

annual report 2004 activities

belgian national railway company



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Annual Report 2004

Submitted by the Board of Directors

To the General Assembly

Part One

Activities

Société Nationale des Chemins de fer Belges
Nationale Maatschappij der Belgische Spoorwegen
General Assembly of 31st May 2005
Seventy-eighth fiscal year

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Preface

This activity and management report is the last one from the SNCB, company created in 1926 to manage and unify the State railway network and the lines still operated at the time by private companies.

An individual company, the SNCB has been transformed over time to tackle a public service activity and a growing range of commercial activities adapted to the times. Confronted with severe competition by other methods of transport, stripped of its monopoly of yesteryear, in recent years it has had, in addition, to prepare for the privatisation of the contracts on which it acted alone and the arrival of rival operators.

It has now passed on its technical, patrimonial and professional heritage to a group of three companies which, each with its own uniqueness, are part of the new European railway landscape, characterised by a clear separation of the transport and the network management and by the prospect of a more and more rapid evolution.

In ending its hundred and seventy year existence, the Belgian railway has initiated a radical restructuring project and opted for an operation which must guarantee the permanence of the method and a significant contribution to the mobility of our contemporaries. As recommended by the European Union some fifteen years ago, the new Group has been discharged of a significant part of its historic debt and can therefore tackle the decades of expansion awaiting it with more confidence.

Jean-Claude FONTINOY



The holding structure is undeniably the most propitious in order to evolve quickly and efficiently without suffering rifts or traumatic shocks. But it will require sustained efforts from the heirs of a company in which the decision was highly centralised. Banking on their creativity, flexibility and their wealth of experience, we believe that the operation will succeed and that the customers of the railway method will not have to suffer from this change.

The three companies, relying on the management contracts concluded with the State and the company plans arising from them, must now properly manage the modernisation initiated. They will, in perfect accord, have to make optimum usage of the allocations distributed between the three of them. The Holding company, in this respect, will play a coordination role of major importance.

It is down to me to thank the public authorities, which understood the importance of no longer delaying the evolution and who have helped us establish this new structure. I also thank all the railway workers who, in spite of the climate of uncertainty that such a change inevitably engenders, are applying themselves without reserve to meet the new challenges and give the railway the place which it should have, in all logic, in the socio-economic context of the 21st century.

Jean-Claude Fontinoy
President of SNCB Holding

Management composition

Before 1st Januari 2005

Board of Directors

Chairman : A. DENEEF⁽¹⁾, D. OFFERGELD⁽²⁾
Chief Executive Officer : K. VINCK
Directors : M. ALAERTS-VAN DEN BULCKE, E. BRUYNINCKX,
A. COLPAERT, J.C. DEHOVRE, M. HEUGHEBAERT⁽¹⁾, J.C. FONTINOY⁽²⁾,
D. OFFERGELD, G. SMET, M. VERDONCK, M. VERGEYLE⁽²⁾, M. WATHELET⁽²⁾

Audit Committee

Chairman : D. OFFERGELD, G. SMET⁽²⁾
Members : E. BRUYNINCKX, A. COLPAERT⁽¹⁾, J.C. FONTINOY⁽²⁾, M. VERDONCK⁽¹⁾,
M. WATHELET⁽²⁾

Nominating and Compensation Committee

Chairman : A. DENEEF⁽¹⁾, D. OFFERGELD⁽²⁾
Members : K. VINCK, M. ALAERTS-VAN DEN BULCKE⁽¹⁾, J.C. DEHOVRE⁽²⁾, M. HEUGHEBAERT⁽¹⁾,
M. VERGEYLE⁽²⁾

Executive committee

Chairman : K. VINCK
Directors-General : V. BOURLARD (Patrimony), J. DENAYER (Rolling Stock),
D. DEROCLETTE (Trains), M. DESCHEEMAECKER (Freight),
L. LALLEMAND (Finance), A. MARTENS (Operations)⁽³⁾,
A. MIGOM (Network), L. PARDON (Passengers),
J.M. RAVIART (Infrastructure), T. VAN DEN BERGHEN (Human Resources)

Committee Strategy

Chairman : K. VINCK
Members : the other 9 Directors
The Directors-General:
V. BOURLARD, M. DESCHEEMAECKER⁽⁴⁾, L. LALLEMAND,
A. MARTENS⁽³⁾, T. VAN DEN BERGHEN
Trade union representatives⁽⁵⁾: MM. C. BOSSICART, D. DALNE, G. GELMINI,
J.P. GOOSSENS, M. VAN LAETHEM, R. VERMEULEN.

Steering Committee

Chairman : K. VINCK
Members : L. LALLEMAND, T. VAN DEN BERGHEN, J. DAMILOT, M. BOVY, J. DIGNEFFE

Committee Policy

Chairman : A. DENEEF⁽¹⁾, D. OFFERGELD⁽²⁾
Members : the other Directors
I. LIETEN et E. MINNAERT, representing DE LIJN
J.C. PHLYPO and J.M. VANDENBROUCKE, representing SRWT
A. FLAUSCH and S. VANACKERE, representing STIB.

Government Commissioner

C. SERVATY

Joint Commissioners

Chairman : H. VAN IMPE
Members : M. DELBROUCK, M. de FAYS, F. VANSTAPEL

⁽¹⁾ Till 21st November 2004⁽²⁾

⁽²⁾ As of 22nd November 2004

⁽³⁾ Till 31st March 2004

⁽⁴⁾ As of 2nd April 2004

⁽⁵⁾ As of 19th November 2004

As of 1st January 2005

Board of Directors

Chairman :	D. OFFERGELD ⁽¹⁾ J.C. FONTINOY ⁽²⁾
Chief Executive Officer :	K. VINCK ⁽¹⁾ J. HAEK ⁽²⁾
Directors :	E. BRUYNINCKX, A. COLPAERT, J.C. DEHOVRE, J.C. FONTINOY ⁽¹⁾ , C. GERNAY ⁽²⁾ , G. SMET, M. VERDONCK, M. VERGEYLE, M. WATHELET.



Executive Committee

Chairman :	K. VINCK ⁽¹⁾ J. HAEK ⁽²⁾
Directors-General :	V. BOURLARD (Patrimony), T. VAN DEN BERGHEN (Human Resources), A. MIGOM (Strategy and Co-ordination), , A. BECHET (Finance) ⁽²⁾

⁽¹⁾ Till 31st January 2005

⁽²⁾ As of 1st February,2005

Board of Directors

Chairman :	E. DE GROEVE
Chief Executive Officer :	K. VINCK ⁽¹⁾ M. DESCHEEMAECKER ⁽²⁾
Directors :	G. SMET, J.C. FONTINOY , J.C. DEHOVRE, A. VAN DEN RIJSE



Executive Committee

Chairman :	K. VINCK ⁽¹⁾ M. DESCHEEMAECKER ⁽²⁾
Directors-General :	J. DENAYER (Rolling Stock), M. DESCHEEMAECKER (Operations and Freight) ⁽¹⁾ , R. GAYETOT (Trains), L. PARDON (Passengers)

⁽¹⁾ Till 31st January 2005

⁽²⁾ As of 1st February 2005

Board of Directors

Chairman :	A. COLPAERT
Chief Executive Officer :	L. LALLEMAND
Directors :	J. KERREMANS, M. OFFECIERS-VAN DE WIELE, L. VRIJDAGHS, A. VEREECK ⁽¹⁾ , F. DENIL ⁽²⁾



Executive Committee

Chairman :	L. LALLEMAND
Directors-General :	J.M. RAVIART (Infrastructure and Procurement), M. BAELE (Network), L. VANSTEENKISTE (Admission to the Network)

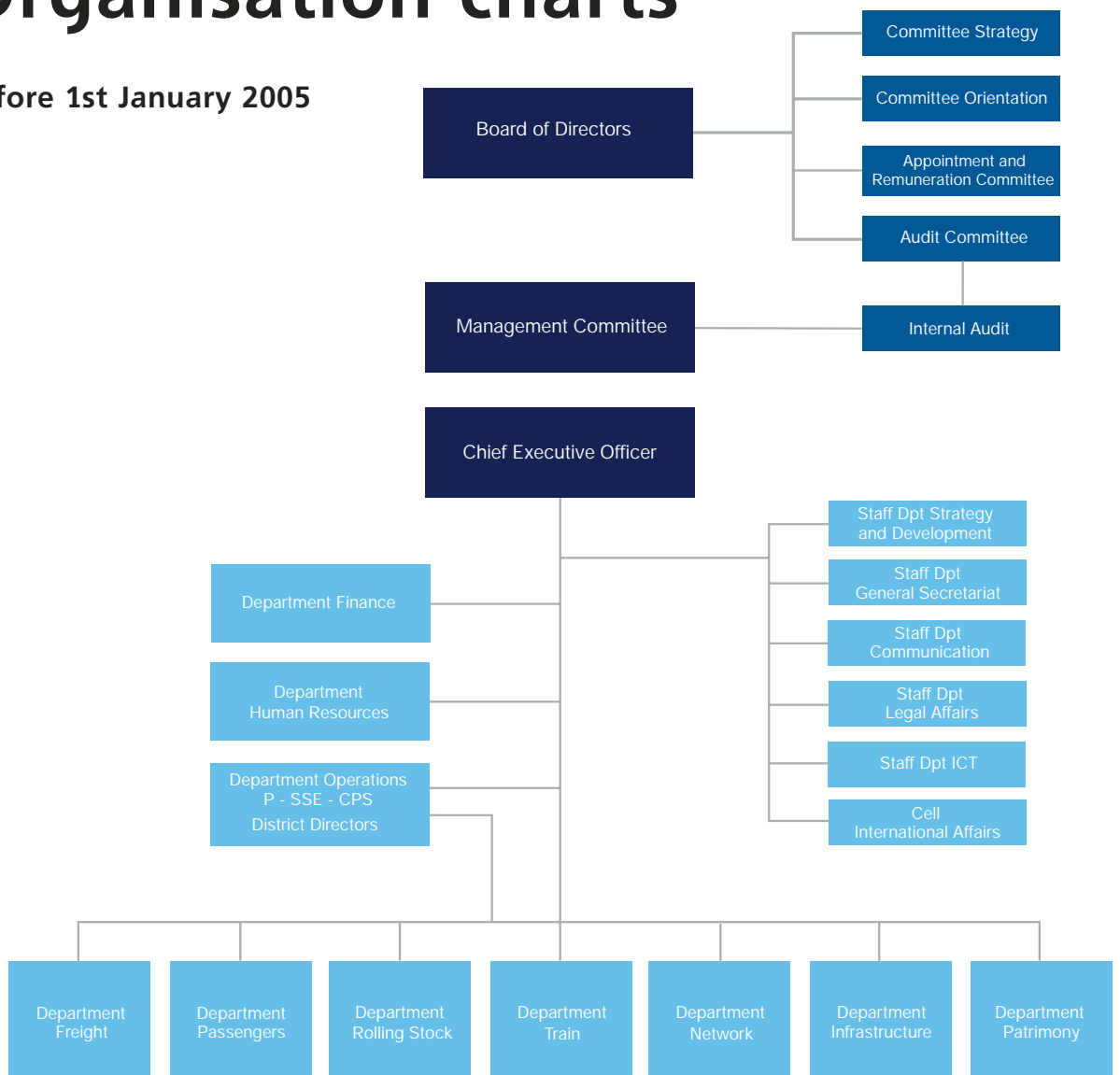
⁽¹⁾ Till 23rd February 2005

⁽²⁾ As of 24th February 2005

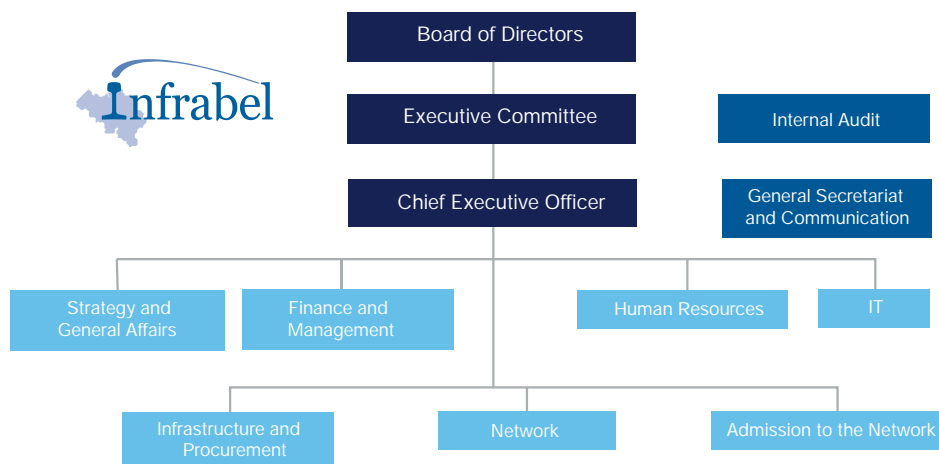
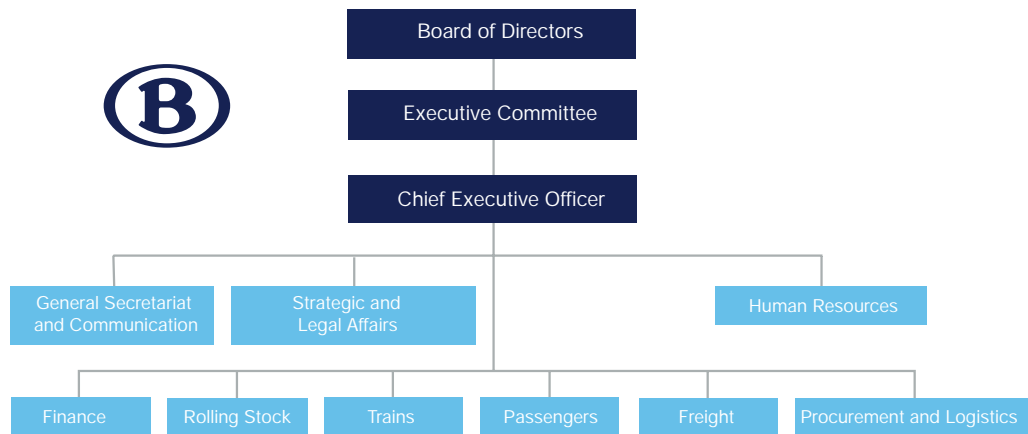
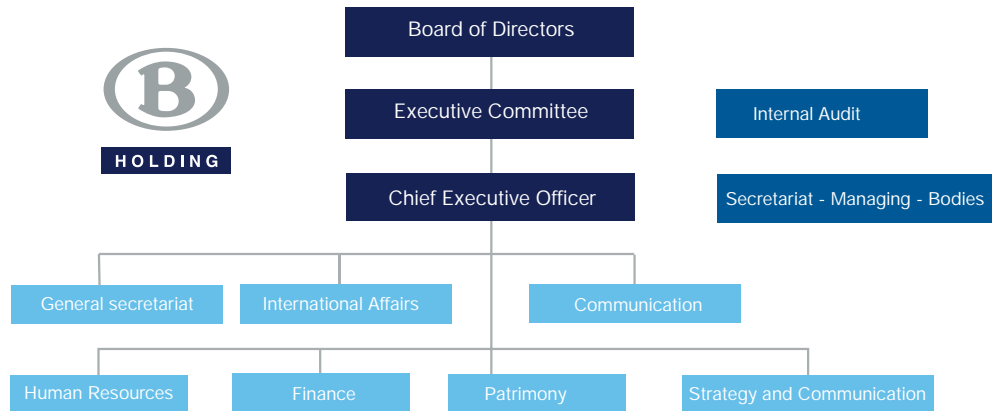


Organisation charts

Before 1st January 2005



As of 01.01.2005



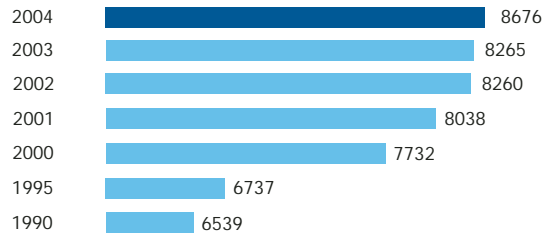


Financial year striking figures

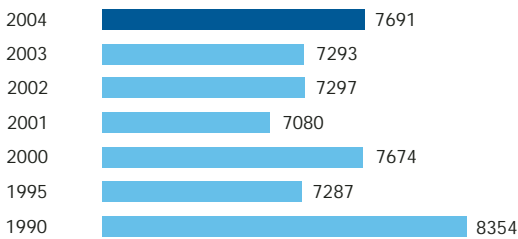
	2004	2003	Difference	%
TRAFFIC				
Passengers (Million p-km in Belgium)	8,676	8,265	411	5
Full Wagon Loads (Million t-km in Belgium)	7,691	7,293	398	5.5
FINANCIAL POSITION (million €)				
Operation income	3,628.5	3,719.7	-91.2	-2.5
Turnover	2,210.2	2,329.4	-119.2	-5.2
Operation costs	3,648.6	3,814.3	-165.7	-4.3
Operation results	-20.1	-94.6	74.5	
Financial results	-185.9	-143.2	-42.7	
Extraordinary results	-144.1	-95.5	-48.6	
Total results	-350.1	-333.3	-16.8	
Balance sheet total	16,135.3	15,625.6	509.7	3.3
Debts	8,345.4 ⁽¹⁾	7,703.5 ⁽¹⁾	641.9	8.3
⁽¹⁾ of which 1,700.1 for take-over of Financière TGV 2004				
Investments (excluding alternative financing transactions)	1,271.3	1,304.8	-33.5	-2.6
FINANCIAL POSITION OF THE GROUP SNCB/NMBS (million €)				
Operation income	6,076.2	6,408.9	-332.7	-5.2
Operation costs	6,072.9	6,516.7	-443.8	-6.8
Operation results	3.3	-107.8	111.1	
Financial results	-236.8	-189.6	-47.2	
Extraordinary results	192.9	-10.3	203.2	
Total results (after tax)	-52.6	-322.0	269.4	
Consolidated result	-130.9	291.3	160.4	
Balance total sheet	17,473.5	17,091.8	381.7	2.2
STAFF				
Average staff number (excluding ABX non-statutory staff)	39,432	41,015	-1,583	-3.9

Domestic Passenger	
Traffic (p-km)	5,8%
Turnover	4,9%
International Passenger	
Traffic (p-km)	0,8%
Turnover	-2,3%
Full wagon loads	
Traffic (p-km)	5,5%
Turnover	-0,6%
Investments (million EUR)	
Personnel	-3,9%

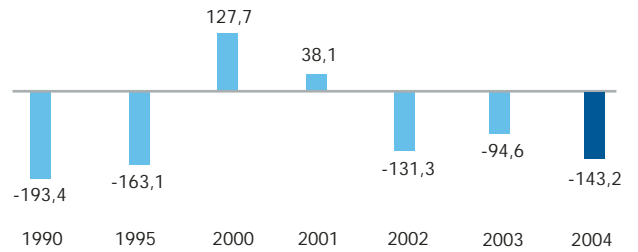
Passenger-Km (million)



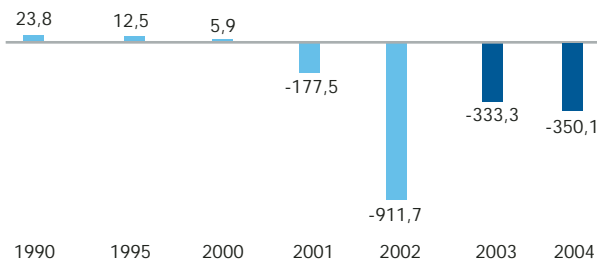
Tonne-km full wagon loads (million)



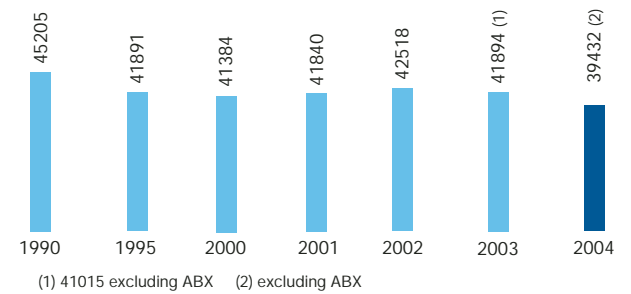
Operation results SNCB/NMBS (million EUR)



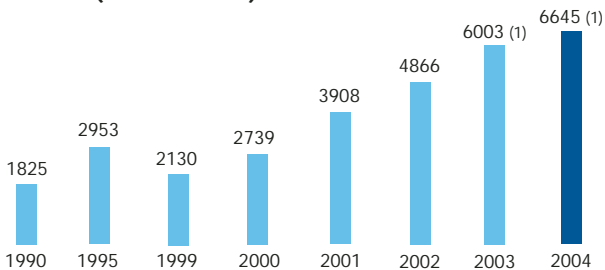
Total results (million EUR)



Average staff number



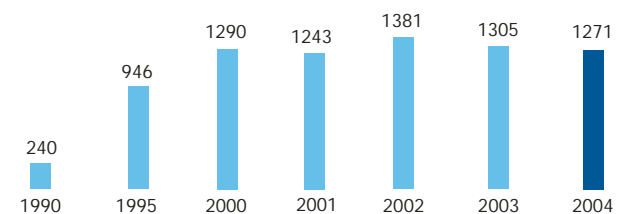
Debts (million EUR)



(1) Of which 1,700: take over fin TGV

Investments

excluding alternative financing transactions (million EUR)







Report of the Board of Directors to the General Assembly

Economic context in year 2004

The slackness noticed for more than two years ceased in the second half of year 2003 and the recovery started at that time went on and even increased for year 2004: the growth of the GDP rose from 1.3% in 2003 to 2.7% in 2004 on a yearly average, thanks mainly to a strong home demand. For the second year in a row Belgium experienced a rate of growth markedly higher than that of the whole of the Euro zone (0.6% in 2003 and 1.8% in 2004).

The improvement in activities has not yet affected the employment completely. Taking account of the increase in working population, the additional jobs created in 2004 proved insufficient to prevent the harmonised unemployment rate from rising from 8.5 % at the end of year 2003 to some 9% at the end of year 2004. The rate of employment of the population old enough to work rose from 59.6% to 60.4% and is still markedly inferior to the European average, an indicator that scored 64.4% in 2003.

The average inflation rate rose from 1.5% in 2003 to 1.9% in 2004, chiefly because of the increase in the price of energy. Here again, Belgium experienced one of the lowest inflation rate of the whole Monetary Union the inflation of which scored 2.1% in 2004.

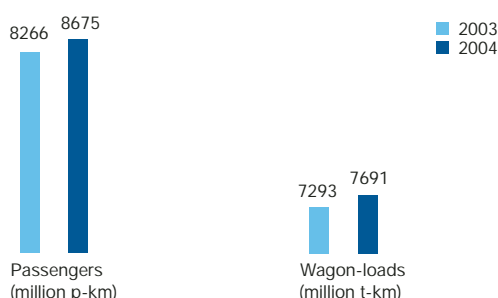
Traffic evolution

All traffic indicators in 2004 show the evolution to be favourable.

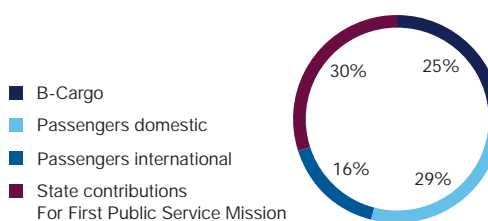
The sector passengers showed an increase by 5% in passengers-km, of which 5.8% in domestic and 0.8% in international service.

Full wagon-load traffic posted a 5.5% increase on the whole.

Traffic evolution



Apportionment of the turnover per traffic sector



Evolution of operation results

The non-consolidated turnover of the undertaking totalled € 2,210.2 million, i.e. a fall by 5.2%, in comparison with 2003.

The turnover in 2003 was made up of:

- the transport of smalls, for the first 9 months of the year, an activity taken over by ABX Logistics S.A. (Belgium) as early as October 2003 ;
- adjustments arising from previous financial years.

The portion relating to passenger and freight transport activities adds up to € 940.6 million (+2.3%).

The contributions of the State to the two public service missions amount to € 1,075.9 million (+2%).

Operation charges for 2004 add up to € 3,648.6 million, i.e. a drop by 4.3% if compared with 2003. This fall arises chiefly from the decrease in service expenses and other goods (-9.2%), staff expenses having dropped by 1.5%.

The average staff strength fell from 41,015 employees in 2003 (ABX statutory staff not included) to 39,432 in 2004, which makes a decrease by 3.9%.

The net total result (EBIT), including depreciation and provisions amounts to -20.1 million, i.e. a € 74.5 million improvement.

The current result and net total result (EBT) scored € -206 million (-237.8 million in 2003) and € -315.1 million (€ -333.3 million in 2003) respectively.



Income statement – non consolidated (million €)	2004	2003	Difference	Difference (%)
OPERATION INCOME	3,628.5	3,719.7	-91.2	-2.5
Turnover	2,210.2	2,329.4	-119.2	-5.2
Variance in stocks and orders in progress	-6.6	-88.7	-82.1	
Own production capitalized	355.6	341.2	14.4	4.2
Other revenues	1,069.3	1,137.8	-68.5	-6.0
OPERATION CHARGES	3,648.6	3,814.3	-165.7	-4.3
Materials and supplies	802.6	884.3	-81.7	-9.2
Salaries and social charges	2,505.5	2,542.9	-37.4	-1.5
Depreciation and other expenses	340.7	387.1	-46.4	-12.0
OPERATION RESULTS	-20.1	-94.6	74.5	
FINANCIAL RESULTS	-185.9	-143.2	-42.7	
CURRENT RESULTS	-206.0	-237.8	31.8	
EXTRAORDINARY RESULTS	-144.1	-95.5	-48.6	
OVERALL RESULTS	-350.1	-333.3	-16.8	

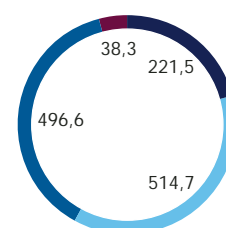
Investments

Investments in 2004 (excluding alternative financing transactions) totalled € 1,271.3 million, thus showing a drop by 2.6% (€ -33.5 million) if compared to year 2003.

Infrastructure accounts for 79.6% of the overall investment (€ 1,011.7 million). Investments in high speed account for 40% (€ 502.7 million) of the total investment.

Apportionment of the investment (million EUR)

- Rolling stock
- Conventional infrastructure
- HST infrastructure
- Other investments



Striking facts

A new structure

The Royal Decrees of 19th October 2004 on certain steps for the reorganisation of the Société Nationale des Chemins de fer Belges – Nationale Maatschappij der Belgische Spoorwegen gave the green light to an entirely new company structure, in compliance with the European requirements, and justified by the obligation to tell the Infrastructure Manager from the Railway Operator.

In order to maintain social dialogue and company unity, it was opted for a structure comprising of three limited-liability companies of Public Law, i.e. :

- the parent company named SNCB-Holding,
- the Infrastructure Manager named Infrabel,
- and the Railway Undertaking, still be named SNCB in order to keep it clear to customers.

This structure that has been operative since 1st January 2005 makes it possible to draw a clear distinction between the activities of SNCB/NMBS and keep management coherent at the same time. It also provides all guarantees with regard to safety and service quality.

Each company has the status of an autonomous company, with a Board of Directors, an Executive Committee and a Chief Executive Officer at its head.

The present staff's status as a whole is applied as such in the new structure, the whole staff being managed directly by the parent company (SNCB-holding) and put at the disposal of the Infrastructure Manager or the Railway Undertaking.

Passengers: diversification and simplification

A "long-term" strategy was developed that enables to keep present customers, to attract more travellers, and to better meet their needs whilst increasing the income and optimising the costs.

Differentiated distribution channels

Ticket on line, a Europe first

Since 12th March 2004, customers with an Internet connection can buy a certain number of tickets (e-tickets) on line, through a system both simple and secure. Paid via system Banksys, these non-transferable tickets can be printed at home.

Ticket-selling in bookshops

In order to provide customers with the largest possible number of possibilities to purchase tickets through the greatest possible number of sales channels, some domestic-service transport tickets are now on sale at the newsagent's. There are now a hundred to a hundred and fifty sales outlets where customers can buy the « Key season-ticket » (2nd class) and « Rail Pass » (2nd class) products. The sale of SNCB/NMBS's products at the newsagent's will later on be extended to a larger number of establishments as well as possibly to other transport tickets.

Season-tickets: validation at home

The holder of a School, Journey or Network Season-Ticket can from now on renew it at home by Internet and thus no longer need to queue up in front of the office window.

A simplified range of prices, products and using terms

A huge effort was made in order to simplify SNCB/NMBS's tariff offer and make it easier to customers to immediately identify which product suits their needs best. It will also facilitate the advisor's role of SNCB staff and promote the development of a transport ticket distribution through new, complementary channels in the long run.



Free of charge train home-to-work-commuting season-tickets

Autonomous public business-undertakings and Federal Ministries have been presented with this possibility since 1st March 2004.

Free train home-to-work commuting is based on a contribution of the employer adding up to 80% of the price of this season-ticket, the remaining 20% being paid by the State. The employee no longer pays anything for the train journey to his office.

Free train home-to-work commuting has also been applied to the private sector since 1st January 2005. Companies that want to present their employees with the possibility to benefit by this measure can enter into a Third-Party Payer contract with SNCB/NMBS.

B-Cargo : better meeting customers' needs

Reorganising the sector

B-Cargo launched an in-depth reform of its structure in order to achieve a twofold aim: to improve the quality of the service provided to customers while making sure it is profitable and competitive in the ultra-competitive freight transport sector.

To achieve those aims B-Cargo, the railway freight operator, has become sole manager of all its instruments, both men and material, and has control over all railway freight-transport production processes.

In concrete terms, B-Cargo keeps its former activities but also operates in large freight installations (shunting yards, harbours, etc.), takes care of rolling stock operational management and manages its traffic in real time.

The reorganisation of its structure should in the end enable B-Cargo to optimise transport production, have control of the freight transport chain, optimise freight resources (traction, shunting, wagons, etc.) and increase the quality of the service it provides.

Together with IFB, Rheinkraft and Haeger & Schmidt, the other three poles, the group "freight" of SNCB/NMBS has both the know-how and a network of contacts and international partners enabling it to have complete control of the flows of its customers and to present these with solutions tailored to their needs and containing a wide range of logistic services.

New operational measures

For year 2004, B-Cargo has set up its new Cargo Operation Centre (COC), a unit managing all freight runs in real time, 24 hours a day and controlling them.

Internal reforms went on. B-Cargo adapted its sales service and set up a team of Key Account Managers whose task is to check the follow-up of sales.

On 12th December, QuoWaDis - B-Cargo's new transport plan - was put into action. QuoWaDis led to a review of all service routes, all links between shunting yards and with neighbouring railways.

B-Cargo is carrying on with its plans concerning the interoperability with neighbouring railways. In 2004, it made requests for certification and accreditation to France, the Netherlands and Germany, in order to support its customers and follow up their development at international level.



The REN (Regional Express Network): starting the work at Brussels

The REN is an ambitious plan with regard to the mobility in and around Brussels. Its success depends on an active and voluntaristic co-operation at both federal and regional levels and on a complementarity between public transport companies. As a major participant in this plan, SNCB intends to play its part to the full. Huge infrastructure work has thus started on the 9 railway services to form the REN in the long run. The first REN sites have begun in Brussels. Their aim is to adapt the track section between Watermael and Bruxelles-Schuman stations so that it is possible to lay four tracks in the future. The complete refit of Bruxelles-Schuman station and the cut of the 1,250-metre-long tunnel between Schuman and Josaphat will complete those huge alterations later on.

Transport capacity: increase, quality, comfort

SNCB does all in its power to ensure its present and future customers both get a quality service. The improvements to operation made it possible to optimise the use of trains and to increase the number of seats available.

Several months ago, SNCB increased its coach fleet through a procurement of 210 double-decker M6-type coaches - the very model of comfort - thus adding some 25,200 seats to its capacity.

Taking the network as a whole, M6-type coaches do 98 trains a day and daily provide 95,990 seated places in total.

SNCB/NMBS has placed an order for another 70 double-decker coaches. This will ensure commuters to come are welcomed well and anticipate the increase in demand.

Service quality: ever better

Regularity in 2004 scored 95.9 % trains on time on arrival or with no more than 5 minutes' delay (95.3 % in 2003). For the third year running, this result is higher (for the year as a whole) than the aim as set in the Management Contract, i.e. 95 %. Such a level of quality has never been reached in the past.

SNCB/NMBS relentlessly keeps on improving the service to customers, and the steadily-increasing customer satisfaction rate shows SNCB/NMBS is heading the right way. This global rate of assessment, which is based on 10 separate criteria, improved by 2%, scoring 7.40/10 in year 2004. The improvement is particularly important in the field of information on board trains, and the service and availability of SNCB/NMBS staff were presented with the best rate of appreciation.

Commenting on consolidated accounts

Balance sheet

The consolidated balance sheet is as follows

Thousands €	31.12.2004	31.12.2003	Difference	%
Formation expenses	75	4,369	-4,294	-98.3%
Intangible assets	128,651	105,004	23,647	22.5%
Consolidation differences	20,100	47,537	-27,437	-57.7%
Tangible fixed assets	12,704,612	11,942,526	762,086	6.4%
Financial assets	232,615	596,435	-363,820	-61.0%
Fixed assets	13,086,053	12,695,871	390,182	3.1%
Amounts receivable after more than one year	302,699	200,938	101,761	50.6%
Stocks and contracts in progress	440,327	464,415	-24,088	-5.2%
Amounts receivable within one year	2,245,006	2,021,151	223,855	11.1%
Short-term investments	835,025	1,036,203	-201,178	-19.4%
Cash at bank and in hand	69,992	122,429	-52,437	-42.8%
Deffered charges and accrued incomes	494,394	550,766	-56,372	-10.2%
Current assets	4,387,443	4,395,902	-8,459	-0.2%
Total assets	17,473,496	17,091,773	381,723	2.2%
Capital	3,057,954	4,645,042	-1,587,088	-34.2%
Reevaluation surplus	5,092	5,348	-256	-4.8%
Consolidated reserves	-976,650	-839,152	-137,498	16.4%
Consolidation differences	71,624	220,212	-148,588	-67.5%
Translation differentials	10,786	10,201	585	5.7%
Investment grants	213,690	160,198	53,492	33.4%
Capital and reserves	2,382,496	4,201,849	-1,819,353	-43.3%
Minority interests	-735	-1,371	636	-46.4%
Provisions for liabilities and expenses	2,213,959	2,150,031	63,928	3.0%
Amounts payable after more than one year	6,484,594	5,596,915	887,679	15.9%
Amounts payable within one year	4,223,988	3,204,933	1,019,055	31.8%
Accrued incomes and deffered incomes	2,169,194	1,939,416	229,778	11.8%
Creditors	12, 877,776	10,741,264	2,136,512	19.9%
Total capital and liabilities	17,473,496	17,091,773	381,723	2.2%

Totalling € 128 million, intangible assets rose by € 23 million, if compared with the previous financial year. If we break that total amount down into activity sectors, SNCB/NMBS accounts for € 81 million, Valorisation and Patrimony for € 25 million and ABX for € 22 million intangible assets.

Consolidation differences amount to € 20 million, a result ascribable mainly to the sector ABX. Tangible fixed assets total € 12,704 million as against € 11,942 million on 31st December 2003, SNCB/NMBS accounting for the most of it, i.e. € 12,197 million, the sector Valorisation and Patrimony for € 119 million and ABX for € 374 million thereof.

Financial assets total € 232 million as against € 596 million on 31st December 2003. This balance mainly reflects the shares in and amounts receivable from the companies to which the equity method was applied. The sharp drop, in comparison with 2003, results chiefly from the Financière TGV having left the consolidation perimeter.

Current assets total € 4,387 million as against € 4,396 million on 31st December 2003. If we break that total amount down into activity sectors, SNCB/NMBS accounts for € 3,549 million, Valorisation and Patrimony for € 154 million and ABX for € 595 million thereof.

Provisions for liabilities and expenses total € 2,213 million as against € 2,150 million on 31st December 2003, SNCB/NMBS accounting for € 2,044 million, the sector Cargoferroviaire for € 27 millions and ABX for € 126 millions thereof.

Debts total € 12,878 millions as against € 10,741 million on 31st December 2003, SNCB/NMBS accounting for the most of it, i.e. € 12,117 million and ABX for € 668 million thereof.

Income statement

The income statement shows a € 132.3 million consolidated loss – group-share - which can be broken down as follows:

	thousands €	31.12.2004	31.12.2003	Difference	%
I	Operating income	6,076,132	6,408,926	-332,794	-5.2%
II	Operating expenses	-6,072,873	-6,516,684	443,811	-6.8%
III	Operating result	3,259	-107,758	111,017	
IV	Financial income	110,171	99,795	10,376	10.4%
V	Financial expenses	-347,018	-289,417	-57,601	19.9%
VI	Current result	-233,588	-297,380	63,792	-21.5%
VII	Extraordinary income	620,782	144,919	475,863	328.4%
VIII	Extraordinary expenses	-427,861	-155,242	-272,619	175.6%
IX	Result before taxes	-40,667	-307,703	267,036	-86.8%
X	Transfer to deferred taxation	21	168	-147	-87.5%
XI	Income tax	-11,993	-14,510	2,517	-17.3%
XII	Result of the financial year	-52,639	-322,045	269,406	-83.7%
XIII	Share of the companies on which the equity method was applied	-78,275	30,734	-109,009	
XIV	Consolidated result	-130,914	-291,311	160,397	-55.1%
XV	Share of minority interests in result	-1,439	-45	-1,394	3097.8%
XVI	Group share in result	-132,353	-291,356	159,003	-54.6%

The operating profit totals € 3 million as against a € 108 million loss for financial year 2003. The operating profit can be detailed as follows :

	thousands €	31.12.2004	31.12.2003	Difference	%
SNCB/NMBS		-8,178	-78,897	70,71	-89.6%
Cargoferroviaire		-2,894	6,131	-9,025	
VPKH		1,948	431	1,517	352.0%
Other sectors		1,125	1,003	122	12.2%
ABX		11,258	-36,425	47,683	-130.9%
Total		3,259	-107,757	111,016	-103.0%

As far as ABX is concerned, it must be pointed out that the consolidation of ABX France was achieved through application of the global integration method in 2003 while it was consolidated through application of the equity method in 2004, following the decision made by the Board of Directors on 1st December 2004 which provides for a total withdrawal from the activities still going on in France. The contribution of ABX France to the consolidated operation result on 31st December 2003 was a € 39 million loss.

The net extraordinary result totals € 193 million as against € 10 million in 2003.

The positive result of the financial year is chiefly due to the sale of the negative consolidation differences of the Financière TGV that were included in the income statement as a result of that company being wound up and deconsolidated (€ 133 million) and to gains on the disposal of fixed assets.

The shares of the companies on which the equity method was applied suffered from the deconsolidation of the Financière TGV (€ 24 million positive result in 2003) and from the application of the equity method to ABX France (-€ 86 million).



Developments in the field of ABX and IFB

ABX

In the course of year 2004, the new management of ABX LOGISTICS carried on with the steps for recovery of the companies of the group under restructuring, with the intention of enabling them to restore their financial balance, in economic conditions that were extremely adverse with regard to the transport and logistics sector.

The German and Dutch subsidiaries had been integrated in the holding company ABX LOGISTICS worldwide S.A. on its establishment at the end of year 2004.

As for France, the Board of Directors of 1st December 2004 decided that the complete withdrawal from the remaining two activities 'road domestics' and 'contrat logistics' of ABX LOGISTICS France was the only possible way ahead for SNCB and that the management must be given mandate to start information to and consultation of trade unions on this plan the implementation of which must be in conformity with the ther to applicable community rules.

The steps for restructuring of operation are in line with the plan notified to the European Commission on 14th February 2003 and include measures for financial and legal restructuring the implementation of which is going on in 2005. That plan stipulated the German, Dutch and French subsidiaries were to benefit by those restructuring steps.

The plan notified to the European Commission on 14th February 2003 provided for:

- > a total bridging loan of € 140 million for a 12 month-period that, for the most part, consolidates the very-short-term bridging loans the Commission allowed by its decision of 21st January 2003;
- > a conversion into capital for ABX LOGISTICS of some debts the latter had run up vis-à-vis SNCB/NMBS, up to a total amount of € 91.6 million.

This notified plan was to be financed by means of resources coming from SNCB/NMBS and from own resources (mainly through selling of assets and curtailment of costs through internal restructuring and staff lay-off).

Besides, the notification made it also clear that an additional € 21 million loan to ABX LOGISTICS Group would be converted into assets by SNCB/NMBS, an operation that wasn't part of the restructuring.

On 23rd July 2003, the European Commission decided to start formal proceedings, in accordance with article 88 § 2 of the Treaty of the European Union. The Belgian authorities and third parties respectively made their comments on the Commission's decision of 29th August and in February 2004. Belgian authorities then answered to the comments made by the third parties on 18th March 2004.

The main points of the debate are the following:

- > are certain financial transactions (including the restructuring plan) to be placed in the same category as aids coming from the Belgian State?
- > did SNCB/NMBS act as an individual investor on purchase of certain subsidiaries of group ABX?

On 14th February 2005, the Belgian authorities submitted to the European Commission a complementary request modifying the initial one in the following way:

- > the restructuring plan would be confined to the German and Dutch subsidiaries;
- > the financial steps would consist in converting € 60 million debts of the German and € 10 millions debts of the Dutch subsidiaries in a € 100 million capital increase for the benefit of ABX Germany. These new steps would take the place of the initial requests (plan of 14th February 2003), i.e. the conversion of € 91.6 million debts into capital and the granting of a € 140 million bridging loan;
- > the Belgian authorities commit themselves to privatising ABX LOGISTICS.

The initial procedure should have been completed in January 2005. Taking account of the complementary request made by the Belgian authorities, the procedure ought to be extended in order to allow third parties to make their comments and Belgian authorities to provide an answer to these. The final decision of the European Commission is expected by the end of summer 2005.

As was the case last year, the consolidated accounts of SNCB/NMBS on 31st December 2004 do not include an adjustment that would be necessary if the continuity of operation of those subsidiaries proved impossible to further.

IFB Group

SNCB/NMBS and IFB entered in April 2003 into an outline agreement settling the implementation, in two stages, of the steps approved with regard to IFB in December 2002: safeguarding steps and global strategy plan.

As far as the safeguarding steps are concerned, a respite for payment up to € 63 million, easy terms up to € 15 million and a refundable cash advance up to € 5 million were provided for. After the decision to go on with activities, which was made by the General Assembly of Inter Ferry Boats, the outline agreement was passed on by the Belgian Government to the European Commission in August 2003. As the Commission has not yet notified its decision, the increase in capital, one of the restructuring steps provided for, has been delayed.

Despite that delay, the restructuring steps implemented to date have enabled IFB to close the period with a share-out profit of € 9.2 million and a turnover of € 83.3 million.

Applying continuity rules

In compliance with article 96,6° of the Code on Companies, the Board of Directors justifies the application of the continuity accounting rules through the following elements :

- > the aims for the current financial year, as assigned in the corporate plan developed in 2003 with a view to restoring the balance of EBITDA by the end of 2005, were achieved;
- > the Belgian State organised the take-over of the € 7.4 billion historical debt of SNCB/NMBS, with enforcement as of 1st January 2005;
- > the SNCB/NMBS still enjoys the AA+ finance rating granted by the international rating agency Standard & Poor's. That appreciation rests notably on the observation that the public status of SNCB/NMBS is such that it is not subject to the law on bankruptcy. It could indeed only be put into liquidation on the basis of an act of the Parliament.

Exceptional assignments carried out by the commissioners auditors

In the course of the last financial period, several legal or complementary assignments were carried out by the Joint Auditors (Collège des Commissaires), mainly in the following particular fields :

- > the financing of the HST plan (quarterly reports in compliance with article 2 of the Royal Decree of 13th April 1997) ;
- > the takeover of the limited liability company of Public Law Financière TGV by the limited liability company of Public Law SNCB/NMBS ;
- > the assistance and reports concerning the restructuring of SNCB/NMBS completed on 31st December 2004.

The total sum paid for those services amounts to € 168,278.20.





Aims and policy of the company with regard to the management of the debt

As far as the financing of its debt and the clinching of various alternative financing transactions are concerned, SNCB/NMBS is conducting a proactive management allowing to keep some of them under control and in particular those concerning liquidity, exchange, rate of interest and insolvency. To that purpose, it settled on a financial policy including a strict control of this risk management that was approved by the Board of Directors.

Derivatives, which will be used in order to hedge the risks relating to exchange or rate of interest, assume the shape of swaps (interests and cross currency), forward rate agreements, options, foreign exchange forward contracts or futures (short-rate or long-gilt). Those transactions are posted in the accounts in compliance with the Belgian Accounting Law.

Transactions concerning hedging may only be clinched in consultation with three counterparts. Trading transactions are forbidden.

Liquidity risk

Every time a loan is contracted, the evolution expected as regard cash flows is taken into account in order to level and reduce cash balances as much as possible. Investments and loans must be lined up on one another so as to limit internal risks as much as possible.

Besides, the liquidity risk is hedged through a staggering of debt redemption dates. This is how 20 % of the outstanding debt can come to maturity in the course of the same year, with maximum 10 % of the debt a quarter.

Exchange risk

All indebtedness transactions likely to generate an exchange risk, even short-term ones, must immediately and completely be hedged in € (principal and interest) using derivatives. The hedged position may be coupled with a floating- or fixed-interest rate.

Interest-rate risk

The working methods applied in order to limit the liquidity risks described under point 1 are also used to hedge interest-rate risks

The aim is to keep the fixed-rate debt amount to 2/3 of the total debt. This ratio may be adapted according to market conditions, provided that the set procedures are complied with.

Insolvency risk

Investments must take on the form of a loan, not that of a risk-bearing capital. They have to comply with strict minimum counterpart-rating criteria according to the duration of the investment.

Maximum fixed-amounts have also been set per counterpart. Those maximum amounts do however neither apply to investments in futures with an attractive AAA/Aaa rating, nor to those floated or guaranteed by the Belgian State.

As far as derivatives are concerned, the insolvency risk vis-à-vis counterparts must be spread and hedged systematically clinching CSA contracts (Credit Support Annex). For such contracts, a calculation is normally made of the net amount SNCB/NMBS or the counterpart would have to pay if the complete outstanding part of the derivatives clinched with that counterpart was to be cancelled. This is the type of insolvency risk we are exposed to vis-à-vis the counterpart. Resorting to CSAs makes it possible to limit the risk to a maximum amount which varies according to the rating of the counterpart.

If the rating of a bank dropped to less than BBB+ / Baa, the contracts with that bank would be transferred to a bank with a higher rating and for the whole of the negative-credit-watch period, no new deal might then be clinched with the counterpart that got a low rating.

Reporting and checking

An activity report is drawn up every month by the section Accounts of the Department Finance for the purpose of the Executive manager Finance, the General Manager Finance, the Department Accounts, the Internal Audit and the Joint Auditors (Collège des Commissaires).

Moreover, the Internal Audit has been entrusted with the following missions:

- > checking half-yearly that spin-offs comply with the rules applied in the scope of the finance policy in force ;
- > making sure that the spin-offs used have been posted in the accounts according to the company assessment rules;
- > making sure the Department Accounts timely gets all signed papers concerning the spin-offs clinched (those papers must besides be handed over to the Internal Audit at the same time);
- > making sure the data appearing in monthly reports are both right and complete;
- > presenting a report on those activities to the Board of Directors every six months

Audit Committee and the Board of Directors every six months.

As the Fund for Railway Infrastructure will take over a total € 7.4 billion debt amount, plus the thereto related spin-offs over from SNCB/NMBS on 1st January 2005, it is clear that, with the rules as presently in force internally, the remaining contracts will only have a minor impact on prices, insolvency, liquidity and Company cash flow risks.

We would like to thank Mr Vande Lanotte, Vice-premier and Minister of Budget and Public Business Undertakings, Mr Anciaux, Minister of Mobility and Transport and Mr Landuyt, Minister of Mobility for their support to SNCB/NMBS during the past financial year as well as for the interest they showed for all aspects of railway operation.

We would also like to thank the Members of the Select and Executive Committee for their contribution to the management of our Company.

With its three new undertakings, its three management teams and its three Boards of Directors, the Group SNCB/NMBS, sprung from the new structure on first January 2005, has numerous trumps and can aspire to play a decisive part in the European railway context.

We wish particularly to express our gratitude to the staff of all levels that devoted themselves with competence and enthusiasm to their task, taking part in the changes and taking up the future challenges in order to make the Group SNCB/NMBS into a leader in the field of the mobility to come.

The contribution of each single member inside the new SNCB/NMBS group will more than ever prove to be essential to the success of the undertaking.

Drawn up at the meeting of 29th April 2005

THE BOARD OF DIRECTORS





Corporate Governance



This chapter, which is to form an integrated part of the 2003 annual report, is dedicated to what is generally referred to as Corporate Governance.

It outlines the operating rules of the Company in the light of the principles of Corporate Governance.

Board of Directors

Composition

The Board of Directors is composed of 10 members, including the CEO. At least one third of its members must be of the opposite gender (article 162 bis § 1 of the Act of 21 March 1991). The principle of language parity has been observed.

Situation before the Royal Decree of 19th November 2004

The Board was composed as follows :

- > Mr. Alain DENEFF, chairman of the board,
- > Mr. Karel VINCK, chief executive officer,
- > Ms Monique ALAERTS - VAN DEN BULCKE, director,
- > Mr. Eddy BRUYNINCKX, director,
- > Mr. Antoon COLPAERT, director,
- > Mr. Jean-Claude DEHOVRE, director,
- > Mr. Marc HEUGHEBAERT, director,
- > Ms Dominique OFFERGELD, director,
- > Ms Geertje SMET, director,
- > Ms Magali VERDONCK, director.

Main occupation of non-executive directors outside SNCB in 2004

- > Mr. Alain DENEFF,
director and chief executive officer in various companies,
- > Ms Monique ALAERTS - VAN DEN BULCKE,
economist – deputy principal private secretary of Michel Foret, Minister of the Région Wallonne in charge of Land Use Planning, Urban Development and the Environment,
- > Mr. Eddy BRUYNINCKX,
director-general and chief executive officer of the Antwerp Port Authority Gemeentelijk Havenbedrijf Antwerpen,
- > Mr. Antoon COLPAERT,
Commissioner of Ports – Ministry of the Flemish Community,
- > Mr. Jean-Claude DEHOVRE,
chairman of the Société Régionale d'Investissement de Wallonie,
- > Mr. Marc HEUGHEBAERT,
civil engineer,
- > Ms Dominique OFFERGELD,
consultant to the Vice-premier and Minister of Foreign Affairs Louis Michel, deputy director of Marc Verwilghen, Minister of Economy, Energy, External Trade and Scientific Policy, deputy burgomaster of the town of Vielsalm,
- > Ms Geertje SMET,
inspector-general of Finance – principal private secretary of Patrick Dewael, Vice-Premier and Minister of Home Affairs,
- > Ms Magali VERDONCK, policy consultant to Evelyne Huytebroeck, Minister of the Government of Brussels-Capital in charge of Environment, Energy and Water Policy.

Situation between 22nd November 2004 and 31st January 2005

The Board was composed as follows :

- > Ms Dominique OFFERGELD, chairwoman of the Board,
- > Mr. Karel VINCK, chief executive officer,
- > Mr. Eddy BRUYNINCKX, director,
- > Mr. Antoon COLPAERT, director,
- > Mr. Jean-Claude DEHOVRE, director,
- > Mr. Jean-Claude FONTINOY, adirector,
- > Ms Geertje SMET, director,
- > Ms Magali VERDONCK, director,
- > Ms Marianne VERGEYLE, director,
- > Mr. Melchior WATHELET, director.

Main occupation of non-executive directors outside SNCB in 2004

- > Mr. Jean-Claude FONTINOY, expert at the department staff of the Vice-Premier and Minister of Finance Didier Reynders,
- > Ms Marianne VERGEYLE, Bioforum co-ordinator,
- > Mr. Melchior WATHELET, university lecturer.

Following the honourable resignation of Mr Karel VINCK and Ms Dominique OFFERGELD, the Royal Decrees of 28th January 2005 appointed Mr Jannie HAEK Chief Executive Officer of SNCB/NMBS Holding, Mr Jean-Claude FONTINOY Chairman of the Board and Ms Catherine GERNAY director.

Rules governing the appointment of directors, their discharge and the renewal of their mandate

In accordance with article 162 bis of the Act of 21 March 1991 and article 12 of the Company's Statutes referring to it, the directors are appointed for a renewable period of 6 years.

The King appoints, by Decree deliberated by the Council of Ministers, a number of directors in proportion to the number of votes arising from the shares held by the State. The Belgian State being by far the majority shareholder of SNCB, all Board members are appointed by the King. The directors are appointed on the basis of the complementarity of their competence regarding financial and accounting analysis, legal aspects, their knowledge of the transport sector and their expertise in the fields of mobility, human resources and social relations.

One of the Board members is appointed chairman of the Board by decree deliberated at the Council of Ministers.

They can be dismissed only by Royal Decree to be submitted to the Council of Ministers. When a position becomes vacant, the remaining directors have the right to fill in this vacancy provisionally until a definitive appointment takes place.

The chief executive officer is appointed by the King, by Royal Decree deliberated at the Council of Ministers, for a renewable period of six years. He is dismissed by the King, by Decree deliberated at the Council of Ministers (article 162 quarter of the Act of 21 March 1991).

Expiry of directors mandates

The directors' mandates legally come to an end at the age of sixty-five (article 162 septies of the Act of 21 March 1991). Until the end of his current mandate, that article does not apply to M. Karel VINCK.

The mandates of the members of the Board of Directors, as made up at present, expire on 22nd November 2010.

Procedure

Frequency of meetings

"The Board meets as often as the interest of the Company requires and at least four times a year" (article 13 of the Company's Statutes). The Board of Directors shall meet in principle on the last Friday of each month. Special meetings may be convened in order to deliberate on specific matters.

The Board of Directors met 19 times in 2004.

Competence

Article 17 of the Act of 21 March 1991 defines the competence of the Board:

"§ 1. The Board of Directors is competent to take any action that is required or useful in view of achieving the object of the public enterprise. The Board of Directors supervises the policy of the Executive Committee. The Executive Committee reports to the Board on a regular basis. The Board, or its chairman, without prejudice to the powers of the latter, vested in him by virtue of article 18, § 5 (of the Act of 21 March 1991), may at any time request the Executive Committee to report on the activities of the company or some of them."

Decision-making in the Board

Quorum: "Decisions taken by the board are only valid if the majority of the members attend the meeting. If no sufficient number of members are present at the Board meeting, a second meeting, to be held within fourteen days at most, and with the same agenda as the previously scheduled one, can take valid decisions, whatever the number of members present (article 13 sections 5 and 6 of the Company's statutes).

Majorité: "The decisions of the board are taken with a majority of the votes of the members present. In the event of a tie, the vote of the Chairman is conclusive (article 13 sections 7 and 8 of the Company's statutes).

"In exceptional cases, when the urgency and the interest of the company require so, and barring cases excluded by the law, the decisions of the Board of Directors may be taken by written and unanimous consent from the directors" (article 13 section 10 of the Company's statutes).

The Board did not apply this procedure in 2004.

Director's Charter

In order to help the directors to fulfil their mission, while respecting the rules of independence, competence, ethics and integrity, the Board meeting of 28 April 2000 adopted the "Charter of the Director of SNCB".

This charter applies to the members of the Board of Directors of SNCB, as well as to any other persons representing SNCB at the Board of Directors of a company.

In the exercise of director responsibilities, a director should:

Act independently in all circumstances

The director should undertake to maintain, in all circumstances, independence of analysis, of decision, and of action, and to reject any pressure, direct or indirect, that might emanate from directors or the company's management, from specific groups of shareholders, creditors, suppliers or anyone else.

The director should not seek to accept from the company or any related companies, directly or indirectly, any unreasonable advantages that could be considered as compromising his or her independence.

If a director believes that a board decision may harm the company, the director should clearly express opposition and attempt to convince the board of the director's position.

Resignation is the ultimate expression of opposition. Short of resignation, a director should consider:

- > Explaining the reasons for opposition and the negative consequences that would arise for the company if the board pursued its decision;
- > Obtaining, if necessary, professional advice;
- > Requesting that the decision be postponed, if possible, so that the director's position may be examined;
- > Requesting that the director's written position be annexed to the minutes of the board meeting;
- > Requesting a special meeting of the board to discuss this point.

In the event of resignation, a director should inform the other directors, the auditor, and the controlling public authority if there is one, and the shareholders' general meeting of the reasons for resignation, while avoiding rendering public any confidential information.

Actively protect the company's interests

The role of a director includes actively protecting the company's interests. This requires recognizing that the role of a director is as much individual as collective in the proper functioning of the company.

The director undertakes to acquire sufficient understanding of the company and its economic, social and legal context.

The director should employ influence, action, and capacity of judgment to lead the company to "optimize" its value in a sustainable, responsible and fair manner.

Ensure the effective functioning of the Board of Directors

The director recognizes that it is the role of the board, upon proposals made by the management, to define the company's missions and values, to lay down its strategic objectives, to appoint the management, to implement permanent structures allowing for the attainment of its objectives, to ensure the implementation of an operational plan and control of the company, and to furnish the necessary explanations to shareholders.

A director should verify that the powers and responsibilities of the Board of Directors and of the management are clearly established and, specifically, that the powers of management granted to the management are clearly defined.

It is up to directors to verify that the board effectively controls the company and the activity of the management. In particular, directors should ensure that:

- > no one person exercises unlimited discretionary power within the company;
- > the company's internal controlling body functions efficiently;
- > management cooperates fully and without reticence in the board's control.

Directors should ensure that the board meets at regular intervals, and that directors receive sufficient and timely information so that the board may debate properly.

The director undertakes to regularly attend the board meetings.

Protect the interests of all shareholders

The director undertakes to verify that the company's decisions are taken solely in its interests.

He shall also see to it that the company's decisions do not favour one party or class of shareholders to the detriment of another.

Directors verify that accurate information is given to shareholders (within limits compatible with commercial and competitive necessities) concerning the company's strategy in general on all subjects of importance affecting the company, and specifically in times of crisis.

Take into account the legitimate expectations of all of the company's "partners" or stakeholders (the community, clients, executives, employees, suppliers and creditors)

Directors recognize that the company and its various stakeholders or "partners" have, beyond their contractual engagements, formed relationships of trust and contracted reciprocal moral obligations, and that, if the director must first and foremost protect the interests of the company and its shareholders, the director cannot ignore that it is in the company's interests to maintain these relationships, and take reciprocal moral obligations into account. moral obligations, and that, if the director must first and foremost protect the interests of the company and it

A director should ensure that the company's management is aware of the interests, views and expectations of its stakeholders, and that procedures are implemented to manage these relationships. Proper and periodic communication should also be exchanged with stakeholders.

Directors should encourage the board to take into account in its decisions, in view of the longterm interests of the company, the impact of these decisions on the environment, on social relations, on rules of competition, and on consumer protection.

Ensure that the company respects its obligations and commitments, and the laws, regulations and codes of good practice

Directors should ensure that the company respects its legal and statutory obligations at all times.

Avoid any conflict between direct or indirect personal interests and those of the company

Directors undertake to ensure that, in any circumstances, the interests of the company and the collective body of shareholders prevail over direct or indirect personal interests.

The director should inform the board of any conflict of interest in which the director could directly or indirectly be implicated prior to any such potential conflict occurring, and abstain from participation in any discussion and decisionmaking on the matters involved.

If a director who represents a third party within the board faces a possible conflict between the interests of this third party and those of the company, he or she should inform the board. The board should then decide if the director may participate in the discussion and decisionmaking on the matters involved.

Further, directors undertake to neither buy nor sell, directly or indirectly, shares of the company or any related company, on the basis of any confidential information acquired as a result of their service as director, when this information, if it had been made public, could have or might have had an effect on the value of those shares.

Avoid any improper use of information or insider trading

The director undertakes to ensure strict observance of the preventive and repressive rules in force concerning the abuse of insider information.

The director shall not disclose, directly or indirectly, any information known to him through his position in the company without the permission of the board.

The director shall not make improper use of the information known to him through his position in the company, regardless of any personal interest or detriment to the company.

The director shall not disclose, directly or indirectly, any information of which he or she knows it is incorrect or false.

The director undertakes to ensure that the information which is not publicly known, and which, if it were the case, might significantly affect the value of the company shares, will not be disclosed to third parties who could be incited or could incite to sell or buy shares of the company.

Permanently develop his or her professional capacities

The director undertakes to develop his or her professional capacities in such a way as to maintain a high level of expertise in a constantly evolving environment.

Adhere to the spirit of the Charter

The director undertakes to adhere to the Charter and to comply with its spirit, knowing that no other code could include all possible situations and that the situations not explicitly prohibited by the charter are not necessarily recommended.

The director shall, when a new situation or a situation which is not referred to in the charter occurs, apply the principles of integrity, independence, justice and professionalism on which this Charter is based.



Executive Committee

Composition

Article 162 quarter of the Act of 21 March 1991 stipulates that “the Executive Committee of SNCB is composed of the chief executive officer and the directors-general. The number of directors-general is determined by the Board of Directors. The Executive Committee is chaired by the chief executive officer.”

The principle of language parity is observed in accordance with article 16 of the Act of 21 March 1991.

According to the law and the Company’s statutes the CEO has a different mother tongue than the Chairman of the Board of Directors (article 162 bis § 5 of the Act of 21 March 1991).

The Board meeting of 27 September 2002 brought the number of directors-general to 10 and appointed the directors-general. The Executive Committee is composed as follows:

- > Mr. Karel VINCK, chief executive officer,
- > Mr. Vincent BOURLARD, executive manager Patrimony,
- > Mr. Jean DENAYER, executive manager Rolling Stock,
- > Mr. Daniel DEROCHETTE, executive manager Trains,
- > Mr. Marc DESCHEEMAECKER, executive manager Freight,
- > Mr. Luc LALLEMAND, executive manager Finance,
- > Mr. Antoine MARTENS, executive manager Operations,
- > Mr. Alex MIGOM, executive manager Network,
- > Mr. Leo PARDON, executive manager Passenger Transport,
- > Mr. Jean-Marie RAVIART, executive manager Infrastructure,
- > Mr. Tony VAN DEN BERGHEN, executive manager Human Resources.

All the members of the Executive Committee have a full-time position at SNCB or representing SNCB (article 162 quarter of the Act of 21 March 1991).

Given that Mr MARTENS is retiring on 1st April 2004, the Board decided on 2nd April 2004 not to replace him provisionally. The functions of the executive manager Operations were taken over by Mr VINCK. Thus made up of the 9 remaining directors-general and the Chief Executive Officer, the Management Committee still complied with the principle of language parity.

In the scope of the restructuring of SNCB/NMBS, the Board of 17th November 2004 set the number of directors-general of SNCB-Holding to 4 and appointed Messrs BOURLARD, VAN DEN BERGHEN and MIGOM. The Board of 4th February 2005 provisionally appointed Mr BECHET 4th executive manager for the duration of the call for candidates.

Following the honourable resignation of Mr Karel VINCK, the Royal Decree of 28th January 2005 appointed Mr Jannie HAEK Chief Executive Officer of SNCB-Holding.



Rules governing their appointment and dismissal

The directors-general are appointed by the Board of Directors, on the recommendation of the Chief Executive Officer and after consulting the Nominating and Compensation Committee. They are dismissed by the Board of Directors (article 162 quarter of the Act of 21 March 1991).

The mandates of the members of the Executive Committee, with the exception of M. Karel VINCK for his current mandate, legally come to an end at the age of 65 (article 162 septies of the Act of 21 March 1991).

Procedure

Frequency of meetings

The Executive Committee shall meet in principle once a week, usually on Monday. The Executive Committee met 54 times during 2004.

Competence

Pursuant to article 162 ter of the Act of 21 March 1991 " the Executive Committee is charged with the daily management and the representation related to that management, as well as with the implementation of the decisions taken by the Board of Directors.

The members of the Executive Committee form a board. They may allocate the tasks amongst themselves."

Representation

Pursuant to article 162 quarter of the Act of 21 March 1991 the executive manager, appointed thereto by the Board of Directors, and the CEO jointly represent the company in all its actions, including representation before the law.

All acts of management or acts committing the company shall be signed jointly by the chief executive officer and the executive manager appointed thereto by the Board of Directors.

This executive manager has a different mother tongue than the chief executive officer.

Pursuant to the approval of the Programme Law of 24 December 2002, modifying i.a. the Act of 21 March 1991, the King may determine, by decree submitted to the Council of Ministers, the acts for which the approval deviates from this article.

The Board meeting of 27 September 2002 appointed Mr Vincent BOURLARD as executive manager delegated with the second signature as of 1 November 2002.

Audit committee

The Committee's existence is now laid down in article 161 ter of the Act.

Composition

The Committee consists of four directors, with the exception of the chief executive officer, who were appointed by the Board of Directors. The principle of language parity is observed.

Situation before the Royal Decree of 19th November 2004

The members of the Committee were:

- > Ms Dominique OFFERGELD, chairwoman of the Audit committee,
- > Mr. Eddy BRUYNINCKX,
- > Mr. Antoon COLPAERT,
- > Ms Magali VERDONCK.

Situation between 22nd November 2004 and 31st January 2005

The members of the Committee were :

- > Ms Geertje SMET, chairwoman of the Audit committee,
- > Mr. Eddy BRUYNINCKX,
- > Mr. Jean-Claude FONTINOY,
- > Mr. Melchior WATHELET.

Pursuant to the Royal Decree of 28th January 2005 appointing Mr Jean-Claude FONTINOY Chairman of the Board of Directors, the Board of 4th February 2005 appointed Ms Catherine GERNAY member of the Committee to take over from him.

The chairman of the Board of Directors, the chief executive officer and the person responsible for the Internal Audit Department may be invited to attend the meetings with an advisory vote.

In accordance with the Programme Law of 24 December 2002 "the General Assembly may, on the recommendation of the Board of Directors, appoint an external auditor to attend the meetings of this Committee, with an advisory vote".

The Audit Committee decided at its meeting of 3 February 2003 that recourse to an external auditor should happen on a selective and non permanent basis. Hence, no external auditor was appointed.

Procedure

Frequency of meetings

The Audit Committee meets on a regular basis. The chairperson of the Audit Committee may convene special meetings in order for the Audit Committee to fulfil its task properly.

The Committee met 10 times during 2004.

Competence

The Audit Committee fulfils the tasks assigned to it by the Board. Moreover it is charged with:

- > assisting the Board by reviewing the financial reports, i.e. the annual accounts, the management report and the intermediate reports. It also sees to the reliability and the integrity of the financial reporting with regard to risk management. It advises the Board on the accounts;
- > assessing, supervising and advising on the company's internal control system and on the related observations and recommendations made by the joint auditors;

- > approving the annual audit programme and deliberating on the audit mission reports and the activity reports of the Internal Audit department, as well as examining the recommendations made and actions taken by the management as a result;
- > evaluating the way in which the risks to which the Company and the group's consolidated companies are exposed are assessed by the Management and the Internal Audit department;
- > supervising the coordination of the work of the Internal Audit department, the work entrusted to external consultants and the work performed by the Joint Auditors (Collège des Commissaires),
- > proposing the structure and the budget of the Internal Audit department as regards the human and material resources;
- > approving the Internal Audit Charter;
- > giving advice to the Board as to the appointment of the person responsible for the Internal Audit department;
- > giving advice to the Board as to the appointment of the statutory auditors and their fees.

The Audit Committee reports to the Board of Directors.

Nominating and compensation committee

The existence of the Nominating and Compensation Committee is now laid down in article 161 ter of the Act of 21 March 1991.

Composition

In accordance with the Programme Law of 24 December 2002, this Committee consists of four directors, amongst whom the Chairman of the Board, presiding the Committee and the chief executive officer. The principle of language parity is observed.

Situation before the Royal Decree of 19th November 2004

Pursuant to the decision made by the Board of 17th January 2003 the Committee was made up of:

- > Mr. Alain DENEFF, chairman of the Nominating and Compensation Committee,
- > Mr. Karel VINCK,
- > Ms Geertje SMET,
- > Mr. Jean-Claude DEHOVRE.

Ms Geertje SMET and Mr. Jean-Claude DEHOVRE were invited to attend meetings with an advisory vote.

Situation between 22nd November 2004 and 31st January 2005

The Board of 1st December 2004 decided to modify the composition of the Committee as follows:

- > Ms Dominique OFFERGELD, chairwoman of the Nominating and Compensation Committee,
- > Mr. Karel VINCK,
- > Mr. Jean-Claude DEHOVRE,
- > Ms Marianne VERGEYLE.

Pursuant to the modification of the composition of the Board by the Royal Decrees of 28th January 2005, Mr FONTINOY becomes chairman of the Nominating and Compensation Committee instead of Ms OFFERGELD and Mr Jannie HAEK takes over from Mr VINCK as of 1st February 2005.

Procedure

Frequency of meetings

The Committee shall meet as often as required in the interest of the Company. It met 8 times in 2004.

Competence

The Committee advises on candidatures proposed by the chief executive officer in order to appoint the members of the Executive Committee.

It submits proposals to the Board as regards the remuneration and the benefits to be granted to the members of the Executive Committee and to the top management and follows up these matters permanently (article 161 ter § 4 of the Act of 21st March 1991).

Moreover it fulfils the tasks the Board entrusted it with.



Strategic committee

This Committee was established in accordance with the Act of 22 March 2002 modifying the Act of 21 March 1991 (articles 161 ter §§ 1, 5, 5bis, 6 and 7 of the Act of 21 March 1991). These provisions were adapted following the passing of the Programme Laws of 24th December 2002 and 9th July 2004 and the Royal Decree of 18th October 2004. The Strategic Committee was installed on 20 December 2002.

Composition

In accordance with article 161 ter § 5 of the Act of 21 March 1991 this Committee consists of:

- > the 10 members of the Board,
- > four members of the Executive Committee, not including the chief executive officer,
- > six members representing the trade unions that are associated to an interprofessional organization which is represented at the National Labour Council.

The members of the committee form a board. They may allocate the tasks amongst themselves. The principle of language parity is observed.

The Strategic Committee is chaired by the chief executive officer.

The Board of 17 January 2003 appointed Messrs BOURLARD, LALLEMAND, MARTENS and VAN DEN BERGHEN members of the Strategic Committee, considering their executive tasks at the management level. Given that Mr MARTENS is retiring on 1st April 2004, the Board of 2nd April 2004 appointed Mr DESCHEEMAECKER, executive manager Freight, member of the Strategic Committee.

The Royal Decrees of 18th October and 19th November 2004 appointed Messrs VERMEULEN, BOSSICART, GELMINI, GOOSSENS, DALNE and VAN LAETHEM representatives representing the trade unions.

In order to be validly constituted, the Strategic Committee must count at least ten appointed members. The lack of Royal Decrees appointing the representatives of the trade unions did not prevent the Committee's functioning since the ten members of the Board and the four members of the Executive Committee had been appointed. The Committee may invite the members of the Executive Committee, who will attend the meeting in an advisory capacity.

Rules governing their appointment and dismissal

(article 161 ter § 5 and 5bis Act of 21 March 1991)

The directors appointed members of the Board are automatically members of the Strategic Committee.

The six seats allocated to trade union representatives are to be distributed amongst the trade unions according to their respective representation within SNCB/NMBS. Until the counting in 2008, the six members mentioned in section 2, 3rd dash represent the trade unions associated to an interprofessional organization that is represented at the National Labour Council. Each organization will have at least one representative. If a trade union has more than one representative, every language group is represented.

The King appoints those representatives by Decree deliberated at the Council of Ministers, on the proposal of the trade unions. They are appointed for a renewable period of six years.

They can only be dismissed by Royal Decree deliberated by the Council of Ministers.

The four executive managers shall be appointed by the Board of Directors.

Taking the new structure and the fact that the Strategic Committee is a Committee of SNCB-Holding into account, the Board of 4th February 2004 appointed the 4 executive managers of SNCB-Holding members of the Strategic Committee as of 1st February 2005.

Composition

Competence

Article 161 ter § 6 of the Act of 21 March 1991 provides that the Strategic Committee is, without prejudice to the powers vested in the Board of Directors and the Executive Committee, competent to

- > elaborate, negotiate and follow up the implementation of the pluriannual investment plan;
- > give advice before the management contract is concluded and follow up its implementation;
- > give preliminary advice about the decisions of the Board of Directors regarding all measures that could have an impact on employment in the medium or long run;
- > give preliminary advice on the decisions of the Board of Directors regarding the general company strategy, subsidiaries, processes of mergers and take-overs, general personnel and investment policy, corporate plan, the evolution of yearly finance and budgets and the preservation of the competitive position, on condition that these are decisions having an impact in the long run.

Notwithstanding section 1, the Strategic Committee will not give advice on the decisions made at the National Joint Committee (Comité Paritaire National) regarding matters subject to a social agreement.

The Committee will present an annual evaluation report to the minister who is competent for railways about the follow-up of the execution of the pluriannual investment plan and the execution of the management contract.

Decision-making

Quorum: In order for the Strategic Committee to have a valid meeting, a quorum of at least ten members must be present.

Majorité: Decisions are made with a simple majority of votes. Abstentions are not taken into account. In the event of a tie, the vote of the Chairman is conclusive.

Frequency of meetings

The Committee assembles whenever the Board needs to take decisions on strategic matters which require the Committee's preliminary advice and whenever the management contract or the business plan are to be discussed.

The Committee met 15 times in 2004.

Steering committee

This Committee was established at SNCB/NMBS by the General Assembly of 28th May 2004. Its existence is provided for in article 29 and 30 of the Company's statutes.

Composition

The Committee is composed of the Chief Executive Officer, the Chief Executive Officer of SNCB Transport, the Chief Executive Officer of the Infrastructure Manager and three members appointed by the National Joint Committee, on the unanimous advice of the trade unions that recommend a number of members in proportion to their representation at the latter (article 29 of the Company's statutes). It is chaired by the Chief Executive Officer (article 30 of the Company's statutes).

Till the appointment of the Chief Executive Officers of INFRABEL and SNCB, the operation of the Steering Committee involved the Director of the Department Finance and the Director of the Department Human Resources.

The Committee was composed as follows:

- > Mr. Karel VINCK, chairman of the Steering Committee,
- > Mr. Luc LALLEMAND,
- > Mr. Tony VAN DEN BERGHEN,
- > Mr. José DAMILOT,
- > Mr. M. BOVY,
- > Mr. J DIGNEFFE.

After Mr LALLEMAND was appointed Chief Executive Officer of INFRABEL and Mr DESCHEEMAECKER Chief Executive Officer of SNCB, the Committee was made up as follows:

- > Mr. Karel VINCK, chairman of the Steering Committee,
- > Mr. Luc LALLEMAND,
- > Mr. Marc DESCHEEMAECKER,
- > Mr. José DAMILOT,
- > Mr. M. BOVY,
- > Mr. J DIGNEFFE.

Following the honourable resignation of Mr Karel VINCK, the Royal Decree of 28th January 2005 appointed Mr Jannie HAEK Chief Executive Officer of SNCB-Holding with effect as of 1st February 2005.

Procedure

Competence

The Committee is competent to support the development of new structures, the corporate plans, with the exception of points 3 and 4 under article 200 § 2 of the Royal Decree on the reform of the structures for operational management.

It submits a report on the operational coherence of the system to the Board for approval (article 30 of the Company's statutes).

Frequency of meetings

The Committee meets at least once a month. It may be summoned by any member or by the Executive Committee. The latter as well as any member may put points on the agenda (article 30 of the Company's statutes).

The Committee met 10 times in 2004.



Policy committee

This committee was established in accordance with the Act of 22 March 2002 modifying the Act of 21 March 1991 (articles 161 quarter and 161 quinquies). This Committee was installed on 16 January 2003.

Composition

In accordance with article 161 quinquies of the Act of 21 March 1991 this Committee consists of:

- > the members of the Board of Directors,
- > six representatives, members of the regional transport companies, i.e.
 - > Ms Ingrid LIETEN and Mr Eddy MINNAERT of De Lijn,
 - > Messrs Jean-Claude PHLIPO and Jean-Marc VANDENBROUCKE of SRWT,
 - > Messrs Alain FLAUSCH and Steven VANACKERE of STIB.

Rules governing their appointment and dismissal

The directors appointed members of the Board are automatically members of the Policy Committee.

The procedures regarding the appointment and the dismissal of the representatives of the regional transport companies are laid down in a co-operation agreement.

The King appoints those representatives by Decree deliberated at the Council of Ministers and on the proposal of the respective Regions. The Royal Decree concerning the appointments dates from 21 October 2002.

The King dismisses the representatives by Decree deliberated at the Council of Ministers and on the proposal of the Regions.

Procedure

Competence

Pursuant to article 161 quinquies of the Act of 21 March 1991, the Policy Committee gives advice and formulates suggestions and objections regarding all the steps that could affect the collaboration with the regional transport companies.

The policy committee moreover examines the consequences of the pluriannual investment plan for mobility and the connections with the local transport modes.

Frequency of meetings

The Committee meets when matters within its competence are discussed by the Board.

The Committee met twice during 2004.

The Royal Decree of 19th October 2004 put an end to that Committee with effect as of 1st January 2005 through the rescind of articles 161 quarter and 161 quinquies of the Act of 21st March 1991 on the institution, composition and competence of that Committee respectively.



Control

Government Commissioner

Article 162 nonies of the act of 21 March 1991 stipulates the following: *"SNCB is under the supervising authority of the Minister in charge of the railways. This supervision is exercised through a government commissioner, who shall be appointed and dismissed by the King, on the recommendation of the Minister concerned"*.

The Government Commissioner for SNCB is Ms Christine SERVATY.

The commissioner is invited to all the meetings of the Board of Directors, the Executive Committee, the Strategic Committee and the Policy Committee and has an advisory vote. Moreover the commissioner attends the meetings of the Audit Committee also in an advisory capacity (article 162 nonies § 3 of the Act of 21st March 1991).

The government commissioner ensures that the law is respected, as well as the management contract and the legal statutes of the public company. He/she ensures that the policy of SNCB, especially as regards the application of article 13 of the Act of 21 March 1991, does not jeopardize the execution of the public service missions.

He/she reports to the Minister in charge of the railways. He/she also reports to the Minister of the Budget regarding any decisions of the Board of Directors, the Executive Committee, the Strategic Committee or the Policy Committee that affect the general expenditure budget of the State.

The government commissioner shall lodge an appeal with the Minister in charge of SNCB within four days, against any decision that contravenes the law, the statutes of the company or the management contract. This period is interrupted by legal holidays, Saturdays and Sundays. The appeal is suspensive.

The Royal Decree of 3rd February 2005 appointed Mr Marc BOEYKENS Government Commissioner to the SNCB-Holding with effect as of 4th February 2005.

The Joint Auditors (Collège des Commissaires)

Article 25 § 1 of the Act of 21 March 1991 stipulates the following: *"The verification of the financial situation, of the annual accounts and of the regularity in terms of legislation and the legal statutes, of the operations to be reflected in the annual accounts, is for every autonomous public enterprise entrusted to a Board of Joint Auditors which consists of four members. The members of this Board bear the title of statutory auditor (Commissaire)".*

The Board consists of four members, two of whom are members of the Cour des Comptes and are appointed by the said body and two others who are members of the "Institute of Company Auditors" and appointed by the General Assembly.

The members are:

- > Mr Herman VAN IMPE, chairman of the Board, company auditor
- > Mr Michel DELBROUCK, company auditor
- > Mr Michel DE FAYS, member of the Cour des Comptes
- > Mr François VANSTAPEL, chairman of the Cour des Comptes

They are appointed for a renewable period of six years. The duration of the mandate must, if the need arises, be mentioned in the Company's statutes. The General Assembly of 31st December 2004 set the duration of the mandate of the members of the Collège des Commissaires to 3 years for SNCB-Holding.

Their mandates expire

- > for Mr VAN IMPE, at the General Assembly of 2009,
- > for Mr DELBROUCK, at the General Assembly of 2009.

Audit of the consolidated accounts and of the annual accounts of the subsidiaries

The consolidated accounts are verified by the auditors appointed by the General Assembly on the recommendation of the Board of Directors and pursuant to the agreement of the National Joint Committee. Their mandates are valid three years and are renewable.

- > The General Assembly of 30th May 2003 appointed the following companies:
- > VAN IMPE & PARTNERS
- > DELBROUCK & Cie,
- > PRICE WATERHOUSE COOPERS REVISEURS D'ENTREPRISES.

Their mandates expire at the General Assembly of 2006.



Remuneration of the members of the managing bodies

Remuneration of the directors

The General Assembly of 19 July 2002 fixed the hereafter-explained new principles for determining the remunerations of the directors, the chief executive officer excepted.

The remuneration of the chairman consists of an annual fixed part of € 40,000 and a variable part consisting of the attendance fees for the meetings. The attendance fees are:

- > € 1,000 per Board meeting;
- > € 400 per attendance to a Committee;
- > € 800 per Committee chaired
(Strategic Committee – Nominating and Compensation Committee).

Moreover an annual fee of € 4,000 is granted for expenses.

The remuneration of the other directors consists of an annual fixed part of € 15,000 and a variable part consisting of the attendance fees. The attendance fees are:

- > € 500 per Board meeting;
- > € 400 per meeting of the other Committees.

Moreover an annual compensation of € 2,000 is granted for expenses.

In order to receive the attendance fees, members must attend the meetings.

The total amount allotted to the directors and the chairman for the year is:

- > fixed part and attendance fees for the Board: € 244,308.70
- > attendance fees for the Audit Committee: € 19,200.48
- > attendance fees for the Nominating and Compensation Committee: € 16,426.08
- > attendance fees for the Strategic and Policy Committees: € 11,546.40.

Remuneration of the executive managers

The Board has determined the remuneration of the members of the Executive Committee.

Since 1st November 2002, the remuneration system has been made up of:

- > a fixed part, i.e.
 - > the basic wages;
 - > the monthly executive allowance;
 - > the special post allowance: a monthly lump sum.
- > a variable part, i.e.
 - > the special post allowance: 0 to 100% of the basic annual wages. The allowance percentage is determined by the Nominating and Compensation Committee on the proposal of the CEO, and was set for the first time on 1st November 2002 taking into account the degree of difficulty and the social complexity of the position concerned. This percentage shall be revised annually;
 - > the productivity bonus: variable according to an appraisal coefficient of 0 to 3. Twice a year (June and December) the CEO shall make an evaluation and present it to the Nominating and Compensation Committee. The evaluation shall be based on the achievement of the set objectives.

The variable part represents on average some 30% of the remuneration.

The holiday allowance, the annual bonus and any other fees and compensations are determined in accordance with the rules in force. Contract employees are entitled to group insurance.

The total gross amount allotted in 2004 to the members of the Executive Committee, including the chief executive officer, is € 3,263,913.05.

Mandates in subsidiaries and companies with participating interests

**Companies in which mandates were held
(direct or indirect participation)
by members of the management bodies or personnel of SNCB**

IFB	Coil Terminal
EUROSTATION	FachBeirat & Schmidt International GmbH
EURO LIEGE TGV	IFB Service Center
TUC RAIL	ACIMAR (gone into liquidation)
FINANCIERE TGV (till 10th September 2004)	Brussels Port Invest
RAILTOUR	Rail Infra Logistics
SEA RAIL	Woodprotect Belgium
TRANSURB & TECHNIRAIL	Dry Port Dunkerque (gone into liquidation)
Crédit immobilier aux cheminots	Rail-Web
Chantier de Créosotage de Bruxelles	GIE/ESV NEN
Foncière rue de France	GIE/ESV INTERMAN
PUBLIFER	UNILOG
RAILTOUR TO	EURO IMMO STAR
E.B.T.	CNC FERRY BOATS INTERMODAL
S.C.T. NOORD	N.F.T.I.
I.C.F.	GIE/ESV O.C.H.Z.
I.C.WEST	Tuc Romania
T.R.W.	Association momentanée Transurb-Tuc
Thalys International	Liège Logistics Intermodal
EUROFIMA	Saima Avandero SpA
Bureau Central de Clearing	ABX LOGISTICS (France) SA
GEIE/EEsv EURATEL	ABX LOGISTICS GmbH
I.C.R.R.L.	ABX LOGISTICS (Deutschland) GmbH
D.P.M.L.	ABX LOGISTICS (Portugal) Lda
BENE RI	Eurofrete Lisboa Lda
SYNYIGO (ex-BENE IT)	Fachbeirat Rheinkraft International
EUROSTAR GROUP	Transpiedade transitatrios Lda
FRIGOSUISSE	ABX LOGISTICS GROUP
BRUXELLES-MIDI	Gruppo SAIMA Avandero srl
HIT RAIL	ABX LOGISTICS/Saima NV
Charleroi Dry Port	ABX LOGISTICS (Espagne) SA
Terminal Athus	ABX Logistics Worldwide SA
CNC	ABX Logistics (Americas) Inc.
R.K.E.	



Members of the management bodies or personnel of SNCB who exercised mandates

12 members of the management bodies (present and former) and 34 members of staff of SNCB exercised mandates.

Remuneration

The gross remunerations amount to € 69,006.92.

The Executive Committee of 21st February 2005 decided that employees exercise mandate in daughter companies unpaid, whatever their rank. The Committee expressed the wish that daughters companies follow that same line.





Transport activities

Domestic passenger transport

Attracting more travellers (+ 6.5% in 2004)

Keeping and satisfying customers

Increasing the quality of services:

Indicators on the increase (punctuality, satisfaction)

Traffic evolution

For the sixth year in a row domestic passenger traffic volume indicators are on the increase. In 2004, the domestic passenger transport kept on progressing and eventually totalled 7,328 million passengers-km (pkm). The increase in passenger number reached 6.5% and that in pkm 5.8%. After neutralisation of the transport carried out in 2003 with the Bonus Pass (customer loyalty drive – season-tickets) and Sorry Pass (compensation for strikes) the increase in passenger number scored 7.9% and that in pkm 7.6%.

Year 2004 showed an increase in number of passengers by 2.3% in the Pass and ticket segment and by 9.1% in that of season-tickets. The traffic tariff revenues increased by 5.8% and 12.4% respectively. The most exceptional evolution in the segment Pass and tickets is that of the Key season-ticket whose traffic per kilometre was multiplied by twelve. Moreover Rail pass, weekend tickets and one-day trips also experienced an increase by 29.4%, 16.3% and 12.6% respectively, results very much higher than those of the previous year.

The traffic per kilometre, including season-tickets, increased by 11.3% if compared to 2003. In general we notice a marked increase in the traffic with yearly season-tickets.

Standard journey season-tickets, as far as they are concerned, chalked up a rise in pkm by 14%.

As for school season-tickets (+0.7 % in pkm), daily journeys remained at the level reached in year 2003 and the traffic relating to the season-ticket 'Campus' rose by 10.1 %.

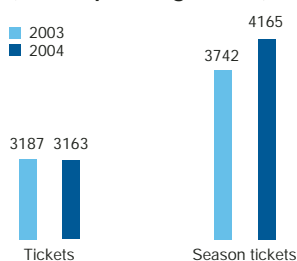
Traffic, for the other season-tickets, increased by 13.8% in pkm, which was due in particular to the influence of the network and administration season-tickets whose rise scored 17.5 %.

The State financial contribution for the Public Service Mission entitled "Domestic transport of passengers by trains of the ordinary service" (article 33 of the Management Contract) amounted to € 370.2 million and the tariff steps enforced by article 33bis (free-travelling to children aged 6 to 12, discount to holders of a school season-ticket under 18, favour tariff to seniors aged 65 or over) were compensated for to the limit of € 12.9 million. The compensation for the customer loyalty drive aimed at the holders of a season-ticket added up to € 10.9 million.

As to the compensation for the discount granted in the scope of the drive to instil loyalty into season-ticket holders, the contribution of the State amounted to € 2 million.

The State financial contribution increased by 2.4% in total.

Evolution of domestic passenger traffic (million passengers-km)

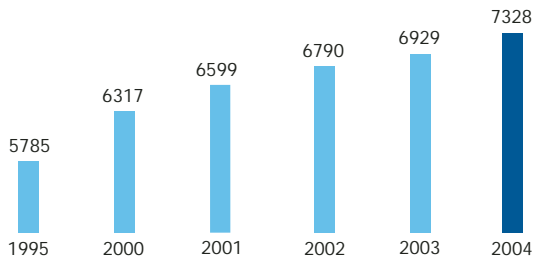


Apportionment per ticket category (passengers-km)

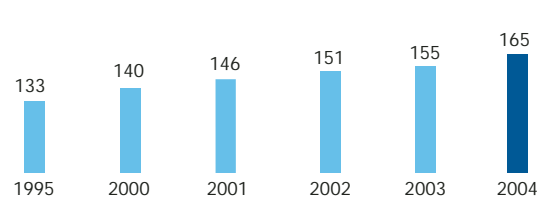




**Domestic passenger traffic
(million passenger-km)**



**Domestic passenger traffic
(million passengers)**



Domestic passenger transport	2004	2003	Difference	Difference%
Number of passenger (million)	165.0	154.9	10.1	6.5
Number of passenger-km (million)	7,328	6,929	399	5.8
Traffic revenues (thousand EUR)	377,437	347,545	29,892	-4.2
Contribution of the State for public service mission (thousand EUR)	396,227	387,091	9,136	2.4
Turnover (thousand EUR)	794,711	759,312	38,399	5.1
Average passenger journey (km)	44.4	44.7	-0.3	-0.7
Average number of passengers per train (domestic and international, conventional trains)	104.7	100.8	3.9	3.9



The transport offer

The transport plan was adapted on 13th June and 12th December 2004 taking the permanent assessment of the evolution of the demand and the additional technical means into account.

The major changes made were the following ones:

Timetable adaptations of 13th June 2004

> Line Ostend – Brussels-Leuven-Liège-Eupen/Aachen

The work on lines 36/37 and in Liège station required modifications to the timetable and/or stopping points of the IC A and IC D trains.

> Contribution to sustainable mobility in the scope of plan “Minder Hinder” (less hindrance) at Antwerp

New stopping points on District North-East:

Two additional stopping points were put into service on line 15: the first one for the reopening of Zolder, the second one for the brand-new Park and Ride Wolfstee the aim of which is to absorb vehicle rows during the work on the ring of Antwerp.

Zolder is located on line 15bis, between Heusden and Hasselt, and is served at a rate of a train an hour on weekdays and a train every other hour at the weekend.

Wolfstee, as far as it is concerned, is located on line 15 between Bouwel and Herentals and one kilometre away from highway E313.

It is served at a rate of a train an hour on weekdays, plus rush-hour trains and is not served at the weekend.

Similarly, signal box 9 in Antwerpen-Noord shunting yard was made into a passenger station in order to cope with the consequences of the work on the Ring of Antwerp, and called Antwerpen-Haven. This stopping point is served by 8 return trains running between Antwerpen-Berchem and Antwerpen-Haven, on weekdays. At the weekend, Antwerpen-Haven is only open to SNCB/NMBS staff.

Stopping point Schelle, on line 52 Puurs – Boom – Antwerpen, has been reopened. It is located between Niel and Hemiksem and served at a rate of one train an hour on weekdays, plus rush-hour trains.

Fleshing out the train offer from or to Antwerpen-Noorderdokken on weekdays

This step was taken in the scope of the work on the ring of Antwerp, and with a view to allowing Antwerpen-Noorderdokken to go on acting as a nerve centre with regard to the traffic around the Harbour (connection with company busses, De Lijn busses and huge parking facilities).

The offer has been fleshed out to Noorderdokken in the morning and from Noorderdokken in the evening. This affects 35 additional trains, including trains from or to Antwerpen-Haven.

Half those trains are P-trains the journey of which has been extended to Noorderdokken. As a result, this stopping point becomes easily accessible without stop from several directions at certain times of the day.

Increase in seat capacity through coming on stream of the new M6-type doubledecker coaches

- > A 3rd rake of M6-type coaches is running on the service Brussels - Namur - Arlon – Luxembourg (IC J) ;
- > 1 return journey on the service Mouscron – Schaerbeek (IC H) as of February 2004 ;
- > 1 return journey at rush hour on the service Quévy - Schaerbeek as of August 2004.



Timetable adaptations of 12th December 2003

Adaptations of several services as a result of ongoing work, the major ones being as follows:

- > **Service Charleroi-Sud - Antwerpen-Centraal at the weekend**
Work on line 25 and the coming on stream of M6-type coaches led to an additional connection with the L train to Essen at Antwerpen-Centraal station.
- > **Service Lille - Namur – Hasselt (IC D) and Hasselt – Antwerpen (IR c) at the weekend**
Because of infrastructure work on line 130, between Charleroi and Namur, the train timetable on the main Walloon line had to be adapted. This resulted in:
 - > An improvement in regularity of the IC D trains and a better observation of connections;
 - > The implementation in Namur of a connection between the IC D from Liège and the IC J trains to Luxembourg;
 - > A break of connection in Liège-Guillemins between the IC D trains from Namur and the slow train to Verviers – which affected few customers.

IC D trains have been extended to Hasselt and IR c trains limited to Hasselt instead of Liège-Guillemins.

In spite of the ongoing work, an improvement in regularity is expected on the Walloon main line at the weekend.

- > **L trains Leuven-Antwerp at the weekend**
Work currently in progress in Holsbeek area led to the institution of a new rate on the L service Leuven-Antwerp at the weekend.
The total journey time between Louvain and Wezemaal has increased by 9 minutes as a result of the new rate being such that L trains are now calling for 7 minutes at Aarschot. As for the remaining stops of that service, the increase in journey time was less significant.
- > **Cityrail Service Braine-l'Alleud – Aalst on weekdays**
As a result of REN work, the departure of City Rail trains from Braine-l'Alleud was put forward by 15 to 18 minutes, with arrival 6 to 9 minutes earlier in Denderleeuw and 5 minutes earlier in Aalst. In consequence, the timetable of some P trains was slightly modified on lines 60 and 50.

Slight modifications were made to the running of some weak-load-factor rush-hour trains.

Brussels suburban service

In 2004, the first great steps in the building of the Regional Express Network around Brussels were taken forward:

- > From the transport plan of December 2006 onwards, the Federal Government will make up for the operating loss resulting from an offer of 2 trains an hour for a whole day on 6 railway lines to Brussels.
- > The State also gives securities for the procurement of 50 REN and takes an option on another 107 power cars. In the course of year 2004, SNCB/NMBS drew up functional specifications for the procurement of power cars. Five manufacturers made an offer for 8 types of REN sets. SNCB/NMBS will review the various offers during year 2005.



Trading policy

After 2003, a year that was rather a transitory period from the point of view of trade, a new approach guaranteeing continuity was made concrete in year 2004.

In this year, the range of products and tariffs was adapted twice: on 1st February and on 1st October. Those modifications, in fact tariff adaptations and simplifications, made this range both more open and more attractive to customers.

On 1st February prices increased by 3.12% (rounded-off prices): tickets by 3.1% and Passes and season-tickets by 3.2%.

On 1st October SNCB/NMBS started the 2nd tariff-simplification phase. The Multi Pass and Ozone season-tickets were withdrawn from the tariff range while the time restrictions applying to other multi-journey season-tickets such as Go Pass and Rail pass were abandoned, thus making them slightly more expensive. The tariff granting a 50% discount was limited to the price of a journey, as applied to the Rail pass (1st and 2nd class). The new 50%-discount season-ticket became available only as a yearly product though at a lower price (€ 100 instead of €151). The price of season-ticket yearly validations was raised and set at 10 (instead of 9) times that of a monthly validation.

Despite those two adaptations, the prices in domestic service remain low if compared with those of neighbouring railways (the level of the rates applied by SNCB/NMBS is lower than that of the European average) as well as with the actual costs the use of a private car entails.

In addition to these 'internal' adjustments, a series of steps advocated by the political authority also played a major part.

The drive in order to instil loyalty into season-ticket holders gradually waned and came to a close on 1st January 2005 (the electronic wallet balance being maintained).

Besides, SNCB/NMBS made the drive entitled "free home-to-work commuting" concrete in the following way: if an employer commits himself to paying 80 % of the price of a season-ticket (SNCB/NMBS's part), the State pays the remaining 20 %. In consequence a lot of employees (federal civil servants, employees of BIAC, Belgocontrol, Belgacom and La Poste) have since 1st March been travelling by train free of charge. Since 1st July the STIB sur-tax included in season-tickets has also been benefiting by that measure.

And since 1st January 2005 that free-travelling promotion step has also been extended to the private sector. An ever-increasing number of customers moreover opted for the yearly validation.

The potentialities of international short-distance traffic were not left untapped: since 30th August, SNCB/NMBS has been marketing the one-day validity Trampoline ticket (for adults). This ticket is valid on the lines Tournai-Lille and Kortrijk/Mouscron-Lille.

A “long-term” strategy

A “long-term” strategy was developed and then negotiated with all “stakeholders” of SNCB/NMBS.

That strategy is meant to attract more travellers, to keep the existing customers and to satisfy them more thoroughly whilst increasing the income. It showed through some striking initiatives:

- > During the 1st half-year and in the scope of the drive entitled “Minder Hinder” (less hindrance), SNCB/NMBS spoke to commuters moving by car around Antwerp. The intention was to inform them of the extent (of the 1st phase) of the work on the Ring of Antwerp and to propose an alternative commuting method in the form of a strengthened ‘train offer’ (providing additional trains and reopening stopping points). The aim of that drive being not only to attract customers to the train alternative for the period of the work but also, and above all, to keep them afterwards, those efforts will be carried on in 2005;
- > A week before the ‘mobility week’ was launched, SNCB/NMBS set up a drive to make the car drivers aware who daily commute to Brussels for their job. Some 10,000 brochures were distributed at the heaviest cross-roads of Brussels. Those brochures contained a slip entitling to a very favourable fare for a ‘test trip’ by train;
- > Since 8th March the sale of tickets by Internet has officially started (e-ticketing with home printing). More than 65,000 tickets have since then been sold through that distribution channel, an amount accounting for an income of 600 000 €. On 25th October the system was extended to the order and payment of the validation tickets of the network, journey and school season-tickets, with postal delivery;
- > Between 26th October and 22nd November the drive entitled ‘speed’ was launched. That well-fleshed-out drive laid stress on the journey-time saving (minimum 10 minutes, in comparison with the car) 8 services to Brussels, Antwerp or Ghent represent;
- > The number of enrolments for the drive entitled ‘Go Pass Gate’ scored 26,688 in the course of year 2004. Three thousand and twenty-five out of the six thousand and forty-two new enrolments took place in November, following the drive ‘Go Pass Gate’ and the creation of the new Website about it. The sales, for that particular ticket, reacted well because of the advertising efforts into this new Website and the withdrawal on 1st October of the time restrictions on the use of that season-ticket;
- > Since July newsagents of the chain Alvadis have been selling Go Pass, Rail pass as well as Key season-tickets;
- > Various market surveys took an interest notably in customers’ satisfaction, in the priorities of the latter with regard to the services provided in stations and on board trains and in the reasons why they commuted by train from home to work. Moreover, car commuters were also put questions to, in order to discover why they did not commute by train.





Quality

Satisfaction of the customer

As in previous years, customers were surveyed in order to fathom their satisfaction. Those surveys were concerned with a series of service aspects and in particular with the punctuality of trains, the information in stations and on board trains, the comfort and cleanliness of the rolling stock as well as the welcome by station and train staff. In those respects, the overall customers' satisfaction jumped from 7.25/10 to 7.44/10.

All indicators scored higher marks in 2004 than at the

end of the previous year. The greatest improvement was felt in the field of train cleanliness the marks of which rose from 6.42/10 in 2003 to 6.70/10 in 2004. This improvement is the result of a process that was launched a few years ago.

We noticed the same phenomenon with punctuality the score of which rose from 6.74/10 in 2003 to 7.00/10 in 2004.

Sustained efforts must however go on focusing on the following criteria: frequency, price and cleanliness.

Punctuality of runs

Railway traffic regularity improved during year 2004. The regularity rate chalked up 95.7 % as against 95.3 in 2003, after neutralisation of the delays due to force majeure, to the execution of large investment plans and to long-duration slackening for reasons of safety (article 59 of the Management Contract).

For the third year in a row, SNCB/NMBS met the standard laid down. Without neutralisation, regularity figures add up to 93.2 %, i.e. a progress by 0.6 % if compared with 2003.

At international level SNCB/NMBS is still one of the best railways from the point of view of regularity.

The number of infrastructure failures fell, if compared to 2003, and their consequences dropped by 20 %.

Some 25 % delays are ascribable to third parties. Having few or even no control over such delays, SNCB/NMBS endeavours to limit their consequences as much as possible.

Among the causes of those delays, we notably find the suicides or suicide attempts, bomb scares, accidents at level-crossings with involvement of third parties, wilful damage caused to level-crossing installations, acts of vandalism, assaults and bad weather.

Train cleanliness

Definite progress was made in this field. New working methods were developed and adapted in the course of year 2004. The application of a standard measuring system made it possible to follow up the compliance with cleanliness criteria continuously. The result of those measurements was compared to the perception of cleanliness, as stated in the quality barometer.



Seat sufficiency

Huge efforts were made in 2004 in order to provide travellers with a greater number of seats through the coming on stream of new or renovated rolling stock as well as through a real-time follow-up of train composition and load factor that allows a flexible adaptation of the offer to the demand.

City Rail

Five suburban services around Brussels were officially launched on 15th December 2003. The guidelines of City-Rail are notably the use of the renovated two-coach power cars, a daily follow-up of train composition, regularity and load factor, and a regular follow-up of station and train cleanliness. Those follow-ups are ensured by the information train guards pass on through their SMSes on the one hand and by the appointment of a person in charge of quality on the other.

The necessary steps are taken whenever unevenness is noticed. Since March 2004 those five services have been included in the surveys pertaining to the quality barometer and the train-load factor is followed up separately. There is moreover a permanent follow-up of train regularity and composition, station cleanliness and rolling stock type allocation and cleanliness.



Train accompanying

Recruitment, basic and continuous training

A hundred and four train guards were recruited in order to compensate for natural wastage. These employees are attending a 97-day basic training. During that basic as well as the continuous training, the stress is laid on the part the train guard is to play with regard to customers. He is thus an ambassador of SNCB/NMBS who is also in charge of passenger safety and comfort, and takings.

Service and professional attitude

The basic training not only covers the passing-on of knowledge of the necessary technical and product items but also includes a special module entitled 'professional attitude of the train guard'. This module tackles the following topics:

- > Function and profile of the train guard;
- > Prevention and attitude;
- > Transactional analysis;
- > Communication;
- > Respect for and understanding of foreign cultures;
- > Conflict management.

Special Control Squads

While the activity of Special Control Squads was restricted to the area around Brussels at the beginning, it has gradually stretched out. New squads are now operating from Liège, Namur and Arlon onwards. And Antwerp, Bruges, Kortrijk and Mons will have their turn at the beginning of year 2005.

'Real-Time' information

Plan 'IRT' (improving real-time information) has become permanent. Special attention was paid to the detection of 'weak links' in the transmission chain in order to make management more efficient. The aspects relating to information transmission are also taught by means of specific exercises during continuous training sessions.

Coaching

Plan 'coaching' was started in 2004. Coaching (there is one coach per group of 40 train guards) aims at enabling train guards to better blossom in their job and to make the 'down-to-top' communication easier so that it is possible to adapt the information transmission policy and focus on the customer permanently.

Ibis

The first portable terminals, the substitute for IVETTE machines, are coming out in service. Since 14th September six train guards have been working full time with a new IBIS portable terminal during a 'test' phase. The train guards who have completed basic training in the meantime are also working with that new tool only, so that 51 such machines have already been apportioned to 6 different depots.

The new application will help to improve the quality of service and connect to 'route management' and to rolling stock managers in countless new ways. It will be possible to follow up train composition and load factor more efficiently. Reports on faulty rolling stock, on malfunctioning with an impact on the comfort of passengers will also be communicated much more easily.

International passenger transport

Europe, the new trip size

High-speed traffic: more than 30% of the turnover of the activity passenger of SNCB/NMBS and 77% of the international service

Since its start, this traffic has increased by 80%

Traffic evolution

In 2004, the international traffic on the national territory - expressed in number of passengers per kilometre - scored 1,347.6 million, i.e. an increase by 0.8% if compared to the same period in 2003 and the transport turnover chalked up € 181.9 million showing an increase by 3.2%.

The turnover of the activity 'international passengers' - abandoned in year 2004 - including the foreign part of market prices of year 2003, dropped by 0.6 % all in all.

High speed

After a moderate performance in year 2003, the traffic relating to the activity high-speed (Thalys, Eurostar and Brussels-to-France HSTs) showed promising results for 2004.

The traffic - expressed in passengers-km - and traffic revenues increased by 7% and 10.8% respectively.

After a fall in year 2003, during which we witnessed a drop in traffic, Thalys transport results are on the increase again and even show a recovery in 2004 (+2,6% in passengers-km et 2,1% in passengers) despite the reduction by a daily return service to Amsterdam and Cologne. This recovery is the result of new tariff offers, communication drives and partnerships.

All routes made progress in terms of traffic, with the exception of the service between Paris, Brussels and Germany where we noticed a drop due probably to the German operator being rather unknown. Transport revenues increased by 8.8%.

Traffic and turnover of Eurostar services both recovered significantly as a result of the commissioning of the new high-speed line in England on 28th September 2003, which shortened the journey time by 20 minutes, and thanks to a business strategy focused on the segment "business" customers.

In the course of year 2004, Eurostar transported another 18.5% passengers, if compared with 2003 and its market share rose to 63 % on the line Brussels - London at the height of the year.

The Eurostar traffic between Brussels and Lille accounted for 224 thousand passengers in 2004, which amounts to an increase by 13.7 % if compared with 2003.

The number of passengers-km and the transport revenues increased by 29.9% and 26.1% respectively.

The traffic Brussels - France keeps on making progress, its number of passengers-km and traffic revenues increasing by 10.2% and 4.6% respectively. In 2004, high-speed trains (Thalys, Eurostar and junction HSTs) accounted for 71 % of the traffic expressed in passengers-km and 75% of the transport revenues.

Conventional traffic

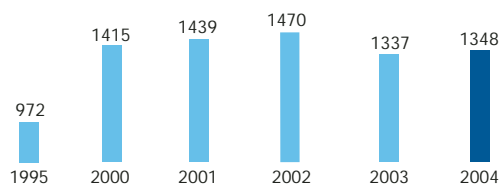
The evolution of international conventional traffic is directly affected by the restructuring of the offer, i.e. the cessation of operation of trains at market price under SNCB/NMBS management and the operation on a contractual basis of trains farmed out by and generating no traffic for SNCB/NMBS.

The number of passengers transported on the Belgian territory dropped by 8.6% and the traffic, expressed in passengers-km, registers a drop by 11.1%.

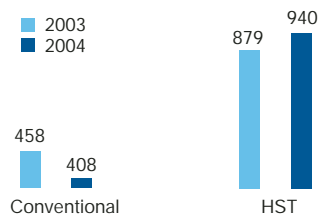


International passenger traffic	2004	2003	Difference	Difference %
Number of passengers (million)	13.38	13.42	-0.04	-0.3
Number of passengers-Km SNCB/NMBS railway (million)	1,348	1,337	11	0.8
Traffic revenues (thousand EUR)	181,892	176,250	5,642	3.2
Turnover (thousand EUR)	208,525	214,899	-6,374	-0.6
Average passenger journey (km)	100.7	99.6	1.1	1.1
Number of passengers a high-speed train	237.8	225.1	12.7	5.6

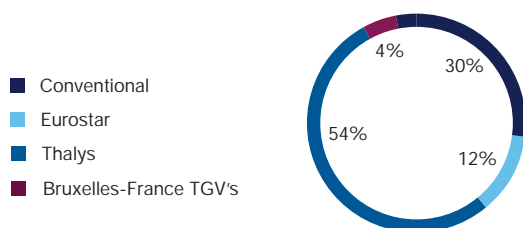
International traffic
(million passengers-km on the Belgian network)



Conventional traffic and HST's
(million passengers-km)



Turnover apportionment
international traffic





The train offer

Thalys

Since September 2004 the railway services providing a half-hourly service on weekdays on the route Paris – Brussels have been cut by one outward and return. Thalys has since then been doing 25 returns a day.

A drop in traffic on the services Paris – Amsterdam and Paris – Cologne resulted in these two losing one return a day since 14th December 2003. This is how the Thalys 9412 / 9445 pair of sets was limited to Liège-Guillemins station.

In the course of year 2004, 5 daily returns were maintained on the service Brussels - Roissy-CDG – Marne-la-Vallée (Disney-land Resort Paris) in order to be able to serve Charles De Gaulle airport during the heavy landing and take-off periods.

The initial offer has been fleshed out adding seasonal trains to the French Alps (Bourg-St-Maurice, Moutiers) and Geneva in winter and Marseille in summer.

Eurostar

In 2004, nine Eurostar sets ran in each direction, on the Brussels – London service on weekdays. This figure was cut to seven on Saturday and Sunday.

Thanks to the commissioning of the first part of the high-speed line in England in September 2003, year 2004 was the first one during which the journey time between the continent and London was shortened. The shortest Brussels – London journey time - without stop at Lille - is 2h15 minutes. With the other Eurostar trains, it takes 10 minutes more.



Brussels – France HSTs

The train offer remained unchanged for the whole year, with 1 daily train to Nice, 2 to Marseille, 1 to Perpignan and 1 to Bordeaux. Besides, a service (an outward journey on Friday and a return one on Monday) weekly served Grenoble.

ICE

The ICE offer remained in 2004 as it had been in 2003, i.e. 3 trains a day in each direction, between Bruxelles-Midi and Frankfurt Hbf, with intermediate stops at Liège-Guillemins, Aachen Hbf, Köln Hbf et Frankfurt airport.

As a result of an imbalance between costs and revenues, SNCB/NMBS terminated at the end of June 2003 the contract for the running of ICEs entered into with the German railways (DB AG). A new contract has come into effect since 1st July by which those trains are run at the commercial risk of DB AG that pays an amount to SNCB/NMBS to cover infrastructure maintenance costs.

Conventional train offer

The activity 'night trains' formerly organised by SNCB/NMBS came to a close with the last train of accompanied motorcars to Saint-Raphaël in the South of France on 26th September 2003.

The night train 242/243 Paris – Brussels – Berlin/Hamburg and, since 13th June the night train 349/347 Brussels – Warsaw – Moscow have been running on a contractual basis, SNCB/NMBS being paid for its infrastructure maintenance costs. As a result it no longer shares the revenues thereof.

As for day conventional trains, the EC 90/91 trains Vauban to Milan, 96/97 Iris to Zürich and 295/296 Jean Monnet to Strasbourg kept on running. Since 12th December 2004, the EC 90/91 train has however been limited to Brig and the EC 295/296 train runs further to Basle.

Sale, distribution and welcome

Diversified sales and information channels
Closer to customers through 'on line' techniques
An improved welcome infrastructure

Ticket selling

Domestic service tickets

Tickets

Since 12th March 2004, customers with an internet connection can purchase a certain number of tariff products on-line (e-tickets), through a simple and secure system, pay via the system Banksys and print their tickets at home.

Each ticket has been protected against possible fraud, notably by means of a product code, in fact an illustration changing every day and a bar code. Train guards can thus spot forged tickets immediately.

Season-tickets

School, journey or network season-ticket holders can renew these through Internet, at home, and no longer need to queue up at the office window.

Similar to that for buying tickets, the procedure for this renewal is simple and comprised of several steps. The payment is made with a credit card or Bancontact (using a C-ZAM terminal). After he has made the request, the customer receives an acknowledgment e-mail. The validation is sent by post on the working day following the order. To be sure to receive the tickets at home in due course, the request for validation must be carried out minimum 10 days in advance and maximum 31 days before validation.

International transport tickets

Selling of tickets by SNCB/NMBS

Stations

As far as international journey booking is concerned, the customer can apply to the main stations where he will also find leaflets on the international offer from Belgium. An ever-increasing number of customers order their tickets by phone and, in particular, by Internet.

Sales by phone

In the scope of international sales the call centre suggests tickets for Eurostar, Thalys and the HST. It also plays an important part in the after sales service – exchange or cancellation of tickets. Customers booking by Internet can also get assistance from the call centre, if need be. In 2004, the call centre received some 400,000 calls.

Information by phone

The call centre in charge of the information on international journeys received slightly more than 325,000 calls. This call centre gives particulars on all high-speed trains as well as on international conventional trains from or to Belgium.

Call centre 'sale' and 'information' functions

The aim is to have a single call centre gathering both the information and sale functions together, a call centre that can be called every day dialling 02/528.28.28. First, the information staff, as a whole, was also trained to selling. In the course of the first half of year 2005, the staff coming from the former Telesales will be trained to giving information about conventional products. This merge is aimed at improving the service to the clientele: customers can now get information and book a seat in a single phone call, a rationalisation thanks to which the accessibility to the call centre will increase.

On-line sales

The sale via internet site www.sncb.be really took off during year 2004, Thalys, Eurostar and HST ticket sales increasing by 61 %. Customers booking by Internet pay their tickets with their credit card and can then pick them up at the office window or a vending machine in one of the 19 stations having one. Tickets can also be sent by post.

In December 2004, the offer of products provided by Internet was extended to the conventional Brussels - Amsterdam service. The tickets for that service and the intermediate stations can be ordered by Internet and printed at home. User-friendliness is therefore ensured. The same also holds true for Thalys customers who can order some ticketless travelling products, providing that they join programme Cybelys. Customers taking advantage of the Thalys last-minute offer can book tickets on the site and print them at home.

Thoroughly reshaped since May 2004, the Internet site and its booking module will be advertised and explained through an e-mail information letter sent every month by SNCB/NMBS. Customers, who are interested in it, can enrol through the site. Contests are also regularly organised, under the heading 'travelling through Europe'.

The customer can moreover find detailed information on the train offer and on the interesting and unusual things or events of the regions those trains serve. He can in addition download most of the recent brochures. Should this information still prove insufficient, he may then send his questions by e-mail.

Sales by outside distributors

The rise in sales through travel bodies in 2004 is due to an increase by 12.7 % in the business segment.

This improvement is chiefly due to a recovery of economic activities in general and to the increase in Eurostar sales as a result of the reduction in journey time.

Ticket sales in the tourist segment, increased by 25 % but the sales of international traffic tickets included in the offers of tour operators on the other hand stagnated.

The increase in the 'tour operating' segment barely scored 1.25 %. But as this segment had registered a sharp increase in 2003 it could nevertheless keep a strong position on the market throughout 2004.

Cooperating with carriers in the field of distribution

In order to strengthen the international-traffic passenger-transport offer, carriers entered into marketing agreements with each other as concern the different travel agency market segments.

Each market segment is managed by an account manager who is submitted a marketing plan developed in collaboration with the carriers.

The various market segments are: business travel, leisure travel, tour operating, incentives & groups and the Rail Service Centre (RSC).

Rail Service Centre (RSC)

In charge of the sale of transport tickets for travel agencies not issuing tickets themselves, the Rail Service Centre went through a period of sluggishness if compared with 2003. The reason for the drop in sales is the cessation of nighttrain operation in international traffic. On the other hand, the increase in sales of the HST offer compensates for the loss of those night trains.

In the scope of the development of the Rail Service Centre as a centre competent with regard to the railway offer in international traffic, the commercial development of the sale of group tickets to schools takes place in collaboration with the specialised media.

The train offer in Canada, the United-States (Amtrak), Australia and New Zealand has also been launched.

Sale application @lantis

In 2004 the performance of application @lantis improved as a result of the start of production of two new versions. The launch of the Ticketless function for sale of Thalys tickets in September 2004 was a trump.

By the end of 2004, some 3,000 Ticketless tickets were sold per month. The function 'home-printing', which enables the customer to print his ticket himself at home, is now available. The travel agent can thus himself market the 'home-printing' offer.

Travel agents can use the vending machines free of charge since the end of year 2004. Some 4,000 tickets – which makes 2,100 files – have already been issued by vending machines to travellers.

BeNe Rail International

The developments planned inside the Joint Venture BeNe Rail International between SNCB/NMBS and the NS were seen through. NS Distribution, a company in charge of the sale in stations, by Internet and through travel agencies, is now exclusively using the sales application common to both railways.

The module enabling travel agencies to sell by Internet has been simplified and its production started.



Serving customers

Countless contacts with customers

In the course of year 2004, the Central Department Customers took a great step forward towards the implementation of a multifunctional contact centre.

On 1st January 2004, the phone information service (CINTER) joined the team. As of that date customers no longer had to apply to the Central Department Customers to lodge a complaint, make a suggestion or remark but could also apply to that call centre by phone for any requests for particulars concerning their trips.

Customers' reactions

The Central Department Customers counted 20,458 written reactions in 2004. These are not only complaints but also positive suggestions. By comparison, we transport more than 700,000 passengers on an average weekday.

The call centre for information to customers answered to more than half a million calls (522,553) in 2004, which makes another 5.7% if compared with last year. This increase is due notably to the fact that customers dialling to a station for information are from now on automatically transferred to the unique Central Call Centre call number.

In 2004, more than 200,000 irregularities were reported, as against 188,500 in 2003.

Last year 28,130 personal effects were sent to the Central Lost Property Depot; 2,330 of them were eventually handed back to their owner. Moreover 15,000 other lost property items were returned to their owner without transiting through the Central Lost Property Depot. Thirty-nine per cent lost properties were back in the hands of their lawful owners.

Information

Action plan for information to customers in case of traffic disruption

The implementation of action plan 'Info Real Time' (IRT) went on in 2004. Sound installations were brought into service in more than 80 stations or stopping points.

Drives to make customers aware were carried on with. The overall performance of data-processing programs for support of information broadcasting was increased. All indicators (such as the quality barometer, for instance) show the broadcasting of information in case of traffic disruption has improved, whether this be in stations or on board trains.

Important specifications were published. They include notably: the development of softwares for a new type of passenger information system designed to give both visual and sound information automatically, the installation of that system in fifteen concentration areas of the network, the supply and installation of passenger information screens, to replace the old 'split flap' displays in 5 stations, the old 'varacter' displays in the stations of the Nord-Midi junction in Brussels and the old computers of the 48 train-announcement simplified systems, the supply of screens designed for a simplified train-announcement system in 48 medium-size stations as yet unequipped, the increase in display number in 14 stations and the supply of displays for the information system to use in case of crisis.

A better configuration of AriBus panels

In 2004, the configuration of AriBus panels (train - bus connections) in Kortrijk and Oudenaarde stations was modified in order to provide customers with a better service.

It was decided to make the same modifications to the panels in Vilvoorde.

The arrangement work came to an end in the new stations in Aalter, Gent-Sint-Pieters, Knokke and Waregem and started in Mol and Menen.

A new control program is now repeatedly checking that the whole system operates correctly. Its application has now been extended to TEC thus enabling to keep the quality level high.

The automatic record of delays through Artemis has been reviewed and optimised in order to maintain the high-reliability of the system.

The new version of the program allows controlling panels in remote, anywhere on the network. We can therefore contemplate installing AriBus at unmanned stopping points and maintaining the connections at those spots. We are using this method in Deinze, Nivelles and Braine - l'Alleud for the moment.

Welcoming travellers

Platforms

Bordet stopping point was modernised (inclines, new lining). New raised-platforms were built in Chênée, Amay, Jambes, Anseremme, Mol and Baasrode-Zuid.

New halts were opened at Wolfstee and Schelle.

Zolder was reopened.

The plan for renewal of the platform shelters was carried on with.

Sound installations

Eighty-one new platform sound installations came on stream.

The train remote-controlled display of some fifteen stations has been adapted so that it takes account of a delay keyed in Artweb.

New equipment was brought into service:

- > at Bruxelles-Midi: the equipment of the new south gangway and the installation of screens displaying trains on arrival;
- > at Hal, a new simplified system;
- > at Antwerpen-Centraal and Leuven: follow-up of the station planning.

Station infrastructure

For the second half of year 2004, a study has been made with a view to quantifying station welcome structures. As stations are the first contact point with the train and services of SNCB/NMBS, it was important to analyse the welcome structures and their integration into the intermodality. That analysis is to serve as a base for drawing up budgets for investment in the welcome of travellers in stations.

Car parks

New car parks were put into service in Gent – Dampoort (173 parking spaces), Hofstade (32) and Boortmeerbeek (30). Another 42 parking spaces were arranged in Haacht.

New parking spaces were inaugurated in Ekeren and Sint-Katelijne-Waver in the scope of drive 'Minder Hinder' (Less Hindrance) and in collaboration with the Flemish Region. The parking capacity was increased at Duffel, Heist-op-den-Berg and Booischot. The rearrangement of both the car park and the freight yard has started.

Rearrangement of the car parks of SNCB/NMBS in Ans (270), Leuze (302), Luttre (170) and Châtelet (152) stations. Planning of a new car park in Arlon (200) station.

Bicycle sheds

New bicycle sheds were installed in Boortmeerbeek (50), Hoboken-Polder (36), Hofstade (28), Nijlen (180) and Sint-Niklaas (450 spaces).

At Herentals, 200 racks were replaced by a type with lock and the capacity of the bicycle park increased in collaboration with city authorities.

Another five hundred lock racks were installed around Antwerp in the scope of drive 'Minder Hinder' and in collaboration with the Flemish Region. Some 3,500 bicycle parking spaces were renewed.

New racks were installed outside Arlon, Charleroi, Mons and Soignies stations.

SNCB/NMBS installed 128 light-weight-motor-cycle lockers in five stations (Deinze, Duffel, Mouscron, Tournai, Zottegem) in order to provide a better protection against theft and vandalism. It is a test installation in which bicycles or mopeds can be completely shut in. The plan will be assessed at the beginning of 2005 and, if found convincing, extended to other stations.

A controlled-entry device was put into service on the bicycle-storage room of Soignies station and a new bicycle-storage room under surveillance fitted out in Braine-L'Alleud and Charleroi stations.

Left-luggage lockers

Extra left-luggage lockers were installed in Blankenberge, Bruxelles-Midi and Gent-St-Pieters, and others put into service in Arlon, Charleroi-Sud, Dinant, Tournai and St-Niklaas stations.

Freight transport

**B-Cargo is getting reorganised:
new transport plan, new structure
Improving the quality of the service to customers
Restoring profitability and competitiveness
Opening up to Europe (73% international traffic)**

Traffic evolution

Started in the second half of year 2003, the recovery of the Belgian economy became stronger in 2004. That evolution showed through the results of the activity freight in 2004.

In the course of year 2004, the traffic totalled 58,454 thousand tonnes and 7,691 million tonnes-km, which makes 4.9% and 5.5 % more than in 2003 respectively.

Totalling € 333.5 millions, the turnover, for the activity as a whole, shows a drop by 0.6% and transport revenues a rise by 1.7% (without the postal traffic, an activity that came to an end in 2004).

Heavy industry

The economic situation favourably influenced the traffic relating to heavy industry (fuels, ores, metallurgical products, construction materials and raw minerals, petroleum products) the increase of which scored 8% tonnes-km.

The transport of iron ores inland remains steady. The quality of dispatch is still a priority, especially as the most important customer committed himself to entrusting the whole of his supply to rail.

The transport of coal between Antwerp harbour and the East of France via the Athus Meuse line, an infrastructure inaugurated at the end of 2003, reached its cruising speed in 2004. This transport yearly totals 750,000 tonnes conveyed at a rate of 3 trains a day. A fourth path has been booked since the second half-year. The rest is conveyed by waterways by RKE (Rheinkraft), a daughter company of IFB (Inter Ferry Boats). The traction is performed end-to-end by a locomotive of SNCB/NMBS in the scope of interoperability agreements entered into with SNCF.

The organisation of the traffic flows of main metallurgy customers has taken a new turn since 2004. The largest batches or traffic flows are no longer dealt with by means of the usual private contracts but rather by calls for tenders, which exacerbates the competition between carriers.

The traffic between the Netherlands and Belgium also increased in productivity in 2004, notably after a grouping together of several traffic flows: delivery of lime and dispatch of steel industry finished products.

The sector construction materials and raw minerals is characterised by an extension of the types of traffic existing in Belgium and by the reinforcement of certain types of train traffic to Germany. Besides, the allocation of planned block trains to certain traffic flows made it possible to significantly cut the number of wagons used.

In mid July 2004, a lime transport flow was started at a rate of 8 regular 2,700 gross-tonne trains a week between Yves-Gomezée (Walcourt) quarry and Millingen (Germany). This is one of the first instances of subcontracted international traffic in which B-Cargo is acting as a traction provider on its own network.

The transport of petroleum products, as a whole, dropped slightly. According to the destination however, we notice either a sharp increase (transport on behalf of new customers) or a relative decrease (a direct result of the sharp rise in the prices of petroleum products).



Light industry

Taking the number of tonnes-km transported as a base, light industry traffic (farm produces and foodstuffs, fertilisers, chemicals, automobiles and miscellaneous products) showed a slight drop on the whole.

The chemical sector shows a sharp rise due to favourable economical circumstances.

In the sector farm produces and foodstuffs, we notice a significant increase in inland sugar transport, in spite of the close-down of the sugar plant at Genappe. The laying of a private siding in mid September made it possible to launch a new barley traffic at the rate of one block train a week. B-Cargo thus succeeded in increasing its market share significantly. Mineral water transport also rose in volume.

The improvement noticed in the field of wood transport is due to a route modification. While the largest international flows from Belgium to Italy formerly passed through France, we have now opted for a transit through Germany, Austria or Switzerland. The starting point for the development of wood waste block train traffic was defined. Paper transport has been organised from Langerbrugge to France, Germany or Britain on a regular basis.

The transport of cars slightly falls in volume but rises in tonnes-km. B-Cargo won back two traffic flows to Germany it had lost to a competing railway operator. The traffic to Poland is markedly on the increase. The traffic of car spare parts for some customers also showed a significant rise.

Full wagon load freight traffic	2004	2003	Difference	Difference %
Tonnage conveyed (thousand)	58,454	55,732	2,722	4.9
Number of tonnes-km (million)	7,691	7,293	398	5.5
Full wagon load transport revenue (thousand EUR)	295,441	290,547	4,864	1.7
Turnover (thousands EUR)	333,563	335,432	-1,869	-0.6
Average journey of one tonne (km)	131.6	130.9	0.7	0.5
Average tonnage per train (tonnes)	445.5	419	26.5	6.3



Intermodal transport

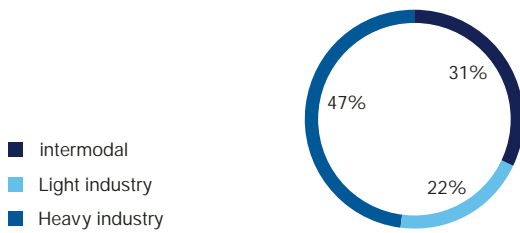
Intermodal transport, one of the most important sector for the rail, went through a good year.

The volumes transported (+16.8% in tonnes; +5.5% in tonnes-km) are sharply on the increase, if compared with year 2003. The improvement of the economical and financial position of a certain number of non-profitable contracts on the one hand, and the re-engineering of transport organisation and/or the significant increase in prices, where possible, on the other hand certainly had an impact on that result. Contractual prices are gradually being quoted per wagon instead of per ITU (Intermodal Transport Unit). B-Cargo works with traditional railway undertakings (as a partner or as a subcontractor) as much as with newcomers on the market. This market segment is one on which new railway undertakings put ever more competitive pressure. These new competitors show very much interested in the organisation of intermodal shuttles between terminals.

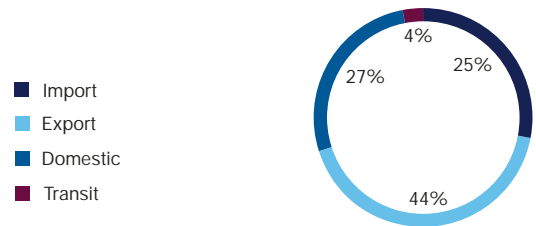
Planned to take place in 2004 and 2005, the maintenance work on the Ring of Antwerp, one of the most jammed road artery in our country, called for urgent steps to be taken in order to absorb road freight traffic.

SNCB/NMBS and the Minister in charge of public business undertakings jointly organised transport system NARCON (National Rail Container Network). NARCON is a 12-shuttle-train network daily linking the hinterland to Antwerp harbour, via the Main Hub of IFB, and ensuring a day A/day B delivery service between the terminals located in the national hinterland and the wharfs. This network is no doubt an answer to road mobility problems. In that way, no less than 1,500,000 trucks-km are removed from the road network each month.

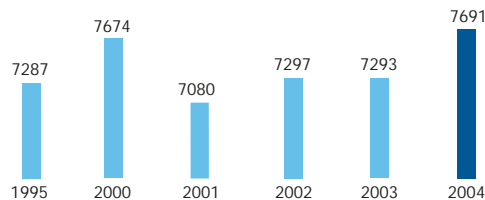
Apportionment of traffic per sector (million t-km)



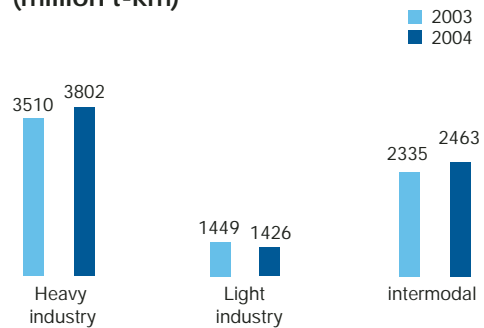
Apportionment per traffic flow (million t-km)



Full wagon load freight traffic (million t-km)



Evolution of freight traffic (million t-km)



The group freight of SNCB

The transformation of B-Cargo, which started on 1st January 2005, was prepared in the course of 2004. The aim the company set itself through that largescale operation is twofold: to improve the quality of the service provided to customers and to restore the profitability and competitiveness of the undertaking on a freight transport market where competition has become particularly fierce since 2003. The freight traffic as a whole will come within the scope of the European Directives as early as 2007 and be completely free from restrictions. It is essential that B-Cargo be ready to take up that challenge.

The consequences of this ease of restrictions are already perceptible in Belgium. A few railway operators have developed, either through operations they are conducting on the Belgian territory or through the pressure they are bringing to bear on B-Cargo in providing services from the borders of our country.

In order to take up the twofold challenge of being competitive and stable again economically speaking, B-Cargo will from now on be responsible of both its human and material means and have control over the railway freight transport production process as a whole. B-Cargo notably manages the interface with customers in particular in freight stations, shunting yards and distribution stations. In the field, the network as a whole was rearranged in 5 large zones called Rail Cargo Centres (RCC). These are located in Antwerp, Liège, Ghent, Charleroi and Brussels and further include decentralised platforms (Genk, Muizen, Stockem, Châtelet, etc.).

B – Cargo: a European operator

In order to take up the challenge of that competition, B-Cargo must assert itself abroad as quickly as possible and show it is a Europe-wide operator.

SNCB/NMBS that already has a European railway undertaking licence must for this purpose also get valid safety certificates for neighbouring countries and enter into an admission agreement with the Infrastructure Managers of the corresponding railway networks.

B-Cargo got a safety certificate for the Netherlands in 2004 and has already started transportation under its own licence. A request for a safety certificate has been put to France in order to be ready to run on its network autonomously by the end of 2005. No safety certificate is necessary in Germany for the time being but preparations are in progress in order to be able to start operations specific to B-Cargo.

Improving the service to customers and productivity

The screening of contracts started in 2003 in the scope of restructuring was carried on with. The aim is to rationalise the range of business and to find solutions allowing balancing traffics, which have proved non-profitable up to now, through a constructive dialogue with customers.

Managing freight traffic

Transport plan 'TOP' (for Transport OPTimisation), a twenty-year-old tool, was replaced on 12th December 2004 by a new one called "QuoWadis" (for QUality Operations for WAgon DIS-tribution).

The installation of the "Cargo Operating Centre" ("COC") is in progress. B-Cargo will soon have a central body allowing a follow-up of its traffic in real time, the guarantee of an optimal management. Cell 'Car-in', a unit already busy following up a large number of freight trains in real time and informing customers as to the running of their trains, is the heart of that 'COC'.

B-Cargo wants to widen the range of services it intends to provide to customers relying therefore on the expertise of other companies of the Group SNCB/NMBS, which is how solutions involving various transport modes and combining rail, road and waterways can also be suggested.

The collaboration between IFB, B-Cargo and RKE (waterways shipping business taken over by IFB in 2004) was put into practice through the implementation of the following plans:

- > transport of ballast from Lessines and Soignies quarries to the Netherlands for the building of the Betuwelijn,
- > transport of coal from Antwerp harbour to the Lorraine for Creutzwald thermal station.

In 2004, potential customers got connected with the railway or reactivated existing industry tracks.

Since August 2004, the traffic from Belgian stations to foreign destinations as a whole has been managed by means of a data-processing system called 'Railed' (electronic consignment note); 75% consignments are keyed in directly by customers. The remaining 25% are 'a posteriori' keyed in by B-Cargo coding centres. Data are exchanged with foreign railway undertakings by means of 'Orpheus', an international system allowing the exchange of the data standing in consignment notes.

A diversified transport offre

The freight transport and planning activities were dominated by:

- > the preparation and implementation of the new transport plan QuoWaDis,
- > the materialisation and implementation of new train-planning procedures resulting from the modification of European rules enforcing the separation of transport activities and infrastructure management and the ensuing restructuring of SNCB/NMBS,
- > the development and partial start-up of data-processing tools for planning.

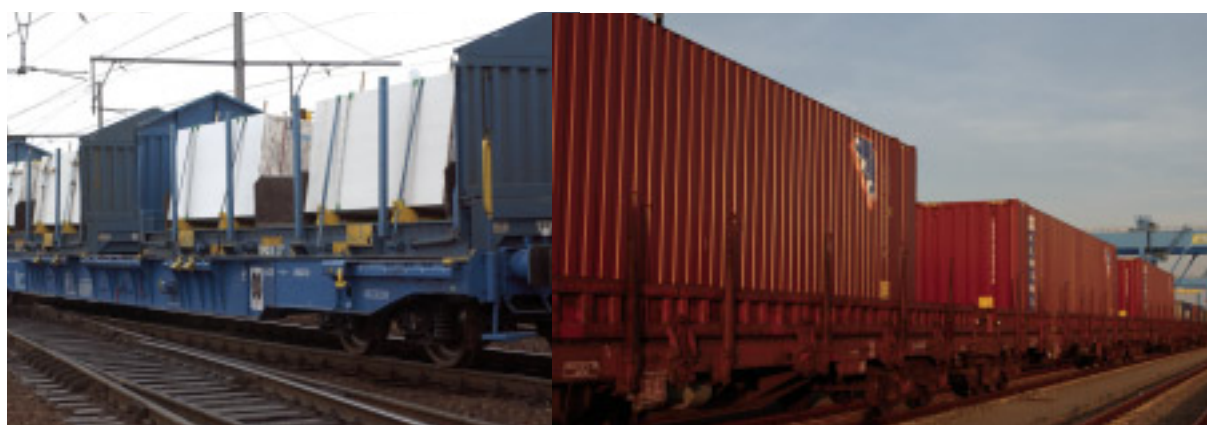
The transfer of the centralised freight-traffic management from Department Network to Department Freight was prepared so as to become effective as of 1st January 2005.

Thanks to new transport plan QuoWaDis, a noteworthy step was taken in collaboration with Department Trains and Department Network towards a significant reduction of production costs that nevertheless allowed providing customers with a service the quality of which they could still accept.

It is also worth mentioning we got both the licence and safety certificate for the Netherlands, which enables B-Cargo to start running transport abroad under its own management: since 12th December 2004, the transport to or from Budel has been carried out under regie. In that respect, distribution traffic in that zone will be carried out by B-Cargo from now on (through Antwerpen-Noord shunting yard instead of Rotterdam-Kijfhoek).

The development of new data-processing applications for planning was launched, which resulted first in the institution of a substitute for the former connection plan and the coming on stream of service Cargoweb for follow-up of traffic in real time. Both applications can be consulted via intranet and have been put at the disposal of customers.

After the restructuring of SNCB/NMBS, the section Planning put on its Sunday best thanks to a gradual merging of the functions specific to a 'railway undertaking' and by which it either runs or cancels regular trains in general and / or special or military consignments in particular, a change that has been taking concrete form inside the new Department Freight since 1st January 2005. This also applies to the aspects of the rules relating to freight-train planning, organisation and composition.



Wagon fleet

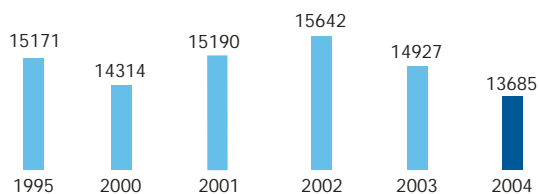
An important 'fleet-clipping' was conducted. Most of the wagons in excess were either scrapped or sold as second-hand rolling stock to railway undertakings of the new Member States of the European Union. This measure as well as the finalisation of a fleet management software made it possible to bring the wagon turn-round from an average of 3 to more than 4 loads a wagon a month. With such a result, B-Cargo has now become one of the most performant operators in Europe and even succeeds in doing better than the majority of privately-owned wagon operators.

The modernization of the wagon fleet is carrying on thanks to the procurement of special mixed wagons for the transport of hot coils and slabs. And in that same respect, existing wagons are being renovated in order to better meet the requirements of the market.

The wagon fleet belonging to SNCB/NMBS (including those hired out to other railway undertakings), service wagons not included, amounts to 13,685 units. If we take hired out and hired wagons into account, the total fleet available for commercial traffic amounts to 13,458 wagons.

	31/12/2004	31/12/2003
SNCB/NMBS-owned wagons	13,685	14,927
Wagons hired	826	998
Wagons hired out	1,053	1,309
Wagons available for transport by B-Cargo	13,458	14,616

Wagonfleet of SNCB/NMBS







Human resources

Human resources

Bringing the staff strength in line with company needs
Anticipating future needs, ensuring know-how handing-down,
using training to support revival
Increasing productiveness: + 9% in 2004

Staff strength

In the course of year 2004, 174 new employees were recruited, 87 of whom as statutory employees. On the other hand, 1,101 employees left the Company. The recruited statutory employees belong almost exclusively to two categories of personnel, i.e. driving staff and train guards.

On 31st December 2004, SNCB/NMBS was employing 39,289 paid employees, 37,889 of whom as statutory employees. This total staff strength is made up of 3,027 female and 36,262 male employees. On that same date, 4,970 employees were working under the 32-hour system and 553 half-time.

The staff strength year average, expressed in number of full-time equivalents, totalled 39,432 employees which is equivalent to a drop by 3.9% (ABX non-statutory staff not included).

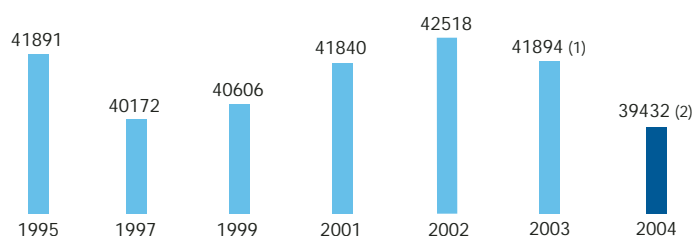
On 31st December 2004, there were 42,032 people entitled to a pension, of which 24,191 retirements and 17,841 survivors' pensions. If compared with last year, the pension number decreased by 1.2%, of which 0.9% were retirements and 1.6% survivors' pensions.

The number of early-retirement leaves, not included in this staff strength, totalled 1,769.

The productivity of staff, expressed in number of units transported per kilometre (passenger-km and tonne-km) never stopped increasing for the last years. Its rise, particularly significant in 2004, is the result of an increase in traffic (more than 5%) on the one hand and of the decrease in staff strength (almost 4%) on the other.



Average staff number



(1) 41015 without non-statutory staff ABX

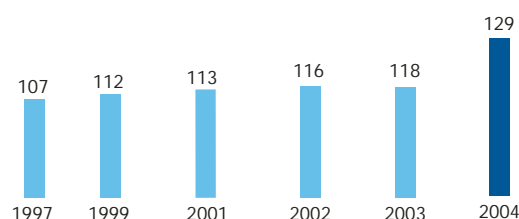
(2) without non-statutory staff ABX

Staff management

A social written agreement was clinched with the trade unions on 1st April 2004. Its application called for the following steps to be taken :

- > In order to increase the efficiency of the freight sector, specific Cargo trades were created. Grouping together of a certain number of skills, up to now scattered over several ranks, in a few Cargo trades allows an increase in versatility of the staff working in that sector;
- > The rules governing the reintegration of redundancies in the staff have been modernised, which ought to improve staff appointment;
- > Employees who have been with the company for at least 25 years, who have made a request to leave and who comply with some conditions concerning the age on the date of leave asked for, were presented with a leave system assuming the form of a career interruption under specific conditions;
- > In addition to the indemnity paid by the ONEm (National Office for Employment) for an interruption, a complementary allowance is awarded to employees over 50 who are entitled to a parttime career interruption.
- > The holiday pay amount was increased.
- > The face value of luncheon vouchers was raised to € 4.00 as of the service of 1st July 2004 and to € 4.50 as of that of 1st January 2005, through an increase in the employer's contribution;
The consequences of the introduction of a holding structure (three new companies on 1st January 2005) on personnel were dealt with during the preparation which took place in 2004:
- > SNCB-Holding will from now on be the employer of the staff as a whole. The conditions of that situation were settled through agreements by which this company is putting staff at the disposal of Infrabel and SNCB. The draft texts of those agreements were drawn up in 2004 and discussed with the trade unions;
- > At the end of 2004, each employee was appointed to one of the three new companies according to her or his activities.

Evolution of staff productivity * (1995=100)



* passenger-km + ton-km per active workforce without ABX and seconded





Technical Means

Technical means

Modernising installations and developing new ones

Regulating the use of liberalised infrastructure

Adapting the rolling stock fleet to the needs

Solving capacity problems, with comfort and quality as a bonus

Infrastructure

Infrastructure	1980	1990	2003	2004
Length of the network (km)				
Operated lines	3,971	3,479	3,521	3,536
Electrified lines	1,413	2,293	2,927	2,950
Lines equipped to take trains at 300 km/h or more	-	-	140	140
Level-crossings	3,929	2,720	2,108	2,104
Public	3,298	2,346	1,806	1,802
Private	631	374	302	302

New and modernised infrastructure

High-speed lines

In 2004, the HST plan made progress in several areas:

On the western leg, the improvement work at the entrance to Brussels is making progress.

On the eastern leg, earthworks for the laying of the new central tracks between Brussels and Louvain have started and these tracks will be ready for operation by the end of 2005.

At the same time, earthworks and civil engineering work on the curve for transition from L.36 to Brussels National Airport station (also referred to as Nossegem curve) were carried on with.

Work also started in Leuven at the level of the transition curve between L.35 (to Aarschot) and L.36 in the course of November. The commissioning of that curve has been planned for December 2006.

The structural work and building of the metal roof of the new station in Liège are carrying on.

Considerable progress has been made on the civil engineering sites on the line between Liège and the German border: The cutting of Soumagne tunnel was completed and the work on the last leg of the line via

Walhorn is in progress.

On the northern leg, to the Netherlands, underground earthworks between Berchem and Antwerpen-Centraal and those relating to this latter station itself have reached the last stage (level - 2). Track and platform equipment work has started.

The planning aimed at bringing the 4 level-2 tracks (Antwerp North-South junction) into operation by the end of December 2006 is still valid.

The structural work inside cut-through tunnels was completed in 2003, so that equipment-fitting work could be started in the course of 2004.

The civil engineering work and earthworks from the Havanastraat to the Dutch border are almost finished. Work at border level should be complete by spring 2005.

The commissioning of the high-speed line necessary to the international cross-border traffic has been planned for June 2006.



The REN network

The work for laying a third and a fourth track alongside L.50A between Denderleeuw and Brussels on the territory of two regions, i.e. the Flemish Region and that of Brussels-Capital, was planned.

As regards the Flemish region, the study on the impact of the work went on in 2004. The final version will be presented to the cell 'MER' in February 2005 in order to get the declaration of compliance as quickly as possible and then apply for a building permit. The latter ought to be issued after the summer holidays 2005. With the work on the Flemish territory in view a certain number of amicable expropriations have been carried out.

As for Brussels-Capital the impact study ought to be complete at the beginning of year 2005. If procedures take place normally we expect to get the building permit from Brussels-Capital in the last quarter of year 2005.

As concerns the plan Watermael-Schuman-Josaphat, civil-engineering work is in progress between Watermael and Schuman and studies for Bruxelles-Schuman station and the section going through the tunnel have been carried on with.

As concerns the extension of the section Watermael – Ottignies to 4 tracks, we have the city planning permits for Wallony and Flanders and the procedure for Brussels is in progress.

2004 was the year in which the study of impact was carried out with a view to getting the city planning permit for the plan for extension of the section Uccle - Nivelles to 4 tracks.

The other large-scale plans

The procedures relating to the North connection track of the National Airport (Plan 'Diabolo') are currently in progress. That link to Antwerp, a track laid in the central berm of Highway E 19, was deemed to have priority. The study of the impact on environment has been carried out this year. This central berm – airport connection will be financed by means of a PPPS (Private Public PartnerShip) as planned.

Tunnel Liefkenshoek (a railway tunnel under the Schelde at Antwerp) was put first on the list of priorities. The procedure for assessing the impact on environment was decided on. The financing of the plan has not yet been decided on because of a lack of means in the investment budget. Other ways will be explored: PPS (Private PartnerShip) or interim financing by the region.

The aim is to finalise the whole of those procedures as quickly as possible so that work can begin in autumn 2006.

Work in the North-Midi junction at Antwerp was carried on with. We expect the first train will run through it in 2006.

Huge investments are also being made in the entrance to Antwerp harbour, in particular as regards the Left Bank. Deurganckdok will be put into service in 2005. In that respect we must also mention the work for extra tracks (already completed) and the electrification of L.10 (Waaslandhaven – Zwijndrecht). The electrification of that line had already started in 2004. Completion will be achieved in 2005-2006.

Modernising railway installations

Another two bridges were built in record time across the Ringvaart, on L.50A, between Gent-Sint-Pieters and Landegem, an event that attracted the attention of medias. In the meantime, the next phase had started. The extension of that section to 4 tracks is expected to take place between 2008 and 2010. The crossing of the high-speed line (L.50A) and slow-speed line over one another at the level of Gent-Sint-Pieters might possibly be commissioned in 2008 already.

The diversion of L.55 (Wondelgem – Zelzate – Terneuzen) in Ghent harbour at the level of the Kluizendok has been commissioned this year. The work is paid by the Flemish region.

The laying of a complementary 6-track yard has started at Genk-Freight. It is the first phase of a series of work that is to increase the capacity of Genk-Freight considerably. Infrastructure will be followed by signalling and electrification work on all tracks of the siding and on the curves for connection to line 21A /1 and 35/1. A traction substation must also be built, the whole of it having to be ready by mid 2007.

A new important transformation phase has started in Namur station: the construction of a casing-bridge allowing the crossing of lines 161-162 (Brussels – Namur – Luxembourg) and the main 125-130 (Liège – Namur – Charleroi) Walloon lines over one another. This crossing, which is located to the south of Namur station, ought to increase the capacity considerably

Work around Charleroi-Sud has been carried on with. Phase 4 is finished. Several phases have yet to be carried out. According to present forecasts, the simplification and increase of the station entrance speed ought to be completed by 2008.

The curve Aubange - Mont-Saint-Martin, in the extreme south of the country was completed and commissioned in December. There is thus an additional freight traffic entrance to France.

Rules for the use of infrastructure

Department Network carried on with the drawing up of addenda to the General Rules for use of the Railway Infrastructure (RGUIF, short for Règlement Général pour l'Utilisation des Infrastructures Ferroviaires). The main adaptations are:

- > a modification of the text relating to the acquisition of line knowledge: an IU (Infrastructure User) that wants to have his drivers acquire the knowledge of a line none of them has ever run on, will now have the possibility to let them have a run in the driving cab of a vehicle of another IU already running on that line;
- > the obligation for drivers to take a cellular phone on board by which to get in touch with the running regulating body or with a signalbox, if the communication means of an IM (Infrastructure Manager) fails to work or does not exist;
- > the publication of the modifications for raising the speed of freight trains in both G (100km/h) and P (120 km/h) regimes;
- > the modification of the conditions governing the run over certain level crossings: a 'bi-flash' lamp must be used instead of the 0.15 m disk representing road sign C 3;
- > the modification of the tasks assigned to the supervising employee, the employee in charge of shunting moves and the shunting operator;
- > the commissioning of the electronic system ARTWEB for train follow-up;
- > the introduction of the 'proceed with caution' notion and the modification of the provisions relating to train personnel, police staff or rescue teams and in particular to the presence of travellers on tracks.

In order to adapt the text of the General Rules for Use of the Railway Infrastructure to the modifications made to the structure of SNCB/NMBS and operative as of 1st January 2005, and also to put our Company in accordance with the legal provisions on the certification of train staff a new draft has been drawn up and is currently being approved by the Ministry of Mobility and Transport.



Railway infrastructure liberalisation

Accreditation of safety staff

In addition to SNCB/NMBS and Dillen & Le Jeune-Cargo railway undertakings, already holding it, several potential candidates have made a request for the safety certificate to the Ministry of Mobility and Transport. Department 'Admission to the Network' is currently examining their file with a view to issuing a staff accreditation certificate. Those candidates are Railion Nederland, Trainsport and SNCF Fret.

Fees

A new formula structure for calculation of the fees for use of the railway infrastructure was conceived in year 2004.

The reasons that led to the institution of that fee reform were the following:

- > make sure the railway infrastructure is used optimally;
- > make sure the means are used optimally;
- > make network users aware of their responsibilities;
- > put out of order the installations no longer used;
- > enable the Infrastructure Manager to return to the black.

The existing fee structure based on the use of lines, stations and terminal installations has been sharpened and extended:

- > The path – line fee remains as it was. The fee due when an allotted path has not been used, on the other hand, has been adapted. From now on, part of the fee will have to be paid according to the moment on which the operator is cancelling the path, except if the cancellation takes place more than 6 months before the date planned for running;
- > The path – installation fee for the use of station platforms or some siding tracks has been extended through addition of a surtax for prolonged occupation;
- > A fee for use of rake shunting, making-up or garaging was added. This is a shunting fee. It depends on the time for which a capacity has been hired out as well as on the workforce manning the installation and operating the points and crossing and on the technical equipment of the sidings.
- > Administrative charges for the analysis of capacity requests have been defined.

The various parameters involved in the calculation of fees have been adapted so that the sum of the fees collected for the use of railway infrastructure remains unchanged for a traffic that is constant.

The Board of Directors of SNCB/NMBS and the Minister of Mobility and Transport approved the new fee formula as well as the new parameters added to it in the course of 2004. The fee is mentioned in the Network Reference Document valid for the service timetable applicable from 11th December 2005 to 9th December 2006.

Rolling stock

Rolling stock	1980	1990	2003	2004
Locomotives				
Electric multi-system	27	52	102	101
Electric single system	222	329	284	283
Diesel, line	481	287	99	95
Diesel, shunting	388	332	274	290
Passenger rolling stock				
Electric railcars				
double	485	619	350	350
treble			258	258
quadruple	44	44	44	44
Eurostar sets			4	4
Thalys sets			7	7
Diesel railcars	87	24	96	96
Domestic traffic coaches	2,022	1,496	991	949
International coaches	366	330	385	373
Luggage vans	73	39	27	27

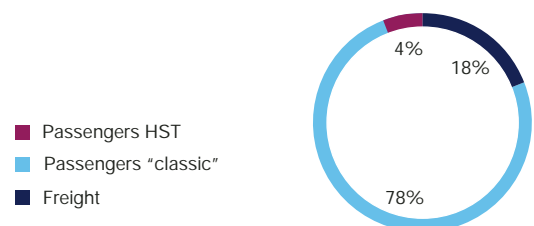
The main modifications made to the rolling stock fleet in the course of 2004 were the following:

- > the coming on stream of:
 - > 23 78-type shunting diesel-hydraulic locomotives;
 - > 40 M6-type double-decker coaches;
- > the withdrawal from service of:
 - > 1 line diesel locomotive;
 - > 7 shunting locomotives;
 - > 82 domestic and 12 international service coaches

Distance covered by tractive units



Distances covered by trains per sector



Information & communication

Computerisation

E-ticketing

A great step has been taken in the field of transport ticket selling. It is now possible for customers to purchase and print a ticket at home for any journey on the domestic network from the Internet site of SNCB/NMBS. That application was awarded the silver medal at the e-contest organised by the economic magazine Trends.

Computerisation of the freight sector

Plan 'New Taxation' provides a more open billing method as well as an easier access to information. Plan 'Mobile Gem', developed in collaboration with freight stations is about to undergo acceptance tests. It will soon be possible to have a look at and make requests in application 'GEM' (Electronic freight management) using PDA-type industry computers.

Application 'Cargo Web', a tool developed in collaboration with the COC (Cargo Operation Centre), allows the follow-up of freight runs in real time making use of the information contained in applications Artemis, Atlas and Gem.

Rolling stock maintenance

The follow-up of wagon maintenance has been computerised so that it is from now on possible to accurately know the cost of the interventions carried out on each separate wagon entering a workshop through a follow-up of the interventions performed and parts consumed.

The first part of application 'Visinet' has been delivered and it is from now on possible to visualise the management of the planning of traction workshops through the intranet.

An interface between application Mars (rolling stock maintenance) and Atlas (locating of tractive units by means of the GPS system) has been developed in order to enable the exchange of information on the availability of tractive units and ensure a better planning of servicing and maintenance operations.

Train running

Various improvements in that field saw the light of day. Tool 'Karma', for instance, is making the drawing-up of duty timetables much easier than before, as it allows an operational management of accompanying and driving staff signaletics. The plan enabling to manage rosters in the long term has been adapted. At the level of staff, for instance, optimisations taking account of economic and working-time humanisation criteria were added. The applications 'Artemis' for railway traffic realtime follow-up have been extended and strengthened in order to improve their efficiency.

Work information

An effort was put in particular into the information about working sites in progress on the railway network. Plan 'Infotravaux' is aimed at the circulation both internally (through intranet) and to customers (explaining posters in stations, internet site, programme 'Radio-Trafic' of the MET, teletexts on VRT or RTBF, newspaper Metro, etc.) of information both regular and reliable on sites in progress and their impact on railway traffic.

Computerization of infrastructure

A new application now allows the management of the technical features of civil engineering works as well as of the reports on their inspection.

New parts have been developed for application 'Ines', a tool for the purpose of department Signalling, which allows the management of level crossings, signals and track circuits.

The analysis phase of plan 'Supply Chain Management' has been completed. The aim of this plan is to replace with a single system the applications by which Department Infrastructure and Rolling Stock formerly managed the stocks and followed up the work of central workshops. The implementation of this new system will involve software 'SAP'.

Finance management

A first part of application 'Midas' came on stream. Midas simplifies budget check and follow-up. Since then, expenses have no longer been recorded after reception of an invoice but after provision of a service by a supplier.

To conclude, the impact the splitting-up of SNCB/NMBS into three separate undertakings will have on accountancy data-processing systems was carefully anticipated.

Internal plans

At the level of Staff Department ICT, a module of system 'Mars' dedicated to the management of staff has been adapted. Its purpose is to organise the work of the employees at work in ICT zones. At technical level, year 2004 was that of plan 'Hades'. That plan brings about a reduction of the costs normally entailed by the storage of data through a strengthening of Unix-type servers and

the installation of an appropriate infrastructure. In that respect, some 86 'Oracle' databases and approximately 250 webapplication servers were transferred. This allowed doing away with 20 existing Unix servers. The new datastorage infrastructure is already being used by Unix, Windows and Alpha central servers. The two mainframes and all Unix and Windows servers can now already take advantage of a new data recovery and back-up system.

The Network Operation Centre (NOC) moved to the Operation Centre (OC) in order to step up interaction between the monitoring of the network and that of the applications. It has been put under a single management.

A structure has been defined in order to make the management of assets (ICT equipment) and configurations (softwares) more user-friendly. The data relating to telephony and PC fleet have been fed to this new structure ever since.



Telecommunications

Remote-controlled

The plan for installation of sound equipment in the stations and stopping points of SNCB/NMBS went on. The installation of 80 sites was renewed in 2004.

Visual announcements

The new underground gangway of Bruxelles-Midi station has been fitted with modern TFT- and CRT-type display-screens and four plasma screens now announce the trains on arrival. A new simplified (PATnew) display-system combined with CRT-type screens came on stream in Hal station. New LCD-type displays were installed in Leuven station.

The core of the display-system has been modernised in Antwerpen-Centraal, Berchem, Brussels-National Airport, Bruxelles-Luxembourg, Bruxelles-Schuman, Kortrijk, Denderleeuw, Etter-beek, Gent-Sint-Pieters, Leuven, Mechelen, Mons, Namur, Ottignies and Ostende stations and it now displays the information relating to train running in real time.

Hotspots in the main stations

Being ever more eager to meet customers' needs, SNCB/NMBS went into partnership with Telenet in order to study the possibility to provide them with access to Internet through Wi-Fi (Wireless Fidelity) connections to be installed in stations. First, seven stations were selected: Antwerpen-Centraal, Berchem, Bruxelles-Midi, Gent-Sint-Pieters, Leuven, Liège-Guillemins and Mechelen.

GSM-R

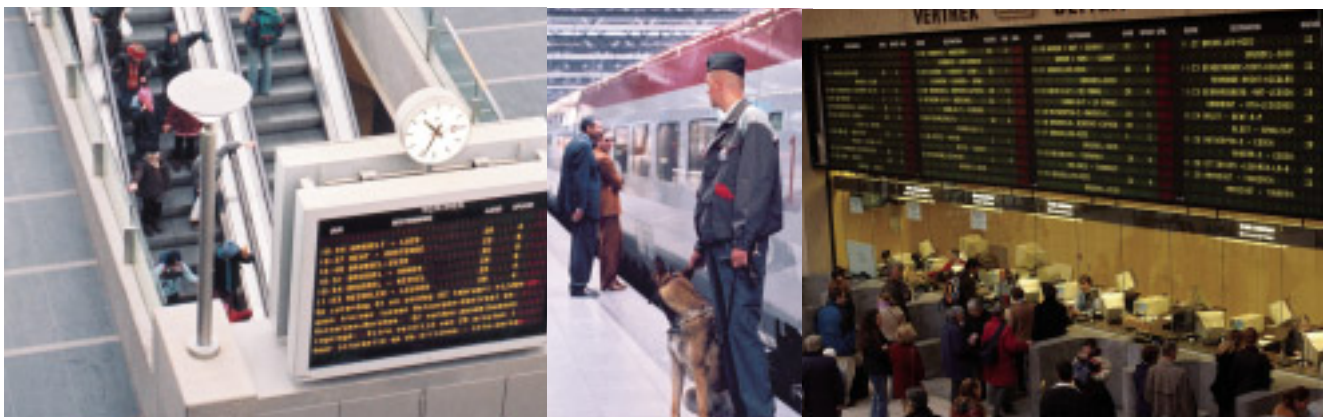
The main elements of equipment of the central network meant to take over from the present ground-to-train radio systems were installed. We have received the first cab-radio prototypes for installation on the rolling stock.

Supervising buildings

Twenty-seven stations, plus Merelbeke workshop were fitted with alarm systems for the detection of intruders.

Telephony

The contract for telecommunications external to SNCB/NMBS was awarded to operator Mobistar after a cost study.







SNCB and sustainable development

The train: “a tool for sustainable development”

Operation and work safety: an ever-present priority



Environnement protection

Kyoto protocol has just become operative. In accordance with that worldscale Treaty, countries are committing themselves to significantly reducing the emission of greenhouse effect gasses (as far as the EU is concerned, this means a reduction by 8%, compared to the level in 1990).

The transport sector seems to be the most important sector in Europe where the overall CO₂ emission still shows to be on the increase. But that rise is in no way ascribable to railway transport. Although transport services in Belgium have increased as a whole (passengers by 33 % and freight by -8%) and overall energy consumption has risen by some 23 %, the CO₂ emissions resulting directly or indirectly of this kind of transport dropped by some 6 %. This drop is due to a reduction in diesel train transport and, as a result, to an increasing involvement of electric power traction as well as to a higher output of power stations. This result per passenger-km or tonne-km transported even drops to 17 %.

Compared with the transport services provided, travelling by train means a low energy consumption and a proportionally lower CO2 emission. Per passenger-km or tonne-km transported, railway emits 4 to 5 times less CO2 than road.

This is the reason why rail is an essential with regard to a sustainable transport system. Since transport demand and negative impact on environment keep on growing, rail provides an ever more attractive alternative.

The clean-up of formerly-polluted sites was carried on with in Antwerp-North and South, Leuven and Dilsen.

In 2004, we suffered 4 accidents with a negative impact on the environment and took immediate actions in order to clean up the spots concerned.

The procurement of 200 k-type break-unit freight wagons is also worth mentioning. Those freight wagons already comply with the recent strict European rules applying to newly-built railway rolling stock.



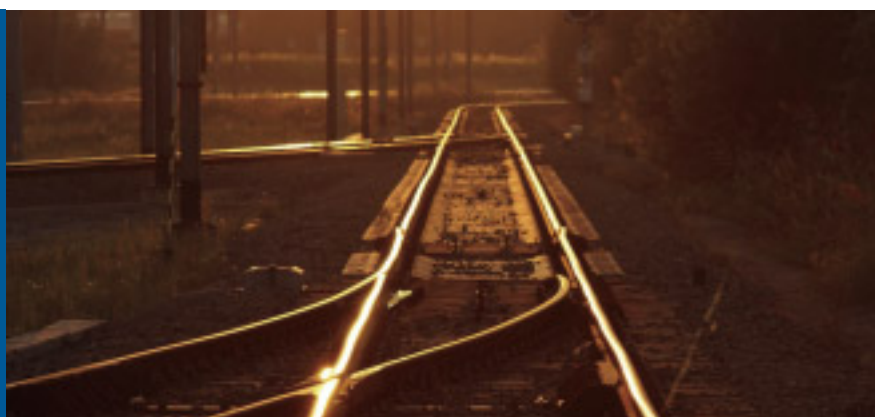
Safety and security at SNCB/NMBS

Operating safety

As in the past, constant efforts were made in order to ensure operating safety and thus reduce accident risks. Two important plans, i.e. GSM-R and ETCS (European Train Control System) - a technical progress in the scope of communication and train running control - are currently being implemented and will help take up the interoperability and safety challenges to come.

In 2004, we suffered two train accidents. They resulted in the death of one traveller who carelessly crossed station tracks and in that of a B-Security employee.

Accidents	1995	2000	2003	2004
Passengers Killed	3	3	4	1
<i>As a result of own carelessness</i>	3	3	3	1
Number per 100 million passengers	2.1	2.0	2.4	0.6
Injured	37	54	77	54
<i>As a result of own carelessness</i>	26	46	69	51
Number per 100 million passengers	25.7	35.0	45.7	28.5
Staff				
Killed	1	4	1	2
<i>As a result of own carelessness</i>	1	2	1	0
Injured	14	22	21	14
<i>As a result of own carelessness</i>	12	7	4	3
At level crossing				
Killed	12	8	12	8
Injured	12	10	9	7



Safety at level crossings

SNCB/NMBS did away with 21 level crossings (14 public and 7 private ones) and installed 17 new ones (10 public and 7 private ones) in 2004.

The railway signalling equipment of 5 level crossings was coupled with that of road signs. SNCB/NMBS also made 3 railroad crossings secure in Antwerp harbour raising them to third category.

In the scope of the drive for making cycle tracks and platform egresses of SPF Mobility and Transport more secure, SNCB/NMBS fitted small barriers to 12 and additional lights to 17 level crossings.

Communication – The GSM-R

The main studies on the GSM-R network, a system to supersede the analogue ground-to-train network, were completed and most of the network central equipment has been implemented.

The process for purchase of the sites necessary to the installation of GSM-R antennas is carrying on and all files concerning building permits on the lines (+/- 40 sites) selected for experiment have been submitted. Civil engineering work will start on those lines in February 2005 and 4 sites shared with GSM operators have already been brought into service.

The first rolling-stock cab-radio prototypes have been delivered and are currently being validated.

Train running command and control– ETCS

The ETCS system is currently in progress. It will be installed on the network of INFRABEL and on board the modern units of SNCB/NMBS and allows for a thorough and continuous control of train speed notably on approach of a signal at danger.

The first ground-installations for the new line between Antwerp and the Dutch border (L4) have been planned for mid 2005 and those for the new line between Brussels and Leuven (L36N) for mid 2006.

The network ought to be completely equipped by 2012.

Transport of hazardous goods

In 2004, a special computer-aided emergency plan was implemented for Kinkempois shunting station (experimental plan). That plan, with enforcement as of beginning 2005, allows notably the visualisation of the sensitive zones, if a tankwagon conveying dangerous goods starts leaking a lot, and takes account of the nature of that good, of the topography of the area as well as of weather data received by radio from a weather station present on the site of Kinkempois station. It is also a highly user-friendly assistance tool for the employee of SNCB/NMBS in charge of managing the crisis. The next step is the implementation of similar plans for the other large shunting yards (Antwerp, Monceau and Ghent) in the course of year 2005.



Safety at work

We suffered 2 deaths due to industrial accidents in 2004. An employee fell on the track and was run over by a train as a result of a quarrel with a traveller in Bruxelles-Central station. Another employee was electrocuted during work on the overhead wire in Brugge station.

The safety of railway staff as well as that of other staff working inside the estate of SNCB/NMBS is still an ever-present concern. In that respect, information sessions for rescue services on the risks inherent in the railway sphere were organised again.

Progress was also made in the field of 'welfare at work' in various domains, such as:

- > the application of the law governing medical supervision of workers, night and shift work or protection of trainees;
- > the drawing-up of specifications for the procurement of two special vehicles for the fire brigade in charge of rescue in Soumagne tunnel in case of disaster.

Control over the attack problem

In spite of the training and support policy, the number of attacks on train guards did not fall. We counted 556 attacks in total (same score as in year 2003), among which 202 physical attacks (+11.6%). Eighty per cent attacks on train guards are ascribable to customers travelling without ticket or in a borderline case (ticket not yet filled or non-valid).

A joint working group is currently assessing the policy and making suggestions concerning that matter. This working method led notably to the adaptation of the training session entitled 'keeping control over an attack' and the extension of the activity of the Special Control Brigade.

Training entitled 'Keeping control over an attack, my own business...'

The training session entitled 'Keeping control over an attack, my own business...' was assessed and adapted accordingly. Since October 2004, this training has no longer been carried out by the psychologists of 'Corporate Prevention Services' but by training staff both trained and selected among the train guard group..

Implementation of a safety management system

Train guards are in charge of important safety tasks and must comply with the specifications applying to the staff of the railway infrastructure user.

Safety must be guaranteed throughout time by means of listed and traceable actions in the field of staff training and accreditation as well as through the setting-up of a feedback resting on the control, audit and adaptation of the tasks carried out.

Year 2004 was marked by the start of a monthly audit on specific safety tasks as well as operating procedures in which train guards are involved.

B-security internal guarding service

In order to guarantee the execution of certain tasks essential to security requirements while not really part of the competence of the police force, the internal guarding service called B-Security carries out the following missions:

- > protection of persons (customers and staff);
- > surveillance and protection of buildings, rolling stock workshops;
- > struggle against attacks, vandalism and fraud;
- > prevention of breaches of the law;
- > help in the event of accidents or disasters;
- > surveillance of funds, etc.

B-Security call centre received more than 32,000 calls during year 2004, i.e. an increase by 8,500 calls, if compared to 2003.

Of the interventions resulting from those calls, 50 % were carried out by employees of the Internal Guarding Service of SNCB/NMBS, 25 % by SPC, the Federal Police (railway police service) and 25 % by other police and/or rescue services (local police units, service 100, fire brigade, etc.).

Since 1st January 2004, it has been possible, thanks to the system installed in the call centre, to optimally take advantage of the calls, notably as it allows the record of these and makes the task of operators easier.

The Royal Decree of 13th September 2004 on railway safety resulted in the setting-up of a security service called Securail.

That railway security service will be made up of sworn officials empowered to hold and use handcuffs and pepper spray cans. Securail employees have been empowered to report people for violation of the railway laws and rules.

An agreement protocol was signed by both parties on 7th April 2004, the aim of which is to promote the collaboration between the Internal Guarding Service B-Security, the railway security service Securail of SNCB/NMBS and the Federal Police SPC.

