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Analysis

NETHERLANDS
Europe/M.East/Africa

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Contact	Phone
London	
Andrew Blease	44.20.7772.5454
Johan Verhaeghe	
Stuart Lawton	

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 76% by the Kingdom of the Netherlands, 22% by the Municipality of Amsterdam and 2% by the Municipality of Rotterdam, although it has no special status and is a Dutch limited liability company. However, the Dutch Government has announced its intention to sell down its investment, so that the total investment of the Kingdom and the municipalities will fall to around 51%, although this is likely to be done in a number of steps. The decision to partially privatise Schiphol has already been taken by the Dutch Government, but the privatisation still needs to be approved by the Dutch Parliament and enacted into law. The partial privatisation has been mooted for a number of years and last came close to being implemented in 2000. This long gestation period has given plenty of time for both the Government and Schiphol to prepare for privatisation, and a system of economic regulation is already in place and is being shadowed by Schiphol for the determination of airport charges. Should partial privatisation occur, Moody's understands that it is the Government's intention that the Kingdom and the municipalities will retain majority ownership of Schiphol into the foreseeable future[1].

Schiphol's largest asset is Amsterdam Airport Schiphol, the fourth largest airport in Europe by passenger numbers ("**PAX**"), the sole airport serving the City of Amsterdam (located about 15 km south-west of the centre of Amsterdam, which effectively services the whole of the Netherlands. Furthermore, Amsterdam Airport is a major hub airport serving the Air France – KLM Alliance.

1. *The proposed privatisation law stipulates that government ownership will be at least 51%. From the current wording it is not clear whether this is the Kingdom or a combination of the Kingdom and the municipalities*

Segment Analysis (From Audited Financial Statements)

F.y.e. Dec (m)	2001 (Restated)	2002 (Restated)	2003	2004
Amsterdam Airport				
(Aviation & Consumers)				
PAX (million)	39.5	40.7	40.0	42.5
% Change		*+3.0%*	*-1.9%*	*+6.5%*
Revenue	597	641	736	758
% Change		*+7.4%*	*+14.8%*	*+3.0%*
Operating Profit	170	185	207	197
OP Margin	*28.5%*	*28.9%*	*28.1%*	*26.0%*
Real Estate				
Revenue (1)	73	129	173	95
Operating Profit (1)	59	70	132	68
OP Margin	*80.8%*	*54.3%*	*76.3%*	*71.6%*
Other Airports and Investments				
Revenue	35	35	47	57
EBITDA	0	(3)	6	9
Operating Profit	(5)	(8)	(1)	(7)
OP Margin	*0%*	*0%*	*0%*	*0%*
REVENUE(1)	705	805	956	910
OPERATING PROFIT(1)	224	247	338	258
OP Margin	*31.7%*	*30.7%*	*35.4%*	*28.4%*

(1) Includes own work and interest capitalised and Real Estate = Unrealised capital gains and losses including in revenues and operating profits from 2003 onwards. Operating Profit is after Goodwill amortisation.

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 which Schiphol has been able to introduce to cover the increased security required by Government. However, revenue growth has been constrained somewhat by reduced economic circumstances in 2003 and 2004 and the negative impact of the Gulf War on long haul travel, together with declining passenger retail spend at the airport in recent years. Security related costs have increased materially, due in large part to the assumption in April 2003 of preventative security activities previously carried out by the Government (offset by the higher security charges). The decline in operating margin in 2004 is predominantly due to higher depreciation charges following a number of exceptional asset write-downs, the introduction of new plant and equipment and partly one off provisions.

Other airports and investments generate minimal cash flows for Schiphol and in aggregate generate net operating loses. Both Schiphol's 40% investment in one of the JFK International airport terminals in New York and their 51% investment in Lelystad Airport are loss making. The JFK terminal was particularly badly hit by the post 11 Sep 2001 terrorist incidents and Lelystad has required asset write-downs. However, 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.

Real estate revenues reflect both rental income (relatively stable), property sales, and from 2003 unrealised gains and losses on investment properties, the later making the performance of the property division more volatile.

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

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. Two members of the Supervisory Board are appointed by the Municipality of Amsterdam, and the others by the Supervisory Board itself[2]. 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 Chef Executive Officer, Chief Financial Officer and Chief Operating 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 Operating Officer is currently a temporary appointment following the departure of the previous COO in early 2005 due to differences of opinion with regard to policy. A new COO, Mr Ad Rutten, will join Schiphol on 1st September. Mr Rutten is a long standing aviation executive (ex KLM).

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 Schiphol's existing property interests and exploiting its very substantial land ownership in the Amsterdam Airport area, and (3) further development of its Consumers business aimed at maximising income from passengers using the Amsterdam Airport 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 airport property expertise 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 all the Netherlands' international airports except Maastricht Aachen Airport[3] (although only 51% of Eindhoven Airport[4], 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 limited debt leverage, which affords Schiphol a good degree of financial flexibility. Moody's would not expect this financial profile to change materially after partial privatisation, and would not expect a step change in dividend policy in the near term, but longer term changes to financial policy cannot be ruled out. Given what will be significant additional debt capacity, management does have the flexibility to increase leverage if it chooses to seek major further investments.

2. *Prior to 2003, in addition to the Municipality of Amsterdam representatives, one of the members was appointed by the Municipality of Rotterdam and two by the Dutch Government.*
3. *This is a small airport with PAX of less than 0.5 million*
4. *The remaining 49% being held by the local municipality and province*

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 European trading centre and capital city of an advanced north European country. As well as serving a 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) of the international airports in the Netherlands. In addition, Amsterdam Airport is the 4th 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 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 catchment 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% of total passengers being transfer traffic in 2004, 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, which may see greater competition from 2008 when a London Amsterdam cross channel rail service may be initiated (although this is not certain). However, major intercontinental destinations are also important to Amsterdam Airport, and over 30% of passengers 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 Far East are expected to be higher than the global average over the coming years, and KLM has traditionally had strengths in this geographical area. However, in terms of origin and destination traffic, Amsterdam Airport should see growth rates in line with the European average.

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 49.8%of total PAX traffic in 2004, and the associated Sky team Alliance (61% of total 2004 PAX). For obvious historical reasons, KLM has always been the largest carrier at Schiphol and had 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.

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. During 2004 the benefits of the alliance appeared positive with some new routes from Schiphol being established and total Sky Team alliance traffic grew by 8% at Schiphol.

However, 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 system of economic regulation will apply from partial privatisation, but long term suitability remains untested

In conjunction with partial privatisation, a system of economic regulation will apply to Amsterdam Airport. The final form of regulation has not yet been published but will be set out in the necessary laws that will need to be enacted to action the partial privatisation. Currently aviation charges are proposed by Schiphol and approved by the Dutch Ministry of Transport (*Ministerie van Verkeer en Waterstaat*), although over the past two years these charges have been set after discussion with the main airlines using Amsterdam Airport, in particular KLM, in the light of the expected system of economic regulation.

The new system of economic regulation is expected to be 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 be used for aviation purposes only (i.e. excluding assets that generate commercial revenues such as retail sales). The system provides for charges to be proposed each year by Amsterdam Airport based on a pre defined aviation asset base, an average cost of capital for the airport and a proposed capital expenditure programme (based on the forward requirements of users of the airports). The charges would be debated and agreement reached with the airport's airline customers. If agreement cannot be reached the system would require a referral to the Dutch competition authority (*Nederlandse Mededingingsautoriteit*) which would finally determine charges. It is also anticipated that annual outcomes different from the assumed investments, revenues or costs in the relevant year would result in adjusted charges in the following years.

Nevertheless the inputs will only be finalised at the time of privatisation, and there is inevitable uncertainty as to how benign the system will be over the medium term. Non aviation service activities at Amsterdam Airport and all other activities of Schiphol including its other Dutch airport interests and its real estate interests would not be 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 current terminal PAX capacity of roughly 45 m (although the new H Pier which will be operational by year end will add an additional 3-4 m capacity). Schiphol estimate 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. Current environmental constraints limit capacity to 508,000 ATM, however due to imperfections and inefficiencies in the new system (implemented in 2003), the actual capacity is proving to be around 490,000 ATM. A process of optimizing the current environmental limits such that the current capacity of 508,000 ATM can be realized has been initiated and is expected to be completed in the next 12 months. In 2004 Amsterdam Airport handled 403,000 ATM and 42.5m PAX. This is materially lower than Heathrow, which currently handles 470,000 ATM on a two runway system. Amsterdam Airport has adequate room for expansion within its existing site boundaries, but given current terminal capacity of 45m PAX (49m by the end of 2005) ongoing development will be required to keep pace with expected growth. Schiphol estimate that the current terminal can be modularly extended to accommodate up to roughly 60m passengers annually.

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. The Dutch Aviation Act 2003 (which will be fully implemented at partial privatisation) places noise limits and enforcement levels on Schiphol. Consequently going forward, Amsterdam Airport is unlikely to be able to operate at the level of intensity of airports like London Heathrow.

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. The next major single piece of infrastructure would be a new terminal, but this is unlikely to be required until sometime between 2015 and 2020 (based on current projected growth). Absent a material reduction in passenger volumes, annual capital expenditure over the coming few years is expected to be broadly in line with 2004's spending. The most significant piece of non Amsterdam Airport investment being undertaken by Schiphol is the building of a new terminal at Eindhoven Airport, which is due to be completed in 2005, although expenditure is modest.

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 _640m investment value as at 31 Dec 2004, which includes 50% of the value of properties held by a property joint venture fund (owned 50% by Schiphol) called the ACRE Fund which held investment property valued at €193m as at Dec 2004. 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 an appropriate treatment. Schiphol advises that it expects the ACRE Fund to grow to its expected asset size of €360m over the near term through transfers of Schiphol owned property as in the past.

Development and investment has generally been successful to date. Occupancy rates have consistently been at 90% and above, on leases of short to medium term duration.

Schiphol is currently taking a cautious approach to property development at Amsterdam Airport, given the recent performance of the Dutch economy, and is currently not looking to develop new space unless it has a pre-let. However, this may change as economic prospects improve. Schiphol is looking to develop airport related property at its other Dutch airports, and given the state of commercial development at these sites, has to build more speculatively. 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

F.y.e. Dec (m)	2001	2002	2003	2004
Key Numbers				
Turnover[5]	694.6	774.2	859.7	887.4
EBIT Pre Goodwill	219.1	225.0	251.5	251.5
Adj FFO	248.9	314.8	329.6	368.8
Gross Interest	40.0	43.9	52.8	40.7
Adj Retained Cash Flow	188.8	241.7	252.2	279.3
Capex & Investments	338.2	291.2	323.0	269.6
Cash & Equivalents	75.5	38.0	270.6	250.5
Gross Debt	700.7	726.3	1,027.1	984.1
Leases Capitalised	28.0	19.2	22.4	18.4
Pensions and Other	5.3	5.4	1.0	36.3[6]
Adjusted Debt	734.0	750.9	1,050.5	1,038.8
Net Adjusted Net Debt	658.5	712.9	779.9	788.3
Key Ratios				
EBIT Margin	31.5%	29.1%	29.3%	28.3%
Adj FFO Interest Cover	6.2	7.2	6.2	9.1
Adj RCF / Net Adjusted Debt	28.7%	33.9%	32.3%	35.4%
Adj RCF / Capex & Investments	0.6	0.8	0.8	1.0

5 Excludes own work and interest capitalised and real estate unrealised capital gains and losses.
6 Includes Moody's estimate of Schiphol guarantees of affiliate debts not consolidated

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

Consolidated EBITDA (excluding the effect of changes in the value of investment properties) and operating cash flow has been on a steady increasing trend over the past four 4 years. However, property related EBITDA and operating cash flow has been somewhat inflated by the effect of property sales, including those to the ACRE Fund. A sector breakdown of performance is set out earlier in this Analysis. EBITDA margin has held reasonably steady, although higher depreciation charges resulting from the brining into operation of more capacity has reduced operating profit margins.

F.y.e. Dec (m)	2001 (Restated)	2002 (Restated)	2003	2004
Airport PAX (million) all airports	40.6	41.7	41.0	44.3
% Change		*+2.8%*	*-1.7%*	*+8.1%*
Airport Revenue	631.2	667.8	768.4	803.9
% Change		*+5.8%*	*+15.1%*	*+4.6%*
Property Revenue[7]	63.4	106.4	91.3	83.5
TOTAL REVENUE	**694.6**	**774.2**	**859.7**	**887.4**
Property C.O.G.S.	(5.2)	(46.8)	(26.9)	(7.2)
Costs Less Own Work Capitalised	(371.3)	(397.3)	(452.5)	(478.1)
EBITDA	**318.1**	**330.1**	**380.3**	**402.1**
EBITDA Margin	*45.8%*	*42.6%*	*44.2%*	*45.3%*
Depreciation & Grant Amortisation	(98.9)	(105.1)	(128.8)	(150.6)
EBIT (Pre Goodwill)	**219.2**	**225.0**	**251.5**	**251.5**
Capitalised Interest	5.0	7.6	5.1	3.8
Amortisation of Goodwill	(0.4)	(0.5)	(1.8)	(2.0)
Unrealised Property Gains / losses		14.9	82.8	5.1
Operating Result as Reported by Schiphol	**223.8**	**247.0**	**337.6**	**258.4**

7 Exluding unrealised capital gains and losses

Operating cash flow and retained cash flow have followed the EBITDA trend, although Schiphol did not pay any tax in 2004 which aided 2004 cash flow (although a tax charge was accrued). Schiphol only started to pay tax from Jan 2002, which has been accrued since then, and tax payments have been made. However, the opening tax balance sheet for 1 Jan 2002 has not yet been agreed by the tax authorities and may therefore result in changes to the tax accruals to date.

Schiphol's cash flow generation has enabled Schiphol to comfortably cover interest expense, dividends, and the great majority of its capital expenditure programme. This has meant that net debt has increased only modestly over the last 4 years.

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

Given Schiphol's steady operating performance, steadily increasing cash flow generation, and modest increase in net 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.

For Calendar 2003 Results	Luchthaven Schiphol	ANA Consolidated	BAA	Aeroporti di Roma
Rating	Aa3, Stable	A2, Stable	A3, Stable	Baa3, Stable
Gross Debt / Departing PAX[8]	€51.2	€46.3	€94.0 (£64.9)	€130.0
Airport Revenue / Departing PAX	€41.9	€23.0	€42.8(£29.5)	€36.9
EBIT Margin	29.3%	12.7%	32.1%	21.5%
FFO Interest Coverage	6.2	4.7	3.6	1.6

8 Departing PAX assumed to be 50% of Total PAX

A conservative debt profile with limited market risks

TOTAL DEBT AS AT 31 DECEMBER 2004

Borrower	Amount(€m)	Interest Basis	Repayment	Status	Maturity	Lender
Finance Lease						
SNBV	56.9	Fixed	Amortising	Secured	Aug 2035	Lessor = ABP[9]
SRE	57.9	Fixed	Amortising	Secured	Aug 2033	Lessor = ABP
	114.8					
Loan						
SNBV	**150.0**	Fixed	Amortising	Unsecured	Feb 2011	EIB
EMTN						
SNBV	30.0	Fixed	Bullet	Unsecured	May 2018	EUR 30m Note
SNBV	300.0	Fixed	Bullet	Unsecured	Jul 2013	EUR 300m Note
SNBV	30.0	Float	Bullet	Unsecured	May 2010	EUR 30m Note
SNBV	43.6	Fixed	Bullet	Unsecured	Jun 2009	JPY 5000m Note
SNBV	27.0	Fixed	Bullet	Unsecured	Jun 2009	EUR 27m Note
SNBV	43.6	Fixed	Bullet	Unsecured	Jun 2007	JPY 5000m Note
SNBV	81.5	Fixed	Bullet	Unsecured	Jun 2007	USD 75m Note
SNBV	50.0	Float	Bullet	Unsecured	Jun 2005	EUR 50m Note
	605.7					
	113.6	Other Loans (inc. Schiphol's share of ACRE Fund secured bank debt)				
TOTAL	**984.1**					

SNBV = Schiphol Nederland B.V.
SRE = Schiphol Real Estate B.V.
9 Algemeen Burgerlijk Pensioenfonds

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 (this is currently less than €50m). The majority of debt is procured under a €1 billion medium term note programme on a bullet repayment basis. Maturities are reasonably well spread with no significant maturities in the short to medium term. 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, 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 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.

Most debt is fixed rate. Schiphol does not run un-hedged foreign currency borrowing risks.

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 cyclicality 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 the coming year (predominantly a €50m MTN in June 2005) 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 €250m of cash and short term investments as at 31 Dec 2004 which will go some way to covering cash requirements during 2005, although Moody's would expect these balances to decline over time. In addition to cash and cash equivalents, Schiphol has two €100m committed 364 day banking facilities from two major Dutch banks, which have no significant conditionality but need to be renewed annually.

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. Moody's estimates that off balance sheet financial commitments were less than €40m as at 31 Dec 2004, arising predominantly in Schiphol group companies in their capacity as general partners, whom are liable for the debts of the partnerships in which they are general partners (including that amount of the ACRE Fund debt that is not proportionally consolidated into the balance sheet).

Schiphol has no recorded exposure to pension liabilities in its financial statements. However 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). ABP is reported to be the largest institutional investor in Europe, as the Netherlands moved to establish a funded pension plan for Dutch civil servants in the 1920s. 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 measurements, 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, i.e. the Dutch State employers and employees.

The €150m loan from the EIB has a rating trigger which would require Schiphol to post a letter of credit to support its obligations if Schiphol's medium term credit rating falls below A-(S&P) or A3 (Moody's). Given the trigger levels this contingent obligation is not likely to crystallise in the near future.

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., December 2004(90499)

ANA - Aeroportos de Portugal, S.A., August 2004 (88497)

BAA plc, August 2004 (88593)

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APPENDIX

AMSTERDAM AIRPORT SCHIPHOL

Source = Schiphol, except where noted.

1. COMPARISON WITH OTHER MAJOR EUROPEAN AIRPORT CITIES - 2004

	Rank (Passenger Movements)	Rank (Passenger Movements)	ATM[10] (000s)	Cargo tonnes (million)	Rank (Cargo Tonnes)
London (3 airports)	119.7	1	889	1.771	1
Paris (2 airports)	75.3	2	735	1.740	2
Frankfurt (1 airport)	51.1	3	463	1.724	3
Amsterdam (1 airport)	**42.5**	**4**	**403**	**1.421**	**4**
Madrid (1 airport)	38.5	5	400	0.337	-
Roma (2 airports)	30.6	6	360	-	-
Milano (2 airports)	27.5	7	335	0.363	9
München	26.8	8	309	-	-
Barcelona	24.6	9	288	-	-
Moscow(*)	23.5	10	297	0.355	10

** Data = 2003 from East Line Group*
10 Air Traffic Movements, i.e. take-offs and landings

2. GROWTH TRENDS IN PASSENGERS

Year	Total PAX (million)	% Change	Notes
1994	23.559		
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	39.607	7.7%	
2001	39.531	(0.2%)	*1
2002	40.736	3.0%	*1
2003	39.960	(1.9%)	*2
2004	42.541	6.5%	
1994-2004		81%	
1994-2004 (CAGR)		6.1%	

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

3. PASSENGER SPLIT - 2004

Scheduled & Transit	90%	Domestic & EU(*)	56%	O&D	58%
Charter	10%	Extra-EU	44%	Transfer	42%

** Domestic PAX is less than 0.5% of total PAX.*

4. PASSENGERS - KEY CITY PAIRS - 2004

No.	City Pair	Terminal PAX (million)	% of Total
1	London	3.5	8%
2	Barcelona	1.1	3%
3	Paris	1.0	2%
4	Madrid	0.9	2%
5	Antalya	0.7	2%
6	Detroit	0.7	2%
7	Roma	0.6	1%
8	Milan	0.6	1%
9	Frankfurt	0.6	1%
10	Copenhagen	0.2	1%

5. KEY AIRLINES - 2004

Rank	Airline	Air Traffic Movements	% of Total
1	Air France - KLM Group[11]	226,665	56.3%
2	Easyjet	18,223	4.5%
3	Martinair	11,748	2.9%
4	British Airways	11,252	2.8%
5	Lufthansa	11,042	2.7%
TOTAL		402,738	100.0%

11 KLM, Transavia (inc. Basiq Air), KLM exel, Air France

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Author	**Production Associate**
Andrew Blease	*Tara Loewenberger*