Press Release

Utrecht, August 14, 2020

NS half-year figures: net loss of €185 million, additional support arrangements needed for public transport sector

For the first time in years, NS is reporting a net loss in the first half of 2020, amounting to €185 million. In addition to a negative result of €52 million from operating activities, the main cause of the net loss is the write-down of a deferred tax asset for activities in the Netherlands of €107 million. This was made necessary by the significant downward adjustment of the profit expectations for the Netherlands. Less the financial support arrangements to counter the effects of COVID-19, NS' underlying result for the first half of 2020 amounted to a €1,078 million loss (2019: €96 million profit).

The half-year figures are being published under a black cloud: NS mourns the victims of the fatal derailment in Scotland, which involved a train of NS subsidiary Abellio ScotRail. This follows the recent distressing accident in Hooghalen, which is still fresh in everyone's mind. NS chairman and CEO Roger van Boxtel: 'The derailment in Scotland claimed three lives, including those of the driver and the conductor. My thoughts are with the victims and their loved ones. On behalf of everyone at NS, I extend my deepest condolences to the passengers involved and our Scottish colleagues.'

Negative financial result caused by drop in passenger numbers

The cause of the negative result from operating activities is the vast drop in passenger numbers due to COVID-19, particularly in the Netherlands. Passenger numbers in the UK and Germany have shown a similar trend. There is still considerable uncertainty regarding the short and long-term trends in passenger numbers as a consequence of COVID-19. The availability and scope of government support remain similarly uncertain. Accordingly, it is impossible to make a reliable assessment of the losses that NS might incur on the various franchise contracts it operates in the Netherlands and abroad. With regard to the Dutch main rail network franchise in particular, the most relevant scenarios show a value reduction of up to €2 billion. Given this significant degree of uncertainty, no specific value reduction for the Dutch franchise was incorporated in the half-year figures.

Van Boxtel: commutes must be staggered, customised travel products for people working from home

NS chairman and CEO Roger van Boxtel: 'This autumn, we're going to do everything we can to increase passenger capacity in a way that's logical and responsible in the context of the pandemic. After the summer, we'll be offering new travel products designed to appeal to commuters who are temporarily working from home more often because of the coronavirus. Increased passenger capacity can only be achieved through staggered commutes. As well as making arrangements with educational institutions, we've also had discussions with large corporate customers. Due to changes in travel behaviour and the contraction of the economy, passenger numbers are not expected to return to 2019 levels until 2024 at the earliest, whereas we'll still need to pay fixed costs. The Dutch public transport sector will have to adjust, but it won't survive without additional support.'

Steep drop in passenger numbers
The expanded NS timetable gives passengers more options and the possibility of enjoying a pleasant and responsible journey, even during the pandemic. Whether passengers will return in the second half of the year remains highly uncertain. Immediately after the announcement of restrictions by the Dutch government on 12 March, rail passenger numbers fell to around 10% of previous levels. Following the easing of restrictions and the return to the regular timetable, passenger numbers have rebounded to around 40%. This recovery was primarily driven by the return of passengers travelling for social/recreational reasons. As the majority of commuters are still working from home, they have returned to a lesser degree. NS expects that there will not be a swift recovery in passenger numbers, as this will require the return of commuters. The record number of passengers from 2019 is not expected to be matched for several years to come.

Fewer statistics, fewer performance figures
In the first half of the record-breaking year that was 2019, 88% of NS passengers were satisfied. The coronavirus restrictions have made it impossible for NS to conduct thorough research this year. Consequently, there are no passenger satisfaction figures to publish. Up to the end of February this year, 89% of NS passengers were satisfied. In the first half of 2020, 92.8% of passengers arrived on time, compared to 92.9% of passengers last year. Due to the low passenger numbers in the months in which statistics were being collected – sometimes as little as 10% of previous levels – this figure carries little weight. Averaged across the entire first half of 2020, seat availability at peak times was 95.7%. During the peak of the pandemic, seat availability on trains was 100%. This remarkable figure is a result of the fact that NS continued to operate in order to maintain access to all parts of the Netherlands, even while passenger numbers were in free fall on account of the coronavirus.

Finances
Although revenue was tracking as expected in the first two and a half months of 2020 (before COVID-19), without support arrangements NS would have faced a significant decrease in revenue of €900 million over the first six months as a whole. After factoring in the Dutch availability payment for the first half of 2020 (€351 million) and government support received in the United Kingdom (€703 million), revenue actually increased due to the initial and follow-up phases of franchise contracts already awarded abroad. Revenue for the NS Group for the first half of 2020 was €3,318 million (2019: €3,156 million).

In the Netherlands, revenue fell by €188 million to €1,394 million (2019: €1,582 million). As a result of COVID-19, passenger revenue fell by €467 million. Revenue from station activities fell by over €72 million, mainly due to reduced income from retail activities and the rental of public transport bicycles. The availability payment of €351 million was included in the revenue figures for the Netherlands. This covered part of the loss of passenger revenue due to the COVID-19 pandemic over the period March–June 2020, amounting to 93% compensation for costs after deduction of the revenues achieved. As the amount of the availability payment has not yet been finalised, no money has yet been received under this scheme. As for station activities in the period March–June, NS expects to receive a contribution towards wage costs of €9 million.

Revenue from Abellio UK grew to €1,584 million (2019: €1,322 million), including the additional support of €703 million. This growth was mainly driven by the East Midlands franchise contract, which started in August 2019. In the United Kingdom, too, passenger numbers plunged to less than 10% of normal levels after the announcement of restrictions by the government. Following the easing of restrictions in July, passenger volumes have increased to around 20% of normal levels. By assuming the revenue risk and providing compensation, the UK government responded swiftly and adequately. Furthermore, the UK government has proven itself more generous than the Dutch government, given that it will cover 100% of the costs for the period 1 March–20 September

2020 as well as pay a small management allowance to cover the costs of the head office and general management of Abellio UK.

Revenue from Abellio Germany grew by €88 million to €340 million (2019: €252 million). This growth was primarily driven by the start of the Stuttgarter Netz and S-Bahn Rhein-Ruhr franchise contracts in the second half of 2019.

Partly due to the support arrangements, the result from operating activities (EBIT) for the first half of 2020 amounted to a €52 million loss (2019: €120 million profit). The underlying result from operating activities for the first half of 2020 amounted to a €1,078 million loss, compared to the €96 million profit recorded for the same period in 2019. Exceptional items in the first half of 2020 mainly related to support arrangements to counter the effects of the COVID-19 pandemic in the Netherlands and the United Kingdom.

NS is reporting a net loss of €185 million for the first six months of 2020, compared to a net profit of €94 million for the same period in 2019. In addition to the negative operating result of €52 million, the main cause of the loss of €185 million was a tax burden of €108 million. This was the result of the write-down of a deferred tax asset of €107 million. The future profitability of the activities of NS in the Netherlands over the next six years will be insufficient to realise this deferred tax asset.

Partly due to the support arrangements in the Netherlands and the United Kingdom and the financial position of NS at the start of the coronavirus crisis, NS expects to be able to secure adequate financing for the coming period to be able to maintain business continuity.

Forecasts
For the Netherlands, the government has promised an availability payment for the period up to 31 December 2020. There is still little clarity as to whether arrangements will be proposed to cover the period after that date. Meanwhile, NS assumes that passenger numbers and the associated revenue will remain extremely low.

As a consequence of COVID-19, the financial forecasts are grim but realistic. Having adjusted its long-term revenue projections downward, NS will need to adapt if it is to return to strong financial health by 2024. While restrictions remain in place, NS wants to ensure that train fares remain affordable. For this reason, NS is considering making €1.4 billion worth of savings within its Dutch organisation over the period up to 2025 [link to news item]. Moreover, government support is needed – potentially in the form of an availability payment – for the period after 31 December 2020 to help NS survive the crisis caused by the COVID-19 pandemic.

At present, there is also uncertainty around NS activities in the UK as a result of COVID-19. Discussions are ongoing in relation to what support arrangements may apply after 20 September.

As for its operations in Germany, NS expects further clarity in the second half of the year with regard to additional compensation for the regional rail passenger transport sector, which is needed to ensure operators of the various franchises in Germany can break even. This additional compensation is necessary to cover the extra costs resulting from a new collective labour agreement that has come into force and a shortage of train drivers in the German labour market. It is also important that the penalty regime be adjusted to take into account a loss of punctuality, which is a direct result of an increase in maintenance work being performed on Germany's rail network. This work is outside of the operators' control. If these arrangements are not implemented, it is likely that certain franchises will make a loss over the second half of this year.

About this half-year report
NS has prepared a condensed consolidated half-year report, which can be found at www.ns.nl. This half-year report was prepared in accordance with the IAS 34 standard for interim financial reporting, with the exception of the estimate of the potential effect of the COVID-19 pandemic on the valuation of assets and liabilities, which was made in accordance with the IAS 36 standard for the impairment of assets (for a further explanation, see the section on impairments in the half-year report). It does not contain all of the information required for the complete financial statements and should be read together with the NS Group's consolidated financial statements for 2019.

This condensed consolidated half-year report was prepared by management and discussed and approved by the Supervisory Board on 13 August 2020. This condensed consolidated half-year report has not been assessed by an external auditor. This is different to last year, and is a result of current uncertainties with regard to forecasts for the period following the period for which additional arrangements have been made with contracting authorities in the Netherlands and the United Kingdom to counter the effects of the COVID-19 pandemic.

Key financial figures (in millions)	**First six months of 2020**	First six months of 2019
Revenue	**3,318**	3,156
Of which made abroad	**1,924**	1,574
Result from operating activities	**-52**	120
Of which made abroad	**-23**	-1
Underlying result	**-1,078**	96
Of which made abroad	**-698**	-3
Net profit	**-185**	90
Of which made abroad	**-45**	-29
Investments	**337**	320
Of which made abroad	**26**	60

	Underlying result First six months of 2020	First six months of 2019
Underlying result from operating activities	**-1,078**	**96**
WWII provision	-	-42
Other provisions	-9	-
Availability payment	351	-
Emergency Measures Agreement (EMA)	703	-
Temporary Emergency Bridging Measure for Sustained Employment (NOW)	9	-
Final agreement on Fyra trains	-	21
Reimbursement of Netherlands Authority for Consumers & Markets fine	-	41
Write-down regarding Abellio UK	-28	-
CLE	-	4
Exceptional items	**1,026**	**24**
Result from operating activities (EBIT)	**-52**	**120**

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