

Global Credit Research - 07 Dec 2010

Amsterdam, Netherlands

Ratings

Category	Moody's Rating
Outlook	Stable
Bkd Sr Unsec MTN -Dom Curr	(P)A1
Bkd Commercial Paper -Dom Curr	P-1
Schiphol Nederland B.V.	
Outlook	Stable
Senior Unsecured -Dom Curr	A1
Bkd Commercial Paper -Dom Curr	P-1

Contacts

Analyst	Phone
Andrew Blease/London	44.20.7772.5454
Neil Griffiths-Lambeth/London	
Monica Merli/London	

Key Indicators

N.V. Luchthaven Schiphol[1]	6/30/2010(L)	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005
EBITA Margin	21.6%	22.6%	25.6%	28.7%	29.3%	33.3%
EBITA / Average Assets	4.5%	4.8%	6.1%	7.7%	7.6%	8.6%
EBITA Interest Coverage	2.2x	2.2x	4.4x	6.5x	5.9x	6.0x
FFO Interest Coverage	3.9x	4.2x	5.9x	8.4x	7.1x	7.0x
FFO / Net Debt	18.6%	23.9%	20.5%	43.1%	42.5%	36.1%
RCF / Net Debt	14.6%	19.4%	-16.4%	33.9%	35.1%	30.8%

[1] Standard adjustments in accordance with "Rating Methodology: Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations, Part 1, Part 2 and Part 3". In addition, Moody's adjusts for one time items.

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

Opinion

Company Profile

N.V. Luchthaven Schiphol ("Schiphol Group") is a holding company of a group that owns and operates Amsterdam Airport, Rotterdam Airport, Lelystad Airport, and 51% of Eindhoven Airport, which together comprise most of the airport capacity in the Netherlands. In addition, Schiphol Group has minority investments in a number of overseas airports. The largest of the Dutch airports, Amsterdam Airport Schiphol ("Schiphol"), is the fifth largest airport in Europe by passenger numbers. Schiphol Group is currently owned 70% by the Kingdom of the Netherlands, 20% by the Municipality of Amsterdam, 2% by the Municipality of Rotterdam, and 8% by Aéroports de Paris ("ADP"). In December 2008, Schiphol Group consummated a cross-shareholding and co-operation agreement with ADP, which involved both Schiphol Group and ADP acquiring an 8% interest in each other's share capital.

Rating Rationale

The A1 rating comprises a view of the fundamental credit quality of Schiphol Group represented by a Baseline Credit Assessment of 7 (equivalent to A3), and a 2-rating notch uplift for the likelihood of extraordinary support being provided by the Government of the Kingdom of the Netherlands in the event that this were ever to be required to avoid a default, as assessed in accordance with Moody's rating methodology for Government Related Issuers.

More particularly, Schiphol Group's A1 rating reflects the combination of the following inputs: (a) a Baseline Credit Assessment of 7 (equivalent to A3 on Moody's Global Rating Scale), (b) the Aaa local currency rating of the Government of the Kingdom of the Netherlands ("KoN"), (c) Moderate Dependence, and (d) Moderate Support.

The Baseline Credit Assessment of 7 reflects: (1) Schiphol Group's ownership of the fifth largest airport in Europe and the other Netherlands airports, (2) its relatively high exposure to transfer traffic and reliance on Air France KLM, (3) its moderate capital expenditure programme, (4) certain operational constraints which may impede the pace of volume growth in future years, and (5) its current financial profile, which is expected to stay broadly constant over the next few years.

The Moderate Dependence recognises that while the majority of both Schiphol Group and KoN's revenues are generated domestically, they both have a reasonable level of revenues / income that ultimately derive from economies outside of the Kingdom of the Netherlands. The Moderate Support reflects (i) the 70% direct ownership of KoN together with the possibility that at some point Schiphol Group may be partly privatised, although this is not expected within the foreseeable future, (ii) the modest possibility that state aid rules may apply to any extraordinary support provided by KoN (if required) and the likelihood that KoN would nevertheless proceed with such support, (iii) the high importance of Schiphol to the Dutch economy, and (iv) the history of government bailouts in the Netherlands and the low likelihood that a default by Schiphol Group would cause a negative market perception of the credit quality of KoN.

Recent Developments

For the 10 months ending October 2010, Schiphol saw a 3.1% increase in passenger volumes, a moderate recovery from the 8% decline seen for the year ending December 2009, but nevertheless a positive trend. The 2010 percentage increase is in line with the other major European hub airports. 2010 volumes will have been negatively impacted by the ash cloud problems in April 2010, but growth levels have increased as the year has progressed, again in line with the industry trend, and evidencing gradual recovery in air travel throughout Europe.

On 30 August 2010, Schiphol Group published its results for the 6 months ending June 2010. Overall revenues fell 1.5%. Although passenger numbers in the 6 months were up 1.1%, aircraft movements were down 4.8%, a performance not dissimilar to elsewhere in Europe. However, Schiphol did not raise aviation charges in 2010, in order to assist its airline customers, which followed on from airport charge reductions in 2009. This net reduction in charges had a negative effect on aviation yields. This was particularly noticeable with regard to security revenues (charges were decreased by 26% in 2009 and not increased in 2010). However, lower revenue in the aviation business was offset to some extent by higher revenues from concession and retail activities. Overall EBITDA (excluding property division revenues) was up 12%, a result of lower costs, a testimony to the success of Schiphol's reorganisation plan to reduce costs that was implemented in 2009.

On 27 October 2010, Schiphol announced average airport charge increases of 0.6% from April 2011, which will have a modest positive impact on 2011 results.

Key Rating Drivers

The key business and financial factors are assessed in the light of the Rating Methodology for Operational Airports outside of the U.S. The overall rating methodology grid score maps to an A3 rating, the same level as Schiphol Group's current BCA.

Factor 1 - Governance and Rate Setting

Schiphol Group has been designated as the operator of Amsterdam Airport Schiphol for an indefinite period of time and owns its airport assets outright in perpetuity. Despite its ownership structure, Schiphol Group is a financially independent commercial enterprise. Its legal status does not place any particular legal restrictions on what it can do and hence does not provide any particular protections from bankruptcy. At the same time, the airports operated by Schiphol Group, in particular Amsterdam Airport Schiphol, are regulated in a number of areas, including noise and environment, aviation operations, capacity, safety and airport charges.

Following the implementation of a legislative decree in July 2006, Amsterdam Airport Schiphol is subject to a dual till system of economic regulation, and therefore operates with a regulated return on a defined aviation asset base, based on an assumed average cost of capital and a proposed capital expenditure plan based on the forward requirements of users of the airport. The charges are set by Amsterdam Airport Schiphol in accordance with the regulatory framework and possible disputes with its airline customers are referred to the relevant Dutch Government agency (Competition Authorities). This is a new regulatory framework, which was implemented for the first time in setting aviation charges in 2008. Under the dual till principle, the non aviation activities (consumers and real estate segments) at Amsterdam Airport Schiphol as well as all other activities of Schiphol Group including its other Dutch airport interests are not subject to economic regulation.

Factor 2 - Market Position

As well as serving Amsterdam, a major trading centre and capital city of an advanced European country, Schiphol Group's ownership of Rotterdam Airport and majority ownership of Eindhoven Airport gives Schiphol Group a virtual monopoly of the international airports in the Netherlands. In addition, Amsterdam Airport Schiphol is the 3rd 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.

The Netherlands is an advanced European country with an open, robust and diversified economy. Its financial position should enable the economy to weather economic downturns reasonably well. This is evidenced by the Aaa long-term credit rating of the Government of the Kingdom of the Netherlands which has been stable since the rating was assigned.

Amsterdam Airport Schiphol has a virtual monopoly of air travel originating and ending in the Netherlands. However, given the very good rail network in continental north-west Europe, the airport is exposed to rail travel for certain European travel destinations. The Dutch Government's plans to better connect the Netherlands to the high speed rail networks of Belgium and Germany are advanced, which will increase Amsterdam Airport Schiphol's potential catchment area, but may also serve to increase competition on short-haul routes and bring Amsterdam Airport Schiphol into more direct competition with airports in Paris and Brussels.

Factor 3 - Passenger and Airline Base

Amsterdam Airport Schiphol has a relatively high exposure to transfer traffic (43% of total passengers), in fact the highest of any European airport rated by Moody's, hence leaving it relatively exposed to the fortunes of its main hub carrier. The Air France KLM Alliance accounted for nearly 64% of total passengers in 2009 and so will have a material impact on Amsterdam Airport Schiphol's future traffic volumes. Although there are inevitable uncertainties over the shape of the Air France KLM route network over the medium term, to date the impact on Schiphol's traffic volumes has been positive, and there remains an understanding between the French and Dutch governments that changes to route networks would be minimalised where possible.

Compared to most other airports rated by Moody's, Amsterdam Airport Schiphol had experienced relatively low volatility of passenger traffic since the late 1990s. However, this changed somewhat in 2009 with the large annual drop in passenger numbers. The standard deviation of average annual passenger growth rate for the last 10 years to 2009 for Amsterdam Airport Schiphol was 4.5%.

Given the cross shareholding and cooperation agreement with ADP, there is a potential danger that Air France KLM could become an even more dominant customer in the future. Both ADP and Schiphol Group are subject to frameworks of economic regulation / charge setting which should mitigate this. However, as we have seen elsewhere in Europe, airlines with political clout and / or strong market positions can make life more challenging for airports.

Factor 4 - Operating Environment & Capital Programme

The existing runway system of Amsterdam Airport Schiphol has the capacity to handle around 600,000 air transport movements a year, and the existing terminal space is sufficient for over 60 million passengers a year, which is expected to satisfy the demand for air traffic until at least 2015. While physical capacity is substantial, there are environmental constraints that place a limit on the number of aircraft movements. The major constraint on growth is placed by noise regulations. However, an agreement has been reached to allow for approximately 510,000 air traffic movements a year by 2010. In addition, Schiphol Group could reallocate up to 70,000 flights from Amsterdam Airport Schiphol to other Schiphol Group Dutch airports which would free up additional capacity at Amsterdam Airport Schiphol.

Following the completion of the fifth runway in 2003, Amsterdam Airport Schiphol only needs to undertake modularised expenditure to deal with growth as it arises. This gives the company significant flexibility in downside traffic scenarios. Planned investments in the coming years include taxiways, aprons and piers, security, fire protection and further upgrading of baggage handling systems. Amsterdam Airport Schiphol is intending to invest in baggage systems so as to ensure the handling and flow of 70 million bags per year by 2015.

Factor 5 - Stability of Business Model and Financial Structure

Schiphol Group's debt covenants do not place any significant limits on its investment activity or business outside airport services. Although the European Investment Bank loan facility conditions include a requirement to comply with an Equity / Total Assets ratio of 30%, currently this covenant does not limit the ability of management to materially increase leverage due to the existence of significant headroom. A lack of legal / contractual restrictions is balanced by the track record of Schiphol Group, which has traditionally had a conservative financial structure with a modest amount of debt leverage. Nevertheless, Schiphol Group paid a one-off special dividend of EUR500m in 2008 which, together with the net investment in ADP, has increased debt leverage. However, Moody's does not expect similar events to occur in the near future.

The co-operation agreement with ADP appears to suggest the likelihood of more overseas investment in other SkyTeam airports. However, Moody's understands that this is not management's current intention, and therefore this is not considered likely in the near term.

Factor 6 - Key Credit Metrics

Schiphol Group has been scored on the basis of its financial results for the year ending 31 December 2009. The 2009 credit metric scores are in line with Schiphol Group's current A3 BCA. Credit metrics are not expected to have changed materially since that time.

Liquidity

The current liquidity profile of Schiphol Group is solid.

As at 30 June 2010, Schiphol Group had EUR346m of cash and cash equivalents and only EUR36m of borrowings due within 12 months. In addition, Schiphol Group has a EUR175m syndicated 364 day bank facility with term out option which remains undrawn. As at 30 June 2010, Schiphol Group did not have any commercial paper outstanding, having taken the decision to end its exposure to short term debt markets early in 2009. Schiphol Group's large cash balances reflect its current policy of accessing debt markets to ensure adequate funding to meet all cash requirements well in advance of requirements. Since June 2010, Schiphol Group has raised a EUR350m loan facility from the European Investment Bank. Schiphol Group only has one significant medium term debt maturity in 2011, that is the EUR106m of loans (Schiphol's share) provided to Schiphol Group's 60.25% owned property joint venture, AREB CV. Schiphol Group's current large cash balances and standby bank facilities are more than adequate to meet this maturing obligation in the unlikely event that AREB cannot refinance these loans directly. Moody's notes Schiphol Group's announcement on 6 December 2010 of a tender to purchase up to EUR150 million of its outstanding EUR800 million 6.625% Guaranteed Notes due January 2014. Despite this additional cash requirement, Schiphol Group's liquidity is expected to remain good.

In line with other major airport companies, Schiphol Group generates strong operating cash flow throughout the year, albeit with some cyclicity with the northern hemisphere summer season generating more cash flow than the winter season. Moody's would expect 2010 capital expenditure to be higher than 2009 and closer to the levels seen in the recent past, particularly given improving debt markets. Moody's would expect Schiphol Group to generate sufficient cash flow and have sufficient cash balances to comfortably cover all cash requirements for at least the next 12 months.

Moody's notes that a rating of Schiphol Group from one credit rating agency is now at the level at which it may be required to post collateral to support the EUR150 million amortising European Investment Bank Loan (now only EUR16.3m outstanding) if its rating were to be downgraded further (A flat from S&P). The new EUR 350 million EIB facility requires an additional guarantee to be provided to the EIB were the credit rating of Schiphol Group to be Baa2 or below as assigned by Moody's or BBB or below as assigned by Standard and Poor's.

Rating Outlook

Provided that air travel does not fall below the low levels seen in 2009, Schiphol Group's credit profile would be expected to stay constant. Its framework of economic regulation should provide appropriate charges going forward, albeit that the framework needs to be tested over a few years to confirm its robustness, and capital expenditure is expected to be managed in the light of expected future traffic growth. Moody's does not anticipate that there will be a step change in overseas investment or investment in non core activities, albeit that the industrial cooperation agreement with ADP provides a framework for this.

What Could Change the Rating - Up

A ratings upgrade could be warranted if the company were able to revert to a financial profile somewhat in line with that seen prior to that evidenced by the 2008 financial statements. Given the recent traffic experience and current economic conditions, Moody's views upward rating

pressure as unlikely at this stage.

What Could Change the Rating - Down

The ratings could be downgraded if the financial profile of Schiphol Group deteriorates to the extent that any of the following ratios are likely to fall consistently below the identified levels (i) Cash Interest Coverage below 3.5 times, (ii) FFO / Debt below 12.5% or (iii) Moody's DSCR below 3.5x.

Furthermore, a programme of material overseas or non core investment may dilute the existing business profile to the extent that it has a downwards impact on the rating.

Rating Factors

N.V. Luchthaven Schiphol

Airports Industry	Aaa	Aa	A	Baa	Ba	B	Caa
Factor 1: Governance and Rate Setting (15%)							
a) Legal Status / Corporate Objectives			X				
b) Rate Setting Methodology				X			
c) Nature of Ownership / Control	X						
Factor 2: Market Position (15%)							
a) Size of Service Area	X						
b) Robustness & Diversity of Service Area	X						
c) Competition for Medium to Long Distance Travel		X					
Factor 3: Passenger & Airline Base (10%)							
a) Passenger Mix (O&D / Transfer)					X		
b) Standard Dev of Long Term Average Annual Passenger Growth Rate			X				
c) Carrier Base (Transfer Traffic)				X			
Factor 4: Operating Environment & Capital Programme (10%)							
a) Operational Restrictions				X			
b) Complexity of Airport Capital Expenditure Programme			X				
Factor 5: Stability of Business Model & Financial Structure (10%)							
a) Ability and Willingness to Pursue Opportunistic Corp Activity			X				
b) Ability and Willingness to Increase Leverage				X			
c) Targeted Proportion of Rev outside of Owned Airport Services				X			
Factor 6: Key Credit Metrics (Hist & Projected) (40%) [1][2]							
a) (FFO + Interest Expense) / (Interest Expense - Non-Cash Int)				4.2x			
b) FFO / Debt			17.8%				
c) Debt Service Coverage Ratio			4.6x				
d) Implied Concession Life Coverage Ratio			21.5%				
Rating:							
Indicated Rating from Grid Factors 1-6			A3				
Rating Lift			0.0				
a) Indicated Rating from Grid			A3				
b) Actual Rating Assigned			A3				

Government-Related Issuer	Factor
a) Baseline Credit Assessment	7 (A3)
b) Government Local Currency Rating	Aaa
c) Default Dependence	Moderate
d) Support	Moderate

[1] Standard adjustments in accordance with "Rating Methodology: Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations, Part 1, Part 2 and Part 3". In addition, Moody's adjusts for one time items. [2] Based on financial data as of 6/30/2010(L); Source: Moody's Financial Metrics



CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, 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, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. 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 ratings, financial reporting analysis, projections, and other 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. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. 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.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and 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 at www.moody's.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities

of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.