

VenW/DGRC-2000/5240

Interne Accountantsdienst

Postbus 2025  
3500 HA Utrecht

Projectorganisatie HSL Zuid  
Attn.: Mr R. Testroote  
P.O. Box 43  
3500 AA UTRECHT

Your reference -  
Our reference IAD / 1892a  
Subject Auditor's report

Phone 030 - 235 6328  
Fax 030 - 235 59 42

Utrecht, 26 September 2000

Dear Mr Testroote,

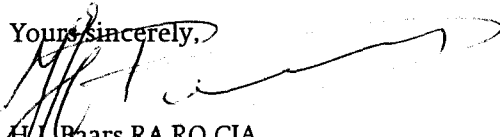
According to the "Qualification Document HSL-Zuid Transport Contracts (appendix D, part C4, sub b) applicants are required to provide adequate proof of *"adequate experience in operation of at least one other type of passengers transport service, with a turnover of at least € 10 million in each of the last three accounting years."*

Enclosed you will find a declaration of NS Reizigers B.V. and an auditor's report issued by us, regarding the net turnover of 1997, 1998 and 1999 of another type of passenger transport service known as "Treintaxi".

We would like to draw your attention to a specific law, which is important for using our auditor's report. Because we do not act as certified public auditors but as certified internal auditors, we are subjected to article 12 sub 5 of the Dutch Code of Conduct for Certified Auditors (Gedrags- en Beroepsregels voor Registeraccountants). According to this article we must inform you that it is not allowed to supply our auditor's report to third parties (natural persons or corporate bodies). In other words: you are allowed to use our auditor's report for internal purposes only.

We hope that we informed you to your satisfaction. Please contact us if you have any questions or remarks.

Yours sincerely,

  
H.J. Baars RA RO CIA  
Head of the Internal Audit Department

Enclosures 2

Copies send to Mr P.H.J. Geurts (NS Reizigers B.V. - National Accounts)

Vnw/DG/RO-2009/5240.01

Interne Accountantsdienst

Postbus 2025  
3500 HA Utrecht

Projectorganisatie HSL Zuid  
Attn. : Mr R. Testroote  
Postbus 43  
3511 AA UTRECHT

Your reference

Phone 030 - 235 6328

Our reference IAD / 1892b

Fax 030 - 235 5942

Subject Auditor's report

Utrecht, 26 September 2000

## AUDITOR'S REPORT

### Introduction

We have audited the declaration "turnover from one other type of passenger transport services" of NS Reizigers B.V. (NSR Fin-BIV/2000022/JZ) authenticated by us, regarding the net turnover of Treintaxi of the accounting years 1997, 1998 and 1999.

### Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the declaration is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the declaration gives a true and fair view of the net turnover of the accounting years 1997, 1998 and 1999 of Treintaxi.

Internal Audit Department

  
H.J. Baars RA RO CIA

Head of the Internal Audit Department

Enclosures 1

Copies send to Mr P.H.J. Geurts (NS Reizigers B.V. - National Accounts)



**NS Reizigers**

Venw/D&M0-2009/5240.02

C4-b

**Financiën**

Postbus 2025  
3500 HA Utrecht

Bezoekadres Hoofdgebouw IV  
Laan van Puntenburg 100  
Utrecht

Projectorganisatie HSL-Zuid  
Attn: Mr. Roel Testroote  
Catharijnesingel 33  
Radboudtoren, Level 5  
3511 GC Utrecht

Uw kenmerk  
Ons kenmerk NSR Fin-BIV/2000022/JZ  
Onderwerp Declaration "turnover from one other type of  
passenger transport services"

Telefoon 030 - 235 60 12  
Telefax 030 - 235 63 18

Utrecht, 7 september 2000

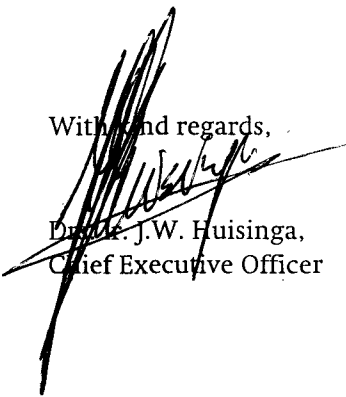
Dear mr. Roel Testroote,

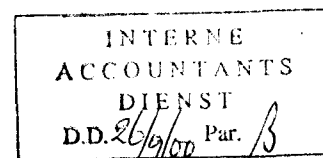
According to the "Qualification Document - HSL-Zuid Transport Contracts", Appendix D, part C 4, sub B, I hereby inform you regarding the "turnover from one other type of passenger transport services".

This other type of passenger transport service is known as "Treintaxi".

Year	Nett turnover in Euro's
1997	10.471.516
1998	11.442.717
1999	10.946.085

With kind regards,

  
Dr. J. W. Huisinga,  
Chief Executive Officer



## Curriculum Vitae

### PERSONAL DETAILS

Name : Ir. Drs. J.W. Huisinga  
 Nationality : Dutch  
 Date of birth : May 12<sup>th</sup> 1950  
 Marital status : three children

### EDUCATION

1963 - 1968 : HBS-B (Secondary Education), Leeuwarden  
 1968 - 1974 : University of Groningen  
                   Chemical engineering  
 1974 - 1976 : Interuniversity joint faculty of Delft  
                   Business studies

- Thesis: coherence between the structure and environment of a number of departments at Shell Chemical Company
- Various projects in the fields of organizational development and logistics at D.S.M., Hoek Loos and Shell.

### SUPPLEMENTARY COURSES

Various courses in the fields of logistics, strategy and general management.  
 June 1998 : IMEDE, Lausanne,  
                   Senior Executive Course

### KNOWLEDGE OF LANGUAGES

Dutch : Mother tongue  
 English : Good  
 French : Moderate  
 German : Fair

### PROFESSIONAL EXPERIENCE

1976 - 1979 : Shell Chemie Nederland (Shell Chemical Company) , Pernis  
                   - Assistant Plant Manager

1979 - 1985 : Hoek Loos, Schiedam  
                   1979 - 1981 - Logistics Manager  
                   1981 - 1983 - Project Manager  
                   1983 - 1984 - Logistics Manager

1985 - 1988 : Bloemenveiling (Flower Auction), Aalsmeer  
                   - Director

1988 - 1994 : Navobi Ekro Groep, Apeldoorn  
                   - President

1995 - 2000 : NS Reizigers BV (NS Passengers)  
                   - President and CEO

01.08.2000 – present : President & CEO, Netherlands Railways, Ltd.

Venw/DG/RO-2009/5240.03

C4-e1

Regional Office

Utrecht  
Daalsingel 71

Mailing address  
P.O. Box 2059  
3500 GB Utrecht

Telephone +31 30 232 73 27  
Fax +31 30 232 75 77  
Bankaccount 46 35 00 540

**CONFIDENTIAL**

NS Reizigers B.V.  
T.a.v. Ing. Drs. J.W. Huisinga  
P.O. Box 2025  
3511 ER Utrecht

Corporate Clients

Reference	Telephone	Fax	Date
D.C. van Hoorn	030-2327264	030-2327574	09/08/00

**Concerning: Nederlandse Spoorwegen N.V., NS Reizigers B.V. and HSL-Zuid**

Dear Sir,

Nederlandse Spoorwegen N.V., and her subsidiary NS Reizigers, is a customer in good standing of the bank. Nederlandse Spoorwegen NV, NS Reizigers BV and our bank have a long lasting relationship.

To the knowledge of ABN AMRO Bank N.V. Nederlandse Spoorwegen N.V. and NS Reizigers BV are financially sound and have a very good reputation. In our opinion the Applicant (NS Reizigers BV) has the ability to raise finance adequate to cover an initial investment, other than for rolling stock.

This information is given in strict confidence and without responsibility on behalf of our bank or any of its officials.

Yours faithfully,  
ABN AMRO Bank N.V.  
Utrecht branch

G. Meiners

D. van Hoorn

**STANDARD  
& POOR'S****INFRASTRUCTURE FINANCE**Publication Date: 07-Aug-2000  
Reprinted from RatingsDirect

Analysis

**NS Groep N.V.**

Analyst: Jan Willem Plantagie, London (44) 20-7826-3722; Michael Wilkins, London (44) 20-7826-3528

Credit Rating  
AA/Stable/--**Rationale**

The ratings on NS Groep NV reflect the company's dominant position in providing rail passenger services in the Netherlands (AAA/Stable/A-1+), its strong financial profile which includes large cash balances, and the importance of the railway sector within the Dutch government's transportation strategy. These strengths are offset by uncertainty about a performance contract between NS Groep and the Dutch state that has not been concluded, and the potential conflict arising from the Dutch state's dual role as the sole shareholder and regulator. The rating does not factor in the government's current shareholding in the company.

NS Groep will remain the principal provider of rail passenger services over the next 10 years despite the likelihood of a more competitive industry structure post-2000. NS Groep will receive a concession to operate the core network providing service to 80% of Dutch rail passengers while it also will be allowed to bid for upcoming tenders for the other lines. The performance contract under this concession will probably include penalties and bonuses that are still being negotiated.

In April 2000, NS Groep disposed of its 50% share in Dutch telecom operator Telfort, for Dutch guilder (DFL) 4.2 billion and will now focus on its core activities, passenger transport and railway station related real estate development. This disposal is a positive rating factor as Telfort's activities bear higher risk and are cash intensive.

In comparison with other European rail operators, NS Groep receives few subsidies from the state. In 1999, NS Groep received its last capital contribution from the Dutch state. It will only continue to receive a small subsidy for unprofitable lines, while a track access charge will gradually be introduced. The latter will be based on marginal costs and is not expected to impact NS Groep's very strong creditworthiness.

The Dutch government is committed to promoting an integrated transport policy in the Netherlands, which is spearheaded by NS Groep. The high-speed rail network (HSL) is a key part of this policy and a bid by NS Groep to operate the domestic services of the HSL was rejected by the government. This created a politicized environment whereby the commercial aspirations of the NS Groep were questioned. Privatization is not expected in the immediate future.

NS Groep's 1999 revenues were euro (Eur) 2,649 million and its net result was Eur117 million. The company does not have financial responsibility for investments in track and infrastructure services as these investments are funded by government agencies. After the disposal of Telfort's shares, NS Groep's cash balances exceed its debt. Excluding these benefits, cash interest and debt coverage ratios remain very strong. The company probably will spend its current cash balances, but Standard & Poor's expects the creditworthiness of the NS Groep to remain very strong. Standard & Poor's also expects NS Groep to spend its cash balance over the next few years. This could impact credit quality, although the company is committed to its present rating level.

**Outlook**

The outlook reflects a very strong financial profile in the future and the continuing operation by NS Groep of the main rail network in the Netherlands under a performance contract.

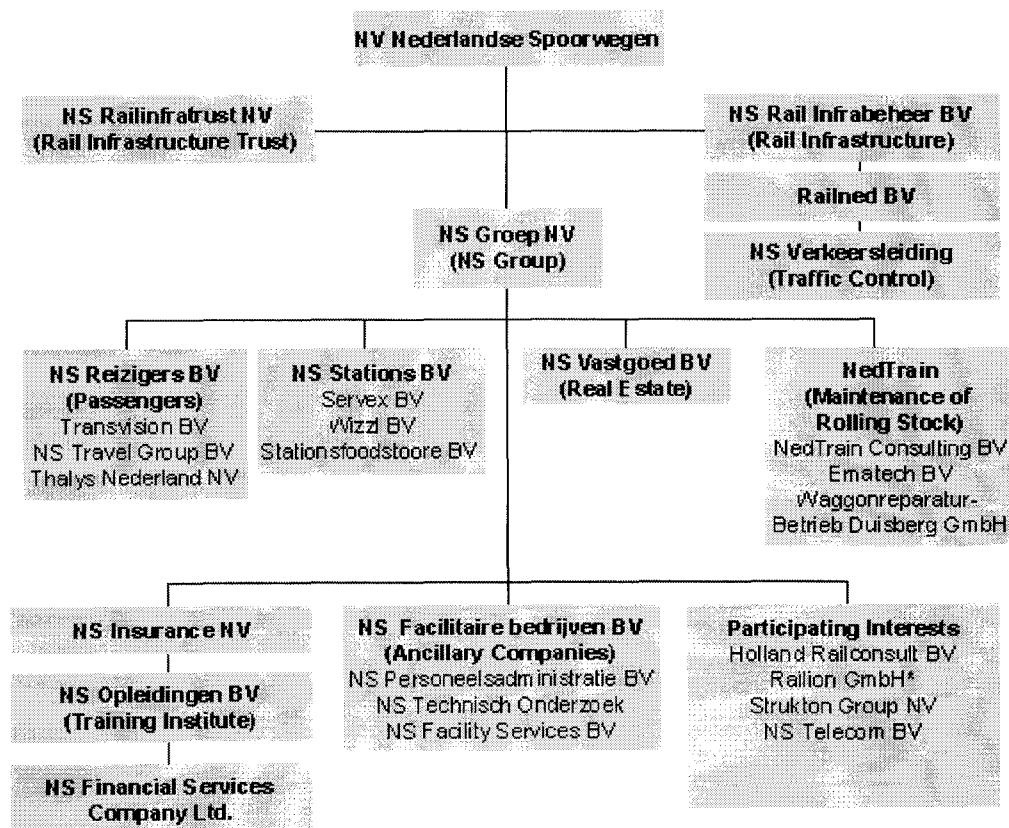
Table 1 NS Groep NV Financial Summary

(Mil. DFL)	1999	1998	1997	1996	1995
Gross revenues	5,837.0	5,489.0	5,025.0	5,089.0	4,953.0
Net income from continuing operations	228.00	197.0	147.0	121.0	128.0
Funds from operations (FFO)	757.00	278.0	613.0	582.0	512.0
Net cash flow	757.00	278.0	613.0	582.0	512.0
Capital expenditures	614.00	896.0	456.0	609.0	580.0
Total capital	6,927.00	6,677.0	6,168.0	5,926.0	5,441.0
<b>Adjusted ratios</b>					
Pretax interest coverage (x)	3.9	3.3	2.5	2.2	2.8
Total debt/total capital (%)	22.0	24.2	25.5	29.9	24.4
FFO interest coverage (x)	7.7	3.3	5.3	4.8	5.6
FFO/avg. total debt (%)	46	16	34	35	17
Net cash flow/capex (%)	123.3	31.0	134.4	95.6	88.3
DFL—Dutch guilder.					

### Business Description

NS Groep has a dominant position in passenger rail services in the Netherlands. The organizational structure consists of a holding company, NV Nederlandse Spoorwegen, comprising NS Groep and three government-commissioned agencies. This structure separates capital-intensive infrastructure responsibilities (including rail track construction, maintenance, management, traffic control, and funding of the investments) from the activities of the NS Groep. In 1999, the company merged its cargo business with Deutsche Bahn AG (AA/Stable/--) and NS Groep retained a 6% share in the new company Railion GmbH. Since the disposal of its share in Telfort, a fixed-line and mobile telecommunications operator in the Netherlands, NS Groep is focusing on its core activities, passenger transport, and station related real estate development.

#### NS Groep NV Structure



\*As of 1 January 2000, NS holds a 6% interest in Railion

NS Groep is fully owned (indirectly through NV Nederlandse Spoorwegen, see

NS Groep is fully owned (indirectly through NV Nederlandse Spoorwegen, see above chart) by the Dutch state and the relationship with its shareholder, is a strong but complex one. In 1999, there was some friction between the two but NS Groep remains a key company in the Dutch government's policy to develop railway services. Rail transport is popular in the Netherlands. The country's high population density makes it an attractive alternative to the overcrowded roads. The country's geographical position makes the NS Groep reliant on domestic passengers as the country does not have a passenger hub function as does Amsterdam's Schiphol Airport. The Netherlands (AAA/Stable/A-1+) is a relatively wealthy country and achieved GDP growth of over 3% in 1999 and 1998.

#### **Regulation.**

Regulation is in a state of flux. The 1995 Framework Agreement will be replaced by a new law, that is expected to be in place by Jan. 1, 2001. The Ministry of Transport (MoT) and NS Groep are negotiating a performance contract that is expected to include operating performance-based penalties and rewards. This contract relates to a concession for the core network that NS Groep will obtain for a period until 2010. The final outcome of this negotiation will determine whether the regulatory environment will worsen. The regulatory environment is negatively affected by the dual role of the state as shareholder and regulator which has created a politicized operating environment. Providing it is well defined a performance contract could reduce tension in this area. Coverage of financial obligations for rolling stock lease obligations is to be arranged in conjunction with the performance contract, in the event that NS Groep's concession is not extended beyond 2010.

The regulation under the Framework Agreement includes minimum service standards and maximum tariff increases. At the moment, tariffs are priced at a standard amount per kilometer traveled. However, average tariff increases have been limited to the rate of inflation, although there is some differentiation between tariffs within different market segments to stimulate usage.

The government also wants to increase competition by tendering out 20% of total passenger traffic, mainly regional lines. Although the government already promotes competition, it is mostly limited to cargo lines. The government requires reciprocity (This is not really an example NS Groep should also be able to compete in other markets). Standard & Poor's expects the effect of the increased competition to be limited. First, NS Groep will continue to operate the most profitable core network that carries 80% of rail passengers until 2010. Also, NS Groep is likely to bid in joint ventures for these contracts and it has won the only public tender so far (Noordned). In addition, two other contracts were offered to NS Groep on a private basis. Other government measures include the introduction of a track access charge, in accordance with EC regulation, which will be calculated according to the number of rail kilometers and the number of stops based on marginal costs. The charge will gradually increase to about DFL260 million by 2005. It is uncertain whether NS Groep will be allowed to increase its tariffs for this charge. Finally, the central government plans to take over NV Nederlandse Spoorwegen's government-commissioned agencies on Jan. 1, 2001. These agencies are already the responsibility of the government but still fall under the holding company NV Nederlandse Spoorwegen, and as such have the same supervisory board as NS Groep. A report of the 'Rekenkamer' (National Account Office) concluded that this structure does not completely isolate the agencies from NS Groep. This clearer separation should enhance transparency between the infrastructure provider and its user(s) and is expected to be neutral from a rating perspective.

#### **Government relationships.**

NS Groep received its last capital contribution from the government in 1999 and it now only receives contributions to operate 29 unprofitable lines. This was DFL191 million in fiscal 1999. Compared with other European rail companies passenger subsidies are very limited. This is a positive rating factor as the company does not need to rely on government subsidies. In addition, NS Groep paid a dividend to the state for the second consecutive year, DFL39 million in 1999 (DFL20 million in 1998). While the financial ties have reduced, there is still a strong relationship between the government and the NS Groep. The Dutch government confirmed its commitment to develop railway services as an alternative to the saturated road network, in its March 1999 policy paper 'De derde eeuw spoor' (third century rail). It has started a tender procedure for the development of an international high-speed rail link for passengers (HSL) and is at the planning stages of a similar procedure for the development of freight rail infrastructure from the port of Rotterdam to Germany, the Betuwe line. The student travel contract between the government and NS Groep is still



line. The student travel contract between the government and NS Groep is still an important high usage contract, but its contribution to total revenues is expected to decline.

In 1999, the relationship came under stress as conflicting views between the Minister of Transport, the Dutch parliament, and NS Groep caused some turbulence. The government rejected NS Groep's preferred bid for the provision of the domestic service (between Amsterdam and Rotterdam) on the HSL upon which the company refused to make a new offer. NS Groep's offer integrated the domestic HSL part into a core high-speed network. The loss of the HSL contract will unlikely have rating implications. Although the lack of transparency of the whole tender procedure is a negative factor. Also subsequent parliamentary discussion about whether the company should be governed by private law (i.e. commercially fully independent) or public law (i.e. controlled by the Ministry of Transport and indirectly by the Dutch Parliament) can also be seen as a negative factor as it politicizes the operating environment.

The train accident at Paddington (U.K.) in 1999, has caused concern in parliament as to whether NS Groep should be privatized. In addition, the Dutch generators' privatization process has caused concern with respect to stranded assets and foreign ownership. Privatization will most likely not take place for another three to four years.

Table 2 NS Groep NV Operating Statistics

	--Year ended Dec. 31--					
	1999	1998	1997	1996	1995	1994
Kilometers of track	2,808	2,808	2,805	2,813	2,813	2,813
Passenger rolling stock*	2,776	2,723	2,684	2,631	2,611	2,631
Freight rolling stock*	3,331	3,320	3,507	3,388	3,237	3,834
Number of journeys (mil.)	329	321	316	306	305	312
Passenger kilometers (mil.)	14,330	14,107	13,875	13,695	13,499	14,439
Freight transport (mil. tons)	23	25	23	21	21	20
Freight transport ton-km (mil.)	3,521	3,778	3,406	3,123	3,097	2,830
Number of full-time-equivalent employees	24,236	23,794	23,446	25,855	25,949	27,442
Total revenues (mil. DFL)	5,837	5,489	5,025	5,089	4,953	5,083
Avg. passenger revenue per passenger kilometer (DFL)	0.197	0.189	0.169	0.164	0.165	0.128
Avg. freight revenue per ton (DFL)	12.76	13.89	13.54	15.19	16.12	17.01
Avg. total revenue per employee (DFL)	240,840	230,688	214,322	196,828	190,874	185,227
*By number of vehicles. DFL--Dutch guilder.						

#### Passenger services.

NS Groep's largest activity, passenger services, accounts for 48% of total revenues and provides the majority of operating profits. Passenger kilometers traveled have shown an increase of about 1.5% per year since 1995. In 1999, a new measurement system was adopted, and, as a result kilometers traveled increased by 1.6% to 14.3 billion from 14.1 billion in 1998. Standard services provided 76% of kilometers traveled in 1999. In 1998, rail transport as a percentage of total Dutch passenger mobility increased to 10.0% from 9.3% in 1997. Overall, the Dutch Statistics Office, CBS, expects the market share for rail passengers to increase by 1.5% over the next 15 years. The average revenue per passenger kilometer increased in 1999 to DFL0.197 from DFL0.189 in 1998.

NS Groep improved its punctuality to 86.5% in 1999 from 83.0% in 1998. The 92% target in 2002/2003 appears ambitious as a large number of small factors cause the delays, and many of them are out of NS Groep's control (for instance infrastructure). The punctuality of rush-hour intercity services is severely restricted because of network congestion. The possible introduction of road taxes has increased in 1999, as the Ministry of Transport reached an agreement with the main Dutch cities to start charging a fee to enter these cities. When these plans are carried out, the rail passenger services to these cities may come under pressure owing to potentially increased passenger traffic and insufficient capacity. To cope with the lack of capacity, NS Groep ordered several new double-decker coaches that will cost about DFL1 billion.

ordered several new double-decker coaches that will cost about DFL1 billion. It will also invest about DFL100 million per year to improve overall service quality. In general tariffs have been increased at about the level of inflation since 1995. The access charge NS Groep has to pay in 2000, is not incorporated in its 2000 tariffs. NS Groep also cooperates in several regional joint ventures with bus companies. In NoordNed, it works with Arriva (50%) and in Syntus it operates with Connexxion and Cariane International (33%). NoordNed and Syntus were the preferred operators for the first privately operated routes while NoordNed won the first public tender. At the smaller stations, service provided to customers has reduced as ticket counters have been replaced with ticket machines.

As the European rail market is deregulating, NS Groep has the option to enter other European markets to provide passenger services. It has made a first step abroad with a bid for one of the U.K. franchises, South West Trains. The impact on credit quality depends on the operational risk of these new franchises and the associated financial investments.

#### **Freight.**

The freight operations of NS Cargo are no longer a core activity of the NS Groep after it merged NS Cargo with DB Cargo into Railion GmbH. It now has a 6% share in Railion, to whom it provides the cargo activities in the Netherlands and has leased equipment. Overall, under the agreed merger the financial risk to NS Groep is low, with potentially positive financial benefits. The operations of NS Cargo have been under pressure in the past and have not provided significant financial income despite efficiency improvements. As for other European rail companies, cargo has low profitability and is subject to intense competition from road transport. Also in a European context, NS Cargo was too small to survive. Overall, the merger of NS Cargo into Railion is a positive factor for NS Groep. Freight transported in 1999 decreased to 23.2 million tons from 24.7 million in 1998. Average revenues per ton transported decreased to DFL12.76 from DFL13.89 in 1998.

#### **Real estate, construction, and station operations.**

The main development in 1999 was the establishment of the 'Vastgoedfonds Stationlocaties' (Stations Real Estate Fund). NS Groep has ultimate control over this fund and benefits from the financial participation of large institutional investors. This fund will largely contribute to the DFL1 billion development of about 500,000 square meters around and at railway stations. NS Groep focuses on transport node real estate development. This is a core activity, managed within the group by NS Vastgoed BV. The stations are managed by NS Stations BV and a large part of the investments in the stations to improve passenger throughput are eventually financed by the Dutch state. In 1999, real estate and station operations yielded revenues of DFL698 million and an operating result of DFL148 million. The number of sales outlets increased by 54 to 1,322 in 1999, while 27,500 square meters of real estate was under development at year-end 1999. NS Stations will introduce a shop concept called Wizzl to a small number of Deutsche Bahn's (AA/Stable/A-1+) stations. Construction activities (completed projects only) provided a substantial part of 1999 revenues at DFL1,290 million--22% of total revenues. A large part of the activities is related to government agency activities, which could also be brought under the government umbrella. Construction is not considered a future core activity of the NS Groep.

#### **Telecommunications.**

NS Groep sold its 50% share in Telfort to the other shareholder in Telfort, British Telecommunications PLC (AA+/Watch Neg/A-1+) in April 2000, for which it received about DFL4.2 billion in cash. Telfort provides mobile and fixed-line telecommunications services in the Netherlands. NS Groep invested a substantial amount in the build-up of Telfort, which was expected to require NS Groep's cash injections until 2002. Overall, the disposal is positive for the NS Groep. Telfort is a cash intensive company in a very competitive market. Potential third-generation mobile licenses would require substantial cash contributions.

#### **Other activities.**

NS Groep made further significant cash gains by selling a large portion of its shares in Internet provider WorldOnline (WOL), when the company was listed in March 2000. NS Financial Services Ltd. was founded in Spring 1999. This rolling stock leasing company is similar to a U.K. 'rosco'. Market liberalization allowed the company to acquire passenger trains and cargo rolling stock from NS Groep and to lease this stock to the NS Groep and other operators, such as potential new market entrants in the Netherlands.

## Financial Profile

### Financial Policy: Conservative

NS Groep's financial profile is very strong. The huge cash balances and short term investments create a net positive cash position (excluding cash for Telfort and WOL) of DFL630 million. Standard & Poor's expects that the cash windfalls from Telfort and WOL will not remain on the balance sheet. Incorporating these windfalls the cash position is about DFL6 billion. The company is considering how to use this cash. Standard & Poor's expects the cash to be used for increased investments in domestic rolling stock, activities abroad, and increased dividends. The dividend pay-out is 15%, which is higher than many of its European peers. The company is committed to its rating level. The adjusted ratios in the following sections reflect off-balance-sheet obligations for investments and long-term financial contracts with third parties.

### Profitability.

In 1999, earnings-based interest coverage ratios were very strong. Adjusted pretax interest coverage improved to 3.9x in 1999 from 3.3x in 1998, while adjusted net pretax interest coverage improved to a still very strong 9.7x from 9.1x in 1998. In 1999, return on average total capital (total debt plus equity) improved slightly to 6.0% compared with 5.8% in 1998. The 1999 revenues increased faster than costs, leading to a DFL223 million increase of operating income before depreciation to DFL956 million in 1999. As a percentage of total revenues, operating income increased considerably to 16.4% in 1999 from 13.4% in 1998. The 1999 operating costs mainly increased because of personnel expenses. Owing to the company's high cash liquidity and lease profits, NS Groep recorded significant interest income of DFL75 million in 1999, while net interest income was negative DFL7 million. Profitability is driven predominantly by rail passenger activities. Net profits increased to DFL228 million in 1999 from DFL197 million in 1998. This includes DFL30 million extraordinary income resulting from the sale of some smaller operations.

NS Groep's operating margin is expected to improve over the next few years, solely driven by its core activities. Steady growth in passenger numbers will drive the transportation income which will be the dominant income source. Government contributions will continue to subsidize unprofitable lines only until tendered out, and NS Groep is expecting increased turnover from station and real estate operations. Owing to the risks associated with these activities, however, it is not certain to what extent NS Groep's targets are achievable. Further cost reductions and efficiencies should help NS Groep reach its target of a 10% return on capital invested. Standard & Poor's expects pretax interest coverage levels to remain strong, excluding benefits from the large cash balance.

### Cash flow protection.

Cash flow protection is strong. Adjusted funds from operations interest coverage improved to 7.7x from 3.3x in 1998, while adjusted funds from operations net interest coverage improved to a very strong 21.2x from 9.1x in 1998. The 1998 funds from operations are suppressed by a provision of DFL336 million. Funds from operations in 1999 were DFL715 million, which was higher than in previous years. Depreciation charges were DFL150 million higher owing to the downward value adjustment of rolling stock. In the next five years, cash flow is expected to improve further, although the actual cash flow achieved will depend on the obligations under the new performance contract. Standard & Poor's expects that the forecast strong internally generated funds result in continuing very strong cash flow interest coverage levels and cash flow to total debt levels.

In 1999, capital expenditures were lower at DFL614 million compared with DFL 896 million in 1998. Net cash flow to capital expenditures was strong at 123%. Over the next three years capital expenditures are expected to be between DFL1 to 1.5 billion and to peak in 2003, before falling back to current levels. Capital expenditure is driven by passenger transport and will be lower than expected previously as there is no longer a need to invest in Telfort. The high levels of capital expenditures cannot be covered by internally generated cash every year until 2004. However, the large cash balance, even without the 2000 cash windfalls, could cover this and limit the need for additional debt.

### Capital structure and financial flexibility.

NS Groep's capital structure and liquidity are very strong. NS Groep has DFL1,858 million cash/short-term investments (17.6% of total assets) and total

DFL1,858 million cash/short-term investments (17.6% of total assets) and total debt of DFL1,228 million creating a negative net debt position. Excluding the cash balances, leverage was 17.7% down from 20.6% in 1998. Of the total debt balance, 83% or DFL907 million is ultimately guaranteed by the Dutch government. Debt issued in the future will not benefit from such a government guarantee. NS Groep has only limited exposure to foreign currencies, and interest rates. Standard & Poor's expects adjusted leverage to average just below 20% over the next five years, while NS Groep is expected to retain its liquid balance sheet.

Table 3 NS Groep NV Financial Statistics					
	--Year ended Dec. 31--				
	1999	1998	1997	1996	1995
<b>Income statement (mil. DFL)</b>					
Gross revenues	5,837.0	5,489.0	5,025.0	5,089.0	4,953.0
Operating expenses (excl. DD&A)	4,881.0	4,756.0	4,356.0	4,426.0	4,333.0
Depreciation and amortization	626.0	441.0	428.0	439.0	370.0
EBITDA	1,034.0	813.0	755.0	727.0	681.0
Interest incurred	82.0	94.0	106.0	102.0	111.0
Net interest incurred	7.0	9.0	20.0	38.0	50.0
Net income	258.0	197.0	164.0	105.0	98.0
<b>Earnings protection</b>					
Pretax interest coverage (x)	5.0	4.0	3.1	2.8	2.8
Adjusted pretax interest coverage (x)	3.9	3.3	2.5	2.2	2.8
Net pretax interest coverage (x)	47.6	31.9	12.1	5.9	5.0
Adjusted net pretax interest coverage (x)	9.7	9.1	4.8	3.1	5.0
EBITDA interest coverage (x)	12.6	8.7	7.1	7.1	6.1
Total debt/EBITDA (%)	118.8	169.0	161.7	182.4	194.7
Return on avg. equity (%)	4.7	3.8	3.4	2.4	2.5
Annual exp. growth (% excl. DD&A)	2.6	9.2	(1.6)	2.1	3.1
Total operating expenses/revenues (%)	83.6	86.6	86.7	87.0	87.5
<b>Balance sheet (mil. DFL)</b>					
Cash and equivalents	403.0	358.0	320.0	323.0	358.0
Net plant	6,226.0	6,465.0	6,438.0	6,418.0	6,423.0
Total assets	10,552.0	10,297.0	9,955.0	9,451.0	8,915.0
Short-term debt	134.0	89.0	54.0	71.0	30.0
Long-term debt	1,094.0	1,285.0	1,167.0	1,255.0	1,296.0
Preferred stock	0.0	0.0	0.0	0.0	0.0
Common equity	5,699.0	5,303.0	4,947.0	4,600.0	4,115.0
Total capitalization	6,927.0	6,677.0	6,168.0	5,926.0	5,441.0
Total off-balance-sheet obligations	380.0	315.0	470.0	640.0	0.0
<b>Balance-sheet ratios (%)</b>					
Short term debt/total capital	1.9	1.3	0.9	1.2	0.6
Long term debt/capital	15.8	19.3	18.9	21.2	23.8
Preferred stock/total capital	0.0	0.0	0.0	0.0	0.0
Common equity/total capital	82.3	79.4	80.2	77.6	75.6
Total debt/total capitalization	17.7	20.6	19.8	22.4	24.4
Adjusted total debt/total capitalization	22.0	24.2	25.5	29.9	24.4
Net debt/Net total capital	(12.4)	(9.1)	(11.1)	5.5	15.7
<b>Cash flow (mil. DFL)</b>					
Net income	258.0	197.0	164.0	105.0	98.0
Depreciation	626.0	441.0	428.0	439.0	370.0
Funds from operations (FFO)	757.0	278.0	613.0	582.0	512.0
Preferred dividends	0.0	0.0	0.0	0.0	0.0

Preferred dividends	0.0	0.0	0.0	0.0	0.0
Common dividends	0.0	0.0	0.0	0.0	0.0
Net cash flow (NCF)	757.0	278.0	613.0	582.0	512.0
Net capital expenditures (capex)	614.0	896.0	456.0	609.0	580.0
Discretionary cash flow	(4.0)	(398.0)	(200.0)	(371.0)	(310.0)
Cash flow adequacy					
Capex/avg total capital (%)	9.0	14.0	7.5	10.7	8.4
NCF/capex (%)	123.3	31.0	134.4	95.6	88.3
NCF/capex and net acquisitions (%)	123.3	32.7	134.4	95.6	88.3
FFO/avg. total debt (%)	58.2	21.4	48.1	43.9	17.0
Adjusted FFO/avg. total debt (%)	45.9	16.45%	33.52%	35.36%	16.97%
FFO/avg. net debt (%)	(141.1)	(59.3)	(542.5)	112.7	20.2
Adjusted FFO/avg net debt (%)	(400.5)	(363.4)	138.7	69.6	20.2
FFO interest coverage (x)	10.2	4.0	6.8	6.7	5.6
Adjusted FFO interest cov (x)	7.7	3.3	5.3	4.8	5.6
FFO net interest coverage (%)	109.1	31.9	31.7	16.3	11.2
Adjusted FFO net interest coverage (%)	21.2	9.1	11.6	7.5	11.2
DFL—Dutch guilder.					

### Rating Detail

#### NS GROEP N.V. NETHERLANDS

Analysts: Jan Willem Plantagie, London (44) 20-7826-3722 ; Michael Wilkins, London (44) 20-7826-3528

#### REVIEW ISSUER CREDIT RATING NS Groep N.V.

Corporate Credit Rating AA/Stable/--

#### Business Profile:

Above average

#### Financial Policy:

Conservative

#### Corporate credit rating history:

May 9, 1996

AA

This report was reproduced from Standard & Poor's RatingsDirect, the premier source of real-time, Web-based credit ratings and research from an organization that has been a leader in objective credit analysis for more than 140 years. To preview this dynamic on-line product, visit our RatingDirect Web site at [www.standardandpoors.com/ratingsdirect](http://www.standardandpoors.com/ratingsdirect).  
Standard & Poor's.  
*Setting The Standard.*

#### Standard & Poor's

A Division of The McGraw-Hill Companies



Published by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. Executive offices: 1221 Avenue of the Americas, New York, NY 10020. Editorial offices: 55 Water Street, New York, NY 10041. Subscriber services: (1) 212-438-7280. Copyright 2000 by The McGraw-Hill Companies, Inc. Reproduction in whole or in part prohibited except by permission. All rights reserved. Information has been obtained by Standard & Poor's from sources believed to be reliable. However, because of the possibility of human or mechanical error by our sources, Standard & Poor's or others, Standard & Poor's does not guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities.

## **ADDENDUM Appendix D, part D Request for Qualification**

*(Text from Qualification Document:)*

*"In case of selection the criteria stated hereafter will be used to rank the Applicants. Please describe in full, where possible also with quantification, your experience for each of these criteria on separate pages, with a maximum of 3 pages (A4) per criterion. (Please use plain paper, not company stationery)".*

In this Addendum, the consortiumpartners state their experience on the relevant criteria. We also added the credentials of National Express plc., as we intend to work closely together with this company for the HSL Zuid bidding process.

In the addendum (marked D - 1), we disclosed parts of the official agreement the three parties have signed for this project. The collaboration of the three parties is very strong, as is showed by the intention of the parties that National Express has the possibility (when of course both consortium partners and the State of the Netherlands give their approval) to acquire a substantial share in the (eventual) HSL-Zuid special purpose company.

Given this strong collaboration, we trust you will judge the credentials of National Express Group as relevant for the consortium.

- a) **Experience with yield management, electronic ticketing, internet-sales and customer loyalty programmes**

### NSR

(ai) Yield management

The intelligent use of yield management principles can be used to increase bottom line profitability in any service industry possessing the following characteristics:

- demand for the service can be divided into clear market segments and sensitivity to price varies among the market segments
- the firm's capacity is relatively fixed; it's expensive or impractical to add or subtract inventory in the short term, though there may be some ability to shift it
- the firm's capacity is perishable
- the cost of selling an additional unit of the existing capacity is low
- the service is ordered in advance of its performance
- the level of demand fluctuates significantly and cannot be predicted by market segment with a high degree of certainty

### How does it work for Thalys?

Thalys has a market oriented scheme of tariffs. A tariff is a combination of a price and a set of conditions. For example the Mini tariff is the cheapest type of ticket but with the most conditions : it is for example non refundable. The Business tariff is the most expensive, but with a lot of freedom to make changes.

Based on experience and expectations data, each train obtains a classification. This classification depends on the expected number of passengers (peak/off peak, 1<sup>st</sup>/2<sup>nd</sup> class or total) and the composition of the public (business/leisure). As soon as the sales for a specific train start, every tariff can be booked, but every tariffs has its own availability. Every tariff that is sold is at the expense of the availability of all other tariffs. As a result of this, it is possible that, at a certain moment, a cheap tariff is not available anymore and customers will have to choose to buy a more expensive tariff or travelling on another train in which the desired tariff is still available. So the sooner you buy your ticket, the higher the chance of buying a cheaper ticket.

Based on estimates and experience of the percentage no-show customers (mostly business customers) a percentage of the capacity is overbooked in order to make use of the total capacity.

### What are the results?

With the number of seat occupancy the average proceeds per ticket rise. This is due to the fact that from a certain seat occupancy on only tickets at the highest tariff are left and - as is proven with Thalys - are sold.

The results of Thalys for the years 1996 and 2000 are the following:

	<u>1996</u>	<u>2000</u>
average seat occupancy	57%	71%
Business share	21%	40%
Mini share	13%	6%
growth in average revenue per passenger		40%

Where is the knowledge?

Detailed knowledge of yield management for Thalys is with the marketing departments of Thalys Nederland and Thalys International. The day-to-day yield management is done in Brussels (CO-Thalys)

(aii) Electronic ticketing

NSR is currently involved in a nationwide chipcard project, in which NSR, Connexxion and GVB Amsterdam seek for opportunities to introduce the national standard for public transport chipcard technology. This standard will comply with the desires and demands of the whole public transport sector (as represented by MOBIS) and the Ministry of Transport. The public transport chip card will make the use of public transport more user-friendly, decreases problems of aggression and social insecurity in public transport, and is expected to further increase the position of public transport in the total market of mobility in the Netherlands.

(aiii) Internet-sales

NS International is currently working on the launch of sales via Internet. The start is foreseen in November 2000. It will then be possible to sell tickets to the four major destinations of NS International : Brussels, Antwerp, Cologne and Düsseldorf.

The new system will enable Internet sales including reservations for trains like Thalys from the year 2001 onwards.

The new NS-website (launch: first Quarter of 2001) will make it possible for customers to get extensive travel information and for example information on their season passes, possibility to change their personal information, but eventually leading to the possibility to get all services currently provided through the NS-counters at the stations (including the sales of tickets), via the internet.



(aiv) Customer loyalty programmes

NSR strongly encourage its passengers to use to train on a regular basis. As we have a policy of encouraging passengers to use the train in off peak hours, we put a lot of effort into the advantages and services for our 'Voordeelurenkaart-holders (this card, with a for the 5<sup>th</sup> year steady price of NLG 99, entitles the holder to a 40% discount on the full fare after 09.00 am and through the whole weekend). After intensive communication campaigns, we succeeded to attract nearly a million VDU-card holders, which we offer attractive products and services (for example: reduced parking in parking garage near Utrecht Central Station, the possibility of acquiring a free Museum year card). VDU-card holders have the possibility of taking a maximum of three people with them in the train at the same discount-rate (the 'Samenreiskorting' a very succesfull product in the NSR-assortment).

## KLM

### (ai) Yield management

KLM has a proven track record in the airline industry concerning pricing and yield management systems (CISCA), its organisation, development and its actual performance.

- KLM has the highest load factor of all member carriers of the Association of European Airlines and also compared to intercontinental competitors while Denied Boarding norms are being met.
- Relative to the small size of the Dutch home market and the relative low attractiveness of Amsterdam/The Netherlands as final destination KLM has a large worldwide network (during fiscal year 1999/2000 more than 140.000 city-pairs via one or more hubs). The network is sustainable because KLM manages to combine transfer flows via its (partner) hubs. Compared to other airlines KLM has in its product portfolio the highest percentage of transfer and 5<sup>th</sup>/6<sup>th</sup> freedom traffic on board of its aircraft.
- We have in view of net transfer yield a better financial performance than any other European airline competing in the same flows (between 5-15/20% better).
- KLM and NWA are the only airlines in the world which have a fully integrated revenue management set up and organisation encompassing USD \$ 2.0 billion dollars of business on North Atlantic and India traffic flows. We have a similar set up with Kenya Airways and with other partners in Europe as well.
- KLM revenue management is in the process of introducing network-wide and with NWA a true Origin Destination system, fully in place during 2001 and already having thousands of flights live in the systems, right now.
- Staff is very well trained, experienced and well in demand in and outside KLM organisation. Staff is or has been working in commercial fields and/or at our partners' basis as well.
- KLM Revenue Management is well acquainted with e-commerce and has direct experience on hand and is actively involved in rolling out further e-commerce projects with new e-distribution channels while retaining and growing overall revenue and profitability of our products.

### (aai) Electronic Ticketing

KLM will introduce electronic tickets (e-tickets) in the summer of next year. Developing e-ticketing has some very attractive advantages for KLM, a/o. enhancing travel convenience for the passenger while decreasing costs for the airline, and has high strategic priority.

The scope of the KLM project is substantial. The development budget is 16 million guilders and KLM expects to process 400 thousand coupons through the system in year one building up quickly to 15 million coupons within five years.

The development phase of KLM's e-ticket product is well underway. The experience we are gaining may well be used in implementing e-ticketing in other forms of transportation. In developing the product important knowledge has been gained in the following areas:

- Building and accessing an e-ticket database and the necessary adjustments to existing systems in different fields of our business (Sales, Operations, Accounting, etc.)

- The possibilities of using stored information in the e-ticket database for Marketing purposes
- Methods of customer recognition and customer identification when working with e-tickets
- Bringing e-tickets to the public via both the on-line and off-line sales channels
- Legal aspects regarding terms and conditions of travel when using e-tickets
- Necessary training of front-line staff to be able to cope with the product

These aspects are now all being thoroughly examined and are valuable to any implementation of e-ticketing in comparable situations.

#### (aiii) Internet sales

- KLM has more than five years of extensive experience with the development of Internet sales. Since the launch of the first KLM on-line booking tool in 1996 Internet sales have shown a very strong growth. Currently on-line KLM turnover can be estimated at around 1 million Euro per month, with growth percentages of 65% and more compared to 1999. The development of e-commerce is a central element in the distribution strategy of KLM.
- Internet sites have been introduced in more than 70 countries, including different booking facilities. Besides tickets KLM has also started on-line sales in travel related services, such as hotel rooms and car rentals.
- Internet promotions are introduced on a regular basis. Auctions to sell surplus capacity have been successfully executed; as an example in 1999 all seats on one particular flight have been sold via an on-line auction action. Other Internet sales promotions, such as click and go, monthly action fares, list-server based individual offers, are constantly under development and implemented. KLM receives about 10.000 e-mails per month from customers, including travel requests, change of travel itineraries, etc. Back-office procedures and organisation have been developed to support these requests.
- KLM has also developed a sophisticated and advanced fulfillment process for on-line bookings. Customers can receive their booked tickets by mail, or can have their tickets printed in different locations such as airports.
- Part of KLM's organization is a special expertise centre dedicated to the development of advanced Internet tools, the so called "Web Lab".
- As of 2000 KLM also uses WAP technology to offer on-line sales. Special sites have been developed, including direct booking facilities, to tap into the new m-commerce (mobile-commerce) opportunities.

#### (aiv) Customer Loyalty Programmes

##### **Flying Dutchman (FD)**

Programme start: 1992

FD countries: Europe, Latin America, Caribbean, Africa, Middle East and the Indian Subcontinent

WP countries: USA, Mexico, Canada, Far East and Australia

- Number of members: 1.512.149
- Estimated annual growth: 20.2%

- Geographical member spread: 82% Europe (= 1.240.009), 9% Middle East (= 136.009), 5% Africa (76.230), 4% Latin America (55.738)
- NL: 309778 (=20% of total and 25% of Europe); RW: 24.804, SW: 27.160, BW: 257.814
- Flight active members (number of members with at least 1 boarding in past 12 months): 38%
- Tiers: RW 5% (= 70.076), SW 7% (= 106.533), BW 88% (= 1.335.540)

#### Award numbers per year ('99)

- flight awards: 279.667 89.3%
- upgrade awards: 10.496 3.3%
- non-flight awards: 23.140 7.3%

#### Special member types:

- Skippers: RW members for life, very important people to KLM (ca 342)
- Company Royal Wing: only in NL, for companies with certain turnover
- PR: SW or RW, requested by establishments, for people commercially important to KLM
- Elite guests: 4 months trial RW membership, for potentially important new FD members

#### FD Helpdesk (Cynific)

- Front Office: 53 call agents, 6 language units (Dutch/English/Spanish/French/German/Italian)
- Middle Office: correspondence, complaints handling
- Back Office (Carlson): enrolments, member maintenance, award handling (received via forms), points administration, member communication (cards, PIN codes, Points Statement, FD News, brochures)

#### FD Helpdesk Front Office services

- instant award bookings (on KL, UK, XT and KQ)
- changes of award tickets
- account check
- program information
- requests for brochures, forms etc.

#### FD website

- online booking tool (on KL, UK, XT and KQ)
- account check
- program information, partners, awards, terms & conditions
- enrolment form, data correction form, points correction form
- points finder (how many points are needed)

Program strengths: services, lounges, many airline partners, innovative FD website and upcoming improvements to program content of FD program (implementation date between Dec00-Mar01)

Program weaknesses: earn/burn ratio (generosity), current complex redemption/administration process (will be improved as per Dec00-Mar01)

## NATIONAL EXPRESS GROUP plc

### (ai) Yield Management;

Midland Mainline is an active user of yield management measures to achieve the twin objectives of maximising income and matching demand to capacity. We have a diverse customer base of leisure, business and commuter passengers. The leisure market, in particular, is price sensitive and we have a wide range of attractively priced products. We do, however, aim to limit their use by business passengers.

Most of our customers buy products that do not require reservation in advance, although it is always possible to reserve if they wish. In practice about one third of our customers do make reservations, at a level of about 55,000 per week. The main products aimed at the leisure market (Saver, SuperSaver, Cheap Day and one-day Travelcards) account for about 40% of our journeys. We achieve market segmentation by applying restrictions on the time of day when they can be used. A degree of demand management is achieved by some differences between the products in the times when they can be used.

We have also introduced an innovative range of products where advance purchase is required, and where customers must travel on specific trains. We have products aimed at the individual customer and for small groups. We set quotas for each of these products separately, and use the seat reservation system to allow them to be sold on a first-come first-served basis until the quotas are filled. Such products now account for about 17% of our journeys and we aim to increase this. Our experience suggests that little use is made of them by business passengers because of the need to commit to travel at specific times and the need to reserve in advance. This in turn means that, where we would otherwise have spare capacity, we can make some seats available for these products on peak time trains where the products not requiring reservations are normally restricted, helping to spread demand. Generally, the cheaper the price and the shorter the advance purchase period means it is less likely that the product will be available on peak trains.

We have become increasingly sophisticated in developing systems to manage product availability by quotas. We monitor quota take-up and train loading information to set quota levels appropriate to the time of day and day of week, and change these when necessary on the basis of emerging trends and forthcoming special events. On some trains we also restrict the availability of some products to specific destinations.

### (aai) Electronic Ticketing

Earlier this year, National Express Group acquired a 20% stake in a joint venture company, Prepayment Cards Limited (PCL) - a company established to allocate revenue between transport operators, local authorities and any other parties participating in smartcard ticketing schemes.

PCL has the exclusive UK rights to use the clearing house software for the issue and management of multi-application smart cards developed for the Hong Kong *Octopus* system that commenced operations in 1996. In addition PCL holds an exclusive license for the use of the Proton electronic purse in the UK.

PCL is contracted to deliver a contactless smart card scheme for public transport operation in the Greater Manchester area of the UK, with both the publicly owned Passenger Transport Executive and private transport operators. The project covers both concessionary and commercial card schemes. The system will be operational in 2001.

(aiii) Internet-sales

The first National Express website (NationalExpress.co.uk) was launched 5 years ago for our coach business, with the main feature being a 'live' enquiry and ticket buying system. Since then it has gone through a number of upgrades the most significant of which was a complete rebuild of the site which was launched 4 weeks ago. Earlier this year the name and imagery of the site was also changed to 'GoByCoach.com'. This better reflects the diversity of brands within the coach division, as well as providing 'generic' coach site.

The site content also features product information, hotel breaks, coachcards etc as well as job vacancies and a press centre (for PR releases, photo images etc).

The sales history through the site is:

	£'000			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Annual	67	250	1108	2700(f)

We are currently getting around 100,000 hits a day.

For our UK train operators, NX has a firm policy to retain the brand and identity of each individual company. As a result, we have Web sites serving each TOC. We have pioneered real time train running information for our train services via the Web, and now also sell tickets via these sites. Our next development is to sell tickets for all UK rail services; already at the pilot stage, we anticipate launching this before the end of this year, migrating across from the Web retailing services we already use. It is part of an ongoing programme to enhance our Web presence and retailing capabilities.

Web retailing is a key part of our rail retail strategy going forward. It will be integrated with self service machines at stations, our growing telesales operation and our plans for new booking office systems. Further, our strategy has been structured in such a way that it can be easily enhanced to feed other channels such as WAP and digital TV.

Developments to come on line in the autumn are: -

- WAP capability for real time train running.
- Seat Clearance Database; this is a stand-alone database on the site, which will be populated by specific seats on very quiet trains. It will act as a discrete, low cost of sale, clearing shop for seats we have difficulty selling.

Next development is a discussion forum where customers can post suggestions, questions, complaints etc. and we will post replies. This is aimed at improving customer relations and promoting open dialogue.

(aiv) Customer Loyalty programmes

NX has three areas of contribution: an up-and-running coach programme; senior management experience from gained in another company; and experience from a rail commuter scheme which has since been discontinued.

In GoByCoach.com we now encourage people to register with us, which enables us to build some personal information as well as developing a transactional history on individuals. The registration process is also tied into a loyalty scheme. As coach transactions are low value and relatively infrequent it made sense to 'buy' into an established scheme. Therefore we are now giving Argos Premier Points with all purchases made by registered users. At the moment these are being given at a consistent level but the plan is that bonus points will be used to incentivise purchase of certain products or reward frequency of purchase and loyalty.

Our Marketing Director at Midland Main Line developed the first customer loyalty programme in the UK Rail Industry, when he was at GNER. This has become the acknowledged leader. He has now launched "MORE", Midland Main Line's own loyalty programme. This forms the basis of our relationship marketing strategy with business customers. Benefits to customers include hotel breaks, balloon trips, theatre access etc. We have recognised that for this market segment who could be defined as "cash rich, time poor" special/indulgence rewards are more attractive and stimulating. "MORE" has also recognised the importance of the employer in the decision making process and has a corporate member facility.

**b) experience with multi-modal arrangements involving passenger train services and air, bus and/or metro services**

### NSR

#### CAR

NS has a vast experience with parking at stations. Currently, there are over 30,000 parking spaces at stations, making NS one of the biggest parking-accommodation providers of the Netherlands. Our good contacts with the relevant municipalities are essential. NS, together with these parties, offer on nearly every stations parking spaces (on small stations mostly for free). In middle large and large cities with scarce parking capacity, parking charges are introduced step by step. For season pass holders of NS a guaranteed parking space is offered before 10.00 am. We closed contractual deals with Q-park (one of the professional parties in this field) to provide this service.

#### TAXI

On large stations taxi's are ready to transport the passengers with a need for luxury or speed, or with baggage (and without local knowledge). NS has intensive contacts with local taxi-companies in order to position taxi-stands directly at the exits of the stations.

#### TREINTAXI

For the more budget oriented traveller, whose needs cannot be satisfied by other means of public transport, NS introduced in 1990 a 'share a taxi' system together with the State. The activities have an independent operation since 1992 under the name "treintaxi".

Currently, on 113 stations services are provided, reaching 60% of all addresses in the Netherlands. Together with NS-daughter Transvision and the local public authorities, we are investigating the possibilities to expand the service to every address in the Netherlands.

#### CAR RENTAL

NS offers through a joint promotion with Hertz car rental for train passengers in 23 cities a advantageous way of car rental. Both at the station as well as at the passengers' home address. From 2001 this service will be expanded (more cities and more rental companies).

#### ODESSEY

For business travellers, NS-daughter Transvision developed a product (Odessey) via contract with employers. NS provides information on the best way of travel, taking into consideration all modes of transport (sometimes even travel advices without train, possibly car with driver, etcetera). Odessey makes the reservation, organises the required transport modes and adjusts (if necessary) the trips if delays occur. Once a month the employer receives a specified



invoice. The services will be provided in cooperation with partners like car lease companies and buscompanies.

#### TRAVEL INFORMATION

Since 1990, NS provides on disk the 'Reisplanner', with train connections between all Dutch stations, including advices how to get to stations by bus and other modes of transport. Since 1996 this service is provided free of charge on the NS website ([www.ns.nl](http://www.ns.nl)).

The Reisplanner was the basis of a joint initiative of NS, all public transport companies and the Ministry of Transport to form a joint venture (OVR) for total, integral, door to door travelinformation for all modes of public transport. Initially, the services was provided by telephone (0900-9292), since 1998 expanded to the Internet ([www. 9292ov.nl](http://www.9292ov.nl)). Since 2000, the service was extended with route maps.

In May 2000, NS issued the Planner Plus (on CD ROM): the train-'Reisplanner', but with added information on door to door transport by foot, bicycle and car to and from stations, including (station-)maps. A quarterly actualisation is possible via the Internet.

#### BUS/TRAM/METRO

In the Netherlands we have highly dense public transport in cities en rural areas with ticket en tariff integration by means of the so called "strippenkaart". In every bus and tram in the Netherlands, from north to south en from the west the east, people can since the year 1980 travel with one strippenkaart buses from different operators.

Fifty percent of the trainpassengers travel from there homes to the stations and/or to their destination by bus, tram or metro. Most passengers depend for there trip from the stations to their destination of public transport.

Therefore NS strives to good connections train/city transport with good relations with operators en municipalities.

Also there are several combined ticketing arrangements such as:

1. in every ticketvending machine on NS stations Public transport day-tickets for onbeperkt travelling on all trains busses, trams and metros in the country
2. combined train-bus/tram season cards (monthly, yearly) for specific trajecten and zones or complete public transport in the Netherlands
3. in the four big cities the strippenkaart is valid on the trains
4. in every ticketvending machine of NS strippenkaarten can be bought and all the NS loketten passengers can buy there season card for bus, tram and metro

## CYCLING

The Dutch are famous for their cycling. One bicycle for every Dutchman.

Cycling to the stations is of great interest for passengers and NS.

Cycle infrastructure such as enough capacity of and comfortable manned (paid for) and free bicycle sheds, convenient cycle routes in and to city centres are responsibilities of the government and local authorities.

NS is in permanent dialogue with both authorities for monitoring capacities, product improvements etc.

Especially for cycling NS has recently founded a daughter company NS Fiets (NS Cycling). NS Fiets is responsible for the 80 manned sheds with 100.000 parking lots, and bicycle rental and the management of the 200.000 free sheds on all the stations.

NS Fiets has started a program to introduce complete opening hours from ¼ h before begin of train service until ¼ h after last (arriving) trains on the 40 biggest stations starting in 2001 and with the help of (partly) automation for all other manned sheds.

Also NS Fiets exploits the Bicycle shops (Fietspoint) in now 15 but growing number locations.

Last but not least passengers can take their cycles in the trains (except in peak hours) with a flat fare (f 12,50 ( E 5.60) dayticket in ticket vending machines)

## CAR SHARING

With the private company Greenwheels Ltd NS has a joint promotion agreement for promoting carsharing among NS customers.

The aim is the introduction of carsharing in the Netherlands (similar to the Swiss arrangements of SBB with Mobility).

Greenwheels places their cars in the cities as well as near the stations. So carsharing cars can be used both instead of trains (when public transport is occasionally not suitable) as well as combined with the train. Every NS/Greenwheels member can choose at any moment whether to use the train, take the Greenwheels car or use a combination. In that way possession (and thus automatically use ) of a private car is for great numbers of people living in the cities with perfect public transport and cycling not necessary. Already after two years after the start of the co-operation Greenwheels has more than 5,000 members in 10 cities. The aim is reaching 200.000 members in 10 years (among which 100.000 'new' train passengers)

Greenwheels members get a discount on their membership of Dfl 300 (E 135) each year. NS season cardholders are on a personal base informed by NS when a new project starts in a city.

### KLM (together with NS)

Following a broader co-operation agreement between Amsterdam Airport Schiphol, KLM and NS-Reizigers regarding multi-modal and air-rail substitution activities KLM and NS-Reizigers recently introduced the “Air ticket = Rail ticket” service.

From October 1, 2000, travellers with air tickets issued in the Netherlands for travel on flights operated by KLM and several partner airlines (Northwest Airlines, Kenya Airways, KLM alps, Air Angiadina and KLM uk) to and from Amsterdam’s Schiphol Airport can present them on trains operated Nederlandse Spoorwegen (NS), for free rail travel to and from the airport. There is no need to exchange airline ticket-coupons for train tickets at NS counters.

Further options are available to travellers for an additional charge. NS offers an exclusive Baggage Service at a reasonable charge for home baggage pick-up the day before departure from Schiphol. The NS Train Taxi Service offered at many rail stations in the Netherlands is also available for air passengers. This combination of KLM and NS joint services offers air passengers almost fully comprehensive door-to-door seamless travel.

Recent studies have shown that some thirty percent of air passengers departing Schiphol travel to the airport by train. This percentage is expected to rise substantially. The trend benefits more than just the passengers, since it reduces pressure on the highway network giving access to Schiphol, and consequently the impact on the environment.

KLM and NS are working on further improvements of this multi-modal service. Check-in facilities at (large and busy) railway stations, integrated reservations- and ticketing facilities, and baggage handling system are under investigation and expected to be implemented in 2001.

## NATIONAL EXPRESS GROUP plc

NX has built up considerable experience of developing integrated transport services within complex multi-modal and multi-operator environments including projects covering urban, inter-urban and rural situations in the UK and overseas.

A key element of our approach is to build partnerships with the public sector, other transport operators and related service providers (eg employers, airlines and airports) that can act as robust delivery mechanisms. Our Card Systems division specialises in the development and administration of urban transport ticketing systems. Our Coach and Rail Divisions both provide specialist telesales, business travel and internet journey planning and booking services. NX will introduce a fully integrated rail planning and booking service during late 2000.

NX works closely with developers and employers to coordinate the provision of transport services with the development of passenger attractors. Examples in this category include the development of special service and ticketing packages for major employers and the development of specialised bus services for major shopping centres.

Our approach is best illustrated by example case studies.

### *National*

At the national level we have played a leading role in industry initiatives to create national telephone/internet information services covering all modes and operators. NX helped found the Journey Solutions project to improve the physical integration between bus and rail services and the range of ticketing options open to the traveller. PTI-2000 – launched in summer 2000 - offers a fully integrated telephone enquiry service covering all bus, coach and rail modes,

### *Urban – West Midlands, UK and Melbourne, Australia*

NX, through its Travel West Midlands and Travel Midland Metro subsidiaries is the major operator of local bus and tram services in the West Midlands. The award of the Central Trains rail franchise to NX in 1997 led to a major programme of integrated transport projects throughout the company's area. NX created partnership structures with the West Midlands Passenger Transport Authority (Centro), over thirty local bus operators and ten rail operators to improve the level of passenger information and service integration. Developments to date have included:

- On bus sales of one day bus/rail tickets on 2000 buses of 30 operators serving 12,000 bus stops in the West Midlands
- Extension and 'bending' of bus routes to improve connections with bus and tram services
- Sale of West Midlands Bus-Add-Ons from national rail stations
- Provision of Bus maps in all local trains and rail maps in all local buses in the West Midlands. An integrated public transport information service has been created offering telephone information about all operators and transport modes.
- Bus timetable information and local bus tickets available from all West Midlands stations and 700 information outlets
- Sale of rail season tickets by Direct Debit

In Melbourne we provide bus, tram and train services in a complex multi-operator environment that is delivering an improving range of information and ticket deals through a sophisticated magnetic ticketing system. NX is introducing real time information at stops and stations.

**c) experience with publicly tendered franchises/concessions for public transport services**

**NSR**

Noordned Groningen:

In the beginning of 1999, NSR subscribed, together with VEONN-groep N.V. (the predecessor of Arriva Nederland) as NoordNed Personenvervoer BV. i.o. for the public tender of the regional trainservice in the province of Groningen. More specifically: the services Groningen-Roodeschool, Groningen-Delfzijl and Groningen-Nieuweschans/Leer (Germany).

The concession was finally awarded to this consortium for the period 2000-2005 (excluding the services to Nieuweschans/Leer)

On 28<sup>th</sup> of May 2000 the train services started:

Key figures:

Train kilometers (year)	: 2,4 mln.
Unit kilometers	: 5,7 mln.
Passenger kilometers	: 90 mln.
Employees (fte's)	: 90

## **NATIONAL EXPRESS GROUP plc**

National Express has been one of the most successful parties in the UK franchising process. Since the break up of British Rail in 1996, National Express has acquired the following major public tenders:

1996: UK Rail Franchising First Round:

- Midland Main Line
- Gatwick Express

1997: UK Rail Franchising First Round:

- Central Trains
- Silverlink Trains
- ScotRail

1998

- UK Government/LCR contest to award Management Contract for Eurostar (UK) Ltd.

1999: Victoria (Australia) Public Transport Corporation Privatisation:

- Swanston Trams
- V/Line Passenger
- Bayside Trains

In addition, NX is the operating partner (and a leading shareholder) in the Midland Metro Consortium which in 1995 was awarded the concession for the new West Midlands light rail system.

NX also has successful experience of winning routes on London Buses Tendered Routes, and set up a new start-up company to operate these. (Having been successfully established this operation has now been sold on.)

Some key figures of the NX franchises can be found under criterion f) in this Addendum. More details on turnover and size of the current business can be found in the annual reports of National Express, which are available upon request

**d) experience with the Dutch transport sector over and above the pre-qualification criterion**

**NSR**

NS (Dutch Railways, of which NSR is the current name of the Passenger transport division) has operated the Dutch rail network since 1839. As we described under question B3, NS is the biggest public transport company in the Netherlands. Our recent annual reports (included in the first part of our Application, which we sent you on September 15) show the current position and recent growth of NS. We assume it needs no further clarification that we are by far and large the most experienced party in operating a train system on the Dutch network.

NS is currently running approximately 5000 trains a day with a system of different trainproducts (Stop/semifast/Intercity). Figures (see annual reports) has shown considerable growth over the last few years. NS is undertaking all possible efforts to further increase the level of quality (service in and around the train) and punctuality. The productivity (number of trainkilometers per employee) and efficiency (number of trains per kilometre infrastructure), but also the punctuality of NS are amongst the highest of the world. More detailed figures are available upon request.

NS is widely acknowledged (not only by central Government, but also on provincial and municipal level) as a party with a huge knowledge of the Dutch public transport situation. In virtually all cases where new policy is made on the field of transport and traffic (for example: Randstadrail, Randstadspoor, area Arnhem-Nijmegen) NS is involved in analyses and planning, notwithstanding the fact that NS since 1995 is operating independent from the State.



## KLM

KLM has a vast experience with the Dutch air transport market. KLM celebrated its 80th anniversary on October 7, 1999. Schiphol has remained home base to KLM from the airline's very beginning. The carrier's first scheduled flight, on May 17, 1920, connected Amsterdam and London. By the end of 1920 the company had carried 345 passengers, 22 tons of cargo and 3 tons of mail.

In the fiscal year 1999/2000, KLM carried 15,7 million passengers and 576,000 tons of cargo and mail. KLM and its partner airlines operate a route network connecting more than 500 cities in 98 countries on 6 continents. About 40% of its passengers at the Schiphol hub are OD (Origin and or Destination) passengers, i.e. begin and or end their air travel at Schiphol.

## **e) Experience with operating joint international railway services**

### **NSR**

NS has long term experience with the operation of international trains : already in the 19<sup>th</sup> century the first international trains started to run. In the last decades NS has been operating trains from the Netherlands to Germany, Belgium, France, Switzerland, Austria and Italy. During the last decade the market share of the international trains decreased, basically due to the rising of the car and the plane. Since 1996 (introduction Thalys) a clear radical change is visible : traffic in international trains is increasing.

### **Management of international trains**

Until a few years ago the international trains were managed by the so-called UIC rules. The core of these rules was that an international train was a combination of the various domestic parts of the whole journey. Every railway received the revenues and incurred the costs on its own territory. This had a negative impact on the prices for the customers (no market related prices), the duration of the trip (priority for domestic trains) and the quality of the service (no real dedicated and responsible management). All this had a negative effect on the market share of the train.

A few years ago some European railways (including NS) concluded that there was a strong need for other management rules. These rules were negotiated about and agreed upon in bi/trilateral commercial agreements between parties. This happened e.g. for Eurostar, Thalys and ICE International train services. The core of these rules is : market related prices, an internationally orientated timetable and a high quality of service managed by responsible units. Up until now most of these units do not have a legal status and are more or less marketing departments instead of a real railway companies.

The only exception exists within NS : in 1993 NS created Thalys Nederland NV, a legal entity with the purpose to introduce and operate Thalys trains. Thalys Nederland has its own train personnel.

In 1999 NS created NS International, a separate business unit comprising the management and operations of four international trains ( ICE International, Benelux ( Amsterdam-Brussels), OverNight Express and chartertrains). NS International has its own traindrivers, trainmanagers and supporting staff as well as its own distribution activities and personnel). It is managed like any other business and has entrepreneurial qualities.

### **Results**

The volume of international passengers is increasing strongly the last few years. For example: since 1996 the number of passengers in Thalys doubled and the Amsterdam-Brussels train has seen a rise of  $\pm 40\%$  since then.

### **NATIONAL EXPRESS GROUP PLC**

National Express played a leading part in the UK Government's 1998 rescue package of London & Continental Railways, to enable construction of the Channel Tunnel Rail Link to proceed.

In consequence, we are co-founders (along with SNCF, NMBS and British Airways) with a 40% shareholding in Inter Capital and Regional Rail Ltd (ICRR). ICRR is Management Contractor for Eurostar (UK) Ltd.

Key initiatives which have been undertaken under ICRR direction are:

- I. Formation of Eurostar Group, whereby integrated planning, marketing and business management functions are driven forward centrally on behalf of the three operating railways;
- II. New cost management programmes within EUKL, benchmarked against best practice;
- III. Planning for opening of CTRL Phase 1, and working with LCR/Railtrack to secure CTRL2.

**f) Experience with operating rail services in a multi-operator setting, with an independent allocation of railway capacity over several passenger train companies**

**NSR**

At the moment, the Government policy in the Netherlands allows no competition on the infrastructure between two or more passenger train companies. However, NSR is running its train in a multi-operator setting since quite a long period: besides the trains of NSR, currently a number of cargo train companies share the same infrastructure with us. Given the extensive use of the infrastructure, this leads to a complex logistical situation in which NS has succeeded to grow its numbers of passengers nevertheless.

## **NATIONAL EXPRESS GROUP PLC**

National Express operates the rail franchises in the following table, all of which operate in a multi-operator framework. In all cases, the network operator is Railtrack plc, and the rights are obtained through track access contracts which have been approved by the UK Rail Regulator pursuant to Section 18 of the Railways Act 1993.

TOCs are required to make bids to Railtrack for train paths for each timetable cycle, such bids to be consistent with the rights held.

Where TOCs wish to operate additional services outside the scope of the rights already held, a supplemental agreement is negotiated, subject to approval by the Regulator pursuant to Section 22 of the Railways Act. Experience of this is also indicated.

Railtrack optimises the various bids to form a single coherent operating timetable, using criteria contained within the Track Access Conditions, a generic document which is incorporated within each individual track access contract.

Where disputes arise in relation to the allocation of paths or in relation to other aspects of the contract, a case is submitted to a hearing of the Access Disputes Resolution Committee (or one of its sub committees). These occur regularly, and NX is experienced at preparing cases. The Committee includes a small number of members elected by TOCs, one of whom is from NX and another from Eurostar.

In all cases, a key element of the contract is a performance regime, which is intended to incentivise both parties to operate punctually, and to apply financial redress in the event of failure.

TOC	Area of Operation	Route Mileage Operated	Principal Routes operated on multi-operator basis	Other Principal Operators	Access Charges 1999 £m	Performance Payments 1999 £m	Number of Supplemental Track Access Agreements entered in to so far.
ScotRail	Scotland	2800	Edinburgh – Glasgow; Edinburgh – Aberdeen; Edinburgh – Inverness; Scotland – London (Night Services)	Virgin Rail; Great North Eastern Railway (GNER)	£162m	£ 8m	60
Midland Main Line	London – East Midlands – South Yorkshire	440	London – Bedford; Derby – Sheffield.	Thameslink Rail; Virgin Rail	£28.4m	(£0.89m)	15
Central Trains	Central Wales, West and East Midlands, Eastern England	[]	Throughout the network, but the immediate urban area surrounding Birmingham is an extreme case	Out of the 25 UK TOCs, there are only six where CTL does not overlap at some point on the network.	[]	[]	[]
Gatwick Express	London – Gatwick Airport	27	London – Gatwick Airport	Connex Rail Thameslink Rail	£6.5m	(£0.6m)	14
Silverlink Trains	London and West Midlands, and intermediately	199	London – Birmingham (West Coast Main Line)	Virgin Rail; Connex Rail	£49.9m	£0.8m	24
					[]	[]	[]

**g) Experience with operating high-speed rail services, including the procurement of high-speed (over 200 km/h) rolling stock**

**NSR**

Since 1996 NS has experience with the operation of high speed trains. Since June 1996 NS is operating Thalys trains together with SNCB, SNCF and DB. The current maximum speed of Thalys on the Dutch track is 160 km/h and between Brussels and Paris 300 km/h. For the Dutch market, Thalys trains are positioned as and perceived by the customers as high speed trains.

Since the beginning of the Thalys project, Thalys Nederland has introduced this new train service as the new, comfortable way to travel to Paris and Brussels. The service level of Thalys is far better than the former classical trains, e.g. on board service

(catering, newspaper, Thalyscope) is included in the Comfort 1 product, reservation of tickets via Teleservice, professional, service minded train personnel and a clear signing in the stations, compensation in case of delays. Within NS, a dedicated subsidiary (Thalys Nederland) has been created to really concentrate on this service.

It is obvious that the introduction of Thalys has created an enormous increase in train traffic between the Netherlands and Paris. During the years 1990 - 1996 traffic decreased from  $\pm 1$  mio to  $\pm 0,5$  mio. Since then the number increased again to a level of  $\pm 1$  mio!

Customer satisfaction is on a very high level, 94% of the passengers is (very) satisfied and 97% is willing to recommend Thalys to family, friends and other relatives.

The introduction of Thalys has set the international train in the spotlight again: the traffic in other international trains is increasing since then.

**Procurement of high speed rolling stock**

NS has extensive experience with the procurement of Thalys trains ( PBKA) and of ICE International trains (ICE-3).

Several NS departments are/were involved with these procurements : NS Passengers (Rolling Stock department) and NS International (the owner of the trains), NS Procurement and NedTrain Consulting (the technical department). Involved NS employees worked closely together with employees of the partner railways.

As far as Thalys is concerned, the procurement has been done via a public tender. There have been extensive negotiations with the final 2 parties. NS employees have contributed to these negotiations.

DATED

2000

(1) NS REIZIGERS B.V.

- and -

(2) N.V. KONINKLIJKE LUCHTVAART MAATSCHAPPIJ

- and -

(3) NATIONAL EXPRESS GROUP PLC

---

**CO-OPERATION AGREEMENT**

---



**THIS AGREEMENT** is made on \_\_\_\_\_ 20\_\_

**BETWEEN:**

- (1) **NS REIZIGERS B.V.**, whose registered office is at Utrecht, the Netherlands ("**NSR**");
- (2) **KONINKLIJKE LUCHTVAART MAATSCHAPPIJ N.V.**, whose registered office is at Amstelveen the Netherlands ("**KLM**"); and
- (3) **NATIONAL EXPRESS GROUP PLC**, whose registered office is at 75 Davies Street, London W1K 5HT ("**NX**")

**WHEREAS:**

- (A) NSR and KLM have formed a consortium "**Consortium**" with the aim of bidding for and servicing the contract to operate the HSL-Zuid Dutch high speed rail link (the **bid**) and NX and the Consortium (individually referred to in this Agreement as a "**Party**" and collectively as the "**Parties**") wish to co-operate to the extent of the provision of the Services by NX to the Consortium.
- (B) NX has the experience and know-how with UK public transport contracts and privatisation acquired through competitive bidding procedures.
- (C) The Parties desire by means of this Agreement to establish their respective rights and obligations in relation to their co-operation.

**IT IS HEREBY AGREED** as follows:

**INTERPRETATION**

- 1.1** In this agreement "Agreement" the following words and expressions have the following meanings unless the context otherwise requires:

**Affiliate** means a company or firm which, in relation to the specified Party, is:

- (a) a company or firm in which more than 50% of the share capital or voting interests are owned or held directly or indirectly by that Party;
- (b) a company or firm which directly or indirectly owns or holds more than 50% of the share capital or voting interests in that Party;
- (c) a company or firm in which more than 50% of the share capital or voting interests are owned or held directly or indirectly by a company or firm falling within sub-paragraph (b) above;

**bid** means the bidding by the Consortium for the Contract

**Consortium** means NSR and KLM;

**Contract** means the contract to operate the HSL-Zuid Dutch high speed rail link;

**Intellectual Property Rights** means any patent, copyright, registered design, unregistered design right or other intellectual property protection (including any application for any such

protection) and all rights in any secret process, know-how, expertise or other confidential information; and **Registered Intellectual Property Rights** means any Intellectual Property Rights which are protected by registration in any jurisdiction;

**Party(ies)** means a party or the parties to this Agreement;

**Services** means the provision by NX of know-how and other valuable experience and material in connection with and required in relation to the bid as agreed from time to time by the Parties;

1.2 Each reference in this Agreement to:

- (a) a **licence** in respect of any Intellectual Property Rights includes, unless the context otherwise requires, a reference to a sub-licence; and **license** (as a verb) shall be construed accordingly.

1.3 The headings in this Agreement are for convenience only and shall not affect its interpretation.

#### **SCOPE OF CO-OPERATION**

2.1 The Parties agree to co-operate to the extent of the provision of the Services, in accordance with the terms of this Agreement.

2.2 In no event shall the Parties consider the co-operation to be, or in any way act as though it were, a corporation, partnership or any other form of entity having any independent legal personality whatsoever. Nothing in this Agreement shall entitle any of the Parties to pledge the credit of or incur any liabilities or obligations binding upon, any other Party except insofar as may be expressly agreed by each of those Parties.

#### **INTELLECTUAL PROPERTY RIGHTS**

3.1 The Consortium acknowledges that NX retains all Intellectual Property Rights associated with the Services and any specified deliverables arising therefrom.

3.2 If the Consortium has fully complied with this Agreement, and subject to any reasonable restrictions stipulated by NX, NX shall grant to the Consortium a perpetual, non-exclusive and non-transferable (except for transfers to any Affiliate provided always that if such Affiliate ceases for any reason to be an Affiliate, then the relevant Party shall procure that any such licence shall be transferred back to the relevant Party) licence to use such deliverables as may arise from the Services.

3.3 Each of the Parties shall ensure that any computer and operating systems and any hardware or software which any other Party is asked to use for the performance of the Services or in relation to the bid are either the property of the relevant Party or are legally licensed to the user and each Party agrees to indemnify each other in respect of any claims against the user by third parties in the event of any actual or alleged violations of third party proprietary rights or licenses.

#### **PROVISIONS RELATING TO NX**

4.1 During the term of this Agreement, NX will provide the Services.

4.2 NSR and KLM shall ensure that their representatives co-operate with NX in relation to the provision of the Services.

- 4.3 The Services are provided at the request of the Consortium and the Consortium accepts that they are responsible for verifying that the Services are suitable for their own needs and requirements.
- 4.4 Subject as otherwise agreed by the Parties, NX shall exercise its independent discretion in good faith as to the most appropriate and effective manner of performing the Services and of satisfying NSR and KLM's expectations of those Services. NX shall use reasonable endeavours to ensure Richard Goldson or another senior manager together with a team as specified in Appendix 1 with experience in the UK rail industry, are available to provide the Services.
- 4.5 NX shall perform the Services during such hours and on such days as agreed by the Parties. NX shall use reasonable endeavours to attend NSR and KLM's premises and perform the Services at specific times requested by the Consortium. Reasonable efforts will be made by NX to meet any time scales agreed by the Parties for the performance of the Services.
- 4.6 NSR and KLM shall use reasonable endeavours to provide NX with all necessary information, data, documents, facilities, support, services and co-operation reasonably required by NX for the proper performance of the Services and within sufficient time to enable NX to perform those Services. Where such Services are to be performed at NSR's or KLM's premises then they shall ensure that NX's staff or agents have, without limitation, adequate office accommodation, a secure work space, telecommunications services, access to such software, hardware and systems of NX's staff or agents as may be necessary and reasonable access to the areas where the Services are to be performed.
- 4.7 NX shall render the Services exclusively to the Consortium.

- 5.5.3** In the event the contract is awarded to the Consortium, the Parties will within three months of such award review and decide the case for NX to subscribe for or acquire a significant share percentage of around 25% to 35% in a Special Purpose Company (SPC), incorporated by NSR and KLM for the purpose of the Contract. Parties agree to a period of three months from the date the parties decide that NX will negotiate to subscribe for or acquire such equity stake for the negotiations for such subscription or acquisition on an exclusive basis. It has been agreed that NX should be able to carry out a more detailed investigation (which will include a full legal and financial due diligence exercise by NX) of the Consortium, bid, SPC and the HSL-Zuid Contract before NX or the Consortium decides whether or not to proceed with the subscription or acquisition. During this period of exclusivity, each Party will ensure that none of their directors or officers directly or indirectly solicits, initiates or participates in discussions or negotiations with any third party in relation to the bid or a subscription or an acquisition of shares in SPC or provides any information to any third party with a view to that third party investigating or entering into such a transaction. The Parties will also each ensure that none of their employees or professional advisers who are aware of such subscription or acquisition do, or induce any third party to do, anything referred to in this and the previous sentence. The obligations of the Parties in connection with this exclusivity period will terminate upon the earlier of (i) the signing of the joint venture agreement/shareholders agreement addressed at clause 5.5.4, and (ii) the 3 month exclusivity period set out above. During these negotiations, this Agreement shall remain in full force and effect.
- 5.5.4** In the event that NX acquires an equity stake in the SPC, the Parties agree to negotiate in good faith a formal binding joint venture agreement/shareholders agreement to regulate the conduct of the SPC and to specify each Party's rights under the joint venture. Such binding joint venture agreement/shareholders agreement shall include warranties and indemnities in relation to the subscription or acquisition of shares customary for a transaction of this kind in favour of NX.

## CONFIDENTIALITY

- 6.1 Each Party shall use its best efforts to keep in strict confidence, and shall bind all its employees and agents to keep in strict confidence, all commercial and technical information in whatever form acquired by it (whether directly or indirectly) concerning any other Party in consequence of this Agreement (hereinafter called **Confidential Information**). No Party shall, save as hereinafter provided, use or disclose any such Confidential Information other than for the purposes of the bid or the Service or as expressly permitted by this Agreement. The foregoing restrictions shall not apply to:

- (a) information which at the time of disclosure is generally available to the public;
- (b) information which after disclosure becomes generally available to the public through no fault of the receiving Party;
- (c) information which the receiving Party can show was in its possession prior to the disclosure and which was not acquired directly or indirectly from any other Party;
- (d) information which the receiving Party can show was received by it after the time of disclosure from any party without any obligation of confidentiality and which was not acquired directly or indirectly from any other Party(s);
- (e) information required to be disclosed by law, regulatory requirement or the rules of any Stock Exchange.

**6.2** The confidentiality obligations set out in this clause shall survive for a period of five (5) years after the date of the Agreement.

**6.3** Each Party shall impose the same confidentiality obligations set out in this clause 6 upon its Affiliates, sub-contractors, vendors and other third parties who are in association with it and may have access to any Confidential Information during the term of this Agreement.

#### **LIABILITY**

**7.1** Save as set out in this Agreement, no Party shall have any liability of any kind whatsoever to any other Party for any damage, loss or expense of any kind of any other Party arising out of or in connection with the Project except as a result of death or personal injury caused by the negligence of the first-mentioned Party or its employees or agents.

#### **DURATION AND TERMINATION**

**8.1** This Agreement shall be effective as from 30 September 2000 and shall continue until terminated upon the earliest of the following occurrences:

- (a) the Consortium's bid is unsuccessful; or
- (b) the Parties sign a joint venture agreement/shareholders agreement; or
- (c) the expiry of the exclusivity period set out in clause 5.5.2.

**8.2** This Agreement may be terminated forthwith by written notice from all of the other Parties who are not in breach of this Agreement in any of the following circumstances, namely:

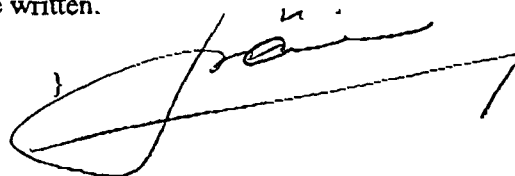
- (a) if such Party has committed any material breach of any of its obligations under this Agreement and (in the case of a breach which is capable of remedy) has failed to remedy the same within a period of forty five (45) days after receipt of written notice giving full particulars of the breach and requiring it to be remedied;
- (b) if such Party makes any arrangement or composition with its creditors or goes into liquidation (except for the purposes of amalgamation or reconstruction in such manner that the company resulting therefrom effectively agrees to be bound by or assume the obligations imposed on that Party under this Agreement) or if an encumbrancer takes possession of, or a receiver or administrative receiver is appointed over, the whole or any substantial part of the property or assets of such Party; or
- (c) if such Party ceases, or threatens to cease, to carry on business.

**COSTS**

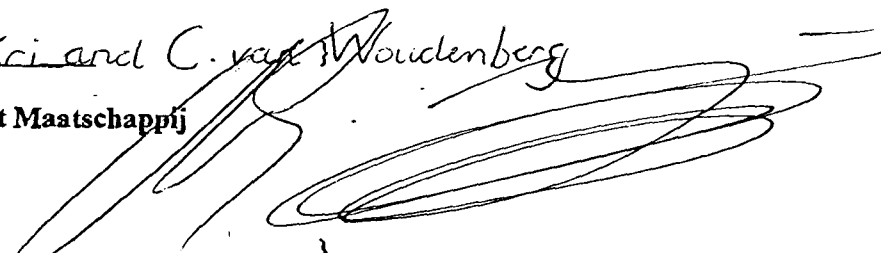
- 16.1 Each of the Parties shall bear its own costs of and incidental to the preparation, execution and implementation of this Agreement.

IN WITNESS whereof the parties have caused this Agreement to be duly executed by their duly authorised representatives the day and year first above written.

SIGNED by *D. B. Khen*  
for and on behalf of  
NS Reizigers B.V.



SIGNED by *H. E. Kuiperi and C. van Woudenberg*  
for and on behalf of  
N.V. Koninklijke Luchtvaart Maatschappij



SIGNED by \_\_\_\_\_  
for and on behalf of  
National Express Group PLC

APPROVED: AMS/DJ 29/09 20 00 GOEDGEKEURD: PS
--

SIGNED by \_\_\_\_\_  
for and on behalf of  
N.V. Koninklijke Luchtvaart Maatschappij

SIGNED by \_\_\_\_\_  
for and on behalf of  
National Express Group PLC

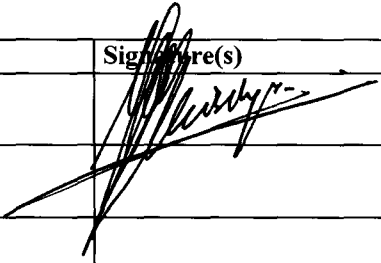


**Part E: Declaration**

I/We agree to the submission of this Request for Qualification.

I/We have read and agree to be bound by the terms and conditions of the Qualification Document.

I/We confirm that the Request for Qualification is correct insofar as it relates to me/us.

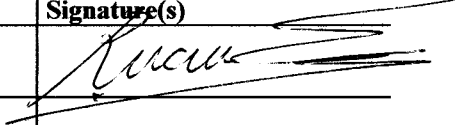
Authorised officer(s)	Company name	Signature(s)
Drs. Ir. J.W. Huisinga	NS Reizigers	

**Part E: Declaration**

I/We agree to the submission of this Request for Qualification.

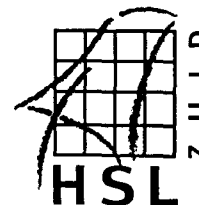
I/We have read and agree to be bound by the terms and conditions of the Qualification Document.

I/We confirm that the Request for Qualification is correct insofar as it relates to me/us.

Authorised officer(s)	Company name	Signature(s)
R.M. van Es	KLM	


Vmw/DGME-2009/5240.06

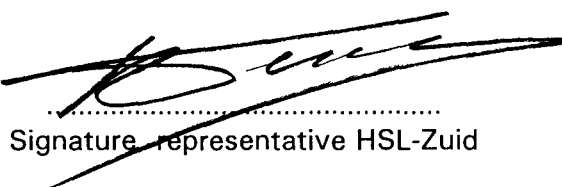
RECEIPT



Request for Qualification HSL-Zuid Transport Contracts

Date	Monday 2 October 2000
Time	09:40 uur
Name Applicant	Renate Melles
Address Applicant	NS Reizigers afg. nat. accounts
Received by	Project Organisation HSL-Zuid Rob Testmoote

 R. Melles  
Signature Applicant

  
Signature representative HSL-Zuid

Projectorganisatie  
Hogesnelheidslijn-Zuid  
Postadres:  
Postbus 43  
3500 AA Utrecht  
Bezoekadres:  
Catharijnesingel 33  
3511 GC Utrecht  
Tel 030 - 272 84 00  
Fax 030 - 272 84 44