to pick up the gauntlet. In fact, we are already wearing it. In 2014 we have been working more closely with other parties in public transport and will continue to do so in the passengers' interests. We will coordinate our timetables where possible.

For several years, NS and various other carriers have invested in the development of the public transport smartcard by setting up TLS and acting as its shareholder. In 2014, all the carriers agreed collectively to join a new cooperative venture that will become the owner of TLS. The public transport smartcard has been introduced everywhere and we are now entering a new phase that requires intensive involvement of all carriers.

The new franchise also poses a financial challenge for NS: we are investing substantially in new trains and the renovation of obsolete rolling stock, while we also have increased franchise obligations as well as a shareholder that expects a competitive return of 7% on our capital. Working more efficiently and making clear choices will let us provide optimum services that go hand-in-hand with a financially healthy business. This will demand a great deal from our organisation and staff. However, by the time that the Ministry of Infrastructure and the Environment holds the midterm review for the franchise in 2019, we aim to be a financially healthy business that is keeping its promises to society.

12

Scope and reporting criteria

Combined report

In the NS 2014 annual report, the performance of NS, the social aspects of that performance and the financial results are presented as an integrated whole. This choice has been made deliberately. NS is a company with a social function. Passenger transport by train and the commercial operation of stations and their surroundings are intrinsically important to society. Other social aspects, such as care for the natural and social environment, are thus also an integral component of the business operations of NS. There were no changes in 2014 in the policy and objectives, but there was a tighter focus on our top priorities: passengers, passengers and passengers.

Reporting criteria

NS bases its reporting on the Global Reporting Initiative (GRI) version 4 guidelines. The GRI guidelines are the most widely accepted guidelines worldwide for preparing non-financial annual reports. The guidelines themselves can be found on www.globalreporting.org. The sustainability information in the 2014 annual report has been given by NS in accordance with the Comprehensive option of the G4 GRI guidelines and internal reporting criteria.

The report has been validated externally. The assurance report, the parts selected, the opinion and the conclusions can be found on page 175 of the financial statements. NS feels this assurance is important because it generates more certainty that the information given is accurate.

Indicators

Our ambition is to increase the level of assurance for selected KPIs in the longer term. The selection of the indicators is based on the GRI method, the discussions with our interested parties and the material relevance matrix derived from them. The information that we report is based where possible on measurements and calculations (e.g. for electricity consumption). Other data is taken from central administrative systems (e.g. HR data) or based on information provided by third parties (e.g. waste). If there have been changes in the definitions, measurement methods or the inherent limits in the data or if extrapolations or estimates have been used, this is specified in the report or the reporting criteria. The criteria can be found in www.ns.nl/mvoberekeningen (in Dutch).

Sustainability data

Sustainability has been part of the regular planning and control cycle since 2010. This means that the data is reported in the monthly reports. The processes for collecting and validating the data are described in the CSR Handbook. The internal validation procedures are performed by our auditors. They examine deviations in the data with respect to previous reports, consider the plausibility of the data in the reports and request supporting evidence where necessary.

The financial reporting criteria are included in the notes to the consolidated financial statements.

Scope

The scope of the report has been determined on the basis of an analysis of material relevance. This means that we are reporting on the materially relevant topics and drawing on the insights given by this analysis when making choices about the amount of detail and limits of our reporting on these topics. The material relevance matrix shows both the theme's importance to stakeholders and the impact or influence NS has. Themes where NS has little impact are not included in the report.

The report covers the 2014 financial year, which ran from 1 January 2014 to 31 December 2014. This report covers all the activities of NS in the Netherlands, the United Kingdom and Germany, including the subsidiaries in which it holds a stake of 50% or more. All data has been measured unless stated otherwise. Any estimates are carried out using the prescribed procedures from our Reporting Manual and then checked. An explanation of the margins of uncertainty in the data quantifying our impact can be found at www.ns.nl/mvoberekeningen. We report on the transport chain as a whole where procurement is concerned or where our process of value creation gives reason to do so. The choices we have made in this regard are specified under value creation. Where information covering the whole transport chain is reported, this is explicitly stated. Generally speaking, the report does not cover subcontractors or suppliers. In those parts of the report where this does occur, this is explained. Acquisitions are included in the data from the date of acquisition, disinvestments are listed until the date of disposal.

We are keen to learn from the feedback on our report. If you have any questions or remarks about our report, we will be more than happy for you to share them with us via nsg.jaarverslag@ns.nl.

The table containing the GRI indicators can be found on nsjaarverslag.nl/jaarverslag-2014/gritabel/a1472_GRI-tabel.

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These financial statements are published in both Dutch and English.
In the event of any discrepancies between the Dutch and English version, the Dutch version will prevail

Financial statements 2014

Consolidated balance sheet at 31 December 2014 for NV Nederlandse Spoorwegen

Before appropriation of result

	(in millions of euros)	31 December 2014	31 December 2013 *	1 January 2013 *
	Assets			
	Non-current assets			
1	Property, plant and equipment	3,157	3,115	3,392
2	Investment property	196	169	160
3	Intangible assets	174	125	107
4	Investments in equity accounted investees	185	197	204
5	Other financial assets, including investments	226	205	176
6	Deferred tax assets	295	385	344
	Total non-current assets	**4,233**	**4,196**	**4,383**
	Current assets			
7	Inventories	119	109	129
5	Other investments	223	231	279
8	Trade and other receivables	499	545	463
6	Income tax receivable	32	30	11
9	Cash and cash equivalents	775	759	799
	Total current assets	**1,648**	**1,674**	**1,681**
	Total assets	**5,881**	**5,870**	**6,064**
	Equity and Liabilities			
10	Equity			
	Share capital	1,012	1,012	1,012
	Reserves	2,024	2,075	1,893
	Unappropriated result	180	-43	263
	Total group equity	3,216	3,044	3,168
	Minority interest	-	-	-
	Total equity	**3,216**	**3,044**	**3,168**
11	Deferred credits	112	122	134
12	Loans and borrowings, including derivatives	867	730	576
13	Employee benefits	33	33	33
14	Provisions	140	182	277
15	Accruals	1	23	28
6	Deferred tax liabilities	169	158	152
	Total non-current liabilities	**1,322**	**1,248**	**1,200**
12	Loans and borrowings, including derivatives	60	57	48
6	Corporate tax payable	8	8	8
16	Trade and other payables	868	1,003	1,083
17	Deferred income	372	314	382
14	Provisions	35	196	175
	Total current liabilities	**1,343**	**1,578**	**1,696**
	Total liabilities	**2,665**	**2,826**	**2,896**
	Total equity and liabilities	**5,881**	**5,870**	**6,064**

** The change of the comparative figures is due to the changes in accounting policies applied (see pages 107 till 111).*

Consolidated income statement for 2014 for NV Nederlandse Spoorwegen

	(in millions of euros)	2014	2013 *
19	**Revenue**	**4,144**	**3,873**
20	Personnel expenses	1,546	1,490
21	Depreciation, amortisation and impairment	332	610
22	Use of raw materials, consumables and inventories	473	485
22	Own capitalised production	-137	-176
23	Costs of subcontracted work and other external costs	450	465
24	Infrastructure fees	779	708
25	Other operating expenses	420	408
	Total operating expenses	**3,863**	**3,990**
4	Share in result of equity accounted investees	40	47
	Result from operating activities	**321**	**-70**
	Finance income	16	11
	Finance expenses	-51	-37
26	**Net finance result**	**-35**	**-26**
	Result before income tax	**286**	**-96**
27	Income tax expense	-106	53
	Result for the period	**180**	**-43**
	Attributable to:		
	Equity holder of the Company	180	-43
	Minority interest	-	-
	Result for the period	**180**	**-43**

** The change of the comparative figures is due to the changes in accounting policies applied (see pages 107 till 111).*

Consolidated statement of comprehensive income for 2014 for NV Nederlandse Spoorwegen

(in millions of euros)	2014	2013 *
Realised results		
Result for the period	**180**	**-43**
Other comprehesive income items that are or may be classified to profit and loss		
Currency translation differences on foreign activities	4	-1
Effective portion of changes in fair value of cash flow hedges	-14	11
Effective portion of changes in fair value of cash flow hedges as a consequence of revaluation of Investments in equity accounted investees	-4	-
Income tax on other comprehesive income items that are or may be classified to profit and loss	3	-3
	-11	7
Other comprehensive income items that never be reclassified to profit and loss		
Actuarial result for defined benefit plans	3	2
Actuarial result for defined benefit plans as a consequence of revaluation of Investments in equity accounted investees	3	1
Income tax on other comprehensive income items that never be reclassified to profit and loss	-1	-1
	5	2
Other comprehensive income recognised in equity	**-6**	**9**
Total comprehensive income	**174**	**-34**
Attributable to:		
Company shareholder	174	-34
Minority interest	-	-
Total comprehensive income	**174**	**-34**

** The change of the comparative figures is due to the changes in accounting policies applied (see pages 107 till 111).*

Consolidated cash flow statement for 2014 for NV Nederlandse Spoorwegen

	(in millions of euros)	2014	2013 *
	Result for the period	**180**	**-43**
	Adjustments for:		
1-3	Depreciation	332	335
	Impairment losses	-	285
	Results on sale of investments	-	17
	Net finance result	35	26
	Results on investments in equity accounted investees	-40	-47
	Change in deferred credits	-10	-11
	Income tax expenses	106	-53
		603	**509**
	Changes in inventories	-10	10
	Changes in trade and other receivables	46	-82
	Changes in provisions	-202	-75
	Change in other non-current liabilities	118	174
	Change in current liabilities excluding credit institutions	-77	-145
		478	**391**
	Interest paid	-30	-22
27	Income tax paid	-4	-20
	Net cash from operating activities	**444**	**349**
	Interest received	13	12
	Dividends received and recognised using the equity method	50	62
	Disposal of discontinued operation, net of cash	1	-11
1,3	Acquisition of intangible assets and property, plant and equipment	-401	-312
2	Acquisition of investment properties	-35	-20
	Income from other investments	517	519
	Payments of other investement	-509	-472
	Acquisition of non-current financial assets, including investments	-33	-44
	Disposal of non-current financial assets, including investments	17	10
	Disposal of intangible assets, property, plant and equipment and investment properties	6	20
	Net cash flow from investing activities	**-374**	**-236**
	Net cash flow from operating and investing activities	**70**	**113**
	Other changes in deferred credits	-	15
	Repayments of liabilities	-68	-73
	Non-current liabilities taken out	4	-
10	Dividends paid	-	-92
	Net cash from financing activities	**-64**	**-150**
	Net increase in cash and cash equivalents	**6**	**-37**
	Cash and cash equivalents as at 1 January	759	799
	Effect of exchange rate fluctuations on cash held	10	-3
	Cash and cash equivalents as at 31 December	**775**	**759**

* *The change of the comparative figures is due to the changes in accounting policies applied (see pages 107 till 111).*

Consolidated statement of change in equity of NV Nederlandse Spoorwegen

(in millions of euros)	Share capital	Other reserves	Retained earnings	Total	Minority interest	Total Equity
Balance as at 1 January 2013	1,012	-23	2,179	3,168	-	3,168
Impact of changes in accounting policies				-		-
Revised balance as at 1 January 2013	**1,012**	**-23**	**2,179**	**3,168**	**-**	**3,168**
Comprehensive income						
Profit for the period			-43	-43	-	-43
Other comprehensive income		9		9	-	9
Total comprehensive income	-	9	-43	-34	-	-34
Transactions with owners, directly recognised in equity						
Dividend paid to share holder			-92	-92	-	-92
Other			2	2		2
Revised balance as at 31 December 2013	**1,012**	**-14**	**2,046**	**3,044**	**-**	**3,044**

(in millions of euros)	Share capital	Other reserves	Retained earnings	Total	Minority interest	Total Equity
Revised balance as at 1 January 2014	**1,012**	**-14**	**2,046**	**3,044**	**-**	**3,044**
Comprehensive income						
Profit for the period			180	180	-	180
Other comprehensive income		-6		-6		-6
Total comprehensive income	-	-6	180	174	-	174
Transactions with owners, directly recognised in equity						
Dividend paid to share holder			-	-	-	-
Other			-2	-2		-2
Balance as at 31 December 2014	**1,012**	**-20**	**2,224**	**3,216**	**-**	**3,216**

** The change of the comparative figures is due to the changes in accounting policies applied (see pages 107 till 111).*

Notes to the consolidated financial statements for 2014

General information

NV Nederlandse Spoorwegen has its registered seat in Utrecht in the Netherlands. The company's consolidated financial statements for the 2014 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 that carry out the Group's different operating activities. The figures in the consolidated financial statements of NS Groep NV are the same as those of NV Nederlandse Spoorwegen. The operating companies of NS Groep NV are listed on page 168.
The Group's activities mainly consist of the transportation of passengers and the management and development of property and stations.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations authorised by the International Accounting Standards Board (IASB) and endorsed by the European Union. The Board of Directors prepared the financial statements on 10 February 2015. In its preliminary advice to the General Meeting of Shareholders, the Supervisory Board recommended that the financial statements be adopted without change. The Board of Directors and Supervisory Board granted permission on 10 February 2015 to publish the financial statements. The adoption of these financial statements will be on the agenda for the General Meeting of Shareholders scheduled for 3 March 2015.

Summary of significant accounting policies

The significant accounting policies for consolidation, valuation of assets and liabilities and determination of the Group's result are set out below. Except for the changes in accounting policies as described below, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Pursuant to Section 402, Part 9, Book 2 of the Dutch Civil Code, the company financial statements of NV Nederlandse Spoorwegen have been issued with a condensed income statement.

The financial statements are presented in euros (the functional currency), rounded to the nearest million. Unless specified otherwise, the financial statements were prepared using historical costs. The figures for the previous year have been adjusted for comparative purposes (see also on pages 107 to 111).

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial obliged application of 1 January 2014.

IFRS 11 Joint Arrangements

IFRS 11 revises the accounting for joint ventures (which is called under the new standard 'joint arrangements'). The main change is that for joint ventures there is no longer a choice between the equity method and proportionate consolidation; but that is assessed on the basis of joint agreements whether the equity method or proportionate consolidation applies. A number of joint ventures are not proportionately consolidated from 2014, but are accounted for using the equity method. To keep connection with the way the company is managed 'the result on equity investments using the equity method' is from 2014 part of the operating result. This change does not lead to an adjustment of the net income of the Group.

The effect of the change on the consolidated balance sheet, consolidated income statement and consolidated cash flow statement is as follows:

Revised consolidated balance sheet per 1 January 2013
NV Nederlandse Spoorwegen

(in millions of euros)	Reported per 1 January 2013	Impact change of accounting policy IFRS 11 and other reclassifications	Revised position per 1 January 2013
Assets			
Non-current assets			
Property, plant and equipment	3,405	-13	3,392
Investment property	314	-154	160
Intangible assets	117	-10	107
Investments in equity accounted investees	14	190	204
Other financial assets, including investments	176	0	176
Deferred tax assets	346	-2	344
Total non-current assets	**4,372**	**11**	**4,383**
Current assets			
Inventories	134	-5	129
Other investments	279	-	279
Trade and other receivables	509	-46	463
Income tax receivable	11	-	11
Cash and cash equivalents	948	-149	799
Total current assets	**1,881**	**-200**	**1,681**
Total assets	**6,253**	**-189**	**6,064**

Equity and Liabilities

Equity			
Share capital	1,012	-	1,012
Reserves	1,893	-	1,893
Unappropriated result	263	-	263
Total group equity	3,168	-	3,168
Minority interest	-	-	-
Total equity	**3,168**	**-**	**3,168**
Deferred credits	134	-	134
Loans and borrowings, including derivatives	577	-1	576
Employee benefits	35	-2	33
Provisions	277	-	277
Accruals	39	-11	28
Deferred tax liabilities	153	-1	152
Total non-current liabilities	**1,215**	**-15**	**1,200**
Loans and borrowings, including derivatives	48	-	48
Corporate tax payable	12	-4	8
Trade and other payables	1,248	-165	1,083
Deferred income	387	-5	382
Provisions	175	-	175
Total current liabilities	**1,870**	**-174**	**1,696**
Total liabilities	**3,085**	**-189**	**2,896**
Total equity and liabilities	**6,253**	**-189**	**6,064**

Revised consolidated balance sheet per 31 December 2013 NV Nederlandse Spoorwegen

(in millions of euros)	Reported per 31 December 2013	Impact change of accounting policy IFRS 11 and other reclassifications	Revised position per 31 December 2013
Assets			
Non-current assets			
Property, plant and equipment	3,127	-12	3,115
Investment property	320	-151	169
Intangible assets	137	-12	125
Investments in equity accounted investees	14	183	197
Other financial assets, including investments	206	-1	205
Deferred tax assets	387	-2	385
Total non-current assets	**4,191**	**5**	**4,196**
Current assets			
Inventories	114	-5	109
Other investments	231	-	231
Trade and other receivables	1,002	-457	545
Income tax receivable	30	-	30
Cash and cash equivalents	919	-160	759
Total current assets	**2,296**	**-622**	**1,674**
Total assets	**6,487**	**-617**	**5,870**

Equity and Liabilities

Equity			
Share capital	1,012	-	1,012
Reserves	2,075	-	2,075
Unappropriated result	-43	-	-43
Total group equity	3,044	-	3,044
Minority interest	-	-	-
Total equity	**3,044**	**-**	**3,044**
Deferred credits	122	-	122
Loans and borrowings, including derivatives	731	-1	730
Employee benefits	37	-4	33
Provisions	182	-	182
Accruals	34	-11	23
Deferred tax liabilities	158	-	158
Total non-current liabilities	**1,264**	**-16**	**1,248**
Loans and borrowings, including derivatives	57	-	57
Corporate tax payable	12	-4	8
Trade and other payables	1.181	-178	1.003
Deferred income	733	-419	314
Provisions	196	-	196
Total current liabilities	**2,179**	**-601**	**1,578**
Total liabilities	**3,443**	**-617**	**2,826**
Total equity and liabilities	**6,487**	**-617**	**5,870**

Revised consolidated income statement 2013
NV Nederlandse Spoorwegen

(in millions of euros)	Reported over 2013	Impact change of accounting policy IFRS 11 and other reclassifications	Revised over 2013
Revenue	**4,606**	**-733**	**3,873**
Personnel expenses	1.662	-172	1.490
Depreciation, amortisation and impairment	626	-16	610
Use of raw materials, consumables and inventories	549	-64	485
Own capitalised production	-	-176	-176
Costs of subcontracted work and other external costs	515	-50	465
Infrastructure fees	638	70	708
Other operating expenses	680	-272	408
Total operating expenses	**4,670**	**-680**	**3,990**
Share in result of equity accounted investees	-	47	47
Result from operating activities	**-64**	**-6**	**-70**
Finance income	11	-	11
Finance expenses	-37	-	-37
Net finance result	**-26**	**-**	**-26**
Share in result of equity accounted investees	1	-1	-
Result before income tax	**-89**	**-7**	**-96**
Income tax expense	46	7	53
Result for the period	**-43**	**-**	**-43**
Attributable to:			
Equity holder of the Company	-43	-	-43
Minority interest	-	-	-
Result for the period	**-43**	**-**	**-43**

Revised consolidated cashflow statement 2013 NV Nederlandse Spoorwegen

(in millions of euros)	Reported over 2013	Impact change of accounting policy IFRS 11 and other reclassifications	Revised over 2013
Result for the period	**-43**	**-**	**-43**
Adjustments for:			
Depreciation	351	-16	335
Impairment losses	285	-	285
Results on sale of investments	17	-	17
Net finance result	26	-	26
Results on investments in equity accounted investees	-1	-46	-47
Change in deferred credits	-12	1	-11
Income tax expenses	-46	-7	-53
	577	**-68**	**509**
Changes in inventories	10	-	10
Changes in trade and other receivables	-493	411	-82
Changes in provisions	-75	-	-75
Change in other non-current liabilities	172	2	174
Change in current liabilities excluding credit institutions	280	-425	-145
	471	**-80**	**391**
Interest paid	-22	-	-22
Income tax paid	-20	-	-20
Net cash from operating activities	**429**	**-80**	**349**
Interest received	12	-	12
Dividends received and recognised using the equity method	1	61	62
Disposal of discontinued operation, net of cash	-11	-	-11
Acquisition of intangible assets and property, plant and equipment	-319	7	-312
Acquisition of investment properties	-21	1	-20
Income from other investments	519	-	519
Payments of other investement	-472	-	-472
Acquisition of non-current financial assets, including investments	-44	-	-44
Disposal of non-current financial assets, including investments	10	-	10
Disposal of intangible assets, property, plant and equipment and investment properties	20	-	20
Net cash flow from investing activities	**-305**	**69**	**-236**
Net cash flow from operating and investing activities	**124**	**-11**	**113**
Other changes in deferred credits	15	-	15
Repayments of liabilities	-73	-	-73
Non-current liabilities taken out	-	-	-
Dividends paid	-92	-	-92
Net cash from financing activities	**-150**	**-**	**-150**
Net increase in cash and cash equivalents	**-26**	**-11**	**-37**
Cash and cash equivalents as at 1 January	948	-149	799
Effect of exchange rate fluctuations on cash held	-3	-	-3
Cash and cash equivalents as at 31 December	**919**	**-160**	**759**

Other updated guidelines

- *IFRS 10 Consolidated Financial Statements and amendments to IAS 27*. The adoption of this Directive has not led to changes in the financial statements in 2014.
- *IFRS 12 Disclosures of interests in other entities*. The application of this directive has resulted in additional disclosures in the financial statements in 2014.
- *IAS 32 Offsetting financial assets and financial liabilities.* The introduction of this directive has not led to changes in the financial statements in 2014.

Assumptions and estimates

The preparation of the financial statements require that the Board of Directors make certain estimates and assumptions that impact on the application of accounting principles and the reported value of assets and liabilities and income and expenses. The estimates and the corresponding assumptions are based on experience and various other factors that can be considered reasonable given the circumstances. The actual outcomes may differ from these estimates.

The estimates and the underlying assumptions are reviewed on a regular basis. Revised estimates are recognised in the period in which the estimate is revised, or in future periods if the revision relates to a future period.

The main estimates and assumptions relate mainly to provision for restructuring costs, provision for onerous contracts HSA, deferred tax assets and reservation for renewal sidings. See the policies and disclosures in note 1, 6, 14 and 15.

The reporting standards explained below have been applied consistently to the periods presented in these consolidated financial statements.

Principles for consolidation

Subsidiaries

Subsidiaries comprise those companies over which NV Nederlandse Spoorwegen has direct or indirect control. Control is defined as when the Group is able to directly or indirectly determine the financial and operational policy of a company in order to obtain benefits from the activities of the company.

The financial statements of subsidiaries are fully consolidated with effect from the date control was first obtained until the date on which such control ends.

Associates

Associates (investments in which substantial influence is exercised) comprise those companies in which the Group has substantial influence on the financial and operational policy, but no control. Substantial influence is defined as when the Group holds between 20% and 50% of the voting rights in another entity.

Associates are measured using the equity method. The equity method is defined as follows: Initial recognition is at the acquisition price, which is subsequently increased or decreased by a proportionate share in the income of the associate with effect from the date that the Group first obtains substantial influence to the date on which such influence ends. Payment of dividends and direct changes in equity of associates lead to change in the valuation of associates. With respect to investments accounted for using the equity method, the share of the Group in the result of these investments is recognised in the income statement.

If the share of the Group in the losses is greater than the value of the interest in an investment, the carrying amount of the investment on the Group's balance sheet is written down to zero, and further losses are no longer taken into account, except to the extent that the Group has a legal or constructive obligation or has made payments towards the relevant investment.

Joint ventures

Joint ventures are those companies that the Group controls jointly with third parties, with this joint control agreed in a contract and pursuant to which strategic decisions concerning the financial and operational policy are taken unanimously and which the Group is entitled to its share in the net assets of the entity. These joint ventures are like associates accounted for using the equity method.

Acquisition of subsidiaries, joint ventures and associates

Acquisitions of subsidiaries, associates or joint ventures are accounted for using the purchase method. In this method, the price of an acquisition consists of the sum of the fair value of the assets relinquished, the securities issued and the commitments entered into. The identifiable assets and (conditional) liabilities acquired are initially recognised at their fair value on the acquisition date. The difference between the cost of the acquisition and the company's share in the fair value of the acquired assets and liabilities is recognised in the consolidated financial statements as goodwill in the intangible assets (for subsidiaries) or as part of the value of the associate. The costs associated with an acquisition are recognised directly in the income statement.

Loss of control

In the event of a loss of control, 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 surplus or shortfall following the loss of control is charged to 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. After the initial recognition, the interest is recognised as an investment incorporated using the equity method or as a financial asset available for sale, depending on the degree of influences that is still exercised.

Elimination of transactions upon consolidation

Intra-group balances and income and expenses from transactions between Group companies are eliminated when the financial statements are prepared.

Unrealised gains from transactions with investments accounted for using the equity method are eliminated in proportion to the Group's share in the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

Any positions and results attributable to third-party interests are carried separately on the balance sheet and in the income statement.

Foreign currency

Transactions in foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency as at Balance sheet date. The non - monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated to the functional currency at the exchange rates applying at the dates the fair value was determined. Foreign currency denominated non - monetary assets and liabilities that are measured at historical cost are not retranslated.

The exchange differences relating to monetary items are the differences between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest (payments) during the period, and the amortized cost at the exchange rate at the end of the period. The foreign currency differences arising on translation are recognized as an expense in the income statement, with the exception of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are processed recognized directly in equity.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from consolidation, are translated into euros using the rate applying on the balance-sheet date. The income and expenses of foreign operations are translated into euros using the average exchange rates which reflect the exchange rates on transaction dates.

Exchange-rate differences are taken to equity via other comprehensive income in the translation reserve. If a foreign operation is sold, the relevant amount is transferred from the translation reserve to the income statement.

Financial instruments

Acquisitions and disposals of financial instruments are accounted for on the transaction date. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or if it transfers the rights to receive the contractual cash flows in a transaction in which virtually all the risks and rewards of ownership of the financial asset are transferred.

The Group uses the following financial instruments:

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in shares, deposits, bonds, trade and other receivables, cash and cash equivalents, loans and other borrowing commitments, and trade and other payables.

Cash and cash equivalents include cash and bank balances, and deposits with maturities of up to one month.

Upon first-time recognition, non-derivative financial instruments are carried at fair value. Subsequently, non-derivative financial instruments are measured as follows.

Financial assets and liabilities are offset and the net result is shown on the balance sheet only if the Group has a legally enforceable right to netting and if it intends to offset on a net basis and to realise the asset and the liability simultaneously.

The treatment of financing income and expenses is described on page 120.

Financial assets held to maturity

If it is the Group's express aim to hold financial assets to maturity and it is in a position to do so, these are measured at amortised cost plus any directly attributable transaction costs using the effective interest-rate method, less impairment losses.

Financial assets held for sale

The investments of the Group in certain bonds and deposits are classified as financial assets held for sale. After initial recognition, these assets are measured at fair value and any changes in the fair value are taken directly to equity via other comprehensive income, except for impairment losses and exchange rate gains and losses on monetary items available for sale. Attributable transaction costs are recognised in the income statement when they are incurred. When an investment is no longer recognised in the balance sheet, the cumulative profit or cumulative loss in equity is transferred to the income statement.

If there is no information available for determining the fair value, the assets are measured at cost.

Other non-derivative financial instruments

Other non-derivative financial instruments are measured at amortised cost using the effective interest-rate method, less impairment losses, which are recognised in the income statement.

Derivative financial instruments (Derivatives)

The Group uses derivative financial instruments to hedge exchange rate, interest-rate risks or commodity risks.

Upon initial recognition, derivative financial instruments are carried at fair value, which is the same as the cost at that time. Attributable transaction costs are charged to the income statement when incurred. Subsequently, derivative financial instruments are measured at fair value and any changes in the fair value are accounted for as described below.

Hedge accounting

When a derivative is first designated as a hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and the position(s) being hedged. This includes its risk management objectives and strategy in entering into the hedge transaction and the hedging risk, as well as the methods used to determine the effectiveness of the hedging relationship. On entering into the hedging relationship, and subsequently on an ongoing basis, the Group assesses whether the hedging instruments are expected to be 'very effective' during the designated hedging period in providing compensation for changes in the fair value or cash flows attributable to the hedged position(s) and whether the actual results of each hedge are within the set range of 80% to 125%. A requirement for cash-flow hedges of expected transactions is that it should be extremely likely that the transaction will take place.

Cash-flow hedges

If a derivative 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 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 a fair-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 hedging instrument no longer satisfies the criteria for hedge accounting, or if it expires or is sold, the hedge is ended 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 used in an economic sense as a hedge for assets and liabilities denominated in foreign currency. Changes in the fair value of such derivatives are taken to the income statement as part of the exchange rate gains and losses.

Energy hedging
The Group applies accrual accounting for its commodity derivatives for own use, availing itself of the exemption granted under IAS 39.5, as far as the requirements of IAS 39.5 are met. This applies to the purchases of diesel, oil and energy in the Netherlands and has been disclosed in the risk paragraph and in the off-balance-commitments. The other commodity derivatives that do not comply to the own use exemption are measured at fair value and, where possible, hedge accounting is applied.

Property, plant and equipment
Property, plant and equipment are measured at cost less cumulative depreciation and impairment losses. The cost of assets constructed by the company includes the cost of raw materials, direct labour costs, a fair portion of the indirect manufacturing costs and capitalised borrowing costs. If relevant, the estimated costs of disassembly and removal of the asset and the clean-up costs of the site where the asset is situated are included in the cost.
Computer software that forms an integral part of the computer equipment is capitalised as part of the relevant equipment.
Assets where only the beneficial ownership rests with the Group are recognised in the balance sheet and treated in accordance with the same principles.

Gains and losses on the sale of an item of property, plant and equipment is determined on the basis of a comparison between the sales revenue and the carrying amount of the item of property, plant and equipment and is taken net to ‘other revenues’ in the income statement.

Investment Property
Investment property is property held to realise rental income, an increase in value or both. Investment property is valued at cost less cumulative depreciation and impairment losses. The cost of assets constructed by the company includes the cost of raw materials, direct labour costs, a fair share of the indirect manufacturing costs and capitalised borrowing costs. If relevant, the estimated costs of disassembly and removal of the asset and cleaning up the site where it was located are included to the cost.

The following principles are applied both to property, plant and equipment and to investment property.

Components
Should property, plant and equipment or investment property consist of components with different useful lives, these components are specified as separate items under property, plant and equipment and investment property respectively.

The carrying amount of an item of property, plant and equipment or investment property includes the cost for the renewal of that asset or part of it when the expenses are incurred and if it is likely that the restoration will result in future economic benefits. All other costs associated with the maintenance of the asset are charged to the income statement when they are incurred.

Depreciation

Depreciation is charged to the income statement using the straight-line method based on the estimated useful life of an item of property, plant and equipment or component thereof. Land is not depreciated, with the exception of paving.

The estimated useful life for property, plant and equipment is as follows:

Buildings	broken down into components (15 to100 years) average 40 years
Other fixed plant	10 to 25 years
Trains	20 years
Buses	6 to 15 years
Plant and equipment	3 to 10 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 estimated useful life is an average for the relevant assets and asset components.

The depreciation method, the remaining useful life and the residual value are reviewed on an annual basis.

Should property, plant and equipment be designated as investment property through a change in its intended use, or if investment property is designated as for own use, a transfer is made to investment property or property, plant and equipment respectively. Since the measurement of both categories of tangible fixed assets is the same, the transfer is made at the carrying amount.

Intangible assets

Goodwill

All the business combinations are accounted for using the acquisition method. Goodwill is the amount that results from the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the acquired identifiable assets and liabilities at the time of acquisition. Goodwill is measured at cost less cumulative impairment losses. Negative goodwill that results from an acquisition is taken directly to the income statement.

Other intangible assets

The other intangible non-current assets acquired or produced by the Group with a finite useful life are measured at cost less cumulative amortisation and cumulative impairment losses.

Expenses after initial recognition for capitalised intangible assets are only capitalised if it would increase the future economic benefits that are contained in the specific asset to which they relate. All the other expenses, including internally generated goodwill and trademarks, are charged to the income statement when they are incurred.
Amortisation is charged in a straight line to the income statement based on the estimated useful life of the intangible asset, except for goodwill, from the time it is available for use. The estimated useful life for the current and comparable periods is as follows:

Software	5 to 8 years
Contracts	5 to 10 years

Inventories

Inventories are stated at cost or net realisable value, if lower. The net realisable value is the estimated selling price in the context of ordinary business operations, less the estimated cost of completion and the selling costs.
The cost of inventories is based on the average purchase prices or costs, and includes expenses incurred for the acquisition of the inventories and the related purchasing costs. The cost of inventories of finished products and projects in progress includes a fair share of the indirect cost based on normal production capacity.

Work in progress commissioned by third parties

Work in progress commissioned by third parties is measured at cost plus profit taken up to the balance-sheet date, less a provision for foreseeable losses and less invoiced instalments in proportion to the project's progress. The cost includes all

the direct expenses in connection with specific projects and an allocation of indirect fixed and variable costs incurred in connection with the contract activities based on normal production capacity.
A receivable is defined as when the sum of the costs incurred (including the recognised result) exceeds the sum of the invoiced instalments. If the sum of the costs incurred (including the recognised result) is lower than the sum of the invoiced instalments, it constitutes a debt.

Impairment

Financial assets

Financial assets are tested at each balance-sheet date to ascertain whether they have been impaired. A financial asset is considered to have been impaired if there are objective indications that one or more events have had a negative impact on the expected future cash flows of that asset.

An impairment loss with respect to financial assets measured at amortised cost is calculated as the difference between the carrying amount and the present value of the expected future cash flows, discounted at the original effective interest rate. An impairment loss with respect to a financial asset available for sale is calculated on the basis of the fair value.

Significant financial assets are tested individually for impairment. The remaining financial assets are grouped together on the basis of comparable credit risk features and tested as a group.

All impairment losses are charged to the income statement. A cumulative loss with respect to a financial asset available for sale that had previously been charged to equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be objectively linked to an event that occurred after the loss had been recognised. With respect to financial assets measured at amortised cost and financial assets available for sale in the form of bonds, the reversal is credited to the income statement.

Non-financial assets

The carrying amount of the non-financial assets of the Group, with the exception of inventories and deferred tax assets, is reassessed at every balance-sheet date to ascertain whether there are indications of impairment. In the event of such indications, an estimate is made of the net realisable value of the asset. With respect to goodwill and intangible non-current assets not yet ready for use, an estimate is made of the realisable value on every balance-sheet date.

The net realisable value of an asset or a cash-generating unit is the realisable value at the higher of the going-concern value or the fair value less selling costs. When determining the going-concern value, the present value of the estimated future cash flows before tax is calculated using a discount rate before tax that reflects both the current market valuations of the time value of money and the specific risks associated with the asset. For the purpose of impairment tests, assets are combined in a group of assets that generate cash flows from ongoing use that are largely independent of other assets and groups ('cash-generating unit'). For impairment testing, goodwill acquired in a business combination is attributed to cash-generating units that are expected to gain from the synergy benefits of the combination.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which that asset belongs is higher than the estimated net realisable value. Impairment losses are taken to the income statement. Impairment losses recognised in connection with cash-generating units are first deducted from the carrying amount of any goodwill attributed to the units, and subsequently deducted in proportion from the carrying amount of the other assets in the unit (or group of units).

As far as goodwill is concerned, impairment losses are not reversed. For other assets, impairment losses recognised in prior periods are tested at each balance-sheet date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if the estimates have changed on the basis of which the net realisable value was determined. An impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount, after deduction of depreciation or amortisation, that would have been determined if no impairment loss had been recognised.

Equity

Dividends are recognised in the period in which profit is appropriated and dividends are declared.

Deferred credits

This income concerns one-off amounts received in connection with agreements that extend into future years. The income is taken to the income statement during the term of the agreements to which they are related. The income is measured at amortised cost.

Employee benefits

Employee benefits include pension liabilities arising from benefit plans and other employee benefit obligations consisting of long-service awards, early retirement (VUT) benefits and obligations in connection with staff occupational disability.

Defined contributions plans are plans where the Group has no further obligations over and above paying the contractual contributions. These contributions are recognised in the income statement in the period in which they are due.

Defined benefit plans are plans where the Group cannot suffice with paying the compulsory, contractual contributions to pension funds or insurance companies. The Group's net obligation is calculated separately in respect of each plan by making an estimate of the pension entitlements employees have accrued during the year under review and preceding years. The present value of these entitlements is calculated and this amount is offset against the fair value of the plan assets. The discount rate is the interest rate as at the balance-sheet date of gilt-edged fixed-income securities the term of which approximates that of the pension liabilities. The calculation takes account of aspects such as future wage increases due to general wage developments and career opportunities, inflation and current life expectancy tables. The calculation is performed on an annual basis by a registered actuary using the 'projected unit credit' method. If the calculation produces a positive result for the Group, the recognition of the asset is limited to a maximum that does not exceed the balance of any non-recognised pension costs of past service and the present value of any future reimbursements by the fund, or the future pension premiums if lower. The employee portion is deducted from the obligation.

The pension obligations related to the group companies established in the UK are recognised for the franchise periods.

The expected changes in the pension liabilities and the investment results at the beginning of the year based on actuarial calculations are incorporated in the net liabilities and taken to the income statement. The amounts paid by employers and employees are deducted from the net liabilities. The actuarial gains and losses, consisting of the difference between the actual and the expected changes in the pension liabilities and investment results, are taken to equity.

Obligations arising from long-service awards and early retirement benefits are calculated actuarially and recognised at present value. Account is taken of wage, price indexes, recent mortality tables and estimations of employment. Any actuarial gains or losses are taken to the income statement in the period in which they occur.
Obligations arising from occupational disability are calculated similarly.

Short-term employee benefits

The unused paid leave rights are discounted, taken into account future salary increases.

Other short-term employee benefits are measured without discounting and recognised when the corresponding service is delivered.

Provisions

A provision is formed on the balance sheet when the Group has a legal or constructive obligation as a result of an event in the past and it is likely that settlement of this obligation will require the outflow of funds. Provisions are calculated on the basis of the present value of the expected future cash flows discounted at a rate before tax that reflects the current market valuations of the time value of money and, where necessary, taking account of the risks associated with the obligation.

Reorganisation costs and inactivity schemes

Provisions are formed for reorganisation when a detailed plan for the reorganisation has been formalised or made public. No provision is formed for future operating costs. The reorganisation provision mainly relates to redundancies, bridging payments and the redeployment of staff whose jobs have been abolished.

Provision for soil decontamination

The provision for soil decontamination is formed to cover the expenses required to maintain operating assets or to bring them up to standard. In accordance with the published environmental policy of the Group and the applicable legal requirements, provisions are formed to manage and clean up environmental pollution when pollution occurs or appears to have occurred.

Onerous contracts

A provision for onerous contracts is formed on the balance sheet when the benefits the Group expected to gain from a contract are lower than the unavoidable costs that arise by virtue of the contract.

The provision is measured at the present value of the expected net cost of continuing the contract or, if lower, the present value of the cost of terminating the contract, which is any compensation or penalty as a result of not complying with the contract. Prior to forming a provision, an impairment loss is recognised on the assets related to the contract.

Other provisions

Provisions are formed for damage through fire, accidents, guarantees issued, claims and other matters.

Lease

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 is the determining factor in the classification of lease agreements as operating or financial leases (rather than the legal form of the contract).

Revenues

Revenues include transport earnings and earnings from the other business divisions, less discounts and turnover tax.

Providing services and selling goods

Revenue from services provided is recognised in the period in which the service is provided. With respect to delivery contracts that extend beyond the balance-sheet date, revenue is allocated to the separate years in proportion to the stage of completion of the transaction at the balance-sheet date. The stage of completion is determined based on assessments of the work performed.

Revenue from the sale of goods is taken to the income statement when the significant risks and benefits of ownership have been transferred to the buyer, the collection of the payment due is likely, the associated costs or any returns can be reliably estimated, there is no longer any management involvement in the goods and the amount of revenue can be reliably determined.

Payments from the public authorities by virtue of transport contracts or transport concessions are recognised in the period to which the payment is related.

Work in progress commissioned by third parties

The contractual income and expenses of work in progress commissioned by third parties are recognised in the income statement in proportion to the stage of completion of the project. The stage of completion is determined on the basis of the cost of the work performed in relation to the total expected expenses. As soon as a reliable estimate can be made of the result, a proportional part of the profit is credited to the income statement. Expected losses on contracts are directly recognised in full in the income statement.

Rental income

Rental income from property is included in the income statement in a straight line based on the term of the lease agreement. The cost of incentives offered to encourage the conclusion of lease agreements is recognised as an integral part of the total rental income.

Other revenues

These include capitalised production for own use, incidental revenue and cover provided by third parties for the costs of additional activities that do not form part of the operating activities of the company. The balance between the income from the sale of property, plant and equipment and the carrying amount is also taken to ‘other revenues’.

Operating expenses

Operating expenses are allocated to the year to which they are related or during which the goods and services are delivered to the client.

The 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.

Financing income and expenses

Financing income includes the interest income on invested funds (including financial assets available for sale), lease income and profit on the sale of 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 payment becomes vested.

Borrowing costs include the interest charges on loans taken up, interest added to provisions and losses on hedging instruments. All the borrowing costs that cannot be directly attributed to the acquisition, construction or production of a qualifying asset are taken to the income statement in accordance with the effective interest-rate method. No financing costs were capitalised in 2013 and 2014.

The release from cross-border lease agreements is deducted from the interest charges.

Exchange-rate gains and losses are part of the financial income and expenses.
Default interest related to positions with the tax authorities is included under other financing income and expenses.

Government grants

Government grants are recognised when it is reasonable to expect that the entity will satisfy the conditions attached to the grants and that the grants will be received. The government grants are deducted from the related assets and liabilities.

Lease payments

Lease payments pursuant to operating leases are recognised as operating expenses in the income statement in a straight line over the lease period.

Income tax

Tax on the profit or loss for the reporting period comprises the payable and deductible taxes for the reporting period and deferred income tax. Income tax is stated in the income statement, unless it is directly related to items taken directly to equity via other comprehensive income, in which case the tax is taken to equity via other comprehensive.
All the tax items are stated at nominal value.

The payable and deductible tax for the financial year is the expected tax payable on the taxable profit for the reporting period, calculated on the basis of tax rates that apply on the balance-sheet date and adjustments to tax payable for prior years.

Almost all the subsidiaries that belong to the Group are part of the NS tax entity for corporation tax purposes, with the exception of foreign subsidiaries.

Deferred tax assets and tax liabilities are formed for temporary differences between the carrying amount of assets and liabilities in the financial reporting and the value of these assets and liabilities for tax purposes. The calculation is based on the tax rates expected to apply when the temporary differences are reversed, using the tax rates that have been enacted or substantially enacted as at the balance sheet date.

Deferred tax assets, including those arising from loss carry-forwards, are recognized if it is probable that sufficient taxable profit will be available against which losses can be compensated and settlement capabilities can be utilized.

Deferred tax assets and liabilities are only offset if there is a formal right to offset and the company intends to offset the deferred taxes simultaneously. Deferred taxes are recognised at nominal value.

New standards and interpretations

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 2014 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 2015, or later where specified:

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replacing the current regulations of *IAS 39 Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised regulations regarding the classification and measurement of financial instruments, including a new expected credit loss model to calculate impairment losses on financial assets, and new general hedge accounting requirements. The provisions of IAS 39 in respect of recognition and derecognition of financial instruments have been incorporated into the new directive. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with the possibility of earlier introduction of the Directive. The Group analyses the potential impact on the consolidated financial statements as a result of the application of IFRS 9. This Directive has not yet been approved by the EU.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how and when revenue is recognized. It replaces the existing regulations regarding revenue recognition, including *IAS 18 Revenue, IAS 11 Construction and IFRIC 13 Customer Loyalty Programmes.*

IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with the possibility of earlier introduction of the Directive. The Group analyses the potential impact on the consolidated financial statements as a result of the adoption of IFRS 15. This Directive is not yet approved by the EU.

Other

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

- IFRS 14 *Regulatory Deferral Accounts*
- Accounting for Acquisitions of Interests in Joint Operations (amendments to IFRS 11)
- Clarification of accepted methods for depreciation and amortization (Amendments to IAS 16 and IAS 38)
- Defined benefit pension plan: Employee contributions (amendments to IAS 19)
- IFRIC 21 Levies
- Annual IFRS improvements 2010 -2012 cycle
- Annual IFRS improvements 2011 -2013 cycle

Determining the fair value

A number of principles and the information provision of the Group require that the fair value be determined of both financial and non-financial assets and liabilities. For valuation and information provision purposes, fair value is determined as follows.

Property, plant and equipment

The fair value of property, plant and equipment included as a result of a business combination is based on the market value. The fair value is calculated on the basis of current purchase prices or is determined by using indexation figures to bring the historical purchase price to the current price.

Investment property

The fair value is determined independently and professionally through the engagement of qualified specialists. It takes account of the current lease agreements that the Group has concluded in a business-like and objective manner and that are comparable to those of similar property in the same area. To measure the value of property, the annual net rentals are discounted by a factor that includes the risks that are inherent to the net cash flows. The factor assumed is 10% per annum (2013: 10%).

The fair value of investment property is only determined for information purposes.

Investments in bonds and deposits

The fair value of financial assets held to maturity and financial assets available for sale is determined on the basis of the price at the balance-sheet date. The fair value of investments held to maturity is only determined for information purposes.

Derivatives

The fair value of derivatives is given by the estimated amount that the Group would receive or pay to terminate the contract on the balance-sheet date, with account being taken of the current interest rate and the current creditworthiness of the counterparties to the contract.

Non-derivative financial liabilities

The fair value of non-derivative financial obligations is measured for disclosure purposes and calculated on the basis of the present value of the future redemptions and interest payments, discounted at the market rate as at the reporting date. As far as financial leases are concerned, the market interest rate is determined on the basis of similar lease agreements.

Segmented information

Pursuant to IFRS, the Group is not obliged to provide segmented information. Therefore, the financial statements do not include a statement of segmentation. The notes to the financial statements include segmented information with respect to some items.

The primary segmentation basis - that of business segments - is based on the different nature of the operating activities, the management structure and the internal reporting structure employed by the Group.

Prices for transactions between the segments and between the group companies within the segments are determined on the basis of commercial, objective principles.

The revenue and assets of a segment consist of items that can be directly attributed to the segment or where it is reasonable to do so.

Business segments

The Group makes a distinction between the following business segments:

- Passenger transport: the transport of passengers in the Netherlands in domestic trains and buses and in international trains, as well as passenger transport in trains and buses abroad. This also includes activities at the service of passenger transport, such as the provision and maintenance of rolling stock;
- Hub development and operations, comprising the maintenance of property and station sites and the operation of commercial sites in and around stations;
- Other, comprising support companies, holding company operations and the elimination of inter-company transactions.

The passenger transport segment primarily operates in the Netherlands, the UK and Germany. The return and risk profiles do not differ to such an extent as to require separate segmentation according to geographical areas.

Principles for the consolidated cash flow statement

The cash flow statement is prepared accordance the indirect method on the basis of the comparison between the opening and closing balance for the relevant financial year. In this context, the result is adjusted for changes that did not result in receipts or payments during the financial year.

General notes

Acquisition and disposal of companies

In 2014 no new associates are acquired .

During the second half of 2014 the Group has sold an associate. The result of the transaction amounted to €0.1 million loss, and is included in other operating expenses in 2014.

Notes to the consolidated balance sheet as at 31 December 2014
NV Nederlandse Spoorwegen

1. Property, plant and equipment

(in millions of euros)

2013	Land	Buildings	Other fixed installations	Rolling stock	Parts	Machinery & equipment	Assets under construction	Total
Cost as at 1 January	**132**	**467**	**151**	**5,802**	**99**	**587**	**310**	**7,548**
Additions							374	374
Capitalisations	1	86	13	266	-	64	-430	-
Acquisitions	-	-	-	-	-	-	-	-
Exchange rate differences	-	-	-	-1	-	-	-	-1
Divestments	-4	-5	-1	-115	-2	-14	-	-141
Impairment reversals	-	-	-	-	-	-	-88	-88
Other changes	-	-4	-1	6	-1	-	-1	-1
Cost as at 31 December	**129**	**544**	**162**	**5,958**	**96**	**637**	**165**	**7,691**
Cumulative depreciation and impairment as at 1 January	**28**	**223**	**110**	**3,286**	**62**	**447**	**-**	**4,156**
Depreciation of the year	2	17	10	239	3	49	-	320
Divestments	-	-4	-1	-67	-2	-11	-	-85
Impairment	-	-	-	184	-	2	-	186
Impairment reversals	-	-	-	-	-	-	-	-
Exchange rate differences	-	-	-	-1	-	-	-	-1
Other changes	-1	1	-	-2	-	2	-	-
Cumulative depreciation and impairment as at 31 December	**29**	**237**	**119**	**3,639**	**63**	**489**	**-**	**4,576**
Carrying amount as at 1 January	**104**	**244**	**41**	**2,516**	**37**	**140**	**310**	**3,392**
Carrying amount as at 31 December	**100**	**307**	**43**	**2,319**	**33**	**148**	**165**	**3,115**

2014	Land	Buildings	Other fixed installations	Rolling stock	Parts	Machinery & equipment	Assets under construction	Total
Cost as at 1 January	**129**	**544**	**162**	**5,958**	**96**	**637**	**165**	**7,691**
Additions							382	382
Capitalisations	2	16	11	74	-	32	-135	-
Acquisitions	-	-	-	-	-	-	-	-
Exchange rate differences	-	1	-	1	-	1	-	3
Divestments	-2	-6	-3	-70	-	-18	-4	-103
Impairment reversals	-	-	-	-	-	-	-	-
Other changes	-	2	-	3	-	-48	-3	-46
Cost as at 31 December	**129**	**557**	**170**	**5,966**	**96**	**604**	**405**	**7,927**
Cumulative depreciation and impairment as at 1 January	**29**	**237**	**119**	**3,639**	**63**	**489**	**-**	**4,576**
Depreciation of the year	2	19	10	229	3	43	-	306
Divestments	-	-4	-	-65	-	-15	-	-84
Impairment	-	1	-	-	-	-	-	1
Impairment reversals	-	-	-	-3	-	-	-	-3
Exchange rate differences	-	-	-	-	-	-	-	-
Divestments	-	-	-	-	-	-	-	-
Other changes	-	3	-	-	-	-29	-	-26
Cumulative depreciation and impairment as at 31 December	**31**	**256**	**129**	**3,800**	**66**	**488**	**-**	**4,770**
Carrying amount as at 31 December	**98**	**301**	**41**	**2,166**	**30**	**116**	**405**	**3,157**

The ‘other changes’ item primarily caused by revised classification between ‘property, plant and equipment’ and ‘intangible assets’ and relate to software.

Parts of the trains recognised on the balance sheet are part of cross-border lease transactions concluded in the past. The carrying amount of the rolling stock accommodated in cross-border leases at year-end 2014 is €120 million (2013: €127 million).

Collateral has been pledged in the form of a pledge on rolling stock for the Eurofima loans that are not part of the cross-border lease financing (See note 29). The carrying value of this is €317 million (2013: €406 million).

Beside that an amount of €92 million (2013: €100 million) has been pledged with respect to (leased) assets. More information can be found in the Financial Risk Management section (see note 28).

Projects and materials under construction mainly consist of investments in trains and buildings.

Impairment and reversal

Contract AnsaldoBreda

During 2013, the Group has decided definitely that the V250 material will no longer be used (decommissioned). In 2013, an impairment loss net of €125 million has been recognised. The impairment in 2013 has been recognised as follows:

Impairment rolling stock	181	
Impairment assets under construction	88	
Total		**269**
Receivable bank guarantees		-81
Other (including an release of an obligation for unpaid purchase price)		-63
Assessment impairment loss		**125**

On 17 March 2014 the Group, AnsaldoBreda (AB) and its controlling company Finmeccanica have concluded a solution to the discord regarding the V250-trains. The companies have reached an agreement that entails the return of all V250-trains to AB and the reimbursement in term of 125 million euros to NS. NS received a guarantee from a Dutch financial institution to secure the reimbursement. At the end of 2014 an receivable of €81 million on AB is still open. All V250 trains are returned to AB in 2014.

As part of the agreement, both parties will refrain from making financial claims, including supposed damages on both sides.

With the receipt of an amount of €125 million NS significantly reduces the total loss due to the V250 project. As a result, a gain of €44 million is incorporated in the first half of 2014. Any additional future receipts as a result of the sale of trains by AB will further reduce the cumulative loss of value, however given the uncertainties with respect to the revenues the future revenues are not recognised.

Other impairment loss and reversal

The calculations that result in impairment losses and their reversal are based on a weighted average discount rate after tax ranging between 5% and 7% (2013: between 7% and 9%).

2. Investment property

(in millions of euros)

2013

	Total Investment property
Cost as at 1 January	**248**
Additions	19
Capitalisations	-
Disposals	-
Divestments	-10
Other changes	-
Cost as at 31 December	**257**
Cumulative depreciation and impairment as at 1 January	**88**
Depreciation of the year	7
Disposals	-
Divestments	-8
Impairment	1
Other changes	-
Cumulative depreciation and impairment as at 31 December	**88**
Carrying amount as at 1 January	**160**
Carrying amount as at 31 December	**169**

2014

	Total
Cost as at 1 January	**257**
Additions	35
Capitalisations	-
Acquisitions	-
Disposals	-
Divestments	-
Other changes	-
Cost as at 31 December	**292**
Cumulative depreciation and impairment as at 1 January	**88**
Depreciation of the year	7
Disposals	-
Divestments	-
Impairment	2
Other changes	-1
Cumulative depreciation and impairment as at 31 December	**96**
Carrying amount as at 31 December	**196**

The fair value of investment property as at 31 December 2014 amounts to €0.5 billion (31 December 2013: €0.5 billion). The value was measured independently and professionally through the engagement of qualified specialists. In this context, account was taken of the current lease agreements that the Group has concluded in a business-like, objective manner and that are comparable to those for similar property in the same area. The fair value of the property portfolio is calculated based on a net initial yield of 10% (2013: 10%). If the yield applied to the valuation of the property portfolio as at 31 December 2014 were to be more than 100 basis points above the current yield, the value would fall by 10% (2013: 10%).

Investment property consists of a number of business premises let to third parties. Generally, the lease agreements include a period of some years during which it is not possible to cancel the agreement. After this period, renewal of the agreement is negotiated with the tenant. No conditional lease payments are charged.

The direct rental income amounts to €28 million (2013: €28 million). The direct rental costs include maintenance costs, immovable property tax and direct management costs, and came to €8 million (2013: €7 million).

3. Intangible assets

(in millions of euros) 2013	Goodwill	Other intangible assets	Total
Cost as at 1 January	**44**	**92**	**136**
Additions	-	27	27
Acquisitions	-	-	-
Disposals	-7	-4	-11
Other changes	-	-3	-3
Cost as at 31 December	**37**	**112**	**149**
Cumulative amortisation and impairment as at 1 January	**11**	**18**	**29**
Amortisation for the year	-	8	8
Impairment	-	-	-
Disposals	-7	-2	-9
Other changes	1	-5	-4
Cumulative amortisation and impairment as at 31 December	**5**	**19**	**24**
Carrying amount as at 1 january	**33**	**74**	**107**
Carrying amount as at 31 December	**32**	**93**	**125**

2014	Goodwill	Other intangible assets	Total
Cost as at 1 January	**37**	**112**	**149**
Additions	-	44	44
Acquisitions	-	-	-
Disposals	-	-	-
Other changes	-	53	53
Cost as at 31 December	**37**	**209**	**246**
Cumulative amortisation and impairment as at 1 January	**5**	**19**	**24**
Amortisation for the year	-	19	19
Disposals	-	-	-
Impairment	-	-	-
Other changes	-	29	29
Cumulative amortisation and impairment as at 31 December	**5**	**67**	**72**
Carrying amount as at 31 December	**32**	**142**	**174**

The ‘other changes’ item primarily caused by revised classification between ‘property, plant and equipment’ and ‘intangible assets’ and relate to software.

Other intangible assets include an amount of €3 million relating to acquired intangible assets.

The cash flows used for determining the impairments are based on the business plans prepared by the relevant business unit for a period of three years. A weighted average cost of capital (WACC) has been agreed for each cash-generating unit in accordance with that of comparable businesses.

The calculations resulting in impairments and reversals are based on a weighted average discount rate after tax ranging between 5% and 7% (2013: between 7% and 9%). The goodwill at the end of the financial year relates entirely to the Passenger Transport segment.

4. Investments in equity accounted investees

The financial information of investments accounted for using the equity method with a book value of €185 million (2013: €197 million) are as follows:

(in millions of euros)

2013

Name entity	Merseyrail Ltd	Northern Rail Ltd	Real estate funds	Trans Link Systems BV	Other joint ventures	Total joint ventures	Other investments	Total
Share percentage	50%	50%	53%	68,75%				
Current assets	34	106	33	177	3		42	
of which cash and cash equivalents	20	60	21	157	2		20	
Non-current assets	12	12	285	19	-		49	
Current liabilities	40	112	16	151	2		20	
of which current financial liabilities	-	-	-	-	-		4	
Non-current liabilities	6	6	-	14	-		23	
of which non-current financial liabilities	2	-	-	-	-		1	
Net equity (based on 100%)	-	-	302	31	1		48	
Carrying value investments in equity accounted investees	**-**	**-**	**161**	**21**	**1**	**183**	**14**	**197**
Revenue	170	756	49	76	10		81	
Depreciation, amortisation and impairments	2	4	17	6	1		4	
Result from operating activities	20	42	20	13	1		4	
Finance income	-	-	-	-	-		-	
Finance expense	-	-	-	-	-		-	
Income tax expense	5	10	-	-	-		2	
Result for the period	15	32	20	13	1		3	
Total comprehensive income over the period	15	40	20	13	1		3	
Share in result of equity accounted investees	**7**	**20**	**10**	**9**	**-**	**46**	**1**	**47**
Share in other comprehensive income	-	1	-	-	-	1	-	1
Share in total comprehensive income of equity accounted investees	7	21	10	9	-	47	1	48
Dividend received	10	17	21	-	-	48	1	49

continued on the next page

(in millions of euros)

2014

Name entity	Merseyrail Ltd	Northern Rail Ltd	Real estate funds	Trans Link Systems BV	Other joint ventures	Total joint ventures	Other investments	Total
Share percentage	50%	50%	53%	68,75%				
Current assets	32	94	30	227	5		41	
of which cash and cash equivalents	22	43	20	207	-		27	
Non-current assets	13	15	264	18	2		41	
Current liabilities	38	97	14	195	4		26	
of which current financial liabilities	-	9	-	-	-		3	
Non-current liabilities	7	17	-	15	-		14	
of which non-current financial liabilities	-	10	-	-	-		-	
Net equity (based on 100%)	-	-5	280	35	3		42	
Carrying value investments in equity accounted investees	**-**	**-3**	**148**	**24**	**2**	**171**	**14**	**185**
Revenue	187	705	45	81	27		88	
Depreciation, amortisation and impairments	2	5	17	5	-		6	
Result from operating activities	23	22	16	15	4		5	
Finance income	-	-	-	-	-		-	
Finance expense	-	1	-	-	-		-	
Income tax expense	6	4	-	-	-		2	
Result for the period	17	17	16	15	4		4	
Total comprehensive income over the period	17	16	16	15	4		3	
Share in result of equity accounted investees	**8**	**9**	**9**	**11**	**2**	**39**	**1**	**40**
Share in other comprehensive income	-	-1	-	-	-	-1	-	-1
Share in total comprehensive income of equity accounted investees	8	8	9	11	2	38	1	39
Dividend received	9	11	20	7	2	49	1	50

Investments in joint ventures

Merseyrail Services Holding Company Ltd and Northern Rail Holdings Ltd

Mersey Rail concession and Northern Rail concession are performed in 50/50 joint arrangements with Serco, a listed British company. NS and Serco have joint control and have each a 50% financial interest in the holding entities. The concessions are divided into independent entities, in which the holding company has a 100% interest. The results of the holdings are distributed 50/50 to NS and Serco.

Real Estate Funds

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

	Percentage Participations	*Statutory seat*
Stationslocaties OG CV	55,8	Utrecht
Basisfonds Stationslocaties CV	50,9	Utrecht

The participants of the CVs have raised a common participation capital that invested in real estate with shared cost and risks. The Group is also managing partner and invests and manages the assets for the account and risk of the participants and is personally liable for the debts of the partnership (CV). Consequently, the interests in the real estate funds are considered as joint ventures.

Trans Link Systems BV

NS has established Trans Link Systems BV (TLS) in 2002. TLS has been established to develop and operate the OV chip card. TLS is a private company (BV) whose shares are owned since 2008 by four shareholders. Although the Group's has 68.75% stake in its possession it has not met the criteria for consolidation.

NS expressed in 2014 together with the other shareholders TLS intention that TLS will be in the hands of all operators in the Netherlands. The aim is to create a solid OV-payment market where all operators are represented through the establishment of a cooperative. This intention will likely lead to sale of TLS shares which will occur once agreement has been reached on the contractual terms. Since these contract conditions have not been met at the end of 2014, this interest has not been classified as "held for sale".

With respect to investments accounted for using the equity method there are no material contingent assets and /or contingent liabilities.

Regarding the valuation of interests in joint ventures, there are no significant estimates and judgments.

A full list of subsidiaries, associates and joint ventures in accordance with the conditions stipulated in Articles 2: 379 and 2: 414 Dutch Civil Code entries is deposited at the office of the Chamber of Commerce in Utrecht.

5. Other non-current financial assets, including investments

(in millions of euros)

	31 December 2014	31 December 2013
Other non-current financial assets, including investments		
Available-for-sale financial assets	151	136
Held-to-maturity investments	1	2
Financial leases	14	13
Other investments	60	54
Total	**226**	**205**
Other current financial assets		
Deposits	223	231
Total	**223**	**231**

The deposits and bonds (included in financial assets available for sale and held to maturity) are intended, among other things, for payment of some €680 million (2013: €330 million) of the agreed investment obligations, redemption and interest payments on loans, non-current provisions and liabilities.

The other financial assets include a loan to HTM Personenvervoer NV in the form of preference shares. The granted amount of €30 million is divided into the fair value of a loan (€26 million) and fair value of an option of €4 million. The value of the option is based on the cumulative market return (4%) that NS must return the moment the Group decide to terminate the loan agreement before the end of the contract. At the time the group decide not to exercise the option the subsequent valuation (amortized cost) of both the loan and the option will remain unchanged. The option is given the term considered as long term. As of 1 January 2017, when the option is not exercised, the cumulative preference shares are converted into ordinary shares with profit entitlement under the payment of an additional payment of €15 million.

The credit, exchange rate and interest rate risks the Group faces in relation to the other investments are explained in detail in Note 28.

6. Deferred and current tax assets and liabilities

The deferred tax assets and liabilities can be broken down into the relevant items as follows:

(in millions of euros)	Assets		Liabilities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Property, plant and equipment	63	112	155	150
Intangible assets	-	-	4	-
Non-current financial assets	-	-	8	-
Receivables	31	62	-	7
Deferred credits	35	37	-	-
Provisions	1	43	-	1
Non-current liabilities	14	14	-	-
Other items	1	2	2	-
Tax loss carry-forward	150	115	-	-
Deferred tax asset	**295**	**385**		
Deferred tax liability			**169**	**158**
Netted deferred tax assets and liabilities	**126**	**227**		
Current tax assets and liabilities				
Current tax receivable	32	30		
Current tax liability			8	8

Notes to the consolidated balance sheet as at 31 December 2014 NV Nederlandse Spoorwegen

Changes during the reporting period in the temporary differences between commercial valuation in the balance sheet and the valuation for tax purposes, distinguished according to additions and reductions:

(in millions of euros) 2013	Tax base for calculation of deferred tax as at 1 January 2013	recognised in profit and loss	recognised in other comprehensive income	other movements	Tax base for calculation of deferred tax calculated as at 31 December 2013
Deferred tax assets					
Property, plant and equipment	493	-23	-	-	470
Intangible assets	1	-1	-	-	-
Non-current financial assets	-	-	-	-	-
Inventories	-	-	-	-	-
Receivables	367	-118	-	-	249
Deferred credits	165	-19	-	-	146
Provisions	263	-95	-3	-	165
Non-current liabilities	76	-11	-11	-	54
Current liabilities	6	-1	-	-	5
Total temporary differences	**1,371**	**-268**	**-14**	**-**	**1,089**
Deferred tax asset on temporary differences	344	-70	-4	-	270
Tax loss carry-forward	1	114	-	-	115
Total deferred tax assets	**345**	**44**	**-4**	**-**	**385**
Deferred tax liability					
Property, plant and equipment	899	58	-	-	957
Financial assets	20	-3	-	-	17
Intangible assets	35	-	-	-	35
Receivables	2	-	-	-	2
Provisions	1	-	-	-	1
Total temporary differences	**957**	**55**	**-**	**-**	**1,012**
Deferred tax liability on temporary differences	152	6	-	-	158
Changes in tax rate, temporary differences	-	-	-	-	-
Total deferred tax liability	**152**	**6**	**-**	**-**	**158**

continued on the next page

(in millions of euros)

2014	Tax base for calculation of deferred tax as at 1 January 2014	recognised in profit and loss	recognised in other comprehensive income	other movements	Tax base for calculation of deferred tax calculated as at 31 December 2014
Deferred tax assets					
Property, plant and equipment	470	-521	9	292	250
Receivables	249	-123	-	-4	122
Deferred credits	146	-7	4	-	143
Provisions	165	-197	-	35	3
Non-current liabilities	54	-3	10	-3	58
Current liabilities	5	1	-	-	6
Total temporary differences	**1,089**	**-850**	**23**	**320**	**582**
Deferred tax asset on temporary differences	270	-210	5	80	145
Tax loss carry-forward	115	70	-	-35	150
Total deferred tax assets	**385**	**-140**	**5**	**45**	**295**
Deferred tax liability					
Property, plant and equipment	957	51	7	23	1,038
Intangible assets	17	-4	-	-	13
Financial assets	35	-4	-	-	31
Receivables	2	-2	-	-	-
Provisions	1	-	-	-	1
Other items	-	-131	-	141	10
Total for temporary differences	**1,012**	**-90**	**7**	**164**	**1,093**
Deferred tax liability on temporary differences	158	-32	3	40	169
Changes in tax rate, temporary differences	-	-	-	-	-
Total deferred tax liability	**158**	**-32**	**3**	**40**	**169**

Other changes are the result of changes in the tax position as a result of the filing of the tax declaration.

Net operating losses considered to be as tax losses according to Dutch tax laws that are created by Dutch subsidiaries can be settled in general with future profits realized in the nine years following the year in which the loss is incurred and can be deducted from the profit for the year prior to the loss year. For positions in foreign companies apply similar rules.

On 31 December 2014, the Group has deferred tax assets amounting to € 345 million. These deferred tax assets are largely covered by deferred tax liabilities that would lead to forecasted earnings up to 2023 which are based on the Corporate Plan 2015 - 2017. The forecasts are based on the current composition of the activities of the Group and in compliance with the HRN concession which will start on January 1, 2015. The Group also offers tax planning opportunities that, if necessary, will be implemented. Due to the fact that the projections to 2023 contain an inherent uncertainty estimation, consequently € 50 million is not recognised. This leads to net deferred tax assets of € 295 million.

The applicable income tax rate for the Dutch companies for 2014 is 25% (2013: 25%). The calculation of the deferred tax position was based on the applicable rate of 25%.

The total deferred receivables with a net value of €126 million (2013: €227 million) can be broken down as follows:

- Receivable from the Dutch tax authorities: €212 million (2013: €313 million);
- Receivable from the German tax authorities €14 million (2013: €12 million);
- Receivable from the UK tax authorities: €5 million (2013: €1 million payable);
- Owed to the Irish tax authorities €105 million (2013: €97 million);

Current tax assets and liabilities

The income tax asset of €32 million (2013: €30 million) can be specified as follows:

- Receivable from the UK tax authorities €7 million (2013: €2 million);
- Receivable from the Dutch tax authorities €20 million (2013: €28 million).
- Other €5 million (2013: nil).

The income tax liability of €8 million (2013: €8 million) can be specified as follows:

- Owed to the UK tax authorities €7 million (2013: €3 million);
- Owed to the Dutch tax authorities nil (2013: nil);
- Owed to the Irish tax authorities €1 million (2013: €5 million).

7. Inventories

(in millions of euros)	31 December 2014	31 December 2013
Maintenance materials	96	93
Projects under construction, unsold	14	7
Trade goods	9	9
Total	**119**	**109**

In 2014, the charge for the reduction in the inventories value to the net realisable value was €5 million (2013: €10 million). The cumulative impairment loss as at year-end 2014 amounts to €103 million (2013: €108 million).

8. Trade and other receivables

(in millions of euros)	31 December 2014	31 December 2013
Receivables from clients from projects in progress	6	5
Trade receivables	182	211
Unbilled revenue	98	71
Other taxes and social security charges	25	19
Other receivables	188	239
Total	**499**	**545**

The ‘Trade and other receivables’ includes an amount of €22 million (2013: €52 million) that concerns related parties.

The credit risk associated with trade and other receivables (excluding projects in progress for third parties) and the impairment losses are shown in note 28.

Construction contract work in progress (receivable)

(in millions of euros)	31 December 2014	31 December 2013
Costs of work in progress	17	198
Realised gains and losses	-4	30
	13	228
Less: Billed instalments	7	253
	6	-25
Presented under:		
Receivables from clients for projects in progress	**6**	**5**
Advance payments received for projects in progress	**-**	**-30**

Trade and other payables are specified in note 16.

9. Cash and cash equivalents

(in millions of euros)	31 December 2014	31 December 2013
Cash and bank balances	774	718
Term deposits	-	40
Constrained accounts	1	1
Total	**775**	**759**

The cash and bank balances are fully readily available.

The interest-rate risk facing the Group and a sensitivity analysis for financial assets and liabilities can be found in Note 28.

10. Equity

For the reconciliation of equity, please refer to page 106.

The authorised capital as at both 31 December 2014 and 31 December 2013 consisted of 4 million ordinary shares with a nominal value of €453.78 (originally NLG 1,000). There are 2,230,738 shares issued and fully paid up. All issued shares are held by the Dutch State. The shareholders are entitled to dividend as declared each year based on a resolution by the general meeting of shareholders concerning profit appropriation. The shareholders are entitled to cast one vote per share during the company's annual general meeting.

During the shareholders' meeting of March 4, 2014 the financial statements for 2013 and the profit are determined. According the proposal, the loss for the period of € 43 million is deducted from the general reserve.

The reconciliation of the other reserves is as follows:

(in millions of euros)	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Actuarial reserve	Revaluation reserve associates	Total other reserves
Balance as at 1 January 2013	2	-36	-	-	11	-23
Impact of changes in accounting policies	-	-	-	-	-	-
Revised balance as at 1 January 2013	**2**	**-36**	**-**	**-**	**11**	**-23**
Other comprehensive income	-1	8	-	2	-	9
Revised balance as at 31 December 2013	**1**	**-28**	**-**	**2**	**11**	**-14**

(in millions of euros)	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Actuarial reserve	Revaluation reserve associates	Total other reserves
Revised balance as at 1 January 2014	1	-28	-	2	11	-14
Other comprehensive income	4	-11	-	2	-1	-6
Balance as at 31 December 2014	**5**	**-39**	**-**	**4**	**10**	**-20**

Foreign currency translation reserve

The foreign currency translation reserve includes all the exchange-rate differences that arise from the translation of the financial statements of foreign companies, as well as the translation of liabilities with which the net investment of the company in a foreign group company is hedged.

Hedging reserve

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, the hedge accounting is discontinued prospectively. The cumulative gain or cumulative loss previously recognized in equity, are part of the equity remains there until the forecast transaction occurs. The amount recognized in equity is transferred to income statement (including net changes in fair value of equity transferred cash flow hedges) in the same period in which the hedging instrument affects profit or loss.

Fair value reserve

The revaluation reserve associates comprises the cumulative other comprehensive income recognized directly in equity of the investments using the equity method. The changes in

2014 is related to these movements in the hedging reserve and actuarial reserve of the associates.

Actuarial reserve

The actuarial reserve concerns the actuarial gains and losses, consisting of the difference between the actual and the expected changes in the pension liabilities and the investment result for plan assets.

General reserve

This is recognised in equity after deduction of tax.

Dividend

The proposed profit appropriation is included under 'Other information' on page 174.

11. Deferred credits

(in millions of euros)	31 December 2014	31 December 2013
Financing benefits	2	3
Lump sum payments	120	130
Deferred Credits	122	133
Less: current	-10	-11
Total non-current as at 31 December	**112**	**122**

At the end of 2014, the credits concern the balance of financing benefits and the lump sum payment for the wage cost increase following the privatisation of the Spoorwegpensioenfonds (railway pension fund) in 1994. The benefits will be released to the income statement until 2035.

12. Loans and other financial liabilities, including derivatives

These notes contain information about the contractual stipulations and the interest-bearing loans and other financial liabilities the Group has, which are valued at amortised cost.

(in millions of euros)	31 December 2014	31 December 2013
Non - Current liabilities		
Private loans	737	617
Finance lease liabilities	75	75
Interest rate swaps used for hedging	30	38
Commodity derivatives	25	-
Total	**867**	**730**
Current liabilities		
Private loans	44	44
Finance lease liabilities	16	13
Total	**60**	**57**
Total liabilities	**927**	**787**

A total debt of HSA is included in the private loans at the end of 2014 for amount of €320 million (2013: €195 million). Of this, €277 million is included under the non-current liabilities for the portion that is paid after 2015. The portion that will be paid (€43 million) in 2015 is included in current liabilities. The interest rate is fixed and amounts to 3.027%. From 1st of January 2015 the loan will be included in the new HRN concession.

The liquidity, exchange rate and interest rate risks arising from the loans and other financial liabilities of the Group are explained in detail in Note 28.

13. Employee benefits

The employee benefits comprise:

- Obligations with respect to staff who retired early, including the amount of the future benefits that former employees receive pursuant to the then VUT scheme, and early retirement after 40 years of service in the context of the transitional arrangement (OVUT);
- Other employee benefits in the long term, including long-service awards;
- Obligations arising from occupational disability and supplements to social security benefits;
- Obligations in connection with defined benefit plans (for further information, please see pages 141-144).

(in millions of euros)	31 December 2014	31 December 2013
Defined benefit plans	2	-
Other long-term employee benefits	31	28
Transitional arrangements for early retirement (OVUT)	-	5
Total	**33**	**33**

Pension liabilities

The pension plans of the following pension funds apply to the staff of the NS group companies, with the number of participating active members shown (as at year-end 2014):

(numbers participants)	31 December 2014
Spoorwegpensioenfonds	15,780
Bedrijfstakpensioenfonds Horeca & Catering	3,162
Bedrijfstakpensioenfonds voor het levensmiddelenbedrijf	631
Aanvullende pensioenregeling Servex	120
Greater Anglia	2,377
Abellio Transport Holdings	55
Abellio London & Surrey	1,863
Qbuzz	2,070

When joining industrial pension funds, NS group companies are under no obligation to meet additional payments in the event of a shortfall in the industrial pension fund, other than meeting their obligations with respect to future premiums. Likewise, the NS group companies also have no entitlement to any surpluses in the funds. As a result, these defined benefit plans are treated as defined contribution plans in these financial statements in accordance with IFRS.

The pension contributions charged to the income statement for 2014 totalled €61 million (2013: €45 million). The change of the comparative figures is due to the changes in accounting policy joint arrangements applied (see pages 107 till 111).

Pension plan Spoorwegpensioenfonds (defined benefit plan)

The pension plan for the railways sector is administered by Spoorwegpensioenfonds. For financial reporting, this plan is classified as a defined contribution plan. The premium agreed with Spoorwegpensioenfonds is a fixed, predefined annual premium (2014: 8.1%), expressed as a percentage of the pension base. This eventually increases to the cost recovery premium of the Spoorwegpensioenfonds. Of the pension premiums paid to Spoorwegpensioenfonds, two thirds is for the account of the employer and one-third for the account of the employees.

After payment of the agreed premium, the company has no further obligation to make additional payments should there be a shortfall in the pension fund. The actuarial risks and the investment risks are borne by the pension fund and its members. The pension expense will be partly compensated due to the release of the “loonkostensprong” until 2035 to the income statement (note 11).

With respect to Abellio London & Surrey, Qbuzz and additional pension plan Servex, the pension plans are primarily defined contribution plans.

Defined benefit plans

Abellio Transport Holdings

Abellio Transport Holdings has the management of the pension scheme for their staff transferred to the Railways Pension Scheme. That fund is to be regarded as a company pension fund and the pension scheme as a defined benefit plan. The pension and the pension assets are determined using actuarial calculations carried out on 31 December. At year-end 2014, the net liability €2 million (2013: nil), consisting of a gross pension of €9 million and plan assets of €7 million. The average maturity of the obligation is 26 years.

Greater Anglia

Greater Anglia has the management of the pension scheme for their staff transferred to the Railways Pension Scheme. That fund is to be regarded as a company pension fund and the pension scheme as a defined benefit plan.

The negative difference between the pension liabilities and plan assets is recognised under other non-current liabilities and consists of the amount that would result in payment over the duration of the franchise period until 6 February 2016. The residual amount at the end of the concession period is not recognised in the balance sheet because it will be part of the liabilities of the next franchise holder. At the end of 2014 the net liability is nil (2013: nil). The pension liabilities and the plan assets were determined using actuarial calculations carried out as at 31 December.At the end of 2014 the net obligation is nil (2013: nil)

60% of the calculated pension expenses are for account of the employer and 40% is for account of the employees.

Basic assumptions defined benefit plans

In calculating the pension liabilities and the plan assets of Merseyrail and Northern Rail, the following basic assumptions were used (weighted average):

Assumptions

	2014	2013
Discountrate	3.8%	4.6%
Increase of salaries	3.6%	3.9%
Increase of pension benefits	2.4%	2.7%
Inflation	3.1%	3.4%

Mortality table: 2010 SFO valuation (Greater Anglia) and S1NA tables with CMI 2011 projections (Abellio Holdings).

Breakdown

The net pension liabilities can be broken down as follows:

(in millions of euros)	31 December 2014	31 December 2013
Fair value of plan assets	460	375
Defined benefit obligations	722	603
Deficit	262	228
Members' share of deficit	-104	-91
Deficit at the end of the concessionary period	-156	-137
Write-down of pension surplus	-	-
Group's commitments concerning franchise period	**2**	**-**

Sensitivity analyses

Reasonably possible changes in the relevant actuarial assumptions at balance sheet date and other assumptions held constant would have the following effect on the defined benefit obligation:

(change of 0.25%) (in millions of euros)	Increase	Decrease
Discount rate	-35	37
Inflation	37	-35
Future salary increase	15	-15

Change in the mortality increase by one year would have an impact of €18 million to the defined benefit obligation.

The impact of these changes on the net liabilities of the Group over the concession period is expected to be limited due to the transfer of liabilities at the end of the Greater Anglia concession.

Verloop

The change in the plan assets and the pension liabilities is as follows:

Reconciliation of plan assets and pension liabilities

(in millions of euros)	2014	2013
Plan assets as at 1 January	375	352
Interest income	18	15
Pension contributions	20	18
Pension benefits paid	-13	-12
Administration expenses	-4	-3
Return on plan assets, excluding interest income	36	12
Exchange rate gains and losses	28	-7
Plan assets as at 31 December	**460**	**375**
Defined benefit obligations as at 1 January	603	531
Pension costs	23	20
Interest expenses	29	23
Pension benefits paid	-13	-12
Net actuarial gain or loss	35	51
Exchange rate gains and losses	45	-10
Defined benefit obligations as at 31 December	**722**	**603**

Breakdown plan assets

The breakdown of the plan assets is as follows:

(in millions of euros)	31 December 2014	31 December 2013
Shares	236	169
Fixed-income securities	60	48
Property	48	35
Cash	36	32
Other	80	91
Total	460	375

Pension costs recognised in profit and loss accounts

(in millions of euros)	31 December 2014	31 December 2013
Pension costs	14	12
Interest expenses	-	-
Administration expenses	2	2
Total	16	14

Actuarial gains and losses recognised in equity

(in millions of euros)	2014	2013
Net actuarial gain or loss		
- demographic assumptions	-	-
- financial assumptions	-67	-52
- experience adjustments	31	-
Return on plan assets, excluding interest income	37	12
Franchise adjustment	3	26
Changes in members' share	-1	16
Total	**3**	**2**

The Group projects that it will have to contribute €17 million to the aforementioned defined benefit plan in 2015. In 2014, the contribution totalled €16 million.

Early pension after 40 years' service

In accordance with the collective labour agreement (CAO) agreed in 1998 for the social unity of the Group, the early retirement scheme (VUT) was replaced at the time by the early pension scheme. A transitional arrangement applies for staff who has served 40 years before the early pension age and were born before 1950. As regards staff who have served 40 years before the early pension age and were born after 1949, the amount reserved for these members of staff has been used for the career break scheme [levensloopregeling]. The administration of the transitional arrangement has been transferred to Spoorwegpensioenfonds. A one-off payment was made to Spoorwegpensioenfonds in order to cover the obligations. At the end of 2014 the Group had no obligations with respect to the Early pension .

Other long-term employee benefits

This includes long-service obligations. The AG2014 mortality tables are used for calculating the long-service awards.

The change in the provision for long-service awards is as follows:

(in millions of euros)	2014	2013
Long-service award obligation as at 1 January	28	23
Payments	-3	-2
Actuarial gains and losses	5	6
Accrued interest	1	1
Long-service award obligation as at 31 December	**31**	**28**

The short-term part of the obligation amount to € 3 million. De sensitivities are as follows:

	2014	2013
Change of discountrate (-0.5%)	4.1%	3.8%
Increase of salaries (-0.5%)	-3.8%	-3.6%
Change of career opportunities (+25%)	2.6%	2.5%
Dismissal rates (+25%)	-4.4%	-4.1%

14. Provisions

(in millions of euros)	Reorganisation costs and redundancy schemes	Provision for soil remediation	Provision for onerous contracts	Other provisions	Total
Carrying amount as at 1 January 2014	**45**	**91**	**168**	**74**	**378**
Addition	4	-	5	13	22
Accrued interest	-	11	7	-	18
Withdrawal	-6	-10	-180	-8	-204
Other changes	-	-	-	1	1
Release	-36	-	-	-4	-40
Carrying amount as at 31 December 2014	**7**	**92**	**-**	**76**	**175**
Non-current	5	82	-	53	140
Current	2	10	-	23	35

Reorganisation costs and inactivity schemes

The purpose of the provision for reorganisation costs and inactivity schemes is to cover the costs incurred due to reorganisation measures. The bulk of the provision is earmarked for redundancy schemes, bridging payments and redeployment of members of staff whose positions have been abolished during a reorganisation. The release of the provision mainly contains the release as a consequence of the changed completion of the TOP programme.

Provision for soil decontamination

The purpose of the provision for soil decontamination is to manage and clean up environmental damage. The provision is calculated using an average discount rate of 1% (2013: 1%). The Group expects obligations to arise with respect to this provision until 2030. A substantial part of this provision concerns the residual provision that will have to be on hand in 2030. This portion has a long-term character. A review will be carried out every five years, which may result in adjustments to the addition policy.

Provision for onerous contracts

This provision relates primarily to the onerous concession agreement for the operation of the HSL. NS has guaranteed the operation and concession obligations of HSA surety until 2015 towards the State. As of 1 January 2015, the services on the HSL and the main rail (HRN) integrated into a new concession to NS. The current concession of HSA, with an original maturity of 15 years, has been repealed and the Concession Agreement is terminated prematurely. As a result of the termination of the current HSL concession is the provision at the end of 2014 has eneded.

At year-end 2013, the provision for onerous contracts (€167 million) for the HSL calculated was based on the best estimate at the balance sheet date of the cash value (4%) of the expected net cost of continuing with the current concession agreement until January 1, 2015.

Other provisions

The ‘other provisions’ item concerns, among other things, provisions for damage due to accidents and fire, and a provision for risks associated with the cancellation of cross-border lease transactions.

15. Accruals

Due to new insights arosen from sales of individual rail sidings the obligation with respect to renewal of rail sidings for an amount of € 27 million was released in 2014.

16 Trade and other payables

(in millions of euros)	31 December 2014	31 December 2013
Advance payments received for work in progress	-	30
Trade payables	162	227
Current portion of deferred credits	10	11
Other taxes and social security charges	90	89
Other liabilities	361	364
Accrued expenses and deferred income	245	282
Total	**868**	**1.003**

The accrued expenses and deferred income comprise the monies received in the context of FENS agreement. At the end of 2012 NS received an amount from ProRail as a consequence of the addendum on the framework agreement FENS. The total outstanding obligation has been assigned by means of project decision. About €50 million of the amount in this item is expected to have a term of more than one year. The trade payables and other liabilities include an amount of €4 million that concerns related parties (2013: €21 million).

The liquidity risk of the Group arising from trade payables and other outstanding items is specified in Note 28.

For detailed information on the 'advance payments received for work in progress' item, please refer to Note 8.

17. Deferred income

This primarily concerns prepaid prepaid season tickets.

18. Off-balance-sheet commitments

Long-term contracts

At year-end 2014, the Group had a number of long-term financial obligations to third parties. In the first instance, these concern operating lease agreements for trains, company cars and reproduction equipment. Secondly, there are long-term contracts for services provided by third parties in the fields of IT, health and safety, maintenance and cleaning.

The total obligation for long-term rental agreements for office accommodation amounts to some €189 million (2013: some €90 million).

Operational lease agreements

The amounts payable by virtue of operating lease agreements that cannot be cancelled fall due as follows:

Operational lease obligations

(in millions of euros)	31 December 2014	31 December 2013
< 1 year	223	122
1-5 years	343	196
>5 years	309	350
Total	**875**	**668**

Abellio signed an agreement in 2013 for the purchase of trains for an amount of €140 million (delivery in 2016). In addition, a sale-and-leaseback contract has been closed for this investment. The lessor is responsible for payments. The total obligation for Abellio, which is the size of the operating lease at the end of 2013 and 2014, is included in the table above.

Energy contracts

In 2014, the Group concluded a ten-year contract (2015-2024) with Eneco for the supply of green traction electricity to trains in the Netherlands. From 2015 50% of the trains in the Netherlands runs on green power and in 2018 the Group in the Netherlands goes completely green on the track. At year-end 2014, the purchasing obligation of already hedged volumes and for reimbursement of program responsibility and storage of green power for the 10-year contract for the period 2015-2024 amount to € 194 million. For 2015, the estimated total required volume is covered. The transport and energy are not part of disclosed purchasing obligation. When the difference between market values and contract value are above a certain threshold the Group should give Eneco guarantees or cash collateral to the other party. The deposit and liability, if any, are offset with each other since both are intrinsically linked.

Abellio has closed for several group companies fuel-hedging contracts to hedge the price of fuel and the associated currency risk. Forward contract are used to hedge the price of fuel and the associated and associated currency risk for a portion of its fuel costs for a future period (ranging between year-start 2015 and april 2020). In respect of these forward contracts Abellio has issued guarantees amounting to €10 million.

Group tax entity

Virtually all the subsidiaries of the Group are part of the NS tax entity for Dutch income tax purposes, with the exception of foreign subsidiaries. Therefore, the Group is jointly and severally liable for the tax liabilities of subsidiaries that are part of the tax entity

Investment obligations

At year-end 2014, the Group had outstanding investment obligations totalling some €680 million (2013: €330 million), particularly for acquiring and overhauling trains and investments in station environments.

Contingent liabilities

Of the share of the Group in the share capital (converted €125 million) of Eurofima AG, €25 million has been paid up. The Group has a direct callable full payment obligation and guarantee commitments worth €225 million. The obligation is callable when the equity position of Eurofima AG give cause. Collateral has been provided for the Eurofima loans that are not part of the cross-border lease financing in the form of a pledge of rolling stock.

In addition, the Group and consolidated participating interests have issued surety, letters of intent and guarantees worth some €350 million (2013: some €566 million).

Because of agreements with Belgian carrier on the IC Brussels, the Group considers a for the Group negative balance in the settlement of the operating expenses on this route. The size of the balance depends on the operating result on that route.

Claims have been submitted against NS and/or group companies that it is contesting. Although the outcome of these disputes is not certain, it is expected that they will not have negative financial consequences of material significance. For disclosure regarding the claim of AnsaldoBreda please refer to note 1.

Concessions

The Group has the following concessions:	Expiry date
Hoofdrailnet/ HSL-Zuid	12-31-2024
Regionale vervoersconcessions	see further
Merseyrail Electrics-concessions round Liverpool (Engeland)	07-20-2028
Northern Rail-concessions in Engeland	02-06-2016
Greater Anglia-concessions in Engeland	10-15-2016
ScotRail-concessions in Scotland (from 1 april 2015)	03-31-2022
Abellio-concessions in Duitsland	see further
Abellio London-concessions in Engeland	see further
Qbuzz	see further

Main rail network (HRN)

The main rail concession (HRN) is granted by the Ministry of Infrastructure and Environment and concerns passenger rail on the main rail network in the Netherlands. The old HRN concession and HSL concession (see next section) ended the end of 2014 and the Ministry granted in December 2014, a new integrated national rail concession to NS for the period 1 January 2015 to 1 January 2025. The train services on the HSL -South are also covered from January 1, 2015 under this concession. The concession stipulates improved performance over the duration of the concession. As of 2019, an interim evaluation will be conducted and a final evaluation by 2024. If NS does not reach the target for 2019 respectively 2024, NS is liable to pay per non-compliant performance indicator a fine up to a maximum of €19.5 million for each evaluation moment. If NS has fulfilled the conditions a maximum achievable bonus of €10 million per evaluation can be obtained. The Minister can put a fine on NS of maximum of €6.5 million per year when NS does not reach the bottom values of the performance indicators of the concession. In 2014, this limit was still €2.75 million.

The performance indicators are measured on the performance areas: general (customer opinion), door-to-door travel, travel convenience (transport capacity during rush hour), travel information (during disruptions), (social) safety and reliability (travellers punctuality).
With the government arrangements has been made (called 'Redelijke Regeling') with regard to the means of production resources (especially rolling stock) that are used for the purpose of implementation of the national rail concession. Depending on the ownership and the form of tender the production resources can (partially or completely) be leased to the subsequent concessionaire, sold at book value or leased 1 on 1 to the successor concessionaire in case of loss of the main rail concession

The Group has understood that within the objection period after the allotment of the concession two parties have objected against the concession.

NS was a total usage in 2014 (infrastructure levy and concession fee) for HRN and HST payable of €394 million. In 2015, the total usage will be approximately €370 million for the integrated rail network / HSL concession.

HSL-Zuid

The concession was awarded by a public tender to HSA of which NS and KLM are the shareholders. The contractual obligations include more minimum frequencies and maximum driving times, as well as quality (punctuality) and requirements for customer satisfaction / accessibility.
The term of the concession was originally for 15 years. The start date has been postponed several times and determined by the State on 1 July 2009. Discussions with the State resulted in a decision to withdraw the current concession by January 1, 2015 and as of that date to terminate the concession and to integrate services on the HSL and the main rail network into the new integrated concession with a duration of 10 years.

NS has given guarantees to the State for the operation and concession obligations of HSA to 2015. For the user fee a deferred payment agreement has been agreed that is included in borrowings and other financial liabilities. At the end of 2014 the remaining liability of total €320 million will be paid until 2025 in annual instalments of approximately €34 million (excluding interest).

Regional transport concessions

This includes passenger rail on the links shown below.
The concession conditions are indicated on frequency, accessibility, service and the like.
The three concessions are valid until December 12, 2015:

- Gouda - Alphen aan den Rijn
- Zwolle - Kampen
- Rotterdam – Hoek van Holland Strand

As of December 14, 2014 the commuter service Zwolle-Enschede is no longer part of the national rail network. NS has a concession with a maturity date of 9 December 2017. The concessions are granted by the relevant provincial or metropolitan area. For the implementation of the concessions a reimbursement has been received from the grantor of the concession.

Merseyrail franchise

This franchise is operated in a 50/50 joint venture with Serco Group plc, a listed British company. It concerns passenger transport on the rail network around Liverpool. The annual train-kilometres covered comes to approximately six million.
There is a duty to implement the agreed service level (timetable, quality of the service) at a fixed fee from the regional authorities. An evaluation is performed once every five years to ascertain whether the operations continue to be 'efficient'. The first evaluation took place in 2009. The second evaluation is currently being finalised. The franchise runs for 25 years (until 20 July 2028). There is an option to extend for 5 years. Failure to comply with the contract means that the franchise may be terminated, in which case the financial exposure for the company would be up to £4 million (NS share). The annual fee from the authorities (grant) is laid down in the contract and is indexed annually.

Northern Rail franchise

This franchise is operated in a 50/50 joint venture with Serco Group plc, a listed British company. It concerns the regional and urban passenger transport in the north of England. This franchise covers about 45 million train-kilometres a year. There is a mandatory requirement to perform the agreed service provision (timetable, quality of the timetable) at a fee from the authorities (grant) agreed in advance and which is indexed annually. In March 2014, a contract was signed which extended the franchise for 22 months to 6 February 2016, with an option to extend by a further 2 months. If the contractual conditions are not met, the franchise may be terminated. In that case, the financial exposure for the company would be up to £13 million (NS share).

Greater Anglia franchise

Abellio won the Greater Anglia franchise in 2011. This franchise is operated by the full subsidiary Abellio Greater Anglia Ltd. It concerns passenger transport by train on the rail network in the Anglia region in the east of England. The number of train-kilometres for this franchise is around 34 million per annum. The franchise started on 5 February 2012, was awarded for the period to 19 July 2014. In April 2014 a contract with the Department for Transport was signed for a new contract for 27 months to 15 October 2016, with an option to extend by a further 6 months. There is an obligation to provide the set services (timetable, quality of the services) for a predetermined fee paid to the government, which is index-linked on an annual basis. In the event of non-compliance with the contract, the franchise may be terminated. In that case the financial exposure of NS would be up to £ 40 million. There are also 15 franchise obligations that must be met during the term of the new franchise period, with penalty clauses if the obligations are not met. If the contractual conditions are not met, the franchise may be terminated. On 31 May 2015, some Metro services will transfer to Transport for London concessions, reducing the size of the business by around one sixth.

ScotRail franchise

Abellio won the ScotRail franchise in October 2014. The franchise length is a minimum of 7 years from 1 April 2015. By mutual consent it can be extended to 31 March 2025 following a review during year 5, with an option to extend by a further 2 years to 31 March 2027. The ScotRail franchise is let by Transport Scotland and will be operated by the 100%

subsidiary Abellio ScotRail Ltd. The current operator is First Group, which runs intercity, regional and suburban rail services across the Scottish national rail network. With 348 stations, 4,700 employees and 90 million passenger journeys per annum the operation is extensive, but is similar in network size to Northern Rail (472 stations, 4,800 employees and 90 million passenger journeys). There is a mandatory requirement to perform the agreed service provision (timetable, quality of the timetable) at a fee from the authorities (grant) agreed in advance and which is indexed annually. If the contractual conditions are not met, the franchise may be terminated. In that case, the financial exposure of NS would be up to £60 million.

Concessions in Germany

Abellio operates various train services in North-Rhine Westphalia with total revenues. The concessions run until between 2019 and 2028. In 2012 the Saale-Thüringen-Südharz-Netz rail concession has been acquired with a start date in December 2015 and an annual revenue of about €130 million. In 2013 the Niederrhein-Netz rail concession has been won with a start date in December 2016 and an annual revenue of about €42 million.

Concessions in London

Abellio London operates 43 bus services in London from 5 depots and 37 bus services in Surrey. The London concessions are 5-year contracts with potential for extension by a further 2 years, subject to achieving performance criteria. The number of bus-kilometres is approximately 44 million per annum with a fleet of 672 buses.

Qbuzz concessions

Qbuzz operates regional bus services in Friesland (until December 2016), Groningen-Drenthe (until December 2017, with an intended extension by another 2 years) and Utrecht (December 2013 until December 2023). On 31 December 2014 Qbuzz operated over 700 buses and 26 trams.

Notes to the consolidated income statement for 2014 NV Nederlandse Spoorwegen

19. Revenue

Revenues can be broken down as follows into revenue categories:

(in millions of euros)	2014	2013
Passenger services	3,410	3,131
Hub development and operation	558	591
Other activities	53	67
Intra group elimination	-88	-105
Total turnover	**3,933**	**3,684**
Other revenue	211	189
Total revenue	**4,144**	**3,873**

The Hub Development and Operation item includes an amount of €68 million (2013: €131 million) relating to development activities.

20. Staff costs

(in millions of euros)	2014	2013
Wages and salaries	1,152	1,122
Social security contributions	166	156
Contributions to defined contribution plans	41	31
Contributions to defined benefit plans	16	14
Other staff costs	71	71
Staff hired in	100	96
Total	**1,546**	**1,490**

(in FTE's)	2014	2013
Passenger services	21,464	21,967
Hub development and operation	3,412	3,309
Other activities	491	499
Total	**25,367**	**25,775**

Remuneration of Directors

Introduction

In 2012, the remuneration policy for the the Board of Directors of NS has been reassessed. In addition, we looked at the social developments in this field in the Netherlands. At year-end 2012, a new remuneration policy for directors of NS has been introduced that apply to all new board members.

Core objective of the remuneration policy in force is to enable the Supervisory Board to attract and retain well-qualified members of the board. The remuneration policy should support and promote the objectives and strategy of NS.

Remuneration 2014

The remuneration for the CEO is based on this new remuneration policy. The remuneration of the board members sitting on January 1, 2013 is based on the remuneration policy as it applied before.

The remuneration is determined on the proposal of the remuneration committee by the Supervisory Board. The remuneration committee consists of Mrs. T.M. Lodder (Chairman), Mr. C.J. van den Driest and Mrs. I. Jankovich. Discussion include the remuneration policy and the targets for the ExCo (statutory and non statutory positions) and the principles for remuneration policy for management (above-cao).

Elements of remuneration and the relationship between the elements

The remuneration of the Board of Directors consists of a fixed income with fringe benefits (expense allowance, company car, pension) and a variable short-term income.

Level of remuneration in relation to the external remuneration market

The total remuneration is based on the remuneration policy is based on a weighted combination of the remuneration system at two Dutch external reference markets, namely 'public and semi - public' and 'private'. Based on the medians of these markets, a weighted median is determined in the ratio 60 'public and semi - public' : 40 'private'. Regarding the peer group 'public and semi - public' a group is composed of organizations in terms of nature , size, complexity and impact as much as possible of similar order as NS. These semi - public group has been established at the end of 2012 and consists of AMC, Belastingdienst, Connexxion, GVB, Port of Rotterdam, Ministry of I & M, ProRail and Vitens. The 'total cash' remuneration of top executives of these organizations is taken into account. For the private sector the level of remuneration of Dutch director positions with comparable positions is taken into account. The board positions at NS are analysed for this purpose using the job evaluation methodology of the Hay Group, a methodology that in NS is also used for other functions. The reference income for the fixed income component of the CEO is 20% above the reference income of the other members of the Board of Directors.

The fixed income of the members of the Board of Directors of NS is not adjusted during 2014. The income development of the Board of Directors is based on the development of wages that was agreed in the NS Collective Labour Agreement The previous adjustment of the fixed income was in 2013.

Performance criteria for variable remuneration component

The variable income is focused on achieving challenging goals within a year and is for the current CEO based on the current remuneration policy, up to 20% of the fixed salary. The variable income for the other current board member amounts to 40% of the fixed income, which is based on the previously applicable remuneration policy.

The variable part is built up in two categories, namely the interest of the traveller and business economic importance. In the mutual weighing between the classes a factor of 75:25 has been used. The achievement of the budgeted operating profit before interest and tax ('EBIT') is used as a financial target. The category of interest of travellers imposes an explicit link to the socially important "public transport" function. The targets relate to overall customer assessment, travellers punctuality, security and reputation ("reptrack - pulsescore"). Both categories know measurable performance criteria, which targets are agreed that are measured and evaluated over a period of one year. A score of less than 90% on the goals overall customer assessment, travellers punctuality and reputation and / or in the financial category leads that no variable income for that year is determined. The remuneration policy includes a claw back clause. The Board of Supervisory Directors retains its discretion to determine the variable income.

In 2014, no variable remuneration over the performance 2013 has been paid to the Board of Directors.

The Supervisory Board has determined that all in advance agreed variable remuneration targets with the Board of Directors for 2014 have been achieved. The Supervisory Board is still considering the possibility to grant a variable remuneration.

Pension scheme

The members of Board of Direcors participate in the pension industry pension fund (Spoorwegpensioenfonds).

Contracts of employment

Mr. T.H. Huges was appointed with effect from 1 October 2013 to CEO of NS for a period of 4 years. The Supervisory Board followed the articles No. II.1.1 and II.2.8 of the Corporate Governance Code in conclusion of the employment contract with respect to the term of the appointment and any compensation. The variable remuneration does not exceed 20% of the fixed salary. Furthermore, the costs of health insurance for Mr. Huges are reimbursed.

Mr. E.M. Robbe was appointed with effect from 1 January 2011 for a period of 4 years as a member of the board of NS. Per 1 January 2015 the shareholder reappointed him for another 4 years. The above-mentioned corporate governance principles are also included in his contract. The variable remuneration is based on his contract up to 40% of the fixed salary.

Board of Directors remuneration

The specifications of the gross remuneration amounts for each member of the Board of Directors that are for the account of the company are as follows.

In euros	2014	2013
T.H. Huges		
Fix salary	430,000	107,500
Variable remuneration	to be determined	-
E.M. Robbe		
Fix salary	392,538	391,586
Variable remuneration	to be determined	-
M.W.L. van Vroonhoven*		
Fix salary	98,135	391,586
Variable remuneration	-	-
A. Meerstadt**		
Fix salary	-	378,521
Total	**920,673**	**1,269,193**

*January 1 until March 31, 2014

** January 1 until September 30, 2013

Internal salary ratio

The total income, including a maximum bonus of 20% of the employee with the highest fixed salary, the CEO, has 11 times the median salaries of all railway employees in the Netherlands.

Crisis levy

The amount of Board of Directors remuneration over 2013 excludes an amount of €114,921 of crisis levy (set by the government). For 2014 no levy was applicable.

Pensions

The employer's share of pension costs is for the entire Board of Directors in 2014 €48,082 (2013: €53,278). The employer's share of pension costs is 2/3 of the total pension costs.

Lease cars

In accordance with the lease arrangement of NS, the Board of directors are entitled to a company car. In the scheme it is possible to opt out of a lease car, the director will be compensated for a gross payment of the lease amount. Mr Huges uses this scheme and receives accordingly an amount of €1,310 gross per month. The scheme also included the option to choose a smaller lease car, with gross payment of the difference between actual lease costs and maximum allowable lease amount. Mr. Robbe has chosen this option and has a lease car and receives beside that a monthly sum of €277 gross.

Termination of employment of Ms. Van Vroonhoven

Mrs Van Vroonhoven has terminated her employment with NS at her request by April 1, 2014. From 1 January to 31 March 2014, an amount paid to her of € 98,135 gross. She had a lease car and received an amount of € 525 per month, representing the difference between the actual lease costs and maximum permissible lease amount. A departure scheme was not apllicable.

Termination of employment at the request of Mr. Meerstadt

The employment of Mr. A. Meerstadt is terminated at his request by April 1, 2014. From the cessation of his CEO ship from 1 October 2013 until the end of employment, he was advisor to the board retaining his salary and other conditions of his employment agreement. From October 1, 2013 to December 31, 2013 was paid to him in connection therewith an amount equal to €126,583 and from 1 January to 31 March 2014, also paid an amount equal to € 126,583.

Remuneration of the Supervisory Board members

The remuneration of members of the Supervisory Board for 2014 borne by the company totalled €204,560. In 2013, the remuneration of members of the Supervisory Board borne by the company was €211,347. The remuneration comprises a fixed fee and an allowance for participating in one or more committees.

The specification for each member of the Supervisory Board is as follows:

In euros	2014	2013
G. van de Aast (per 4 March 2014) member audit committee	24,821	-
C.J. van den Driest (chairman, member remuneration and appointment committees)	39,700	38,965
F.J.G.M. Cremers (until 5 March 2014) (vice chairman Supervisory Board, chairman audit committee)	6,930	40,150
I.M.G. Jankovich (member remuneration and appointment committees)	29,900	23,803
T.M. Lodder (vice chairman Supervisory Board, chairman remuneration committee and appointment committees)	39,258	34,900
P. Rosenmöller (member audit committee)	29,900	29,900
J.J.M. Kremers (chairman audit committee)	34,051	29,900
M.J. Oudeman (until 13 March 2013)	-	5,898
W. Meijer (until 13 March 2013)	-	7,831
Total	**204,560**	**211,347**

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

All the shares of NV Nederlandse Spoorwegen are held by the Dutch State. No options have been extended to Board of Directors or Supervisory Board members or to members of staff to hold or obtain securities in the company.

21. Depreciation, amortisation and impairment

(in millions of euros)	2014	2013
Depreciation of property, plant and equipment	306	320
Depreciation of investment property	7	7
Amortisation of intangible assets	19	8
Total depreciation and amortisation	**332**	**335**
Impairment (and reversal of impairments) of property, plant and equipment	-2	274
Impairment investment property	2	1
Impairment intangible assets	-	-
Total (reversal of) impairment losses	**-**	**275**
Total	**332**	**610**

22. Use of raw materials, consumables and inventories and Own capitalised production

(in millions of euros)	2014	2013
Raw materials and consumables	270	298
Energy	203	187
Total	**473**	**485**

Own capitalised production

The own capitalised own production includes directly attributable personnel costs, materials used in the construction of assets for own use. This mainly concerns the revision of trains.

23. Costs of subcontracted work and other external costs

(in millions of euros)	2014	2013
Subcontracted work	94	133
Cleaning	73	72
Maintenance	110	105
Automation	173	155
Total	**450**	**465**

24. Infrastructure and concession fees

The user fee for the Dutch rail concession amounts in 2014 €394 million (2013: €358 million). The user fee for the British rail concession in 2014 was €357 million compared to €329 million in 2013. This increase was due to the start of the Greater Anglia franchise. The user fee for the German rail infrastructure 2014 was €28 million (2013: €21 million).

25. Other operating expenses

Other operating expenses include insurance, accommodation costs and fixtures and fittings, external auditor's fees, publicity costs, rental and lease costs for operating assets and additions to provisions.

External auditor's fees

(in millions of euros)	2014	2013
Statutory audits	1.3	1.7
Other assurance engagements	0.1	1.4
Tax advisory services	-	-
Other services	-	0.8
Total	**1.4**	**3.9**

The auditor's fees include the fees of both services in the Netherlands and that of the foreign network.

26. Net finance result

(in millions of euros)	2014	2013
Recognised in the income statement		
Interest income from available-for-sale financial assets	2	1
Interest income from deposits with a term longer than a month	1	1
Interest income from bank balances	1	4
Other interest income from other investments	12	5
Finance income	**16**	**11**
Interest expense from financial liabilities measured at amortised cost	-10	-7
Interest expenses form interest rate swaps for cashflow hedging	-13	-14
Financial benefits	2	8
Exchange rate differences	-1	-
Interest expensiefs from discounting of provisions	-29	-24
Finance expense	**-51**	**-37**
Net finance result included in the income statement	**-35**	**-26**
Recognised directly in equity		
Foreign currency translation differences	4	-1
Effective portion of changes in the fair value of cash flow hedges	-14	11
Net changes in the fair value of available-for-sale financial assets	-4	-
Income tax on gains and losses recognised in equity	3	-3
Finance result recognised directly in equity, after tax	**-11**	**7**
Attributable to:		
Company shareholder	-11	7
Minority interest	-	-
Finance result recognised directly in equity, after tax	**-11**	**7**

27. Income tax

(in millions of euros)	2014	2013
Included in the income statement		
Current taxes	2	14
Deferred taxes	-108	39
Total income tax expense	**-106**	**53**
Reconciliation with effective tax rate		
Profit before tax	286	-96
Non-deductible costs	4	4
Other permanent differences	-35	-22
Taxable result	**255**	**-114**
Income tax at Dutch tax rate for corporation tax (2014 and 2013: 25%):	-64	29
Effect of the tax rate in foreign jurisdictions (different rate)	14	16
Revised valuation incometax positions	-10	-
Effect of non-valuation of deductible losses	-50	9
Settlement previous years	4	-1
Total income tax	**-106**	**53**
Income tax on income and expenses recognised directly in equity	2	-4

The income tax was calculated using the applicable tax rates in the Netherlands, the UK, Ireland, Belgium, Germany, the Czech Republic, France and the Scandinavian countries, taking account of the tax rules and the permanent differences between the determination of the result for reporting purposes and that for tax purposes. The tax rules consist of, among other things, the participation exemption and the limits to deductible costs.

The effective tax burden on the result for income tax is 37% (2013: 55%).
Agreements have been reached with the tax authorities with respect to the tax returns until the end of 2011. No final assessment has been received yet for the years after that; the financial statements for previous years and this year include the tax for those years based on the submitted returns.

28. Financial risk management

Financial instruments are contracts between parties that produce a financial asset for one party and a financial liability or equity instrument for the other party. This includes traditional financial instruments (accounts receivable, debts and securities) and derivative financial instruments (derivatives).

Financial instruments potentially bring risk. As far as the Group is concerned, these are mainly market risks, credit risks and liquidity risks. This section discusses the objectives and the policy with respect to the management of risks arising from financial instruments, as well as the management of capital.

The purpose of the Group's risk policy is to identify and analyse the risks to which the Group is exposed, to determine effective risk limits and controls and to monitor compliance with the agreed limits. The policy and systems for financial risk management are evaluated on a regular basis and, where appropriate, adjusted to the changes in the market conditions and the activities of the Group.

To ensure adequate risk management, additional policies have been drawn up for a number of business units. For instance, NS Insurance and Abellio implement specific risk management measures for the business units where Corporate Treasury is responsible for the financial risk management.

Where Corporate Treasury's policy relates to the business units, this policy is recorded in the Cash Manager's Manual [*Handboek Cash managers*], which is part of the overall NS Reporting Manual accessible to every Dutch member of staff via the NS intranet. The Group wishes to create a disciplined and constructive climate based on policy standards and procedures in which all the members of staff understand their role and responsibilities. The Group also strives to spread knowledge and expertise among several members of staff in order to avoid excessive dependence on individual people.

The Group participates in transport concessions outside the Netherlands through Abellio. Most of these operations are in the UK, in part in a joint venture with its partner Serco, with both parties having equal representation. In addition, Abellio has operations in Netherlands and Germany. The nature of the risks and the control measures are similar to those for NS, bearing in mind the size of these operations.

The Audit Committee and the Supervisory Board monitor the adequacy of the risk management framework in conjunction with the risks the Group faces. In its supervisory capacity, the Group's Audit Committee is assisted by NS Audit and the Corporate Finance and Administration department.
NS Audit performs regular and ad hoc evaluations to provide additional assurance of the good governance of all the business processes of NS. The findings of NS Audit are reported to the Audit Committee.

Insurance risks
In the context of its operating activities, the Group faces risks that can be insured. Risks over and above its retained cover are administered by the subsidiary NS Insurance. These concern the risks of collision, fire, operational claims and liability claims. The maximum amount of these damages is calculated by external specialists once every three years, or more often if changed circumstances dictate. The subsidiary NS Insurance insures the identified risks of the business units. It does not insure third parties. Should the total annual claims burden exceed the retained cover of NS Insurance, they are covered by reinsurance. The normal loss and damage of the Group will be reimbursed from the premium income and investment income of NS Insurance. If the claims exceed the normal claims, yet are lower than the retained cover of NS Insurance, these are met by the – adequate – free reserve of NS Insurance.

NS Insurance is reinsured by means of stop-loss reinsurance contracts. Maximum possible loss assessments are done on a regular basis to prevent under-insurance. If market conditions allow, NS Insurance only takes out reinsurance with parties with a minimum rating of A+ (stable outlook). Should the rating fall below A-, it has the option to cancel the reinsurance contract. This has not been the case to date. The reinsurers of NS Insurance have a minimum rating of A-.

NS Insurance is an insurance company subject to regulation by the Dutch central bank (DNB) and the Authority for the Financial Markets (AFM). As is the practice in the insurance sector, the required size of the free reserves to be held is linked to the solvency margin required by DNB. It is standard practice in the industrial insurance market to hold free reserves at a factor three times the solvency margin. The solvency margin requirement for 2014 is approximately €4 million. For NS Insurance, this means that a free reserve of €12 million is sufficient. NS Insurance comfortably satisfies this requirement.

Information on risks and financial instruments
The following financial risks are distinguished: market risk, credit risk and liquidity risk. There also additional risks arising from cross-border lease transactions.

Market risk
Market risk concerns the risk that the income and expenses of the Group or the value of the investments in financial instruments suffer a negative impact due to market changes, such as the cost of raw materials, foreign exchange rates and interest rates. The purpose of market risk management is to maintain an acceptable market risk position with optimum returns.

Price risk of raw materials
The Group is sensitive to the impact of market fluctuations in the price of energy. In 2014, the Group Eneco has concluded a ten-year contract (2015-2024) for the supply of green traction electricity to trains in the Netherlands. From 2015 50% of the trains in the Netherlands runs on green power

and in 2018 we drive in the Netherlands completely green on the track. At year-end 2014, the purchasing obligation based on the 10-year contract amounts €194 million (2013: €105 million for 2014 only based on contract with Essent). The transport and energy are not part of purchasing obligation. The contract covers the following risks (partially) as follows:

- Price risk: the fees for the program responsibility and Guarantees of Origin are fixed the entire contract. The contract gives the opportunity to buy the needed electricity for future years based on a hedging strategy to limit the exposure to marketprices.
- Credit risk: credit risk is limited to the credit rating-dependent thresholds. If the so-called Exposure (this includes amongst others the difference between market values and contract value of hedged electricity from hedging strategy) is above a certain credit rating dependent threshold, the Group has to set Eneco guarantees or cash collateral to the other party.
- Volume risk: the volume risk is limited because the volume of the previous year is rewritten for each new year. Within the year applies in addition to previous an additional band-width with respect to volume which more or less consump-tion has no effect on the price.
- Reputation risk: the contract provides a review in 2019 whether the sustainability of the traction electricity suffi-ciently occurred. If this is unexpected and unfortunately not be the case then NS has the right to terminate the contract as of 2020.

Abellio has closed fuel hedge contracts for some of its subsi-diaries to partly hedge the fuel price and the corresponding foreign exchange risks. To this end, forward contracts are used monthly for a part of its fuel costs for a future period (varying between year-end 2014 and 2016). The guarantees related to these hedges are enclosed in Note 18.

Vacancy risk for investment property

With respect to investment property, the Group faces the risk of vacant properties. To limit this risk, the Group uses long-term rental agreements with financially sound parties. Despite a decrease in the average remaining term of the rental agree-ments, this is still more than five years as at year-end 2013. The Group continues to strive to conclude long-term rental agreements with financially sound parties.

Exchange rate and interest risks

Interest and exchange rate risks are largely managed by the head office. The holding of both interest rate and foreign-currency positions in connection with foreign group companies is regulated, and this is done within defined position limits. Speculative positions are not taken.

The Group uses derivative financial instruments to hedge exchange rate and interest-rate exposures that arise from operating, financing and investing activities. Such transactions take place within agreed guidelines. Depending on circum-stances, this policy can be adjusted from time to time. In accordance with the treasury policy, the Group does not hold derivatives for trading purposes, neither does the Groups issue them.

Exchange-rate risk

The Group faces exchange-rate exposure on purchases, trading activities, liquid assets, loans taken up, other balance-sheet items and off-balance sheet commitments denominated in a currency other than the euro. By virtue of its operating activi-ties, the Group’s foreign exchange positions mostly arise from positions denoted in pound sterling (GBP) and Swiss Franks (CHF). With respect to foreign currencies, the Group recognises a transaction risk, a translation risk and an economic risk.

Transaction risks

This concern risks in connection with future cash flows in foreign currency, as well as in connection with balance-sheet positions denominated in foreign currency. The policy of the Group is aimed at hedging 100% of all the material items denominated in foreign currency, with the exception of exchange rate risks on foreign operations (see translation risks). The risk of exchange-rate fluctuations is hedged using forward exchange contracts, spot and/or forward acquisitions and sales and swaps, as a result of which one or more risks to which the primary financial instruments are exposed are trans-ferred to other contract parties. At the end of 2014 the Group closed a number of forward contracts for hedging of specific foreign exchange positions. The fair value at 31 December 2014 of the foreign exchange derivatives amounts to €0.3 million.

Acquisitions and sales, investment and financing obligations and settlements with foreign railway companies are usually conducted in the functional currency of the Group's business units: the euro (EUR) and pound sterling (GBP). At year-end 2013 and 2014, no material items are held in currencies other than the functional currency of the relevant business unit.

Sensitivity analysis

Since no material net positions denominated in foreign currency were held at year-end 2014 and 2013, a change in the exchange rate of the euro at the year-end did not impact on the equity and profit for the reporting period.

Translation risks

This concern risks in connection with the translation of the balance-sheet items of subsidiaries with a functional currency other than the euro. The ensuing risks are only hedged if the Group expects to discontinue the relevant operating activities in the short term. The net equity value of the subsidiary can then be hedged. If no decision has been made to dispose of or discontinue the relevant subsidiary, the translation differences are accounted for in equity via the statutory reserve for exchange differences.

Economic risks are related to a possible weakening of the competitive position caused by a change in the value of a foreign currency. These risks are not currently hedged because the likelihood that the competitive position is under threat as a result of this is low. Moreover, this risk is considered a normal operational risk.

The main exchange rate for the reporting year is as follows:

	Average exchange rate		Spot rate on	
	2014	2013	31 December 2014	31 December 2013
GBP	1.24	1.18	1.28	1.20

Interest-rate risk

The policy pursued by the Group is to ensure that at least 50% of the interest-rate risk on loans taken up is based on a fixed rate. When determining the interest risk on borrowings, the Group can take account of available liquidities that could neutralise the interest-rate risk on variable interest loans. The Group uses derivatives, such as interest-rate swaps, to limit the interest-rate risk. The tables below provide insight into the interest rates as at the balance sheet date, as well as the maturity date or - if earlier - the contractual revision date. This means that a position where the interest rate is due to be revised within the coming year is classified in the category '12 months or less'.

The table below presents the interest rates on the balance-sheet date as well as the remaining term for financial assets in the categories of interest-bearing non-current assets and current assets.

(in millions of euros)	Interest	Total	< 6 mth.	6-12 mth.	1-2 yr.	2-5 yr.	> 5 yr.
31 December 2013							
Available-for-sale financial assets	0% - 5%	100	-	3	19	78	-
Financial leases	5% - 6%	13	-	-	1	4	8
Deposits	0% - 2%	231	106	123	-	2	-
Other	4%	25	-	-	-	25	-
Total		**369**	**106**	**126**	**20**	**109**	**8**
Non interest-bearing investments		67					
Total other financial assets and investments		**436**					
31 December 2014							
Available-for-sale financial assets	0% - 5%	115	6	1	27	81	-
Financial leases	5% - 6%	14	1	1	1	4	7
Deposits	0% - 2%	223	148	75	-	-	-
Other	3% - 5%	36	-	-	-	-	36
Total		**388**	**155**	**77**	**28**	**85**	**43**
Non interest-bearing investments		61					
Total other financial assets and investments		**449**					

The above deposits and financial assets available for sale) are intended, among other things, for paying the agreed investment obligations of approximately €680 million (2013: €330 million), redemption and interest rate payments on the amounts borrowed, non-current provisions and liabilities.

The interest-rate risk for part of the non-current financial assets available for sale is hedged by means of a fair value hedge making use of interest-rate swaps. The face value of these interest-rate swaps at 31 December 2014 is €60 million (2013: €60 million). The carrying amount of these derivatives was €0.5 million (2013: €0.5 million).

The following notes contain information about the contractual stipulations for the interest-bearing amounts borrowed and other financial liabilities of the Group, which are stated at amortised cost.

The summary of outstanding loans is as follows:

				31 December 2013	
(in millions of euros)	Currency	Nominal Interest	Expiry date	Face value	Carrying amount
Private loans	EUR	5%	2014-2016	3	3
Private loans	EUR	5%	2017-2019	11	11
Private loans	EUR	3%	2014-2027	3	3
Private loans	EUR	variabel	2016	354	354
Private loans	EUR	variabel	2017	44	44
Private loans	EUR	variabel	2019	51	51
Private loans	EUR	3%	2018	195	195
Financial lease liabilities	EUR	6%	2017	88	88
Total non current and current obligations				**749**	**749**
Derivatives					38
					787
Of which recognised as:					
Non-current liability					730
Current liability					57
					787

(in millions of euros)	Currency	Nominal Interest	Expiry date	31 December 2014 Face value	Carrying amount
Private loans	EUR	5%	2017	5	5
Private loans	EUR	4% - 5%	2018	3	3
Private loans	EUR	4%	2019	2	2
Private loans	EUR	5%	2023	2	2
Private loans	EUR	variabel	2016	355	355
Private loans	EUR	variabel	2017	43	43
Private loans	EUR	variabel	2019	51	51
Private loans	EUR	3%	2025	320	320
Financial lease liabilities	EUR	6%	2017	91	91
Total non current and current obligations				**872**	**872**
Derivatives					55
					927
Of which recognised as:					
Non-current liability					867
Current liability					60
					927

By means of the interest rate swaps the character of the variable loans has been transferred to fixed loans. The face amount of the interest rate swaps used for hedging was €418 million (2013: €419 million). The hedging position is as follows:

Cashflow hedge accounting	31 December 2014	31 December 2013
Hedged value of the private loans	418	419
Notional amount interest rate swaps	418	419
Hedge effectiveness	100%	100%

The tables below show the periods in which the net cash flows before tax are expected with respect to derivatives that serve as cash flow hedges. The interest-rate risk is partly mitigated by these cash-flow hedges.

Cash flow from interest rate swaps used for hedging purposes

(in millions of euros)	Carrying amount	Expected cash flows	< 6 mth.	6-12 mth.	1-2 yr.	2-5 yr.	> 5 yr.
Interest rate swaps 31 December 2013							
Liabilities	38	46	7	7	32	-	-
Interest rate swaps 31 december 2014							
Liabilities	30	30	7	7	16	-	-

The above items are stated at net value because the net contractual settlement of the hedging transactions. In the calculation of the future cash flows, it was assumed that the future variable interest rate position would be the same as the latest available variable interest rate position.

Interest-rate profile

As at the balance-sheet date, the interest-rate profile of the interest-bearing financial instruments of the Group could be specified as follows:

(in millions of euros)

	31 December 2014	31 December 2013
Assets / Liabilities with a fixed interest rate		
Financial assets	165	139
Financial liabilities	423	299
Balance	**-258**	**-160**
Assets / Liabilities with a variable interest rate		
Financial assets	998	998
Financial liabilities	449	450
Balance	**549**	**548**

Interest-rate sensitivity

When determining the result, the balance-sheet position at the year-end was assumed for instruments that had a variable interest rate. Subsequently, the effect on this position of an increase or decrease in the variable interest rate of 100 basis points was calculated. For some of these instruments, the variable interest rates are fixed by means of interest-rate swaps. As a result, a change in the variable interest rate has no impact on these instruments. The assumption is that all other variables, in particular foreign exchange rates, remain constant. The analysis was performed based on the same assumptions in 2013.

An increase of 100 basis points in the interest rate as at the balance sheet date would mean an increase in profit for the reporting period of €8 million. €10 million more (2013: €12 million) would have been received in interest income. The increase of €4 million (2013: €5 million) in interest charges would be compensated by income from interest-rate swaps of €4 million (2013: €4 million). This result in a positive effect of €10 million (2013: €11 million). Taking account of income tax, an increase of €8 million (2013: €8 million) in the profit for the reporting period and equity remains. In the event of a drop in the interest rate of 100 basis points, a reverse effect would be achieved.

Sensitivity commodity derivatives

The sensitivity of the commodity derivatives with a book value at year-end December 31, 2014 of €25 million is as follows. By an increase of € 0.10 from the price of fuel the negative value of commodity derivatives will decrease by approximately €20 million and equity increased by €16 million. When a decrease in the fuel an opposite effect will be visible.

Hedging transactions

The Group uses derivatives to hedge the risk, partially or fully, of fluctuations in the fair value of financial assets and/or liabilities, as well as fixed commitments.

With the aid of interest-rate swaps, variable-interest loans are effectively converted into fixed-interest loans.

Fair value versus carrying amount

The carrying amount of financial assets and liabilities recognised on the balance sheet does not differ from the fair value.

Value determination of investments recognised under financial assets

When calculating the market price, it was assumed that the carrying amount of deposits with a residual term of less than one year is equal to the market value. With respect to bonds, the fair value was calculated using the available actual market prices/closing prices.

Value determination of derivatives

When determining the value of the interest-rate swaps and foreign exchange derivatives, the Group uses valuation methods in which all the significant information required is derived from published market data (Level 2).

The valuation of the HTM option (see note 5) is based on data that is not based on observable market data (unobservable inputs).

Credit risk

Credit risk is the risk of financial loss for the Group if a supplier or counterparty of a financial instrument does not comply with the contractual obligations. Credit risks mainly arise from accounts receivable from clients and from investments. As at the balance-sheet date, there were no significant concentrations of credit risks. The maximum credit risk equals the balance-sheet value of each financial asset.

The carrying amount of financial assets represents the maximum credit risk. The maximum credit risk as at the balance sheet date is as follows:

(in millions of euros)	Disclosure	31 December 2014	31 December 2013
Available-for-sale financial assets	5	151	136
Held-to-maturity investments	5	1	2
Finance leases	5	14	13
Other financial assets	5	60	54
Deposits	5	223	231
Trade and other receivables	8	370	450
Cash and cash equivalents	9	775	759
Total		**1,594**	**1,645**

Investments

The Group reduces its credit risk on investments by exclusively investing in counterparties that meet the policy criteria prepared by the Group. Regular assessments are carried out to ascertain whether counterparties continue to meet the policy criteria or further action is required.

In view of the credit rating of the counterparties, the Group expects that they will fulfil their obligations. No impairment losses were incurred on investments, bonds and deposits in 2014 and 2013. Investments are essentially made in counterparties with a long-term credit rating of A- from Standard & Poor's and at least a long-term credit rating of A3 from Moody's, or in a number of Dutch municipalities. When a counterparty only have one credit rating, the rating requirements of Standard & Poor's or Moody's as described above have to be satisfied. Investments that no longer satisfy this policy are only tolerated as an exception with frequent monitoring, or they are wound down (mainly through normal selling), which can still extend some time beyond the balance-sheet date. The foreign companies of the Group do not have long-term material liquidity surpluses, unless resulting from normal operating activities (prepaid amounts).

Trade and other receivables

The credit risk arising from the Group's trade and other receivables is primarily determined by the individual characteristics of the different clients. The demographic aspects of the client base, including the risk of non-payment and the country in which the clients are active, have less impact on the credit risk. Some 11% (2013: 11%) of the Group's turnover is realised from sales transactions with the Dutch education agency *Dienst Uitvoering Onderwijs* (DUO).

As part of the credit policy pursued by the business units, each new client's credit rating is established separately before standard payment and delivery terms and conditions are offered. If a contract is renewed, the company's own experience is also referred to when the creditworthiness is assessed. When assessing creditworthiness, clients are divided into groups based on credit profiles, including the categories of government, companies, private clients and clients that may have had earlier financial difficulties. Deliveries to clients with a high-risk profile are only made after approval by the Board of Directors. Business transactions with most of the clients go back some years now, with only a few incidental cases of immaterial losses.

The Group recognises a provision for impairment amounting to the estimated losses from trade and other receivables. The most important elements of this provision are a specific loss provision for separate major positions and a collective loss provision for groups of similar assets in connection with losses already incurred but not yet identified. The collective loss provision is determined based on historical payment data for comparable financial assets.

The age breakdown of the receivables as at the balance-sheet date is as follows:

(in millions of euros)	31 December 2014		31 December 2013	
	Gross	Provided for	Gross	Provided for
Not past due	151	-	164	-
Past due 0 - 30 days	7	-	7	-
Past due 31 - 120 days	9	1	9	-
Past due 121 - 180 days	7	1	9	1
Past due 181 - 360 days	3	1	4	1
Past due more than one year	13	5	26	6
Total	**190**	**8**	**219**	**8**

Impairment losses

The changes in the provision for impairment with respect to receivables during the year were as follows:

Change in provision for bad debts

(in millions of euros)	2014	2013
Balance as at 1 January	8	3
Additions	4	8
Use	-3	-1
Release	-1	-2
Balance as at 31 December	**8**	**8**

The provision accounts for receivables are used to enter impairment losses, unless the Group is certain that it is impossible to recover the amount due. In that case, the amount is classified as uncollectible and written off directly against the relevant financial asset.

Liquidity risk

The risk of the Group failing to meet its financial obligations is limited because the Group has sufficient liquid assets or assets that can be made liquid quickly. In addition, the Group also has at its disposal a committed credit facility allowing the withdrawal of €350 million, with a term until 2018.

At year-end 2014, the liquid assets and assets that can be made liquid quickly amounted to €1,497 million (2013: €1,535 million). The contractual financial obligations within one year amount to €599 million (2013: €665 million). The Group expects to meet the investment obligations and the long-term liabilities from the surplus of funds in the short term and from the projected cash flow from operating, investing and financing activities.

The Group manages the liquidities based on regular bottom-up liquidity forecasts. Based on the forecast, the business units that are clients of Corporate Treasury's in-house bank are given financing limits. The bank monitors these limits and it is not possible to exceed them unless approval has been obtained. This provides Corporate Treasury with an early-warning system. The aforementioned liquidity forecast and the financing limits enable Corporate Treasury to manage the liquidities (lending and borrowing of funds).

The contractual terms of the financial liabilities, including the estimated interest payments, are shown below.

(in millions of euros) 31 December 2013	Carrying amount	Contractual Cash flows	< 6 mth.	6-12 mth.	1-2 yr.	2-5 yr.	> 5 yr.
Non-derivative financial liabilities							
Private loans	661	672	25	22	45	481	99
Finance lease liabilities	88	88	6	7	14	39	22
Trade and other payables	591	591	591	-	-	-	-
Derivative financial liabilities							
Interest rate swaps used for hedging	38	46	7	7	32	-	-
Total	**1,378**	**1,397**	**629**	**36**	**91**	**520**	**121**
31 December 2014							
Non-derivative financial liabilities							
Private loans	781	853	27	26	449	194	157
Finance lease liabilities	91	92	8	8	17	39	20
Trade and other payables	523	526	526	-	-	-	-
Derivative financial liabilities							
Interest rate swaps used for hedging	30	22	2	2	3	15	
Commodity derivatives	25	25	4	5	6	9	1
Total	**1,450**	**1,518**	**567**	**41**	**475**	**257**	**178**

Capital management

Capital management is given content by the Group through the dividend policy which is aligned with the shareholder.

Risks arising from cross-border lease transactions

Until the end of 1998, the Group concluded cross-border lease transactions with the aim of reducing borrowing costs. Under these cross-border leases, which solely concerned rolling stock, the beneficial ownership remained with the Group, which is why the relevant assets are included on the balance sheet. The carrying amount of the rolling stock involved in cross-border leases at year-end 2014 was €135 million (2013: €182 million). The financial benefits of the cross-border leases are deducted from the borrowing costs spread across the term of the transactions in the income statement. The not yet amortised financing benefits obtained with these leases, amounting to €2 million at year-end 2014, are recognised on the balance sheet as income attributable to future years and split into a current portion of €1 million and a non-current portion of €1 million. For financial risks arising from the dissolution of cross border lease transactions amount €12 million. Measured by the real risk the Group consider the amount provided as sufficient. Some of the positions related to these leases concern off-balance sheet positions. The credit risk associated with these off-balance sheet positions is managed by Corporate Treasury. Unless exceptional unforeseeable situations arise, the exchange-rate risk in these contracts is hedged.

29. Related Parties

Transactions with related parties take place based on the 'arm's length' principle.

All the issued shares are in the hands of the Dutch State. A significant transaction with a company related to the State (DUO) concerns the receipt of the fee for the student travel card (2014: €439 million, 2013: €423 million).

Furthermore, NS received an amount of €37 million (2013: €46 million) in grants from the State in 2014 through various schemes. Of this total, €35 million (2013: €37 million) was recognised as 'Other income' and €2 million (2013: €9 million) was deducted from the related costs.

The following transactions take place with ProRail, a company related to the State:

- Payment of the user fee for the Dutch infrastructure. Details can be found under note 24;
- NS has undertaken to pay ProRail BV at the end of 2014 €28 million for the financing of commercial facilities in Nieuw Sleutel Projecten [new key projects] stations (2013: €33 million). In 2014, €66 million (2013: €33 million) has been paid to ProRail BV.

The transactions with members of the Board of Directors and Supervisory Board are explained under note 20.

There were no significant transactions with joint ventures and other participating interests in 2014 and 2013.

Eurofima is a 5.8% participating interest of the Group; the following transactions and balance-sheet positions apply to this party:

	2014	2013
Interest expenses	2	2

	31 December 2014	31 December 2013
Private loans	449	450

Group companies

In accordance with section 403 Book 2 of the Dutch Civil Code, NS Groep NV has assumed joint and several liability for debts arising from the actions of participating interests marked with an asterisk (*).

The main companies included in the consolidated financial statements are:

Operating companies	Percentage interest	Registered seat
NS Reizigers BV*	100	Utrecht
NS Internationaal BV*	100	Utrecht
Abellio Transport Holding BV	100	Utrecht
NedTrain BV*	100	Utrecht
NS Financial Services (Holdings) Ltd	100	Dublin
NS Stations BV*	100	Utrecht
NS Vastgoed BV*	100	Utrecht
NS Insurance NV	100	Utrecht
NS Opleidingen BV*	100	Utrecht
NS Spooraansluitingen BV	100	Utrecht
NS Lease BV*	100	Utrecht
Subsidiaries of operating companies		
Thalys Nederland NV	100	Utrecht
HSA Beheer NV	95	Rotterdam
NedTrain Ematech BV	100	Utrecht
NS Stations Retailbedrijf BV*	100	Utrecht
NS Fiets BV	100	Utrecht
NS-OV Fiets BV	100	Utrecht
Qbuzz BV	100	Amersfoort
Stationsfoodstore BV	100	Utrecht
NS Poort Ontwikkeling BV	100	Utrecht
NS Financial Services Company	100	Dublin
Abellio Transport Holdings Ltd	100	London
Abellio Greater Anglia Ltd	100	London
Abellio GmbH	100	Essen
Abellio ScotRail Ltd	100	Glasgow
Abellio West London Ltd	100	London
Abellio London Ltd	100	London
Joint ventures		
The Group has interest in the following joint ventures:		
Stationslocaties OG CV	55.8	Utrecht
Basisfonds Stationslocaties CV	50.9	Utrecht
Merseyrail Services Holding Company Ltd	50	Hampshire
Northern Rail Holdings Ltd	50	Hampshire
Trans Link Systems BV	68.75	Amersfoort
Joint operations		
Stationsdrogisterijen CV	50	Zaandam
Waterkant CV	51	Amsterdam
Other interests		
The Group's interest concerns:		
Eurofima	5.8	Basel

In interest in 2014 are unchanged compared to 2013.
In accordance with the disclosure requirement contained in sections 379 and 414, Book 2 of the Dutch Civil Code, a full list of the group companies, associates and joint ventures is filed with the Trade Register in Utrecht.

Separate financial statements 2014

Separate balance sheet as at 31 December 2014 NV Nederlandse Spoorwegen

(for result appropriation)

(in millions of euros)	31 December 2014	31 December 2013
Non-current financial assets	3,216	3,044
Total assets	**3,216**	**3,044**
Equity		
Share capital	1,012	1,012
Other reserves	2,024	2,075
Result for the period	180	-43
Total equity and liabilities	**3,216**	**3,044**

Separate income statement for 2014 for NV Nederlandse Spoorwegen

(in millions of euros)	2014	2013
Other result	-	-
Result of group companies after tax	180	-43
Net result	**180**	**-43**

Principles applied to the financial statements

General

The Group applies the International Financial Reporting Standards (IFRS) and their interpretations by the International Accounting Standards Board (IASB), as adopted for use in the European Union, for preparing its consolidated financial statements.

For the determination of the principles for the valuation of assets and liabilities and result determination for its separate financial statements, NV Nederlandse Spoorwegen avails itself of the option in section 362, paragraph 8 of Book 2 of the Dutch Civil Code. This means that the principles for the valuation of assets and liabilities and result determination (hereinafter ‘accounting principles’) of the separate financial statements of NV Nederlandse Spoorwegen are the same as those applied to the consolidated financial statements. In this context, participating interests in which substantial influence is exercised are measured using the equity method.

Participating interests in group companies

The participating interests in group companies are measured using the equity method, with losses only recognised to the extent that the shareholder has an obligation to settle them.

Result of group companies

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

Notes to the separate balance sheet and the income statement

The amounts presented in the notes are stated in millions of euros, unless indicated otherwise.

(in millions of euros)	2014	2013
Financial assets		
Participating interests in group companies		
Balance as at 1 January	3,044	3,168
Share in result	180	-43
Dividend distributed for the previous reporting year	-	-92
Other changes	-8	11
Balance as at 31 December	**3,216**	**3,044**

Equity

Revaluation reserve

The revaluation reserve contain an amount of €6 million, which is recognised as a consequence of the revaluation to fair value of the increase of an existing interest in 2012.

Other reserves

(in millions of euros)	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Actuarial reserve	Revaluation reserve associates	General reserve	Total other reserves
Balance as at 1 January 2013	2	-36	-	-	17	1,910	1,893
Impact of changes in accounting policies	-	-	-	-	-	-	-
Revised balance as at 1 January 2013	**2**	**-36**	**-**	**-**	**17**	**1,910**	**1,893**
Movements revaluation reserves	-1	8	-	2	-	-	9
Dividend paid						-92	-92
Result previous year						263	263
Other movements	-	-	-	-	-	2	2
	-1	**8**	**-**	**2**	**-**	**173**	**182**
Revised balance as at 31 December 2013	**1**	**-28**	**-**	**2**	**17**	**2,083**	**2,075**

(in millions of euros)	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Actuarial reserve	Revaluation reserve associates	General reserve	Total other reserves
Revised balance as at 1 January 2014	**1**	**-28**	**-**	**2**	**17**	**2,083**	**2,075**
Movements revaluation reserves	4	-11	-	2	-1	-	-6
Dividend paid						-	-
Result previous year						-43	-43
Other movements	-	-	-	-	-	-2	-2
	4	**-11**	**-**	**2**	**-1**	**-45**	**-51**
Balance as at 31 December 2014	**5**	**-39**	**-**	**4**	**16**	**2,038**	**2,024**

At the end of 2014 the other reserve include a legal reserve with respect to research and development expenses for an amount of €92 million (2013: €48 million).

Off-balance-sheet commitments

Other than the disclosures on page 146, no claims have been made against NV Nederlandse Spoorwegen and consolidated participating interests that have not been adequately accounted for in the balance sheet.

For the purpose of income tax, nearly all the subsidiaries belonging to the Group 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 only subsidiary of NV Nederlandse Spoorwegen. For a list of the participating interests, please refer to page 168.

Utrecht, 10 February 2015

Supervisory Board

C.J. van den Driest
Chairman

Ms I.M.G. Jankovich

J.J.M. Kremers

Ms T.M. Lodder

P. Rosenmöller

G. van de Aast

Board of Directors

T.H. Huges
CEO

E.M. Robbe
CFO

OTHER INFORMATION

Profit appropriation as stipulated by the Articles of Association

Pursuant to article 21, paragraph 2 of the Articles of Association of NV Nederlandse Spoorwegen, any positive balance in the income statement is at the disposal of the General Meeting of Shareholders.

Profit appropriation proposal

It will be proposed to the Meeting to add €180 million of the total result of €132 million to the general reserves and distribute the remaining €48 million as dividend. The loss over 2013 has been deducted from the results 2014 for the determination of the proposed dividend over 2014.

Events after the balance-sheet date

There are no events after the balance sheet date that provides additional information on the actual situation at the balance sheet date.

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of N.V. Nederlandse Spoorwegen (the company), based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of N.V. Nederlandse Spoorwegen as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with *International Financial Reporting Standards* as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code
- The company financial statements give a true and fair view of the financial position of N.V. Nederlandse Spoorwegen as at December 31, 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

1 The consolidated statement of financial position as at December 31, 2014
2 The following statements for 2014: consolidated statement of comprehensive income, change in equity and cash flows
3 The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

1 The seperate balance sheet as at December 31, 2014
2 The seperate profit and loss account for 2014
3 The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

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 "Our responsibilities for the audit of the financial statements" section of our report.

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. Furthermore, we have complied with the *Verordening gedrags- en beroepsregels accountants (VGBA)*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at €30 million. The materiality is based on 0,8% of the revenues. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €1,5 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.

Scope of the group audit

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

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.

Our group audit mainly focused on significant group entities NS Reizigers, Abellio, NS Stations and NedTrain. We have performed review procedures or specific procedures at the other group entities. We have performed audit procedures ourselves at the Dutch group entities. We have used the work of other EY auditors when auditing 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. Applying the scoping criteria as described above has resulted in a coverage of 100% of total assets, 100% of total revenues and 100% of profit before taxes.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financial settlement of the V250-agreement between NS and AnsaldoBreda SpA
On March 17, 2014 NS, AnsaldoBreda and her parent company Finmeccanica have agreed upon a settlement on the dispute regarding V250-trains with NS. The agreement entails the return of all V250-trains to AnsaldoBreda and the reimbursement in term of €125 million to NS. NS received a guarantee from a Dutch financial institution to secure the reimbursement. As part of the agreement, both parties agreed they will refrain from making financial claims, including supposed damages on both sides.

As a result of the agreement a gain is recognized in the financial statements 2014 of €44 million, which is the result of the reversal of the provision and impairment recognized in the financial statements 2013. Any additional future receipts as a result of the sale of trains by AnsaldoBreda will further reduce the cumulative loss of value, however given the uncertainties with respect to the revenues the future revenues are not recognized.

We have performed audit procedures in order to verify whether the settlement of the V250-agreement was recognized in accordance with the agreement and the receivable on AnsaldoBreda SpA of €81 million is correctly valued.

The disclosure concerning the financial settlement of the V250-agreement between NS and AnsaldoBreda SpA is disclosed in note 1 of the consolidated financial statements.

Revenue recognition of passenger services
The total revenues include the revenues relating to passenger services amounting to €3,410 million. These revenues include revenues out of ticket sales, as well as, government contributions. In order to determine these revenues management has to make estimates. These estimates relate to allocation to periods, realization of performance goals and other conditions that are included in the different transport concession agreements. The diversity in ticket sales combined with the high amount of transactions require high standards of reliability and continuity of the automated transaction-processing systems in order to guarantee individual transactions will result in correct and complete revenue recognition.

Our audit procedures include the assessment of internal controls and automated environment which guarantee reliable and complete processing of transactions, challenging management assumptions regarding allocation of revenues, validating receipts, inspecting suspense accounts, and inspecting manual journal entries of the revenues.

The disclosures relating to revenue recognition of passenger services are included in note 18 and 19 of the financial statements.

Tax position and fiscal risks

The key issues regarding the tax position are the group 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 stock and the valuation of the deferred tax assets.

In certain circumstances estimation differences or disputes may occur with the various national tax authorities. When applicable we examined the relevant documentation and verified that the tax assets and liabilities are recorded in the financial statements in accordance with IFRS.

We have performed audit procedures on the estimation process and verified the correctness and completeness of the recorded (deferred) tax assets and liabilities. We included our internal tax experts in the performance of our audit procedures. We have assessed and challenged the assumptions supporting managements estimations taking into consideration the local tax legislations.

The disclosures relating to the tax position and fiscal risks are included in note 6 and 27 of the financial statements.

Valuation of rolling stock

The total Property, plant and equipment include the rolling stock amounting to €2,166 million. NS assesses annually whether indications for impairment exist. When indications exist, NS determines the realizable value of the applicable rolling stock. The realizable value is determined using management estimates concerning remaining estimated use of life, specific characteristics of the rolling stock and the future developments of the different concession agreements, both foreign and domestic.

We have enquired management about the forecasts relating to the different rolling stock items and tested the supporting documentation via comparison to historical information, available market information, current order portfolio and recently agreed upon contracts. We included our internal valuation experts in the procedures performed on the valuations including the applied discount rates.

The disclosure relating to the valuation of rolling stock is included in note 1 of the financial statements.

Reliability and continuity of the automated data processing

To a considerable extent, NS depends on the IT-infrastructure for the continuity of its business operations. In recent years NS invested in the improvement of IT-hardware, -systems and processes, focusing on increasing 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, our audit team included specialized IT-auditors.

Our audit procedures consisted out of the assessment of the developments in the NS IT-infrastructure, as well as, the testing of the relevant internal control procedures relating to the various IT-systems and –processes. We have reported identified risks and recommendations relating to specific areas of improvement in our management letter to the board of directors. We refer to the paragraph "Managing risks" included in the annual report.

We have discussed the results of our audit with the supervisory board and more particularly the audit committee.

Responsibilities of management and the supervisory board for the financial statements

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, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements 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 basis 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 financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- 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.
- 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the supervisory board as auditor of N.V. Nederlandse Spoorwegen on
September 3, 2013, as of the audit for year 2014 and have operated as statutory auditor ever since that date.

Rotterdam, February 10, 2015

Ernst & Young Accountants LLP

signed by J.F.M. Kamphuis

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

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

We have performed an assurance engagement concerning selected parts of the annual report for 2014 of N.V. Nederlandse Spoorwegen (hereinafter: NS), Utrecht. The selected parts of the annual report 2014 of NS comprise a description of the policy, the activities, events and performance of NS relating to sustainable development during the reporting year 2014.

Our assurance engagement relating to the selected parts of the annual report 2014 of NS was carried out for the purpose of obtaining:

- A limited level of assurance that the information in the chapters "Company profile", "Report by the executive board", "Dialogue with our stakeholders", "Our Strategy", "Activity Report", "Our impact on the environment and on society" and "Scope and reporting criteria" (further "the selected chapters of the report") has been presented correctly, in all material respects, in accordance with the "Sustainability Reporting Guidelines" G4 (Comprehensive) of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting criteria developed by NS, as disclosed on page 98 of the annual report 2014.
- A reasonable level of assurance that the below listed indicators (further "The selected indicators") for 2014 have been presented correctly in accordance with the reporting criteria developed by NS, as disclosed on page 98 of the annual report 2014:
- CO_2 emissions per passenger-kilometer of NS Reizigers, NS International and the Greater Anglia concession of Abellio
- CO_2 emissions per bus-kilometer of the London Bus & Surrey concession Abellio
- Tonnage company waste, office waste and consumer waste from the stations and trains of NS Netherlands and the percentage waste which NS Netherlands offers separated to her waste processors

Limitations in our scope

The selected chapters of the report contain prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

In the chapter "Our impact on the environment and on society", calculations are mostly based using external sources. The sources used are explained in the section "Methodologie Impactanalyse jaarverslag 2014" on www.ns.nl/mvoberekeningen. We have not performed procedures on the content of these external sources, other than evaluating the suitability and plausibility of these external sources.

The GRI index 2014 (www.ns.nl/jaarverslag/gritabel2014) and the MVO calculations (www.ns.nl/mvoberekeningen) as published on www.ns.nl are an integral part of the annual report 2014 and are within our engagement scope. Other references in the annual report 2014 of NS (to www.ns.nl, external websites and other documents) are not part of our assurance engagement.

The executive board's responsibility

The executive board of NS is responsible for the preparation of the (selected parts of the) annual report 2014 in accordance with the "Sustainability Reporting Guidelines" G4 (Comprehensive) of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting criteria developed by NS as disclosed on page 98 of the annual report 2014, including the identification of the stakeholders and the determination of material issues. The disclosures made by the executive board with respect to the scope of the annual report 2014 are included in the chapter "Reporting criteria and scope" of the annual report 2014.

Furthermore the executive board is responsible for such internal control as it determines is necessary to enable the preparation of the selected chapters of the report and the selected indicators that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to draw a conclusion on the selected chapters of the report and to express an opinion on the selected indicators based on our procedures performed. We conducted our assurance engagement in accordance with Dutch law, including the Dutch *Standard 3810N Assurance engagements relating to sustainability reports and Standard 3000 Assurance engagements other than audits or reviews of historical financial information*. This requires that we comply with ethical requirements and that we plan and perform procedures to obtain:

- Limited assurance about whether the selected chapters of the report are free from material misstatement
- Reasonable assurance about whether the selected indicators are free from material misstatement

The procedures performed in obtaining limited assurance are aimed at the plausibility of information which does not require exhaustive gathering of evidence as when focused on reasonable assurance and therefore less assurance is provided. The performed procedures consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures selected to obtain reasonable assurance depend on the auditor's judgment, including the assessment of the risks of material misstatement of the selected indicators, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the selected indicators 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 entity's internal control. An assurance engagement aimed on providing reasonable assurance also includes evaluating the appropriateness of the reporting framework used for the selected indicators and the reasonableness of accounting estimates made by management.

Procedures performed

Our main procedures for obtaining a limited level of assurance included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social issues, relevant laws and regulations and the characteristics of the organization
- Evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of accounting estimates made by management
- Evaluating the in accordance option with the Sustainability Reporting Guidelines G4 (Comprehensive) of GRI
- Evaluating the design and implementation of the systems and processes for data gathering and processing of information as presented in the selected chapters of the report
- Interviewing management (or relevant staff) at corporate and business division level responsible for the sustainability strategy and policies
- Interviewing relevant staff responsible for providing the information in the selected chapters of the report, carrying out internal control procedures on the data and the consolidation of the data in the selected chapters of the report
- Performing site visits at several departments in the Netherlands and the United Kingdom to evaluate the source data and the design of internal control and validation at local level
- Evaluating internal and external documentation, in addition to interviews, to determine whether the information in the selected chapters of the report is reliable
- Analytical review of the data and trend explanations submitted for consolidation at group level;
- Evaluating whether the estimates made in the impact analysis are reasonable, including the presumptions on which the estimates were based, which are included in the section "Impactanalyse" on www.ns.nl/mvoberekeningen
- Evaluating the suitability and plausibility of the external sources used in the calculations on which the impact analysis is based, which are included in the section "Methodologie Impactanalyse jaarverslag 2014" on www.ns.nl/mvoberekeningen

Additional procedures for obtaining a reasonable level of assurance included the following:

- In addition to the design and the implementation, performing testing controls on the operating effectiveness of the systems and processes for data gathering and processing of information for the selected indicators and the related disclosures

- Performing site visits and interviewing employees responsible for analyzing and reporting the selected indicators
- Analyzing the selected indicators, related disclosures and reporting criteria developed by NS, as disclosed on page 98 of the annual report 2014

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion and our opinion.

Conclusion on the selected chapters of the report
Based on our procedures performed, and with due consideration of the limitations described in the paragraph "Limitations in our scope", nothing has come to our attention that causes us to conclude that the information in the selected chapters of the report, in all material respects, does not provide a reliable and appropriate presentation of the policy of NS for sustainable development, or of the activities, events and performance of the organization relating to sustainable development during 2014, in accordance with the "Sustainability Reporting Guidelines" G4 (Comprehensive) of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting criteria developed by NS as disclosed on page 98 of the annual report 2014.

Opinion on the selected indicators
In our opinion, the selected indicators and the related disclosures in the annual report 2014 are prepared, in all material respects, in accordance with the reporting criteria developed by NS as disclosed on page 98 of the annual report 2014.

Rotterdam, February 10, 2015

Ernst & Young Accountants LLP

signed by H. Hollander

NS ten-year summary

in millions of euros	2014	2013 *	2012	2011	2010	2009	2008	2007	2006	2005
Assets										
Property, plant and equipment	3,157	3,115	3,405	3,433	3,272	3,150	2,844	2,710	2,468	2,506
Investment property	196	169	314	315	309	317	319	307	305	305
Intangible assets	174	125	117	76	64	157	149	115	96	8
Investments in equity accounted investees	185	197	14	14	14	40	33	27	24	-
Other financial assets, including investments	226	205	176	150	146	305	274	263	254	311
Deferred tax assets	295	385	346	392	407	438	455	524	654	691
Total non-current assets	**4,233**	**4,196**	**4,372**	**4,380**	**4,212**	**4,407**	**4,074**	**3,946**	**3,801**	**3,821**
Inventories	119	109	134	80	95	132	133	133	127	133
Other investments	223	231	279	362	209	150	1,454	1,815	1,882	1,318
Trade and other receivables	499	545	509	680	892	1,245	1,377	1,243	823	721
Income tax receivables	32	30	11	14	-	34	154	116	-	-
Cash and cash equivalents	775	759	948	534	386	546	571	291	481	285
Total assets	**1,648**	**1,674**	**1,881**	**1,670**	**1,582**	**2,107**	**3,689**	**3,598**	**3,313**	**2,457**
Total assets	**5,881**	**5,870**	**6,253**	**6,050**	**5,794**	**6,514**	**7,763**	**7,544**	**7,114**	**6,278**
Equity and liabilities										
Equity	**3,216**	**3,044**	**3,168**	**2,977**	**2,831**	**2,871**	**4,249**	**4,109**	**3,843**	**3,708**
Deferred credits	112	122	134	170	213	229	238	251	267	287
Loans and borrowings, including derivatives	867	730	577	180	315	785	839	794	786	750
Employee benefits	33	33	35	31	34	34	34	40	48	121
Provisions	140	182	277	349	175	233	162	147	192	203
Accruals	1	23	39	239	103	29	8	22	6	-
Deferred tax liabilities	169	158	153	136	103	88	66	51	67	46
Total non-current liabilities	**1,321**	**1,248**	**1,215**	**1,105**	**943**	**1,398**	**1,347**	**1,305**	**1,366**	**1,407**
Bank overdrafts	-	-	-	-	-	18	42	46	15	-
Loans and borrowings, including derivatives	60	57	48	365	387	292	244	232	248	3
Corporate tax payable	8	8	12	17	7	-	1	84	46	-
Trade and other payables	868	1.003	1.248	784	794	1.210	1.226	1.101	1.097	1.160
Deferred income	372	314	387	754	751	707	639	616	436	-
Provisions	35	196	175	48	81	18	15	51	63	-
Total current liabilities	**1,343**	**1,578**	**1,870**	**1,968**	**2,020**	**2,245**	**2,167**	**2,130**	**1,905**	**1,163**
Total equity and liabilities	**5,881**	**5,870**	**6,253**	**6,050**	**5,794**	**6,514**	**7,763**	**7,544**	**7,114**	**6,278**

in millions of euros	2014	2013 *	2012	2011	2010	2009	2008	2007	2006	2005
Consolidated income statement										
Revenue	4,144	3,873	4,638	3,628	3,520	3,271	4,253	4,040	3,846	3,474
Total operating expenses	3,863	3,990	4,284	3,356	3,286	3,121	3,925	3,685	3,536	3,186
Share in result of investments in equity accounted investees	40	47	-	-	-	-	-	-	-	-
Result from operating activities	**321**	**-70**	**354**	**272**	**234**	**150**	**328**	**355**	**310**	**288**
Net finance result	-35	-26	-25	-12	-22	4	67	56	43	45
Share in result of investments in equity accounted investees	-	-	1	1	1	-	4	5	1	-
Result before income tax	**286**	**-96**	**330**	**261**	**213**	**154**	**399**	**416**	**354**	**333**
Income tax	-106	53	-67	-50	-53	-37	-118	-79	-157	-112
Result for the period	**180**	**-43**	**263**	**211**	**160**	**117**	**281**	**337**	**197**	**221**

** The change of the comparative figures is due to the changes in accounting policies applied.*

Acknowledgements
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This report complies with the requirements of G4 comprehensive (assured)


Marathon Rotterdam