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Research Update:

**Schiphol Group Affirmed At 'A/A-1';
Outlook Revised To Stable;
Stand-Alone Credit Profile
Assessment Lowered To 'A-'**

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Table Of Contents

Overview

Rating Action

Rationale

Outlook

Ratings List

Related Research

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Overview

- We see some weakening in Netherlands-based Schiphol Group's financial risk profile; we are consequently lowering our assessment of the group's stand-alone credit profile to 'A-' from 'A'.
- In applying our criteria for GREs, we are also factoring in a one-notch uplift to the group's SACP, based on our opinion that the likelihood of extraordinary government support to Schiphol Group if needed is "moderate."
- We are affirming the 'A/A-1' long- and short-term corporate credit ratings on Schiphol Group.
- We are revising the outlook to stable from negative to integrate our assumption that FFO to debt will likely not dip below 12% in 2009-2010.

Rating Action

On Sept. 14, 2009, Standard & Poor's Ratings Services affirmed the 'A/A-1' long- and short-term corporate credit ratings on Netherlands-based N.V. Luchthaven Schiphol and Schiphol Nederland B.V. (collectively, the Schiphol Group), the latter of which owns and operates Amsterdam Airport Schiphol (Schiphol). At the same time, we revised the outlook on Schiphol Group to stable from negative.

Rationale

The affirmation reflects Standard & Poor's reappraisal of the likelihood of the Dutch government's extraordinary financial support to Schiphol Group if needed as "moderate." The rating action also takes into account our view of Schiphol Group's deteriorated stand-alone credit profile (SACP) to 'A-' from 'A'. Our assessments are in accordance with our updated methodology and assumptions for rating government-related entities (GREs).

Standard & Poor's analyzes Schiphol Group using its criteria for GREs. Contributing to our assessment of the moderate likelihood of extraordinary state support to Schiphol Group, we consider the group's role to be "important" for the government. We base our view on the essential infrastructure nature of the group's main asset, Amsterdam Airport Schiphol (Schiphol), as a key element of The Netherlands' open and service-oriented economy. In addition, we assess the link between Schiphol Group and the government to be "limited": although the State of The Netherlands (AAA/Stable/A-1+) owns a 70% stake in Schiphol Group and we expect no

privatization under the current cabinet, the group operates on a stand-alone basis. Also, 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 ratings on Schiphol Group also reflect its business risk profile, which we consider to be excellent. Schiphol Group maintains its strong competitive position as a European hub airport. The airport operates within a supportive regulatory environment, and its successful retail and real estate operations support its strong operational track record.

These strengths are partially offset by current and forecast pressures on operations and cash flows due to declining passenger numbers, high level of transfer passengers, and the dependence on the dominant customer, Air France-KLM.

In the first seven months of 2009, Schiphol Group's passenger numbers declined by 10.4%. We believe passenger numbers will continue to decrease during the remainder of 2009, in a range between 6% and 10%. A slight further dip is also possible in 2010, although the removal of the passenger airport tax implemented in July 2008 may support traffic levels during the year. This, combined with lower passenger spending reported by the group in the six-month period to June 30, 2009, stands to put significant pressure on Schiphol Group's profitability and cash flows in 2009 and 2010.

To protect profitability and cash flow generation, Schiphol Group aims to cut costs by about €44 million per year by 2010. This includes the agreement struck with unions to reduce the workforce by about 450 through outsourcing, redundancy, and attrition by the end of 2010.

We expect Schiphol Group's cash flows to continue to be depressed owing to lower passenger numbers and increased interest costs. We anticipate capital expenditure to be lower than the €285 million estimate provided for 2009 in February by the group.

In the 12 months to June 30, 2009, the ratio of adjusted funds from operations (FFO) to debt was about 13%; we expect this ratio to remain close to this level during the next two years.

Liquidity

Schiphol's liquidity, which we consider adequate, is supported by significant cash balances and a supportive debt maturity profile. At June 30, 2009, the company had €338.2 million in cash and marketable securities. In addition, it had access to €200 million of undrawn credit lines. These credit lines, however, have relatively short maturities (one year and one year of possible extension).

The above sources of liquidity are significantly higher than the anticipated call on cash over the next 12 months. We anticipate Schiphol Group to be cash flow negative after capital expenditures and dividend payments in the coming year, due to the tough industry conditions. We do not anticipate negative discretionary cash flow to 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 early loan repayment (€63.4 million

outstanding as of June 30, 2009) if we lower the rating on Schiphol Group to below 'A'.

In addition, the €120 million of notes issued under the €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 midteens 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 below our current expectations of FFO to debt of 12%, passenger volumes were to decline further than anticipated, or 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%.

Ratings List

Ratings Affirmed;	Outlook	Action
	To	From
N.V. Luchthaven Schiphol		
Corporate Credit Rating	A/Stable/A-1	A/Negative/A-1
Schiphol Nederland B.V.		
Corporate Credit Rating	A/Stable/A-1	A/Negative/A-1

NB. This list does not include all ratings affected.

Related Research

- "2008 Corporate Criteria: Analytical Methodology," April 15, 2008
- "Enhanced Methodology And Assumptions For Rating Government-Related Entities," June 29, 2009

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