STANDARD & POOR'S

RATINGSDIRECT®

October 12, 2009

N.V. Luchthaven Schiphol

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N.V. Luchthaven Schiphol

Major Rating Factors

Corporate Credit Rating
A/Stable/A-1

Strengths:
- Strong competitive position as a European hub airport.
- Supportive regulatory environment.
- Well-diversified revenue base with solid aviation, real estate, and retail operations.
- Flexibility to delay capital expenditures.

Weaknesses:
- Stronger-than-anticipated impact of economic environment on passenger numbers.
- High level of transfer passengers.
- Dependence on dominant customer Air France KLM.
- Significant financial risk profile.

Rationale

The 'A' ratings on N.V. Luchthaven Schiphol and Schiphol Nederland B.V. (collectively, Schiphol group) are based on the group's stand-alone credit profile (SACP), which Standard & Poor's Ratings Services assesses at 'A-', as well as on our opinion that there is a "moderate" likelihood that the Dutch government would provide timely and sufficient extraordinary support to Schiphol in the event of financial distress.

In accordance with our criteria for government-related entities (GREs), our view of a "moderate" likelihood of extraordinary government support is based on our assessment of the group's:

- "Important" role, based on our view on the essential infrastructure nature of the group's main asset, Amsterdam Airport Schiphol, as a key element of The Netherlands' open and service-oriented economy; and
- "Limited" link with the Dutch government. Although the State of The Netherlands (AAA/Stable/A-1+) owns a 70% stake, the group operates on a stand-alone basis and the Dutch government has a limited track record of supporting entities of this nature. We will, however, continue to monitor the link and could change our assessment if positive signs of support were to emerge.

The SACP on Schiphol group reflects our view that Amsterdam Airport Schiphol will maintain a strong competitive position as a European hub airport. The airport operates within a supportive regulatory environment and historically its successful retail and real estate operations have supported its strong operational track record.

These strengths are partially offset by a relatively high level of transfer passengers (43% in 2008); the dependence on a dominant customer, Air France-KLM (63% of passengers in 2008); and the strong negative effect of the economic downturn on passenger numbers over the last year. Over the long term, we believe Schiphol's capacity could also be affected by the environmental constraints related to the number of air traffic movements and noise restrictions.

Key business and profitability developments

In the first eight months of 2009, Schiphol's passenger numbers dropped by 9.6% compared with the same period in 2008. This makes Schiphol among the hardest hit rated European airports of a comparable size with BAA Ltd.'s Heathrow and Aeroports de Paris' Charles de Gaulle, which reported declines of 2.6% and 5.9%, respectively, over the same period. We anticipate that the comparative decline in passenger numbers will be slower in the second half of the year due to the abolition of the Domestic Air Passenger Tax from July 1, 2009, and lower growth in passenger numbers in second half of 2008.

Schiphol's commercial revenues were weaker than those of many of its peers in the first half of 2009. Consumer revenues were down 14.9%, reflecting lower spend per passenger as well as weaker concession income and a higher number of transfer passengers. We anticipate that this decline will continue in the second half of the year as there has been no sign of a significant increase in consumer discretionary spending in the Netherlands.

Key cash flow and capital-structure developments

The group's financial ratios weakened significantly in the first half of 2009 driven by a higher debt burden. Although EBITDA was up 3.2% in the 12 months to June 30, 2009, after adjustments for restructuring costs and negative fair value movements (down 30.8% on a reported basis) funds from operations (FFO) was down 24%, due to a combination of higher interest charges and lower-than-anticipated revenues. Therefore, adjusted FFO to debt was down, at about 13%, in the 12 months to June 30, 2009, which was lower than our projections.

Schiphol has taken a proactive stance on costs and we anticipate that the group's costs should fall in the second half of 2009, which should support cash flow ratios. The group is targeting about €44 million of cost savings by 2010. We therefore do not anticipate any further significant decline in FFO coverage ratios in 2009, although such a fall could occur if passenger numbers continue to decline strongly in 2010.

Liquidity

Schiphol's liquidity, which we consider adequate, is supported by significant cash balances and a supportive debt maturity profile. On June 30, 2009, the group had €338.2 million in cash and marketable securities. In addition, it had access to €200.0 million of undrawn credit lines. These credit lines, however, have relatively short maturities (one year with a possible extension of one year).

The above sources of liquidity are significantly higher than the estimated call on cash over the next 12 months. We anticipate the Schiphol group to be cash flow negative after capital expenditures (capex) and dividend payments in the coming year, due to the tough industry conditions. We believe that negative discretionary cash flow will exceed €100 million. During the next 12 months, Schiphol group has €130 million of debt maturing. We believe that exposure to margin calls on derivative instruments should be limited. Further cash calls could come from the European Investment Bank, which can, if new terms cannot be agreed, ask for an early loan repayment (€63.4 million outstanding on June 30, 2009) if we were to lower the rating on Schiphol group to below 'A'.

In addition, the €120 million of notes issued under the group's €1 billion medium-term note program due 2038 have an early redemption option that would be triggered by a downgrade by either Standard & Poor's or Moody's, to speculative grade from investment grade, or by rating withdrawals by both rating agencies of the long-term senior unsecured debt rating.

Outlook

The stable outlook on Schiphol group reflects our assumption that FFO to debt will likely not dip below 12% in 2009-2010, before returning to the mid-teens as passenger numbers start to recover.

We could lower the ratings or revise the outlook to negative if Schiphol group's financial profile were to weaken to FFO to debt of below 12%, which we consider commensurate with the rating, if passenger volumes were to decline further than anticipated, or if other negative developments were to affect the group's business risk profile.

We could upgrade Schiphol group or change the outlook to positive if the group were to demonstrate an improved financial risk profile, for example if FFO to debt were to increase toward 20%.

Business Description

The Schiphol group is the operator of Schiphol airport, which is the main airport in the Netherlands and one of Air France-KLM's major hubs. In 2008, Schiphol airport handled 47.4 million passengers.

In addition, the group owns and operates Lelystad Airport and Rotterdam Airport, and it has 51% of Eindhoven Airport. The group's international operations include an 8% stake in Aeroports de Paris (AdP, AA-/Negative/--), a 16% stake in Brisbane Airport Corp. Pty Ltd. (BBB/Stable/--) in Australia, and a 40% stake in Terminal 4 of John F Kennedy Intl Air Term LLC, NY in the U.S.

Government Support And GRE Methodology

As Schiphol is 69.7% owned by the Dutch government we apply our GRE criteria to the group. The other shareholders are also government linked: The City of Amsterdam owns 20% and the City of Rotterdam 2.2%. The only private shareholder in the group is AdP, which owns 8%.

In our view, the likelihood of extraordinary government support at a time when Schiphol is under financial stress is "moderate" based on our assessment of group's:

- "Important" role, based on our view on the essential infrastructure nature of the group's main asset, Amsterdam Airport Schiphol, as a key element of The Netherlands' open and service-oriented economy. In our view, there is a clear need for the airport to continue to operate without disruption, as any interruption of its operations would hurt the international reputation of the Netherlands as a place to do business; and
- "Limited" link with the Dutch government. Although the Dutch state owns a near 70% stake in Schiphol group and we anticipate no privatization under the current cabinet, the group operates on a stand-alone basis. Its directors are appointed by a supervisory board that is not controlled by government-linked members. The Dutch government also has a limited track record of supporting entities of this nature.

As the current cabinet has made it clear that there will be no privatization of Schiphol and has offered support to financial institutions we will continue to monitor the link between the government and the group and could change our assessment if positive signs of support were to emerge. Such signs would include further public statements of support for Schiphol or state support provided to other infrastructure-related assets.

Business Risk Profile: Excellent, Based On Solid Operations, Supportive Regulation, And High Profitability

The key supporting factors for Schiphol's business risk profile are:

- Strong competitive position and leading market share in the Dutch market. Schiphol is the fifth-largest airport in Europe in terms of passenger numbers, after London Heathrow, Paris Charles de Gaulle, Frankfurt, and Madrid, and the third-largest in terms of cargo transport. Its catchment area covers approximately 34 million people living within 200 kilometers (km) of the airport.
- The well-diversified revenue base. The group's excellent business risk profile is supported primarily by its solid aviation operations, which contributed 55% of the group's revenue (38% of EBITDA) in 2008. The nonaeronautical income is well balanced and represented about 45% of total revenues (62% of EBITDA) in 2008. We view consumer revenues as the strongest in this category as they benefit from the captive audience of the passengers in the airport. We consider the real estate division to be a strong business since Schiphol is in demand as a location, as illustrated by its high occupancy even in the current macroeconomic environment. However, the success of all of these operations is tied to the success of Schiphol's aviation business.
- The strategy of increasing the share of revenues from nonaviation activities. This would reduce the group's dependence on revenues from aviation traffic and increase its profitability through a higher share of nonregulated revenues. However, should the real estate or international businesses account for a significantly higher proportion of profits, this could dilute the business risk profile, as we consider nonregulated real estate revenues to be of weaker quality than regulated aviation revenues.
- Supportive regulatory regime at the airport. The Schiphol group generates revenues under a dual-till framework with predictable rates set for the cost of capital on its aviation assets. In 2008, the weighted average cost of capital was 5.82%, which was slightly higher than in 2007 due to higher equity risk premiums. Schiphol operates under a license that is granted for an indefinite period of time.
- Sufficient environmental capacity to accommodate traffic growth in the medium term. The airport had about 428,000 air traffic movements (ATMs) in 2008, although this number has fallen by about 9% in the first eight months of 2009. The current framework provides for stepped growth up to 480,000 ATMs in 2010, with long-term growth up to 510,000 ATMs in 2020. However, in order to support ATM growth, Schiphol needs to continue to make capital investments in its aviation infrastructure.
- Schiphol's resilience in the current macroeconomic environment, as higher fees have offset declining passenger numbers. Underlying EBITDA (adjusted for one-off restructuring and exceptional costs as well as fair value losses) was down only about 4% in the six months to June 30, 2009. Schiphol's profitability is in line with that of larger peers although somewhat behind that of smaller operators.
- Air France's assurance to the Dutch government that it will operate a dual-hub system for the combined airline group until 2012, an arrangement that has so far worked well. In addition, we view the cross-shareholding of Schiphol group and AdP as further evidence that the two states value a long-term relationship between not only KLM and Air France but also between the airports.

These factors are partially offset by:

- Schiphol's exposure to concentration risk from its major customer, Air France–KLM, which in 2008 carried 63% of the airport's total passenger traffic. The Schiphol group depends to an extent on the success of Air France-KLM's strategy. Although concentration in one airline is typical for hub airports, it is nevertheless a rating concern.

- The possibility that, over the long term, Schiphol group's position could be vulnerable because Air France is the stronger entity in the merger, and Schiphol's attractiveness will be determined by its ability to provide a high-quality business and an operating environment that supports high levels of transfer traffic (43% in 2008).
- Strong competition for transfer traffic from the other main European hubs, mainly Paris Charles de Gaulle, owned by AdP; London Heathrow, owned by BAA Ltd.; FraPort, the operator of Frankfurt Airport; and AENA, which operates Madrid airport. Moreover, competition from other, smaller airports that host "no frills" carriers, in particular across the German border, could take some origin-destination traffic (that is, passengers flying direct between two airports) away from Schiphol.

Financial Risk Profile: Significant, Due To Weak Financial Performance Over The Past 12 Months

The main weaknesses in Schiphol's significant financial risk profile are:

- Aggressive financial ratios. We anticipate adjusted FFO to debt to be about 13% in 2009 and adjusted FFO to interest about 3x. We also believe that adjusted debt to EBITDA will remain high for the rating. However, we anticipate that debt-to-capital ratios will remain in line with the rating. We believe that these ratios will improve over the next three years to levels seen in 2008 as the industry conditions improve.
- High dividend payout ratio. In 2009, the group is looking to pay out 50% of post-tax income (excluding fair value gains) in dividends. This payout ratio was 40% in 2008 and 30% in 2006. We will continue to monitor any changes in dividend payments in response to the low net income that we anticipate in 2009.
- Significant capex needs over the medium-term. We anticipate that Schiphol will spend between €1.5 billion and €1.9 billion over the next five years in capex to maintain the airport's competitive position, increase facilities for growth, deliver real estate improvements, and to invest in alliances. This is somewhat mitigated by the group's flexibility to postpone planned investments in response to difficult market conditions.
- Likely significant negative free operating cash flow in 2010. We believe that this could result from weak profitability as passenger numbers remain weak and the group increases capex to support the airport's position in the transfer market. A key capex item in 2010 is the group's investment in new baggage handling facilities.
- Anticipated negative discretionary cash flow each year over the next five years. If this were to arise, we believe that the group could need to access the debt markets for additional funding unless it alters its dividend policy.

These risks are partially mitigated by:

- Communicated financial policies that are in line with a significant financial risk profile. We therefore anticipate that management will be committed to improving the group's credit ratios. The group's current financial ratios are weaker due to the unexpectedly strong impact of recession on passenger volumes. We anticipate a gradual recovery in the credit protection metrics and no further changes in dividend policies as market conditions improve.
- An adequate liquidity position with significant cash balances that should allow Schiphol to mitigate refinancing risks and operational underperformance. On June 30, 2009, the group had €338.2 million in cash and marketable securities as well as access to €200.0 million of undrawn credit lines.
- The indication from Schiphol's main shareholder, the Dutch government, that it is not looking to request additional dividends from Schiphol unless the group's financial profile can support an 'A' rating after dividend

payments.

- Balanced debt maturity profile. The next refinancing peak is not until 2013, when about €343 million of debt matures.

Financial Statistics/Adjustments

The Schiphol group prepares audited financial statements annually in accordance with International Financial Reporting Standards (IFRS). We adjust reported EBITDA by stripping out the gain on property sales and fair value gains and losses on property included in operating income (€21.5 million gains in 2008) (see table 1).

Standard & Poor's adds to debt €43.4 million of various contingent liabilities, including payment commitments for motorway and road works, as well as other guarantees and bank guarantees.

Table 1

Reconciliation Of N.V. Luchthaven Schiphol Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. €)*

	--Fiscal year ended Dec. 31, 2008--						
N.V. Luchthaven Schiphol reported amounts							
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**
Reported	1,980.4	2,868.3	466.5	294.1	63.2	420.7	420.7
Standard & Poor's adjustments							
Operating leases	38.1	--	1.9	1.9	1.9	4.2	4.2
Postretirement benefit obligations	30.3	(0.2)	0.9	0.9	1.9	(3.2)	(3.2)
Additional items included in debt	43.4	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	(5.1)	(5.1)
Reclassification of nonoperating income (expenses)	--	--	--	26.6	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	(72.8)
Minority interests	--	18.3	--	--	--	--	--
Reversal of fair value (gains)/losses	--	--	(21.5)	(21.5)	--	--	--
Total adjustments	111.8	18.1	(18.7)	7.8	3.8	(4.1)	(76.9)
Standard & Poor's adjusted amounts							
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**
Adjusted	2,092.1	2,886.4	447.7	302.0	67.1	416.6	343.8

*Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations

Table 2

N.V. Luchthaven Schiphol Peer Comparison*

	N.V. Luchthaven Schiphol	Aeroports de Paris¶	Manchester Airport Group PLC (The)	Dublin Airport Authority PLC¶	Unique (Flughafen Zurich AG)¶
Rating as of Oct. 12, 2009	A/Negative/A-1	AA-/Negative/--	A/Watch Neg/--	A-/Negative/A-1	BBB+/Stable/--
	--Fiscal year ended Dec. 31, 2008--				
(Mil. €)					
Revenues	1,154.0	2,527.0	427.0	630.9	534.4
EBITDA	447.7	848.2	154.2	156.5	249.4
Net income from continuing operations	186.9	272.6	(116.0)	47.1	79.7
Funds from operations (FFO)	343.8	629.4	108.5	136.7	205.2
Capital expenditures	344.7	507.1	101.3	356.5	163.3
FFO-capex	(0.9)	122.4	8.3	(219.7)	27.6
Cash and short-term investments	398.4	0.0	2.8	0.0	19.7
Debt	2,092.1	2,539.5	385.6	236.1	899.0
Equity	2,886.4	3,137.9	906.8	1,003.7	939.3
Debt and equity	4,978.6	5,677.4	1292.3	1,239.8	1838.3
Adjusted ratios					
EBITDA margin (%)	38.8	33.6	36.1	24.8	46.7
EBIT interest coverage (x)	4.5	4.3	2.9	3.0	2.6
FFO interest coverage (x)	6.0	6.7	4.6	3.7	5.3
FFO/debt (%)	16.4	24.8	28.1	57.9	22.8
FFO-capex/debt (%)	(0.0)	4.8	2.1	(93.1)	3.1
Discretionary cash flow/debt (%)	(24.9)	(0.3)	(6.9)	(90.5)	2.9
Net cash flow/capex (%)	(72.3)	92.3	77.6	38.4	114.5
Total debt/debt plus equity (%)	42.0	44.7	29.8	19.0	48.9
Return on common equity (%)	6.3	9.0	(11.7)	4.7	8.6
Common dividend payout ratio (un-adjusted) (%)	37.0	50.1	(19.8)	0.0	25.3
Debt/EBITDA (x)	4.7	3.0	2.5	1.5	3.6

*Fully adjusted (including postretirement obligations). ¶Excess cash and investments netted against debt.

Table 3

N.V. Luchthaven Schiphol Financial Summary*

	--Fiscal year ended Dec. 31--				
	2008	**2007**	**2006**	**2005**	**2004**
Rating history	A/Negative/A-1	AA-/Negative/--	AA-/Negative/--	AA-/Stable/--	AA-/Stable/--
(Mil. €)					
Revenues	1,154.0	1,146.2	1,036.7	947.6	876.3
EBITDA	447.7	477.5	440.4	442.7	405.2

Table 3

N.V. Luchthaven Schiphol Financial Summary* (cont.)					
Net income from continuing operations	186.9	315.8	526.9	192.9	160.8
Funds from operations (FFO)	343.8	315.5	348.6	286.0	363.8
Cash flow from operations	416.6	309.5	359.3	297.4	320.6
Capital expenditures	344.7	349.1	241.4	323.3	294.4
Free operating cash flow	71.9	(39.6)	117.9	(25.8)	26.2
Discretionary cash flow	(521.3)	(118.8)	62.5	(72.3)	(14.9)
Cash and short-term investments	398.4	141.8	257.1	261.9	250.5
Debt	2,092.1	1,082.8	1,075.0	1,094.7	1,103.0
Equity	2,886.4	2,955.5	2,721.3	2,243.0	2,092.2
Adjusted ratios					
EBITDA margin (%)	38.8	41.7	42.5	46.7	46.2
Operating income (before D&A)/revenues (%)	39.2	42.0	42.8	46.9	46.3
EBIT interest coverage (x)	4.5	5.7	5.1	5.0	4.4
EBITDA interest coverage (x)	6.7	8.3	7.3	7.9	7.0
Return on capital (%)	6.7	8.4	8.5	8.6	8.1
FFO/debt (%)	16.4	29.1	32.4	26.1	33.0
Free operating cash flow/debt (%)	3.4	(3.7)	11.0	(2.4)	2.4
Debt/EBITDA (x)	4.7	2.3	2.4	2.5	2.7
Debt/capital (%)	42.0	26.8	28.3	32.8	34.5

*Fully adjusted (including postretirement obligations).

Ratings Detail (As Of October 12, 2009)*	
N.V. Luchthaven Schiphol	
Corporate Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Senior Unsecured (5 Issues)	A
Corporate Credit Ratings History	
14-Sep-2009	A/Stable/A-1
24-Oct-2008	A/Negative/A-1
18-Apr-2008	A/Stable/--
02-Apr-2008	AA-/Watch Neg/--
29-Jun-2006	AA-/Negative/--
Business Risk Profile	Excellent
Financial Risk Profile	Significant
Debt Maturities	
2009: €152.5 mil. 2010: €59.4 mil. 2011: €130.8 mil. 2012: €15.7 mil. 2013: €343.0 mil. Thereafter: €994.7 mil.	

Ratings Detail (As Of October 12, 2009)***(cont.)**	
Related Entities	
Schiphol Nederland B.V.	
Issuer Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Senior Unsecured (2 Issues)	A

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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