

Summary:

N.V. Luchthaven Schiphol

Primary Credit Analyst:

Olli Rouhiainen, London (44) 20-7176-3769; olli_rouhiainen@standardandpoors.com

Secondary Contact:

Amy Eddy, London (44) 20-7176-3760; amy_eddy@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

N.V. Luchthaven Schiphol

Credit Rating: A/Stable/A-1

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 group in the event of financial distress.

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

- "Important" role for the Dutch government, based on our view of the essential infrastructure nature of the group's main asset, Amsterdam Airport Schiphol (Schiphol airport); and
- "Limited" link with the Dutch government. The State of The Netherlands (AAA/Negative/A-1+) has limited input into Schiphol group's strategic decisions and no involvement in the group's day-to-day operations.

The SACP on Schiphol group reflects our view of Schiphol's "excellent" business risk profile and "significant" financial risk profile.

The "excellent" business risk profile takes into account our opinion of Schiphol's strong competitive position as a European hub airport, supportive regulatory environment, and successful retail and real estate operations. These strengths are partially offset by a relatively high level of transfer passengers (40.6% in 2011); the dependence on a dominant customer, Air France-KLM; and the potential for unmitigated growth in nonregulated activities, which could dilute the group's business risk profile.

The "significant" financial risk profile mainly reflects our view of the group's ratio of funds from operations (FFO) to debt, which we forecast to be between 15% and 20% in 2012, supported by its balanced capital structure.

S&P base-case operating scenario

Our base-case operating scenario assumes 2% and 2.5% passenger growth in 2012 and 2013, respectively. Aviation revenues will also be helped by a 2% increase in aviation fees in April 2012, following the 0.6% increase in April 2011. We anticipate a modest 1%-2% rebound in retail spend per passenger in 2012, following a decline last year. In our view, the growth will be driven by a slight improvement in spending by Dutch passengers and ongoing robust spending by foreign visitors. We also forecast rlliances business unit and real estate operations to be relatively flat. Therefore, we anticipate revenue growth of about 3%-4% in our base case for 2012. Overall, Schiphol's costs are likely to increase in line with revenue growth, in our opinion, leading to small improvements in the group's EBITDA margin in 2012 and 2013.

S&P base-case cash flow and capital-structure scenario

In our base-case scenario, we anticipate that Schiphol will maintain its FFO-to-debt ratio at about 18% in 2012, before improving to about 19% in 2013. This is after we take into account our forecasts of about €300 million in

capital expenditures (capex) and about €100 million in dividends generating negative discretionary cash flows in the next two years. In our base case we do not anticipate that Schiphol will undertake major acquisitions or extraordinary shareholder returns in the next two years.

Liquidity

The short-term rating is 'A-1'. We view Schiphol group's liquidity as "adequate" as defined in our criteria. Under our base case, we anticipate that liquidity sources will cover liquidity uses by 1.9x over the 12 months from Dec. 31, 2011.

On Dec. 31, 2011, the group had the following main sources of liquidity in 2012:

- €341.8 million in cash and marketable securities, excluding cash held as collateral from a swap counterparty.
- €345 million of undrawn committed credit lines including €170 million under a long-term European Investment Bank (EIB; AAA/Negative/A-1+) facility with a drawdown period finishing in February 2013.
- About €360 million of FFO.

Our base case factors in the following main uses of liquidity in 2012:

- €15 million of debt maturities.
- About €300 million of capex.
- €97 million of dividends.

We also continue to monitor Schiphol's progress in refinancing its upcoming debt maturities, as the group has €186 million due in 2013 and €381 million due in 2014. We anticipate that Schiphol will continue to be proactive in managing these debt maturities.

We also note that the maturity of the €350 million EIB loan can be accelerated if the rating on Schiphol group drops below 'BBB' and no suitable guarantor is found.

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 Corp. (BBB+/Stable/A-2) to speculative-grade from investment-grade, or by the withdrawal by both rating agencies of the issue rating on the senior unsecured debt.

We believe that exposure to margin calls on derivative instruments should be limited.

Outlook

The stable outlook on Schiphol group reflects our assumptions that the group will maintain adjusted FFO to debt at the upper end of the 15%-20% range from 2012, and that the airport will remain one of the two key hubs for Air France-KLM.

We could lower the ratings if Schiphol's adjusted FFO to debt drops below 15%. This could occur due to a significant reduction in passenger volumes (by about 10%) if the group were not be able to offset this with aviation fee increases. We could also take a negative rating action if other negative developments affected the group's business risk profile—for example, significant aggressive growth in the group's real estate business or if Air France-KLM decided to no longer use Schiphol as a main hub.

We could upgrade Schiphol group if it were to demonstrate an improved financial risk profile, for example, if FFO to debt were to increase to more than 20% on a sustainable basis, all else being equal.

Related Criteria And Research

- Principles Of Credit Ratings, Feb. 16, 2011
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009

Additional Contact:

Infrastructure Finance Ratings Europe; InfrastructureEurope@standardandpoors.com

Copyright © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.