

*This Analysis provides a discussion of the factors underpinning the credit ratings and should be read in conjunction with our Credit Opinion. The most recent ratings, opinion, and other research specific to this issuer are provided on Moody's.com. [Click here to link.](#)*

# Analysis

NETHERLANDS  
Europe/M.East/Africa

January 2007

Contact	Phone
<i>London</i> Andrew Blease Johan Verhaeghe Stuart Lawton	44.20.7772.5454

## N.V. Luchthaven Schiphol

### Corporate Profile

N.V. Luchthaven Schiphol (“**Schiphol**”) is a holding company of a group that owns Amsterdam Airport, Rotterdam Airport, Lelystad Airport, and 51% of Eindhoven Airport, all in the Netherlands. In addition Schiphol owns a commercial property portfolio, mostly located at Amsterdam Airport, and moderate investments in a number of airport operations and related property at overseas airports. Schiphol’s main subsidiary is Schiphol Nederland B.V (“**SNBV**”) which owns Amsterdam Airport directly.

Schiphol is currently owned 75.8% by the Kingdom of the Netherlands, 21.8% by the Municipality of Amsterdam and 2.4% by the Municipality of Rotterdam, although it has no special status and is a Dutch limited liability company. In June 2006 the Upper House of the Dutch Parliament ratified the relevant legislation required to permit the Dutch Government to sell 50% of the share capital less one share, and hence partially privatise Schiphol. In September 2006 an Extra-ordinary General Meeting of Schiphol was convened to vote on the listing of Schiphol and the necessary amendments to the Articles of Association. The required special majority (80%) was not achieved as the Municipality of Amsterdam, a known opponent of privatization given its political complexion, voted against the motion. Prior to the recent Dutch elections, the Government had announced its intention to seek an annulment of the vote of the Municipality and the annulment was confirmed in early December 2006. However, the Government has agreed it would not take irreversible steps, i.e. proceed with the privatization, in the period following the elections while a new coalition was being formed. Following the November 2006 elections, the previous majority party that had sponsored the privatisation (the CDA) lost seats and the Dutch Parliament is now significantly more fragmented than previously. Coalition negotiations are ongoing, but it is generally expected that the next Government will be weak as it will have to take into consideration a number of competing interests and views, although the next few months will determine whether or not this is the case. Consequently, partial privatization may well have less focus than previously. Nevertheless, Schiphol has been earmarked for privatisation for many years, albeit that political opposition has to date managed to prevent it proceeding. This long period has given plenty of time for both the government and Schiphol to prepare for privatisation, and a new system of economic regulation was implemented in June 2006 for the determination of airport charges.

Schiphol’s largest asset is Amsterdam Airport Schiphol, the 4<sup>th</sup> largest airport in Europe by passenger numbers (“**PAX**”) and the 3<sup>rd</sup> largest by cargo volumes, and the sole airport serving the City of Amsterdam (located about 15 km south-west of the centre of Amsterdam), effectively servicing the whole of the Netherlands and arguably the border regions of northern Belgium and western Germany. Furthermore, Amsterdam Airport is a major hub airport serving the Air France – KLM Alliance.

<b>Segment Analysis (From Audited financial statements and Interim financial results)</b>					
<b>FYE Dec (€ million)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>1H2005</b>	<b>1H2006</b>
Accounting policy	Dutch GAAP	IFRS	IFRS	IFRS	IFRS
<b>Aviation &amp; Consumers (A)</b> (Amsterdam Airport)					
PAX (million)	40.0	42.5	44.2	20.6	21.5
% Change	-1.9%	+6.5%	+3.8%		+4.3%
<b>Revenue</b>	736	707	768	356	404
% Change	+14.8%	(3.9%)	+8.6%		+13.5%
Operating Profit	207	203	224	91	91
OP Margin	28.1%	28.7%	29.2%	25.6%	22.5%
<b>Real Estate</b>					
Revenue	173 <sup>(1)</sup>	107	116	56	52
Operating Profit	132 <sup>(1)</sup>	65	78	29	45
OP Margin	76.3%	60.7%	67.2%	51.8%	86.5%
<b>Other Airports and Investments</b>					
Revenue	47	62	64	31	30
Operating Profit	(1)	(3)	9	6	3
OP Margin	0%	0%	14.1%	19.4%	10.0%
<b>REVENUE</b>	956 <sup>(1)</sup>	876	948	443	486
<b>OPERATING PROFIT</b>	338 <sup>(1)</sup>	265	311	126	139
OP Margin	35.4%	30.3%	32.8%	28.4%	28.6%
<small><sup>(1)</sup> Includes own work and interest capitalised and Real Estate = Unrealised capital gains and losses including in revenues and operating profits. Note (A): Schiphol reports the Aviation and Consumers business separately in its financial reporting as the Aviation businesses is to be subject to a system of economic regulation whereas the Consumers business will not.</small>					

Amsterdam Airport revenues have been on an upward trend since 2001, supported by higher passenger numbers and increasing aviation charges, particularly charges to cover increased security costs. Schiphol has been able to increase the passenger security charge to cover the increased security costs resulting from additional measures required by the Government. In 2005 security costs increased by €39 million and income from the security charge was lower than security costs. However, the difference between costs and income has been incorporated in 2006. Also, there was a recovery in the passenger retail spend. In 1H2006, revenues were driven by traffic growth. However, operating profit remained stable compared to 1H2005 as government-imposed security measures have resulted in further security cost increase (Costs continue to exceed security charge proceeds despite a 7.4% increase in passenger security charge but the difference will be incorporated in future security charges).

Real estate revenues reflect both rental income (relatively stable) and property sales. 92% of the lettable space is located at Amsterdam airport. The average occupancy level fell from 88.4% in 2004 to 86.1% in 2005. In 1H2006, real estate revenues decreased compared to 1H2005 as rental income from concessions has been reallocated to the consumers business (Amsterdam airport) and as Schiphol lost rental income due to sales to ACRE fund in 2005. Operating profit increased in 1H2006 thanks to more unrealised capital gains.

Other airports and investments generate minimal cash flows for Schiphol and in aggregate generate small net operating losses or gains. Within the Netherlands, Rotterdam airport achieved a net result of €2.4 million in 2005, Eindhoven airport (51% interest) €1.1 million and Lelystad Airport was still loss making (net loss of €0.5 million in 2005). Within the international portfolio however, Schiphol's 15.6% interest in Brisbane Airport Corporation Holdings generated a share in result of associates of €3.1 million and an additional €2.3 million in interest income plus €1.6 million in management fees in 2005. The 40% investment in Terminal 4 at JFK International airport (New York) generated a share in the results of associates of €1.3 million in 2005 (vs. losses in previous years due to post 11 Sep 2001 terrorist attacks) thanks to the addition of new airlines using the terminal. Of note, the owner of the New York terminal, JFKIAT, has had its lease to operate Terminal 4 extended from 2015 to 2025, thereby strengthening its position.

Most of Schiphol's revenues are denominated in EUR and most revenues are earned in the Netherlands (no relevant breakdown of revenues is provided by Schiphol).

## Key Developments Since Last Analysis

---

Since Moody's last Analysis of Schiphol was published in June 2005, the following key events have occurred:

1. In December 2005 a further €110m of property was transferred into the ACRE fund (owned 50% by Schiphol).
2. In June 2006 the Upper House of the Dutch Parliament passed the necessary legislation to allow the privatisation of Schiphol to proceed. However, the Municipality of Amsterdam voted against the proposed listing and required amendments to Schiphol's articles of Association at the subsequent Extraordinary General Meeting in September 2006. The Dutch Government sought to overturn this veto by having the vote annulled which was granted. Subsequently, Dutch elections were held, and the make up of the new Government has not yet been formed. However, a consensus around a partial sale of Schiphol may well be difficult with the current make up of parliament given that the left wing parties are opposed to privatisation. On 27 December 2006, the Municipality of Amsterdam appealed the annulment of the vote and in addition submitted a request to the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer*) for an inquiry into the procedures pertaining to the intended sale of a part of the State owned shares in N.V. Luchthaven Schiphol. These steps will delay the potential privatisation.
3. In November 2006, the Dutch tax authorities finally agreed the opening tax balance sheet of Schiphol as at 1 Jan 2002 (Schiphol has only been subject to income tax since 2002). This will have no material impact on Schiphol's cash flows in the near term, will have a one time positive non-cash impact on the 2006 profit, and will only impact Schiphol if certain land and buildings are sold.

## Management Strategy

---

Although currently owned by national and municipal entities, Schiphol is run as an independent commercial company. Management are appointed by a Supervisory Board, which comprises seven members. The composition of the Supervisory Board is based on a profile intended to ensure that members operate independently and objectively vis-à-vis one another and the management of Schiphol, and intends to provide a good mix of expertise and experience.

Schiphol is run by a small team of senior management (none of which are Supervisory Board members), comprising a Chief Executive Officer, Chief Financial Officer and Chief Operations Officer. The CEO and CFO have been in their current positions since the late 1990s and were recruited into those positions at that time to provide the necessary skills to focus Schiphol commercially and take it through the partial privatisation process. The Chief Operations Officer, Mr Ad Rutten, joined Schiphol on 1<sup>st</sup> September 2005. Mr Rutten is a long standard aviation executive (ex KLM). It is the intention to expand the senior management team in 2007 with a fourth member who will be responsible for commercial activities (Consumers and Real Estate).

Schiphol predominantly focuses on three activities, (1) developing the aviation infrastructure at Amsterdam Airport to accommodate growth and improve efficiencies to ensure that growth does not constrain operations, (2) further development of its Consumers business aimed at maximising income from passengers using the Amsterdam Airport, and (3) further development of Schiphol's existing property interests and exploiting its very substantial land ownership in the Amsterdam Airport area. The three activities together form what Schiphol call the "AirportCity" concept. To a modest extent Schiphol has interests in overseas airport expansion and property related interests, all pertaining to airport sites. Substantial acquisitions of airport assets are not anticipated, although it is likely that Schiphol will pursue modest investment in overseas airports over the medium term, and will attempt to apply the AirportCity concept overseas on a selective basis.

Existing management should not find the transition to the private sector difficult. In addition, Mr Rutten's experience at KLM and his consequent understanding of airline requirements should help Schiphol to manage the relations with its airline customers, in particular Schiphol's most important client the Air France-KLM alliance.

The key challenges facing management going forward include the maximisation of operational efficiencies at Amsterdam Airport, given its role as one of Europe's largest hub airports, and ensuring that growth can be accommodated within the environmental parameters that apply to Schiphol. This is particularly important to ensure that Schiphol is not poorly positioned with regard to any future competition for the Air France – KLM transfer traffic. However this should not require levels of capital expenditure higher than has been seen in the recent past.

Management may also be able to further exploit the potential for low cost carrier point to point traffic to and from the Netherlands. Given Schiphol's ownership and control of most of the Netherlands' international airports<sup>1</sup> (although only 51% of Eindhoven Airport<sup>2</sup>, held since 1998) there should be opportunities to manage the wider network to optimise use of the airport system, subject to local environmental and planning regulations.

Schiphol has a conservative financial profile with modest debt, which affords Schiphol a good degree of financial flexibility. The current agreement with shareholders is that the dividend will be 30% of the result after taxation, excluding the un-realised capital gains and losses relating to investment property after taxation. However, financial policy following any partial privatization is not clear. It is possible that Schiphol may acquire additional leverage as part of the privatization process and dividend policy may change. Given what is significant debt capacity, shareholders and management do have flexibility to increase leverage if this is considered appropriate.

## Key Rating Considerations

---

### BUSINESS RISK FACTORS

#### *Commanding position in the Dutch air travel market underpinned by very strong inter-modal connections....*

Amsterdam Airport serves a major trading centre and capital city of an advanced European country. As well as serving key destination for travellers, Schiphol's ownership of Rotterdam Airport and majority ownership of Eindhoven Airport gives Schiphol a virtual monopoly (excluding Maastricht Aachen Airport, Twente Airport in Enschede and Eelde Airport in Groningen) of the international airports in the Netherlands. In addition, Amsterdam Airport is the 3<sup>rd</sup> largest airport by cargo volumes in Europe, a position underpinned by the Netherlands' role as a major distribution centre for non-European companies in the EU. Although this business line is particularly exposed to moves in trade cycles and economic circumstances in Europe and overseas, it is likely to benefit materially from the continued growth in Eastern Europe and Far East manufacturing capacity and exports to Europe, in particular from China.

Amsterdam Airport's footprint comfortably covers the whole population of the most populous region of the Netherlands, the Randstad, most of the rest of the Netherlands, and arguably parts of Belgium and Germany as well. Amsterdam Airport's excellent transport connections should ensure this position is maintained. An example of its wider catchments area was the attraction of greater passenger volumes from Belgium following the collapse of Sabena, although a lot of this traffic has now reverted back to Brussels.

#### *....But relatively high exposure to transfer traffic*

Amsterdam Airport has a rounded mix of PAX reflecting Amsterdam's role as a business and leisure destination, and Amsterdam Airport's role as a gateway for Netherlands' air travel. Furthermore, Amsterdam Airport is a major hub airport with 42.3% of total passengers being transfer traffic in 2005, a figure that has been fairly constant over the last few years. Moody's believes that this is the highest % of transfer traffic of any major airport in Europe with the exception of Frankfurt Airport. Consequently, this relatively high % of transfer traffic leaves Schiphol more exposed to the fortunes of its main carrier (Air France-KLM) than many other international airports.

Schiphol's key city pairs reflect the Netherlands' geographical position in Europe and Schiphol's role as a key transfer hub. The most important routes by passenger numbers are European cities furthest from the Netherlands and hardest to reach by road and rail connections. Currently, and historically, London has been the most significant route pairing. However, major intercontinental destinations are also important to Amsterdam Airport, and 33% of passengers in 2005 derive from outside the EU.

Growth in transfer PAX will be dependent on the fortunes of the Air France-KLM route network, although PAX growth rates from the East and Far East are expected to be higher than the global average over the coming years. In terms of origin and destination traffic, Amsterdam Airport should see growth rates in line with the European average.

---

1. This does not include Maastricht Aachen Airport, Twente Airport in Enschede or Eelde Airport in Groningen which each have less than 0.5 million PAX  
2. The remaining 49% being held by the local municipality and province

### ***Significant exposure to the Air France - KLM alliance but there are no early signs of a negative impact***

Schiphol's most important airline is Air France KLM, which accounted for 56.9% of total air traffic movements in 2005, and the associated Sky team Alliance (60% of 2005 total). For obvious historical reasons, KLM has always been the largest carrier at Schiphol and has always had a large route network focused on attracting transfer traffic. In addition Martinair, the charter airline (50% owned by KLM) is an important carrier. Other significant carriers are Easyjet and British Airways, reflecting the importance of the London city pairing, and the expansion in the low cost carrier segment. However, in terms of traffic movements Lufthansa became a more important carrier than British Airways in 2005 due to growth in cargo traffic.

Nevertheless, the fortunes of the Air France-KLM alliance remain very important to traffic volumes at Amsterdam Airport. There have been question marks over the fortunes of KLM for a number of years given the small domestic market the carrier serves and talks with a number of potential partners were undertaken. This uncertainty was resolved in 2003 with the merger of Air France and KLM (although both airlines retain their separate identities).

Air France - KLM have said that they intend to pursue a two hub strategy (Air France - Paris, Charles de Gaulle and KLM - Schiphol) and certain representations were given to the Netherlands Government prior to the consummation of the merger to this effect. Encouragingly, once again in 2005 the growth was mainly attributable to the alliance, which saw passengers' number rise by 5.7% to 27.4 million.

Going forward there are inevitable uncertainties over the shape of the Air France KLM route network and how successful the alliance's strategy will be. If the strategy works there could be substantial additional traffic flows through Amsterdam Airport, and a much improved position for Amsterdam Airport compared to the uncertainties over KLM of the past. However, any re-configuration of route networks or a move to substantially reduce the aggregate alliance cost base (e.g. by cutting back routes or focusing more routes at Paris - Charles de Gaulle) could negatively impact Amsterdam Airport.

### ***A new system of economic regulation applies, but long term suitability remains untested***

In July 2006 a Decree entitled in English the Amsterdam Airport Schiphol Operations Decree was published. This piece of legislation was implemented in anticipation of the contemplated privatisation of Schiphol Group and includes a framework of economic regulation.

In the past, airport charges were determined on the basis of a consultation process with the airlines subject to the approval of the Ministry of Transport. In the future, airport charges at Amsterdam Airport Schiphol will be subject to the new economic regulation regime that was adopted under the Air Transport Act in July 2006.

The new system of economic regulation is based on a dual till approach with aviation charges being set to give a return to those Amsterdam Airport's assets that are identified as being used for aviation purposes only (i.e. excluding assets that generate commercial revenues such as retail sales). Under the new system, charges will be set by Amsterdam Airport Schiphol based on an allocation methodology which is approved and ultimately applied by the Dutch competition authority (*Nederlandse Mededingingsautoriteit*). Under the system, assets, income and costs are allocated to the aviation activities. Consequently, the maximum permitted return may not exceed the weighted average cost of capital for aviation activities which is calculated using the CAPM (Capital Asset Pricing Model). Accordingly, the tariffs that Schiphol will be able to charge at Amsterdam Airport Schiphol will be limited. Once the charges are proposed, the airline customers can respond and any dispute is referred to the Dutch competition authority who will determine whether or not the charges were set according to the allocation methodology. In any event, pursuant to this new regime, the return on the aviation activity assets will be capped and may not exceed the weighted average cost of capital for the aviation activities.

Any differences in the assumed traffic levels, revenues, costs or investments in a given year resulting in an under recovery (return < WACC) may be recouped through higher tariffs in the subsequent year while an over recovery (return > WACC) must be returned to the airlines through lower tariffs in the subsequent year. Under the dual till principle, the non aviation activities (Consumers and Real Estate) at Amsterdam Airport as well as all other activities of Schiphol including its other Dutch airport interests are not subject to economic regulation.

### ***Substantial physical capacity at Amsterdam Airport but material operational constraints exist***

Amsterdam Airport has an attractive configuration for a major hub airport having 5 runways and a single contiguous terminal with an estimated terminal PAX capacity of roughly 58 million in 2005 (vs. 45 million in 2004). Schiphol estimates that the maximum technical capacity of the 5 runways at Amsterdam Airport is 600,000 air traffic movements ("ATM") per annum. However, this capacity can only be achieved through amelioration of the current system of environmental constraints based on field data and new forecasts. In 2005 Amsterdam Airport handled 404,594 ATM and 44.2 million PAX. This is materially lower than Heathrow, which handled 472,954 ATM on a two runway system for its FYE March 2006. The environmental capacity of Schiphol's runways under the present legal system is calculated at

440,000 to 450,000 ATM per year. Thus it is likely that Schiphol's growth potential will be limited in the near future if the present legal system is not changed. In April 2006, the Dutch government stated that – under certain conditions – Schiphol would be allowed to grow further to 500,000 ATM by 2010 and 600,000 ATM by 2020. However, this plan has not yet been approved by Parliament.

In early 2007, Schiphol will, in conjunction with the Netherlands Air Traffic Control, embark on an environmental impact procedure, aimed at getting permission to increase its flight capacity in the short and medium term. The outcome of this procedure is uncertain. A decision for a preliminary adjustment of the present legal system, permitting further growth in the short term is expected in the second half of 2007. In 2008 a more fundamental change is expected, facilitating medium term growth.

In common with many major European airports, Amsterdam Airport needs to operate within constraining environmental parameters, although such parameters are considered tight. This is partly due to Amsterdam Airport's location on the outskirts of the City of Amsterdam and with built up residential areas all around the airport (this part of the Netherlands has one of the highest population densities in Europe), and partly due to the political consensus in the Netherlands that favours tight environmental regulation of potentially polluting activities. Noise pollution is a particular issue with local residents which feeds through to local political pressure.

***No single large capital expenditure project on the horizon but ongoing modularised expenditure will be required to deal with growth***

Following the opening of the fifth runway in February 2003 no single major piece of infrastructure is scheduled to be required at Amsterdam Airport in the medium term. Nevertheless, in order to accommodate future growth, additions to terminal capacity, aviation systems and terminal access infrastructure upgrades will be required. These items can be modularised and implemented or delayed depending on growth at Amsterdam Airport, although ongoing infrastructure upgrades will no doubt be required, in particular those pertaining to security measures such as baggage screening and passenger security checks.

In 2005, Capex amounted to €268 million and it is expected to be approximately €300 million for 2006, the largest items being expenditure on baggage handling systems and Real Estate developments.

***Material but not excessive real estate portfolio located predominantly at Amsterdam Airport***

Schiphol holds a large portfolio of commercial property, mostly office space but also cargo and other commercial facilities. Schiphol intends to be a long term holder of such property interests and emphasises its strategy of developing the "airport city" concept. Schiphol's primary focus is the development of land and buildings around airports.

The great majority of owned real estate assets are located at Amsterdam Airport. In addition to existing buildings, Schiphol has extensive land available for development. Investments in property outside of Amsterdam Airport are generally held through joint venture or associate companies.

Investment properties had a book value of €665 million investment value as at 31 December 2005 (vs. €668 million at 31 December 2004), which includes 50% of the value of properties held by a property joint venture fund (owned 50% by Schiphol) called the ACRE Fund. The other 50% of the ACRE Fund is held by major Dutch institutional investors. Moody's understands that the investors do not have a put option to Schiphol. Schiphol accounts for the ACRE Fund by proportional consolidation (50%) which appears to be an appropriate treatment.

Development and investment has generally been successful to date. Occupancy rates have consistently been above 85% on leases of short to medium term duration.

Schiphol is looking to develop airport related property at its other Dutch airports. Schiphol has invested in overseas airport related property and is likely to do so again in the future, although these are generally held through joint ventures or associate companies, and involve modest financial outlay.

## FINANCIAL RISK FACTORS

### *Key Historical Numbers / Ratios*

FYE Dec (€ million)	2004	2005
<b>Key Numbers</b>		
Turnover <sup>3</sup>	876.3	947.6
Adj EBITDA	421.5	478.3
Adj EBIT	273.8	313.0
Adj FFO	292.0	313.9
Gross Interest	50.4	49.4
Adj Retained Cash Flow	250.9	267.4
Adj Capex	301.7	280.5
Cash & Equivalents	250.5	261.9
Gross Debt	1,053.9	1,037.7
Leases Capitalised	52.8	53.5
Pensions	51.1	38.9
Adjusted Debt	1,157.8	1,130.1
Net Adjusted Net Debt	907.3	868.2
<b>Key Ratios</b>		
Adj EBITDA margin	48.1%	50.5%
Adj EBIT margin	31.2%	33.0%
Adj FFO Interest Cover	6.4x	7.0x
Adj RCF / Net Adjusted Debt	27.6%	30.8%
Adj RCF / (Capex + Investments – Divestitures)	83.2%	95.3%

### *Solid cash flow generation has enabled a large element of required capital expenditure to be internally funded*

Consolidated EBITDA and operating cash flow have been on an increasing trend over the last years. EBITDA margin rose and although higher depreciation charges resulting from the bringing into operation of more capacity, EBIT margin continued to improve in 2005.

Operating cash flow and retained cash flow have followed the EBITDA and the EBIT trend. Schiphol's cash flow generation has enabled Schiphol to comfortably cover interest expense, dividends, and the great majority of its capital expenditure programme. As a result, gross and net debt decreased between 2004 and 2005.

### *The lowest debt leverage of any European airport company rated by Moody's*

Given Schiphol's operating performance, increasing cash flow generation, and decrease in indebtedness, debt metrics have been consistently solid. These are not expected to change significantly going forward, provided that Schiphol sticks to its strategy of modest investment in Amsterdam Airport and its other existing business lines.

Schiphol has the lowest amount of debt leverage than any European Airport rated by Moody's, and hence has the most conservative capital structure. It also appears to have revenue yields quite close to the best yielding European airport company rated by Moody's, which is BAA.

3. Excludes own work and interest capitalised and real estate unrealised capital gains and losses.

For Calendar 2005 Results	Schiphol	ANA Consolidated	BAA <sup>4</sup>	Aeroporti di Roma
Rating	Aa3, Stable (BCA = 5)	A2, positive (BCA = 7)	Baa2, review for downgrade (guaranteed bonds)	Baa3, Positive
Airport Revenues	€948m	€298m	€3299m (£2275m)	€581m
Gross Adjusted Debt	€1038m	€597m	€10375m (£7155m) <sup>5</sup>	€1730m
Departing PAX <sup>6</sup>	23.08m	10.14m	74.60m <sup>7</sup>	16.46m
Gross Debt / Departing PAX <sup>8</sup>	€45.0	€58.9	€139.1 (£95.9)	€105.1
Airport Revenue <sup>9</sup> / Departing PAX	€41.1	€29.4	€44.2 (£30.5)	€35.3
EBIT Margin	33.0%	18.8%	32.6%	27.4%
FFO Interest Coverage	7.0x	7.3x	3.2x	1.9x

### *A conservative debt profile with limited market risks*

Borrowings				
	As of Dec. 2004	As of Dec. 2005	Change	
EMTN programme	604.3	520.8	(13.8%)	
AREB C.V. loans <sup>(1)</sup>	47.1	76.4	+62.2%	
European Investment Bank	150.0	150.0	=	
Other loans	48.3	56.4	+16.8%	
<b>Total</b>	<b>849.8</b>	<b>803.6</b>	<b>(5.4%)</b>	

<sup>(1)</sup> Mortgage loans, AREB = Airport Real Estate Basisfonds, the ACRE Fund

Finance lease contracts				
	Counterparty	Expiry date	As of Dec. 2004	As of Dec. 2005
P1 car park/walkway	ABP	2035	56.9	56.2
Triport	ABP	2034	58.5	57.8
Control tower	Abinton BV	2012	15.0	13.4
Other			5.3	4.9
<b>Total</b>			<b>135.7</b>	<b>132.3</b>

Schiphol has modest debt leverage for a major infrastructure company in a growth sector, which affords good long term financial flexibility. Most debt is unsecured, with secured debt being limited to some finance leases and Schiphol's consolidated 50% of the bank debt raised to partially finance the assets in the ACRE property fund. The majority of debt is procured under a €1 billion medium term note programme (EMTN) on a bullet repayment basis. Maturities are spread between 2007 and 2018. Schiphol is not an active user of short term finance.

Given Schiphol's moderate capital expenditure programme it is not expected to be making any large debt issues over the next 1 to 2 years.

Most debt is raised through Schiphol's main operating company, Schiphol Nederland BV ("SNBV"), which holds the assets of Amsterdam Airport. In accordance with Dutch Law, Schiphol has filed what is known as a 403 declaration, whereby Schiphol becomes liable for the obligations of SNBV. It has made similar filings with regard to other Schiphol group companies including Schiphol Real Estate BV ("SRE"). These declarations may subsequently be reversed although obligations taken on during the life of the declaration remain primary obligations of Schiphol. However, the medium term notes issued by SNBV are formally guaranteed by Schiphol.

Of the total amount of the loans, €63.3 million has been contracted in American dollars (USD 75 million) and €71.7 million in Japanese yen (JPY 10 billion). €234.3 million of the loans has been contracted at floating interest rates. In line with financial risk management policy, interest rate swaps, interest rate caps, currency swaps and, in some cases, combined currency and interest rate swaps have been contracted on the loans to hedge the risks inherent in exposure to movements in interest rates and exchange rates.

4. £/€ = 1.45

5. Excludes ADI acquisition debt

6. Assumed to be 50% of Total PAX

7. Excludes Budapest as only 3 months of revenue is accrued f.y.e. 31 Mar 2006

8. Departing PAX assumed to be 50% of Total PAX

9. Includes aviation revenue, retail and car parks

### ***Schiphol currently has very strong liquidity***

Schiphol generates significant positive operating cash flow before capital service and repayment obligations and capital expenditure. Although Schiphol's operating cash flow is fairly predictable, it is susceptible to short term losses of revenue from external shocks or catastrophic events such as a major terrorist attack. Cash flow generation throughout the year is consistent but exhibits some cyclical with Q3 of each financial year (July to September) generating the highest quarterly cash flow.

Schiphol currently has very strong liquidity. This is predominantly due to its current high cash balances, expected operational performance and moderate capital expenditure over the coming 12 months, and modest debt repayments in the near term.

Schiphol has very modest debt repayments in 2007 ( a €125 million EMTN and €25 million of other repayments) and capital expenditure commitments are expected to be moderate and reflect a number of projects providing marginal capacity/upgrades of infrastructure. Consequently the capital expenditure has some degree of deferability as well.

Schiphol had €261.9 million of cash and short term investments as of 31 Dec 2005 (vs. €250.5 million as of 31 Dec 2004). In addition to cash and cash equivalents, Schiphol still benefits from two €100m committed credit facilities with ING Bank and ABN Amro.

### ***Limited off balance sheet commitments and rating triggers have sufficient headroom***

The Schiphol group has very modest operating lease commitments and modest off balance sheet financial commitments.

Schiphol employees benefit from a defined benefit pension which is contributed to by Schiphol and the employees. The fund is managed by *Algemeen Burgerlijk Pensioenfonds* ("ABP") which manages the pension fund for Dutch civil servants, many Dutch state owned companies, and members of the Dutch education sector (e.g. teachers). Due to the nature of the fund, Schiphol report that ABP are unable to isolate the Schiphol and Schiphol employees' specific actuarial exposures from non-Schiphol contributors and beneficiaries of the fund. Hence, Schiphol's exposure to possible shortfalls cannot be determined. Nevertheless, in the aggregate, and on the basis of required measures, ABP has an actuarial deficit, although corrective action is being taken to rectify this. In particular both employer and employee contribution rates have been increased and employee benefits reduced. Given the wide ranging nature of the ABP fund, discussions regarding contribution rates and beneficiary benefits are negotiated and agreed by all the contributors to the fund.

The €150m loan from the EIB has a rating trigger. The EIB can enter into a preliminary discussion regarding a change of conditions on the outstanding debt if Schiphol's rating falls below A(S&P) or A2 (Moody's). In the event that revised conditions are not agreed, the EIB could ask for early repayment of the loan.

In addition, Schiphol is party to a number of ISDA Master Swap Agreements that require that any outstanding swap contracts would be terminated if Schiphol ceased to be rated or its credit rating fell below BBB- (S&P) or Baa3 (Moody's). Moody's believes the likelihood of any of these events occurring within the short to medium term is remote.

## **Related Research**

---

### **Analysis**

[Aeroporti di Roma S.p.A., October 2005 \(94878\)](#)

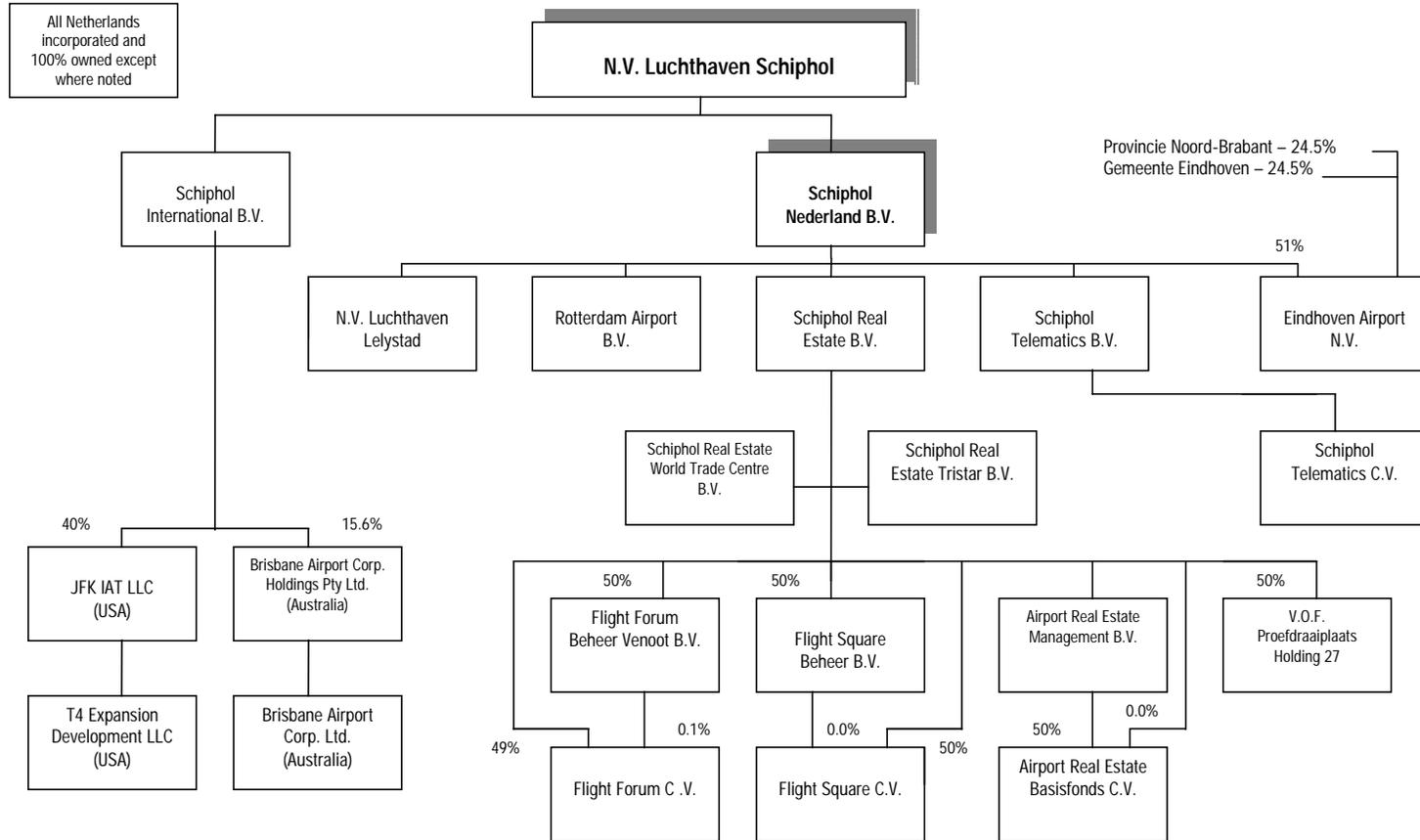
[ANA-Aeroportos de Portugal, S.A., August 2004 \(88497\)](#)

[BAA plc, August 2004 \(88593\)](#)

*To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.*

Appendix

**Luchthaven Schiphol - Group Structure Chart**  
 Abridged - Not a complete overview of Schiphol group subsidiaries and participations



## Appendix

### Amsterdam Airport Schiphol

Source = Schiphol group unless stated

#### 1. Comparison with other major European Airport cities – 2005

2005	Commercial passengers (million)	Rank (Commercial passengers)	ATM <sup>10</sup> (000s)	Cargo tonnes (million)	Rank (Cargo tonnes)
London (5 airports)	133.9	1	1,049.9	1.792	3
Paris (3 airports)	80.5	2	749.8	1.861	2
Frankfurt (2 airports)	55.3	3	515.5	1.966	1
<b>Amsterdam</b>	<b>44.2</b>	<b>4</b>	<b>404.6</b>	<b>1.450</b>	<b>4</b>
Madrid	41.9	5	414.4	0.328	6
Rome (2 airports)	32.8	6	339.8	0.153	9
Barcelona (2 airports)	30.6	7	328.9	0.090	10
Moscow (3 airports)	29.8	8	358.3	0.248	7
Milan (2 airports)	28.7	9	321.7	0.385	5
Munich	28.6	10	374.6	0.203	8

Source: Air Transport Intelligence data

#### 2. Growth Trends in Passengers at Amsterdam Airport

Year	Total PAX (million)	Change	Notes
1995	25.355	+7.6%	
1996	27.795	+9.6%	
1997	31.570	+13.6%	
1998	34.420	+9.0%	
1999	36.772	+6.8%	
2000	39.067	+6.2%	
2001	39.531	+1.2%	*1
2002	40.736	+3.0%	*1
2003	39.960	(1.9%)	*2
2004	42.541	+6.5%	
2005	44.163	+3.8%	
1995-2005 (CAGR)		5.7%	

Notes:  
1. Drop in traffic post 11 Sep.  
2. Gulf War

#### 3. Passenger Split - 2005

<b>Scheduled</b>	90%	<b>Domestic &amp; EU<sup>(*)</sup></b>	67%	<b>O&amp;D</b>	57.7%
<b>Charter</b>	10%	<b>Extra-EU</b>	33%	<b>Transfer</b>	42.3%

(\*) Domestic PAX is less than 0.5% of total PAX.

10. Air Traffic Movements, i.e. take-offs and landings

#### 4. Passengers - Key City Pairs - 2005

No.	City Pair	Terminal PAX (million)	% of Total	2004 ranking
1	London (Heathrow + Gatwick)	2.5	7%	1
2	Barcelona	1.1	3%	2
3	Paris CDG	1.0	2%	3
4	Madrid	0.9	2%	4
5	Antalya	0.8	2%	5
6	Detroit	0.8	2%	6
7	Rome Fiumicino	0.7	2%	7
8	Copenhagen	0.6	1%	9
9	Manchester	0.6	1%	11
10	Zurich	0.5	1%	10

#### 5. Key Airlines - 2005

Rank	Airline	Air Traffic Movements	% of Total	2004 ranking
1	Air France - KLM Group <sup>11</sup>	230,402	56.9%	1
2	Easyjet	14,921	3.7%	2
3	Martinair <sup>12</sup>	12,538	3.1%	3
4	Lufthansa	10,812	2.7%	5
5	British Airways	9,380	2.3%	4
<b>TOTAL</b>		<b>404,594</b>	<b>100.0%</b>	

11. KLM, Transavia and Air France

12. 50% owned by KLM

To order reprints of this report (100 copies minimum), please call 1.212.553.1658.

Report Number: 101647

Author

Andrew Blease

Senior Associate

Sarah Gau

Production Associate

David Ainsworth

© Copyright 2007, Moody's Investors Service, Inc. and/or its licensors and affiliates including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved. **ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.** All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.** Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at [www.moody.com](http://www.moody.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

This credit rating opinion has been prepared without taking into account any of your objectives, financial situation or needs. You should, before acting on the opinion, consider the appropriateness of the opinion having regard to your own objectives, financial situation and needs.