STANDARD & POOR'S

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Research Update:

Schiphol Group Ratings Lowered To 'A' On Super Dividend Approval; Off Watch; Outlook Stable

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Rationale

On April 18, 2008, Standard & Poor's Ratings Services lowered to 'A' from 'AA-' its long-term corporate credit and senior unsecured debt ratings on Netherlands-based N.V. Luchthaven Schiphol (Schiphol group) and Schiphol Nederland B.V., a unit of the Schiphol group that owns and operates Amsterdam Airport Schiphol (Schiphol). At the same time, we removed the ratings from CreditWatch with negative implications, where we placed them on April 2, 2008, following the group's announcement of its intention to propose a super dividend payment. The outlook on the corporate credit ratings is stable.

The downgrade follows the group's announcement that the annual general meeting of shareholders held on April 17, 2008, approved an extra payment from the retained profits reserve (super dividend) in addition to the regular dividend proposal of 40% of the net result excluding the fair value gains on investment property (€93 million for fiscal 2007). The super dividend will be debt financed, thus increasing the group's leverage and interest expenses quite significantly and weakening its financial profile as the group ramps up capital spending.

The dividend will comprise two tranches: a first €500 million tranche that will be paid in 2008 and a second tranche in 2009 that will amount to a maximum of €500 million. The two tranches will be debt financed, but we expect the amount of additional debt to remain commensurate with the long-term corporate credit 'A' ratings on the group.

The 'A' rating reflects the group's strong business risk profile, now combined with a moderate financial risk profile as a result of increased debt levels.

The group principally comprises the two rated entities plus Schiphol International B.V. The group's main asset, Schiphol, is a key element of The Netherlands' open economy and maintains a strong competitive position as a European hub airport. The airport's strong operational track record and its success in retail and real estate also support the ratings. These strengths are partially offset by environmental constraints, a relatively high level of transfer passengers, dependence on airline Air France-KLM (KLM), and anticipated higher leverage.

Revenues in 2007 were up a strong 10.6% to €1.15 billion, largely due to passenger volume increases, rises in aeronautical charges, and the strong performance of commercial and property businesses. Unadjusted EBITDA increased by 24.3%, and the EBITDA margin was 52%, including capital gains on property, up from 46% in 2006.

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Liquidity

The group's liquidity is adequate, supported in particular by stable and strong cash flow generation, the ability to reduce capital expenditure, good access to debt markets, and a long-term maturity profile. Financing needs in 2008 will increase compared with 2007 as a result of increased capital spending and expected higher regular and super dividend payments. These financing needs are partly covered by €142 million of cash and undrawn committed bank facilities of €200 million at Dec. 31, 2007.

The documentation for the group's existing bonds carries no rating triggers or change of control covenants. In contrast, the €108 million outstanding loan from the European Investment Bank (EIB) carries a possible rating trigger. The EIB can enter into a preliminary discussion regarding a change of conditions on the outstanding debt if Standard & Poor's rating on Schiphol group falls below 'A' or Moody's Investors Service's rating falls below 'A2'. In the unlikely event that revised conditions are not agreed upon, the EIB could ask for early repayment of the loan. The EIB could also ask for early repayment if other loans are repaid or shareholders' equity falls below 30% of total assets.

Outlook

The stable outlook reflects our expectations that the Schiphol group will continue its strong operational performance in the aviation, real estate, and retail sectors and that the Schiphol group's indebtedness will increase to the level commensurate with the 'A' rating. In particular, the group needs to maintain a strong business profile, with funds from operations (FFO) interest coverage above 3.5x, and FFO to debt at a minimum of 15% (about 6.3x and 29%, respectively, at Dec. 31, 2007).

An upgrade is highly unlikely, given the company's moderately aggressive financial policy. A downgrade could follow an erosion of the group's credit profile by events that undermine passenger volumes, a significant weakening of its main carrier KLM, or a change in the airline's strategy of using Schiphol as its main hub.

Ratings List

	To	From
Schiphol Nederland B.V.		
Corporate credit rating	A/Stable/--	AA-/Watch Neg/--
Senior unsecured debt	A	AA-/Watch Neg/--
N.V. Luchthaven Schiphol		
Corporate credit rating	A/Stable/--	AA-/Watch Neg/--
Senior unsecured debt		

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A	AA-/Watch Neg/--

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