Contents

(in millions of euros unless otherwise indicated)

	Aviation		Consumers		Real Estate		Alliances & Participations		Total	
Principal activities	Planning, coordination, capacity management and information for the aviation processes at Amsterdam Schiphol		Retail, parking, advertising, e-business and floor space rental in Amsterdam Schiphol's terminal		Development, management, operation of and investments in real estate at and around Amsterdam Schiphol and other airports		Pantares Rotterdam Airport Eindhoven Airport Lelystad Airport JFK IAT Brisbane Airport			
	2003	2002*	2003	2002*	2003	2002*	2003	2002*	2003	2002*
RONA before taxation	6.4%	5.9%	25.7%	26.0%	15.7%	9.3%	0.2%**	– 5.5%**	11.7%	9.4%
RONA after taxation	4.2%	3.8%	16.9%	17.0%	10.3%	6.1%	0.1%**	– 3.6%**	7.7%	6.2%
Total operating income	484	399	252	242	173	129	47	35	956	805
EBITDA	180	146	142	133	140	77	6	– 3	468	353
Operating result	96	77	111	108	132	70	– 1	– 8	338	247
Average fixed assets	1,490	1,324	432	416	837	753	129	133	2,888	2,626
Investments in intangible and tangible fixed assets	248	258	58	12	43	65	9	10	356	345
Unrealised capital gains					78	15	5	0	83	15
RONA excl. unrealised capital gains, and before taxation					6.5%	7.3%	– 3.8%**	– 5.5%**	8.8%	8.8%
RONA excl. unrealised capital gains, and after taxation					4.2%	4.8%	– 2.5%**	– 3.6%**	5.8%	5.8%

* Restated for comparison purposes

** In calculating RONA, the group's share in the results of participating interests totalling € 0.6 million has been taken into account; average fixed assets includes financial fixed assets.

Schiphol Group* is an airport operator. The company's mission is to create sustainable value for its stakeholders by creating and developing AirportCities and by positioning Amsterdam Airport Schiphol as the leading AirportCity. Schiphol Group's ambition is to become the world's leading airport company.

An AirportCity is a dynamic hub integrating people and businesses, logistics and shops, information and entertainment. Not only is it an efficient, multimodal hub for air, rail and road transport, it is a location that offers its users all required services 24-hours a day, whether they are passengers, staff or just people meeting and seeing off passengers or locally-based international businesses, such as airlines, handling agents, logistics companies and business service providers.

The flagship enterprise is Amsterdam Airport Schiphol, which reflects the AirportCity concept in its most advanced form. The experience and expertise acquired here is used to apply the concept to other international airports.

Schiphol Group owns and operates Amsterdam Airport Schiphol, Rotterdam Airport and Lelystad Airport and has a 51.5% share in Eindhoven Airport. Outside the Netherlands, Schiphol USA Inc. has a share in JFK IAT, which operates Terminal 4 at John F. Kennedy Airport, New York and Schiphol Australia has a share in Brisbane Airport Corporation, the operator of Brisbane Airport.

Around half of Schiphol Group's turnover is derived from airport fees. Other revenues are generated by concessions, parking fees and real estate as well as the Group's participating interests. The information in this annual report is presented according to these sources of revenue, based on the company's four business areas of Aviation, Consumers, Real Estate and Alliances & Participations.

In 2003 Schiphol Group generated a turnover of € 956 million and a result of € 191 million after taxation. The company employs some 2,200 people (on a full-time equivalent basis).

* N.V. Luchthaven Schiphol trades under the name of Schiphol Group. References in this report to Schiphol Group include
the company's subsidiaries unless the contrary is explicitly stated or clear from the context.

Key Figures

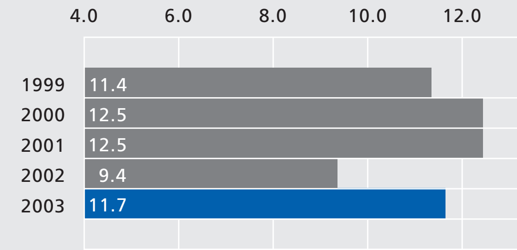
(amounts in millions of euros unless otherwise indicated)
Historical figures have been restated in accordance with current accounting policies

	2003	2002	2001	2000	1999
Results					
Net turnover	**860**	774	695	637	575
Operating result	**338**	247	296	263	209
Result after taxation [1]	**191**	137	263	214	154
Depreciation/amortisation and movements in value	**131**	106	101	107	82
Cash flow from operating activities [2]	**298**	293	216	251	290
Balance sheet					
Shareholders' equity	**2,024**	1,871	1,783	1,548	1,356
Total assets	**3,469**	2,938	2,775	2,432	2,172
Ratios					
Return on net assets (RONA) before taxation [3]	**11.7**	9.4	12.5	12.5	11.4
Return on capital employed (ROCE) [4]	**11.5**	9.4	12.8	13.8	11.8
Return on average shareholders' equity [1]	**9.8**	7.5	15.8	14.7	12.0
Interest-bearing debt/total assets	**0.30**	0.25	0.25	0.23	0.24
Operational indicators					
Arrival punctuality (%) [5]	**81.7**	80.4	75.6	75.7	73.2
Departure punctuality (%) [6]	**73.7**	69.1	64.1	64.1	61.9
Business volume (in quantities)					
Schiphol Group					
Air transport movements	**417,315**	430,134	447,742	455,925	430,360
Passengers (x 1,000)	**41,005**	41,711	40,557	40,645	37,668
Cargo (x 1,000 kg)	**1,307,034**	1,240,696	1,183,969	1,223,377	1,182,319
Of which:					
Amsterdam Airport Schiphol					
Air transport movements	**392,997**	401,385	416,462	414,928	393,606
Passengers (x 1,000)	**39,960**	40,736	39,531	39,607	36,772
Cargo (x 1,000 kg)	**1,306,155**	1,239,900	1,183,208	1,222,594	1,180,717
Personnel					
Average effective workforce in full-time equivalents	**2,231**	2,134	2,038	1,864	1,868

1) Result after taxation and return on average shareholders' equity have been depressed by the corporation tax charge, applicable from 2002
2) See cash flow statement for analysis
3) RONA (return on net assets): operating result / average fixed assets
4) ROCE (return on capital employed): operating result / average (liabilities less non-interest bearing current liabilities)
5) Percentage of flights arriving within 16 minutes of schedule
6) Percentage of flights departing within 16 minutes of schedule

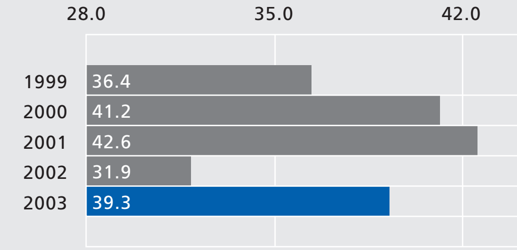
Return on Net Assets (RONA)

Operating result/average fixed assets



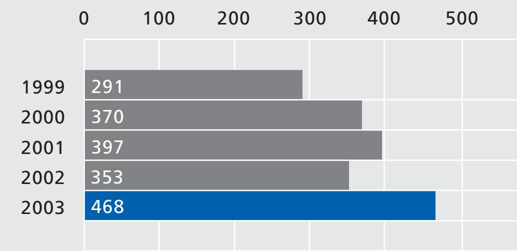
Operating result

As percentage of net turnover



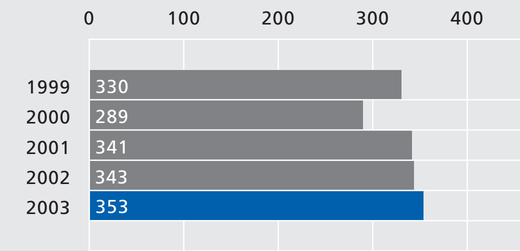
EBITDA

Operating result plus depreciation/amortisation x 1 million



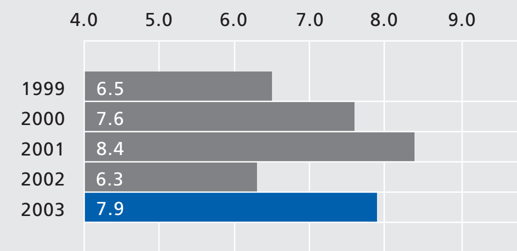
Investments in tangible fixed assets

x € 1 million



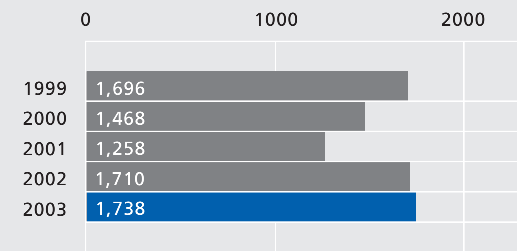
Interest coverage ratio

Operating result/net financial income and expenses



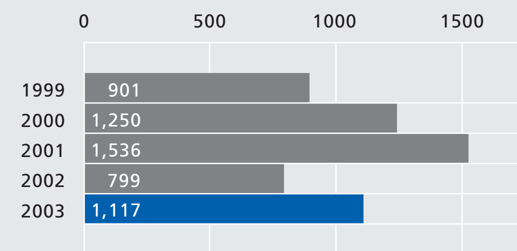
Operating cashflow per share

(in euros)



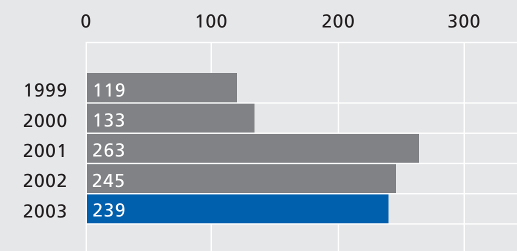
Earnings per share

(in euros)



Dividend per share

(in euros)



Share capital

The authorised capital of Schiphol Group (N.V. Luchthaven Schiphol) amounts to € 136.1 million, divided into shares of € 453.78 nominal value. Of this share capital, an amount of € 77,712,130 has been issued.
The shareholders are:

State of the Netherlands	75.8%
City of Amsterdam	21.8%
City of Rotterdam	2.4%

In 2003, the Dutch government continued making preparations to sell off a minority interest in Schiphol Group. The City of Rotterdam plans to follow suit in the event of market flotation.

Dividend policy

Agreement has been reached with the shareholders that the dividend for 2003 should be approximately 30% of the result after taxation, excluding the unrealised gains relating to investment property.

Credit rating

Commercial paper issued by N.V. Luchthaven Schiphol and Schiphol Nederland BV has a credit rating of AA –from Standard & Poor's. The Moody's Investors Services rating is Aa3.

Financial calendar

15 April 2004
General Meeting of Shareholders

30 August 2004
Publication of 2004 half-year results and 2004 interim report

24 February 2005*
Publication of 2004 results and 2004 annual report on internet

24 March 2005*
Publication of the printed version of the 2004 annual report

14 April 2005*
General Meeting of Shareholders

* Dates subject to change

General

In the course of 2003, the Supervisory Board (the Board) held six ordinary meetings and also met on two occasions without the Board of Management in order to evaluate the functioning of the Board of Management and of the Supervisory Board itself. The Board's usual quarterly meetings considered the latest results compared with the 2003 Corporate Budget and the operating results, the company's financial position and cash flow situation and the 2004 Corporate Budget. In addition the Board also regularly devoted attention to the process of consolidation taking place in the aviation industry (particularly its possible implications for the home carrier KLM), international policy and the legal framework within which the company operates (Aviation Act etc.), market share development, punctuality, customer satisfaction and the consequences of operating the new runway. The Board of Management reported regularly to our Board on the progress of the political debate surrounding the government's plans to sell off a minority interest in N.V. Luchthaven Schiphol (NVLS).

Business Plan and the long term

The Board also discussed Schiphol Group's 2004–2008 Business Plan, concentrating on the development of Amsterdam Airport Schiphol. Key elements of management policy contained in the plan which are supported by the Supervisory Board are the investment in the airport's capacity, operational reliability (including baggage handling) and the accessibility of Amsterdam Airport Schiphol (both generally and in the context of the specific issues affecting the Randstad). In view of the importance of Amsterdam Airport Schiphol to Schiphol Group, it is only natural that the Board should have devoted the greater part of its time to the consideration of these matters.

The Board also discussed the changes to the Business Plan, including such things as the implications of the revised international strategy, the slowdown in growth compared with the projection in the previous Business Plan and the increasing competition in the Amsterdam Airport Schiphol catchment area.

During the course of the year, the Board of Management regularly reported on its consultations with KLM and other players in the industry. Apart from the fact that good progress was made in the talks with regard to the basis for a future regulatory framework, progress was also made in numerous operational areas in terms of efficiency. In one ordinary meeting and one extra meeting, the Board focused on the impact of the proposed merger of Air France and KLM. These discussions were based on information supplied by the Board of Management and on a presentation given to the Board by Leo van Wijk, President & CEO of KLM. The Board noted that the proposed merger clarified the situation regarding the choice of partners for KLM and was pleased about the proposed partnership of Amsterdam Airport Schiphol's most important user. This turn of events could potentially significantly impact the long-term development of the airport's position as a major European hub, and offers opportunities for strengthening both the airport's passenger hub function and its cargo business.

There was a regular exchange of views with the Board of Management concerning the baggage-handling improvement project at Amsterdam Airport Schiphol, and this will be a matter which continues to receive the Board's attention.

Experience with the new statutory framework for the airport and the new runway

On 13 February, at the invitation of the Board of Management, the Board attended the celebrations to mark the opening of the new runway. The Board noted that a number of new concerns had arisen in practice even after the implementation of the new statutory framework. The Board together with the Board of Management discussed the implications of the data input processing error (for further information please refer to our press release dated 23 June 2003 on www.schiphol.nl) relating to the Environmental Impact Assessment (EIA) used in the preparation of the Airport Traffic Decree and the Airport Zoning Decree (implementation decrees under the Aviation Act).

The Board of Management kept the Board abreast of developments relating to the Noise Insulation Project, particularly regarding work falling behind schedule and the high cost overruns that had occurred under the responsibility of the Ministry of Transport and Public Works. The Board of Management also kept our Board informed of the relevant aspects of the parliamentary inquiry into alleged construction industry irregularities, discussing with the Board the possible implications. As a consequence, the Board of Management instigated various measures, including a critical evaluation of the way the company puts work out to tender plus the possibilities of getting a refund if irregularities are proven.

The Board discussed the progress of the Consumers Business Area e-business activities with the Board of Management, making several recommendations. A number of investment decisions relating to further improvement of the operational processes at Amsterdam Airport Schiphol were submitted to the Board and approved. These included the substantial planned investment relating to a part of the baggage project (70 Million Bags), namely the new buffer basement South, and changes to Pier E. The investments in the buffer basement are part of the project already approved by the Board that is being carried out in stages in the form of a medium-term airport investment programme in aviation activities.

The Board ensured that an arrangement was agreed with the government concerning the civil liability of the State for losses due to terrorism to coincide with the transfer of civil aviation security duties from the Ministry of Justice to Schiphol Nederland B.V. effective 1 April 2003. In connection with the development of the region and the future of Amsterdam Airport Schiphol, the Board agreed to the proposed restructuring of Schiphol Area Development Company.

International strategy

Regular reports were received on the results of the Schiphol USA participating interest in JFK IAT. The Board also welcomed the announcement by Brisbane Airport Corporation of dividend payments to shareholders. The Board of Management reported to our Board that specific activities relating to the partnership with Fraport in Pantares had been restricted for the time being to a stake in the Tradeport Hong Kong logistics project. The Board discussed the international property activities of SRE International in Milan, Italy and approved the first phase of investment in the property development project near Malpensa Airport. The Board also supported a Board of Management decision that Schiphol International should participate in a retail partnership project with Luftfartsverket (the Swedish aviation authority) relating to the development of the North Terminal at Stockholm-Arlanda Airport.

Financial reporting and profitability

On the recommendation of the Audit Committee the Board ratified the Board of Management's proposal concerning the preparation of the NVLS financial statements for 2002. The Board approved the transaction involving another tranche of the disposal of property to Acre Fund. In response to the developments in the insurance market, the Board again considered the various insurable risks (including third-party liability and directors' and officers' cover). Attention was once more devoted to the unfavourable development in premiums in the aviation insurance market.

The company's profitability was subjected to critical scrutiny by the Board, with regular supervision of management activities relating to efficiency and cost control.
The Board gave its approval for a bond issue in connection with the Euro Medium Term Note Programme (EMTN) and the agreement of a credit facility with the European Investment Bank (EIB) for an amount of € 150 million. The 2004 Budget Financing Plan, which paid particular attention to spreading the maturities of the loans to be contracted, was approved at the last meeting held in the year.

Central Works Council

The Board had one or two members present at each consultative meeting with the Central Works Council. The delegates found these meetings to be both constructive and informative for the Supervisory Board members present.

Remuneration Committee

The Remuneration Committee met a number of times to discuss the remuneration of the Board of Management. The policy defines that remuneration should be in line with the market. The variable component consists of a short-term bonus which can in principle amount to a maximum of 35% of the regular salary, depending on the achievement of financial and personal performance-related targets (ROE, customer-satisfaction, baggage-handling etc.). In addition a long-term bonus can be achieved, again amounting to 35% of the regular salary, depending on economic profit to be achieved over three financial years. Entitlement to these bonuses will be cancelled if the Board of Management member leaves the company prematurely.

Approval of the policy was granted by the Board. In line with the provisions of the Tabaksblat Code on Corporate Governance, the Remuneration Committee evaluated the severance packages agreed for members of the Board of Management. These arrangements are not uniform and had already been agreed at the time of publication of the Tabaksblat Code provisions. The Tabaksblat Code will be adhered to for future packages. Please refer to pages 61-63 for more information on each Board of Management Member.

Mr Kalff retired from the Remuneration Committee during the year and Mr Van den Broek and Mrs Maas-De Brouwer were elected to the Committee. Mr. Woltman's membership was reaffirmed and he was appointed the Committee's chairman.

Corporate governance

The Board shares the opinion of the Board of Management that Schiphol Group should implement the provisions of the Tabaksblat Code as far as possible even though the company is not yet listed. The Board supports the principles of the code. Further proposals for implementing the corporate governance recommendations are to be discussed with the Board of Management shortly. We shall be reporting on these deliberations in the 2004 annual report. The Board evaluated its own performance and also adopted a retirement rota. Supervisory Board regulations already exist.

Audit Committee

In the course of 2003, the Audit Committee compiled an updated set of rules. The rules include formalising policy in order to preserve strict segregation with respect to the engagement of external accountancy firms for audit activities and for consultancy as well as to ensure that the external auditors are regularly rotated at agreed intervals. This decision in fact anticipated the provisions of the Tabaksblat Code.
The Audit Committee met on three occasions during the year, discussing the 2002 financial statements, the 2003 interim report and the results of the internal control as well as other aspects of the internal control systems. The Board assesses the findings of the annual report and makes its own report to the Meeting of Shareholders accordingly.

Also on the agenda of the Committee were specific topics of a financial nature such as the financing plan, the bond issue, the development in the return on net assets, the change in accounting policies (particularly the effects which the unrealised capital gains and losses on investment property will have on the results for the year), the report of the auditors to management, provisions, action to be taken pursuant to the management letter, insurance, fiscal position and financial aspects of the company's international policy.

The Committee discussed what the target weighted average cost of capital should be, both in the context of the debate regarding the regulation of the business and with regard to the opening balance sheet for tax purposes. The Audit Committee recommended that the Board should approve the Board of Management's proposal regarding the opening balance sheet for tax purposes. NVLS has been liable for corporation tax since 2002 and a provisional tax assessment on the company has been made. There has, however, so far been no agreement with the tax authorities concerning the opening balance sheet for tax purposes.

The Audit Committee also adopted a leverage target (the ratio of equity to borrowed capital). In preparation for the discussion of this matter by the full Board, the Board of Management also gave a presentation to the Audit Committee focusing on the background financial figures on the Noise Insulation issue. All these meetings took place in the presence of the external auditors. The Board reaffirmed the membership of Messrs Hessels, Stevens and Kalff. Mr Kalff retired as chairman of the Audit Committee and the Board appointed Mr Hessels as the new chairman.

Composition

The composition of the Supervisory Board is based on a profile aimed at ensuring that the Board is always composed in such a way as to enable it to perform its statutory duties effectively, to allow its members to operate independently and objectively vis-à-vis one another and the Board of Management and to provide a good mix of expertise and experience. The Board considers all members as being independent.

During the year, Mr Kremers retired from the Board, having reached the age limit stipulated in the Articles of Association. There were otherwise no changes in the composition of the Board. Our Board wishes to thank Mr Kremers for his enormous dedication and the significant contribution he has made over many years.

The Board approved the amended Articles of Association of NVLS, which among other things reduce the number of the Supervisory Board members to a maximum of seven.

Financial statements

We have discussed the half-year results, the financial statements, the financial reporting and the quality of the company's internal controls with our external auditors, PricewaterhouseCoopers Accountants NV.

An amount of € 3.2 million will be added to the statutory reserve for participating interests and the statutory reserve for start-up costs. A sum of € 54.2 million will be added to the revaluation reserve. The Supervisory Board concurs with the Board of Management's proposal to distribute a dividend of € 41 million on the paid-up share capital calculated on the basis of the 30% result after taxation, excluding unrealised capital gains, as agreed with shareholders, and to add the remaining € 92.9 million of the profit to the other reserves.
In accordance with the Articles of Association, the Supervisory Board adopted the financial statements in its meeting of 18 February 2004. PricewaterhouseCoopers Accountants NV have audited the financial statements and issued an unqualified report on them (see page 71 of this report). The Supervisory Board will present the financial statements for approval at the Annual General Meeting of Shareholders to be held on 15 April 2004. We recommend that these financial statements be approved and the decisions of the Board of Management and the supervision exercised by the Supervisory Board be ratified.

Finally, we should like to take the opportunity to express our considerable appreciation of all the hard work and achievements on the part of the management and staff of N.V. Luchthaven Schiphol and its participating interests in circumstances that were often difficult.

18 February 2004

The Supervisory Board

Supervisory Board, Board of Management and Works Council

Supervisory Board

Peter-Jan Kalff (1937), Chairman [1]
Member since 1997 (second term of office expires in 2005).
Former Chairman of the Board of Management of ABN AMRO Holding N.V.

Hans van den Broek (1936) [2]
Member since 2000 (first term of office expires in 2004).
Former member of the European Commission and former Dutch Foreign Secretary.

Jan-Michiel Hessels (1942) [1]
Member since 1994 (third term of office expires in 2006).
Former Chairman of the Board of Management of Koninklijke Vendex KBB N.V.

Toon H. Woltman (1937) [2]
Member since 1998 (second term of office expires in 2006).
Former Chairman of the Amsterdam Chamber of Commerce.

Trude A. Maas-de Brouwer (1946) [2]
Member since 2001 (first term of office expires in 2005).
President of the HayVision Society.

Schelto Patijn (1936)
Member since 2002 (first term of office expires in 2006).
Former Mayor of the City of Amsterdam.

Willem F.C. Stevens (1938) [1]
Member since 2002 (first term of office expires in 2006)
Senior counsel with Baker & McKenzie.

Joris P. Backer (1953), Secretary

Board of Management

Gerlach J. Cerfontaine (1946)
President

Marike E. van Lier Lels (1959)
Member of the Board of Management / Chief Operating Officer

Pieter M. Verboom (1950)
Member of the Board of Management / Chief Financial Officer

Works Council

Henk L. Bank (1945), Deputy Chairman
Cees G. Breems (1945)
Jan H. Enthoven (1945)
Sylvia G. Fijan-Battes (1946), Deputy Secretary
Manfred Funke (1952)
Rabia G. Gaffar (1971)
Onno G.C. Hagers (1961)
Theo C. van Heijningen (1953)
Lydia M.G. van Hout (1951)
Rabia Karahan (1976)
Jac M. Koomen (1946)
Lex H. Oude Weernink (1953), Chairman
Luuk J. Pol (1946), Secretary
Meike P. Verhaest (1945)
Hans M. Willemsen (1951)

1) Member of the Audit Committee. 2) Member of the Remuneration Committee

President's Statement

From left to right:
Pieter Verboom
Gerlach Cerfontaine
Marike van Lier Lels

The war in Iraq, the SARS epidemic and the economic recession led to a worldwide slowdown in air travel. Schiphol Group responded immediately to the altered circumstances by implementing substantial cost savings and rescheduling capacity-related investments, thus enabling a good result to be achieved as a result of taking the above prompt action.

The downturn in aviation resulted in a drop of around 2% in the number of passengers and air transport movements at Amsterdam Airport Schiphol, although passenger volume began to pick up again in the last quarter. The steady growth in cargo volume of over 5% seen in the whole of 2003 was encouraging.

Result mainly higher owing to appreciation of investment property

Against the difficult background, Schiphol Group's financial results were good. The result after tax rose from € 137 million to € 191 million, the improvement largely being accounted for by sharply higher unrealised gains and losses on investment property. The deterioration in the investment property market led to a write-off of the investment property of € 45.1 million. However, this impairment was exceeded by substantial, positive value adjustments of investment property, a significant part of which was the result of a number of exceptional items, resulting in a net unrealised capital gain of € 82.8 million.

The Aviation Business Area showed improved results, achieved through tight control of costs. Despite the falling passenger numbers, the Consumers Business Area posted a result similar to the previous year's. The results of the Real Estate Business Area also developed satisfactorily bearing in mind the slowdown in the Dutch office market. In the Alliances & Participations Business Area, efforts were focused on consolidating and improving the performance of existing interests.

Air France KLM merger offers prospect of growth

The decision by our largest user, KLM, to merge with Air France is in line with the further consolidation of the global aviation industry and will reinforce KLM's position. With the planned multi-hub system of the Skyteam alliance – with Paris Charles de Gaulle and Amsterdam Airport Schiphol as the principal European hubs – the new combined airline offers good growth prospects for us. For that growth to be achieved, however, it is important that the airport continues to offer quality services and facilities at competitive rates. The visit costs in particular – the total cost to an airline for a visit by one of its aircraft to Schiphol – is an important criterion in this context. It is vital to keep these costs down if Amsterdam Airport Schiphol is to compete successfully with the other major hubs in Europe.

Strengthened position for 'Randstad' crucial

During the year Schiphol Group made considerable efforts to raise awareness in various quarters for the need to strengthen the competitive position of the Randstad – in a European context. Our position as a major European hub is highly dependent on the competitiveness and economic growth of the Randstad and, conversely, the Randstad can only develop successfully with a strong airport serving an extensive Intercontinental network. Economic activity is a necessary prerequisite. All relevant parties need to work towards that goal. A key factor is good accessibility by road and rail. Specifically, vital projects are the construction of the high-speed eastern rail link into Germany, increasing the capacity of the A2, A4 and A12 motorways, continued development of Amsterdam's Zuidas District, a second area of reclaimed land at the entrance to the Port of Rotterdam – Maasvlakte II – and the Rotterdam high-speed rail junction and the construction of the Zuiderzee railway line to Almere. In addition to these infrastructure projects, there is a need to work on the development of Amsterdam Airport Schiphol as a destination, on improving the housing situation and the quality of life in the region, and on safety and tax reforms. We expect the government to address these issues in the forthcoming white papers on Spatial Planning and Mobility and as part of the Schiphol Main Port Project.

New runway operating

Amsterdam Airport Schiphol Airport's new fifth runway was officially opened in February and became fully operational as the year progressed. Despite fewer aircraft movements and the new, quieter aircraft introduced by KLM and other airlines, operation of the new runway led to a significant rise in the number of complaints. This is due to the fact that aircraft are now flying across areas which previously did not see so much air traffic, coupled with the fact that it was decided to concentrate traffic into narrow flight paths at night. There are other areas, which are seeing less air traffic than before and which are therefore benefiting from the opening of the new runway. On balance, there is an improvement.

In June, the management of both Schiphol Group and Air Traffic Control the Netherlands (LVNL) advised the government that a data input error had been made in the environmental impact assessment used as the basis for setting the limits values of the various noise enforcement points. The error can be corrected without violating the fundamentals of the new Aviation Act. To this end, a new Environmental Impact Assessment (EIA) procedure has been initiated by Schiphol Group and LVNL. We have every confidence that the procedure can be completed by the summer of 2004.

LVNL recently let it be known that there had been a change of view with regard to simultaneous parallel take-offs. Air traffic control instructions to pilots have accordingly been changed, requiring aircraft taking off in parallel in a northerly direction from the new runway 18R-36L and runway 18C-36C to maintain slightly divergent courses. It has not yet been established whether these measures are of a permanent nature. LVNL is currently looking into a permanent solution for the issue.

The aviation industry has written to the Ministry of Transport and Public Works requesting an international audit of the new air traffic control instructions.

Importance of a level playing field

Schiphol Group is at a disadvantage compared with other European airports in many areas. Achieving a more level playing field will require the government's co-operation. This relates to a variety of issues, ranging from security costs to the costs of environmental measures.

In this context, KLM and Schiphol Group announced at the end of the year that they were preparing to institute civil proceedings against the government in connection with the excessive increase in the cost of providing insulation for homes affected by aircraft noise. The aviation industry is happy to shoulder its responsibilities but is not prepared to foot the bill for poor project management or poor government supervision.

Market flotation preparations continue

The present coalition is continuing with the plans of its predecessor to float a minority interest in Schiphol Group on the stock exchange at a suitable juncture. Part of the preparations concerns the safeguarding of public interests, by defining industry regulations among other things. There have already been constructive talks with KLM on this issue, and the other players in the industry have been informed of progress.

Corporate governance

Schiphol Group will be implementing the principles of the Tabaksblade Code to the extent possible. Insofar as the existing situation does not comply with the code's provisions, the company will be making the appropriate changes to the rules, to the procedures followed by the Board of Management and Supervisory Board and in its communication procedures on a voluntary basis as soon as possible. These matters will be reported in the 2004 annual report.

Outlook

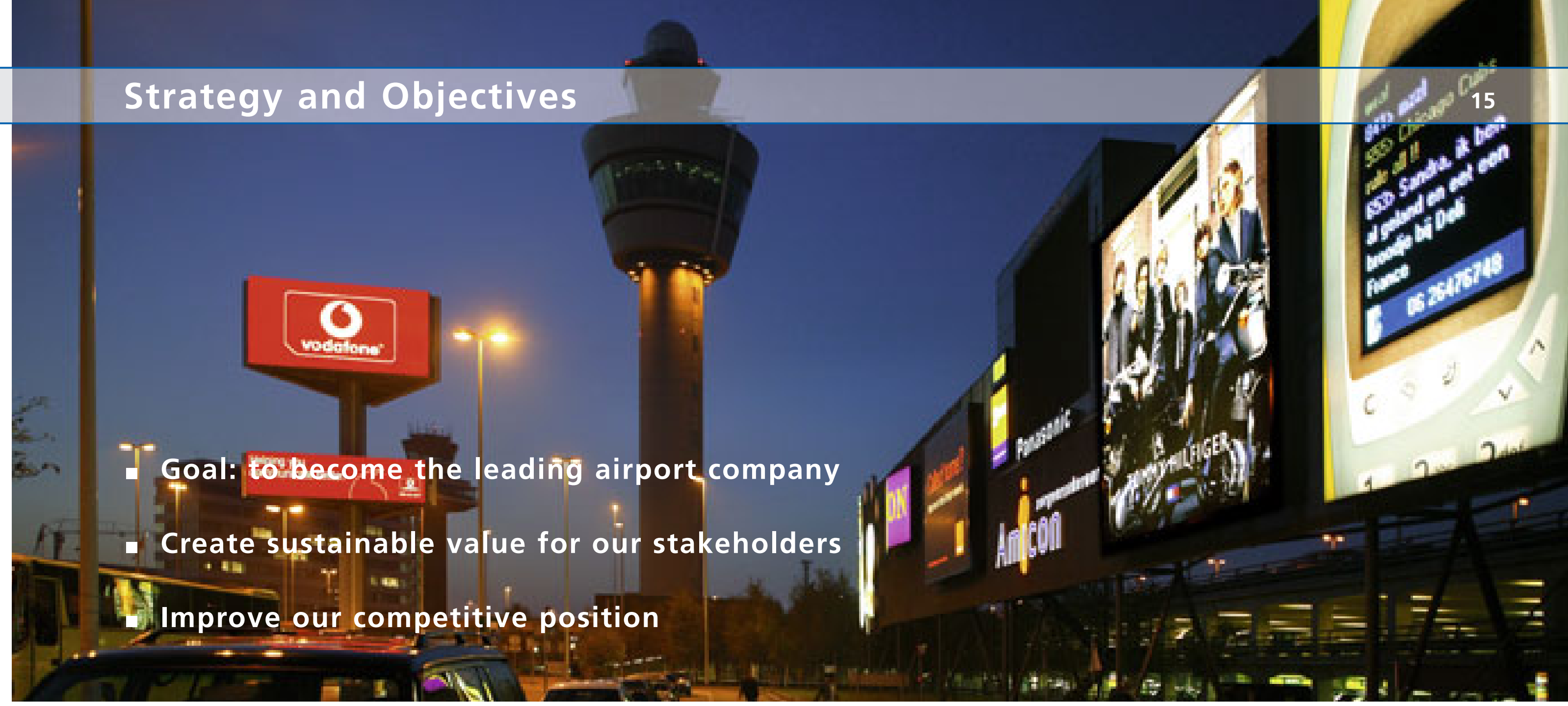
We expect the current year to show an increase in the number of passengers, the number of air transport movements and the volume of cargo. Set against the higher revenues from this increased activity will be additional costs for maintenance and depreciation associated with the execution of several major capital projects. In 2004 we shall be completing a number of other investment programmes which have been running for some time, such as the expansion of Departure Lounge 1 and Terminal West. The capital expenditure on the new baggage-handling systems, fire safety and security will continue at the same rate. Funding the estimated investments of € 430 million, while achieving another satisfactory result necessitates ongoing structural cost savings. A cost control programme was launched in the year under review for this purpose.

Schiphol Group possesses the people, the ambition and the facilities to maintain its hub position among the major European airports.

Gerlach Cerfontaine

In view of the importance of strengthening the *Randstad* to maintain the position of Amsterdam Airport Schiphol we invited Minister of Foreign Trade Karien van Gennip, and Willem Scholten, Chairman of the Executive Board of the Port of Rotterdam, to give us their views on the matter for this annual report. You can read what they have to say on pages 17 and 29.

Strategy and Objectives



- Goal: to become the leading airport company
- Create sustainable value for our stakeholders
- Improve our competitive position

Schiphol Group's mission is to create sustainable value for its stakeholders by developing AirportCities and positioning Amsterdam Airport Schiphol as the leading AirportCity. The company's ambition is to be the world's leading airport company.

The principal objectives for achieving this goal are:
- Maintaining and strengthening the competitive position of Amsterdam Airport Schiphol as a major European hub.
- Increasing revenues from non-aviation activities.
- Spreading the risks by developing activities at other locations at home and abroad.

Schiphol Group's financial objective is to create shareholder value.

Strategy aimed at sustainable growth

Our strategy focuses on sustainable growth at Amsterdam Airport Schiphol and on further national and international development. The activities are organised into four Business Areas: Aviation, Consumers, Real Estate and Alliances & Participations.

Amsterdam Airport Schiphol's objective is to fully accommodate the two combined airlines Air France-KLM. There are pressures from the combined airline, the carriers belonging to a different alliance and the low-cost carriers to reduce visit costs for Amsterdam Airport Schiphol. Visit costs refers to the total cost to an airline for one visit by one of its aircraft to an airport. Additionally, both airlines and passengers are looking for product differentiation; they want

Schiphol Growth Strategy

Aim	Mainport / Hub	Non-aviation en risk spreading		
Business area	Aviation	Consumers	Real Estate	Alliances & Participations
Focus	Hub alliance Low-cost traffic	Amsterdam Airport Schiphol as destination		Trunk route airports
Action	Visit costs Product differentiation	Expansion of the AirportCity		Operation of AirportCity products

products that are tailored more to their specific needs.

The successful AirportCity concept will be further developed at the Schiphol location. This will involve developing products and services matching passengers' unique experience and the purpose of their travel. In a broader context, Schiphol Group is lobbying hard in various quarters on the need to strengthen the competitiveness of the *Randstad* – the urbanised west of Holland as a European economic entity – in a European context. Finally, Schiphol Group's international strategy is aimed at establishing alliances with airports that will strengthen the main-port position of Amsterdam Airport Schiphol (trunk route airports) and at operating the AirportCity concept or applying specific aspects of the concept at those locations.

Value creation through Value-Based Management

Retaining and strengthening the airport's position as a major European airport and continuing to grow non-aviation revenues call for ongoing investment. At Schiphol Group, our operations and investment decisions are guided by Value-Based Management so as to create value. The necessary management information is provided by key performance indicators for each of the Business Areas. With the exception of Aviation, all the Business Areas are required to create value, i.e. generate a return over time exceeding the cost of capital. The objective for Aviation, which operates in a government-controlled environment, is to increase the return over time to bring it more in line with the cost of capital.

The return on net assets (RONA), used to measure value creation, must be higher than the weighted average cost of capital (WACC). Pending a stock exchange listing, WACC after taxation, has been estimated at 7.4%. In 2003, Schiphol Group achieved a RONA of 5.8% excluding the unrealised capital gains on investment property, and a RONA of 7.7% including the unrealised capital gains on investment property. There are large differences in the RONA for each Business Area. Aviation achieved a RONA of only 4.2% in 2003 as a result of regulations. Value creation will therefore have to be achieved by the Business Area Consumers (RONA 16.9%) and the Business Area Real Estate (RONA 10.3%, including unrealised capital gains). The contribution from the Business Area Alliances and Participations for the time being is nil.

Corporate Social Responsibility

Schiphol Group is committed to conducting its business in a socially responsible manner, which involves striking a balance between economic, social and environmental aspects. In each of these areas, core themes were formulated in 2003, which help to strengthen the positive aspects of air transport via Amsterdam Airport Schiphol or to minimise the negative aspects. Key performance indicators were then defined for each of these themes, enabling us to give substance to our mission of 'creating sustainable value for our stakeholders'. In minimising the disadvantages and maximising the benefits of being close to an airport like Schiphol we work closely with the authorities wherever possible. The employment provided is a key aspect. Despite the economic slowdown, the total number of people employed on site at Amsterdam Airport Schiphol increased slightly in 2003 to 57,099 compared with 56,570 in 2002 (+0.9%).

More information concerning the company's responsible business behaviour policy can be found in the 'Sustainable Development Report' for 2003, published almost simultaneously with this annual report.

'Return to prominence for the Randstad'

Karien E.G. van Gennip

Netherlands Minister of Foreign Trade

In the 1990s the Netherlands enjoyed a strong international ranking thanks to a competitive location climate. The country's strengths when it came to attracting inward investment were the international outlook of the private sector, the geographical position and the quality of the knowledge infrastructure. In recent years, however, the Netherlands has slipped down the league table, owing to such things as high wage costs, a less attractive tax climate and road congestion. The business community is also not particularly happy about the lack of space, the sluggishness of the legislative and regulatory machinery and rising crime in the Randstad area.

In other words, we cannot rest on our laurels. More than that, it is time for action. We need to respond promptly to changes in the world around us and to ensure that the Netherlands and therefore the Randstad continue to project a favourable international image. The worldwide competitive struggle involving international companies and international urban networks will intensify. In Europe, for example, cities like Munich and Barcelona are deliberately attracting attention. The Randstad's traditional strengths in areas like logistics and trade are no longer enough to remain competitive. These days urban networks compete on other levels, too. In addition to economic factors, things like the quality of life and the cultural climate are becoming increasingly important. To remain competitive in Europe calls for a new leap forward.

What does that involve? I'm thinking of things such as attractive cities, improved access, excellent main ports, a safe living and working environment, a thriving and creative economy and a pool of highly qualified labour. The task is to create an attractive 'total package' for people and for business. Among other things, that requires lasting integration of economic activities into the urban networks.

For me as Minister of Foreign Trade, an innovative business climate, good access and the space in which to do business have priority. By 'space' I do not merely mean space in the physical sense, which is a scarce commodity in a densely populated area like the Randstad. Space to do business for me also has a figurative dimension. The important things for creative and innovative entrepreneurship are reduced regulation and reduced administrative costs.

These priorities are important in order to strengthen the Dutch location climate as a matter of urgency and to improve the competitive position of the Randstad on the international stage by being able to offer a good total package.

Creating a good total package of that kind for people and for business is a challenge for all concerned, in the public sector and private sector alike. For my part, we shall therefore undertake every effort to foster the existing good partnership in the years ahead. I believe we have already come a long way. But there is still considerable progress to be made. That demands courage and determination. There are decisions to be made, and implemented. Fortunately, everyone realises that fact.

Change in accounting policies

The accounting policies concerning the treatment, valuation and determination of results relating to investment property, as well as the profit appropriation, have been changed compared with 2002 in response to amended guidelines published by the Council for Annual Reporting in the Netherlands. The 2002 figures have been restated for comparison purposes. This had the effect of reducing shareholders' equity as at year-end 2002 by € 80.6 million and reducing the result after taxation for 2002 from € 140.7 million to € 136.9 million.

Strong increase in result after taxation due to investment property appreciation

Schiphol Group's result after taxation increased in 2003 from € 137 million to € 191 million. The main factor behind the improvement was a substantial increase in value of the investment property, a significant proportion of the appreciation being accounted for by a number of exceptional items. Excluding the unrealised capital gains, the result after taxation was 7.8% higher than in 2002.

The war in Iraq, the SARS epidemic and the economic recession led to a drop in the numbers of passengers and air transport movements at Amsterdam Airport Schiphol. The company responded immediately by making substantial cost savings and deferring capacity-related investments. The good result achieved was due to this prompt action.
Free cash flow was again negative because the cash flow from operating activities was below the level of capital expenditure.

The return on net assets (RONA) after taxation but including unrealised capital gains amounted to 7.7% compared with 6.2% in 2002. Excluding unrealised capital gains, RONA was 5.8%, as in 2002. The return on shareholders' equity including unrealised capital gains amounted to 9.8% compared with 7.5% in the preceding year and excluding unrealised capital gains, the figure was 7.0%, again the same as in 2002.

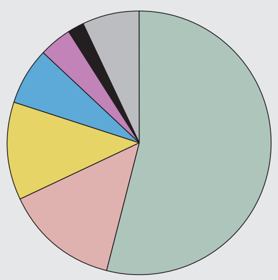
Revenues

Net turnover rose by 11.0% to € 860 million. The table and pie chart on the opposite page give the analysis of revenues according to the various turnover categories.

The 22.3% increase in income from airport fees, from € 381 million to € 466 million, included an

Net turnover

(in millions of euros)



	2003	2002	Increase/decrease
Airport fees	**466**	381	22.3%
Concessions	**115**	119	– 3.1%
Rents and leases	**105**	101	3.4%
Parking fees	**63**	60	4.8%
Sale of investment property	**30**	47	– 36.1%
Utility services	**18**	17	3.6%
Other activities	**63**	49	28.7%
Total	**860**	774	11.0%

Key financial figures

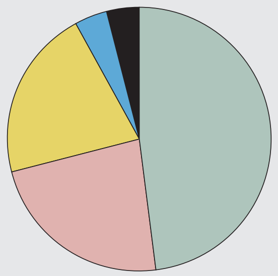
(in millions of euros)

	2003	2002*	Change in %
Results			
Net turnover	**860**	774	11.0
Unrealised capital gains and losses	**83**	15	
Capitalised own production	**13**	16	
Total operating income	**956**	805	18.7
Total operating expenses excluding depreciation/amortisation and movements in value	**– 488**	– 452	7.8
EBITDA	**468**	353	32.8
Depreciation/amortisation and movements in value	**– 131**	– 106	23.6
Operating result	**337**	247	36.6
Financial income and expenses	**– 43**	– 39	
Share in results of participating interests	**1**	1	
Taxation	**– 103**	– 72	
Result on ordinary activities after taxation	**192**	137	40.5
Minority interests	**– 1**	0	
Result after taxation	**191**	137	39.8
Result after taxation, excluding unrealised capital gains in 2003	***137***	*127*	*7.8*
Balance sheet			
Balance sheet total	**3,469**	2,938	18.1
Fixed assets	**3,046**	2,729	11.6
Shareholders' equity	**2,024**	1,871	8.2
Interest-bearing liabilities	**1,027**	726	41.4

* Restated for comparison purposes

Operating expenses

(in millions of euros)



	2003	2002	Increase/decrease
Costs of outsourced work and other external charges	**298**	255	17.0%
Salaries and social security charges	**139**	128	9.0%
Depreciation/amortisation and movements in value	**131**	106	23.6%
Cost of sales of investment property	**27**	47	– 42.5%
Other operating expenses	**23**	23	1.6%
Total	**618**	558	10.8%

18.7% rise primarily accounted for by the higher security charge which has been levied at Amsterdam Airport Schiphol since 1 April 2003 in connection with the transfer from the authorities of the execution of preventive security duties in the terminal. Security costs on the other hand rose sharply. Actual responsibility for security remains emphatically with the government, of course. The fee increase at Schiphol with effect from 1 April produced a 3.3% rise in airport fee income, and the drop in the number of passengers and air transport movements meant that the figure was in fact 0.6 percentage points lower than it would otherwise have been. Income from airport fees at the regional airports was also higher (0.9%).

Concession income was down by 3.1% from € 119 million to € 115 million, owing to lower passenger volumes and a drop in the average spend per departing international passenger from € 18.26 to € 17.85. This is explained by the fact that the decline in traffic was mainly seen on the intercontinental routes, on which passengers tend to spend more.

Income from real estate rents and leases increased by 3.4% to € 105 million, despite the slowdown in the Dutch market for office properties. This was largely due to the increase in revenues from leasing space in the terminal, coupled with indexation of rents for both buildings and land. Income was also higher owing to the increase in lettable area, specifically resulting from the completion of the Caravelle building in 2002.

Parking fees showed a slight rise of 4.8%, from € 60 million to € 63 million. This was due to a 12% increase in the charges for long-term parking implemented on 1 January 2003 and an increase in the average length of stay in the short-term car parks. Again, the full effect of the increase in charges was not felt, owing to a drop in the number of car park users.

Income from the sale of commercial property mainly related to the sale of several properties in the Schiphol Real Estate portfolio to ACRE Fund for an amount of € 29 million. A similar transaction in 2002 raised € 46 million.

Revenues from other activities increased from € 49 million to € 63 million. The reason for the increase was the non-recurring sale of the waste collection, waste water treatment and electricity and gas supply operations amounting to approximately € 8 million.

Unrealised capital gains and losses

The unrealised capital gains on the investment property amounted to € 83 million compared with unrealised capital gains of € 15 million in 2002. A significant proportion of the unrealised capital gains was accounted for by a number of exceptional items, namely on the one hand a write-off reflecting the market situation (€ 45.1 million negative), and on the other hand revaluation resulting from completion of new projects (€ 28.1 million), an increase in the value of a previously contaminated site (€ 33.8 million), signing of new long leases (€ 13.7 million), allocation of residual values to long leases (€ 32.5 million) and upward revaluation of capitalised infrastructure costs (€ 19.8 million).

Operating expenses

Operating expenses increased by 10.8% in 2003 to € 618 million. The analysis is shown in the table and pie chart on the opposite page.

The 17% increase in the external charges (including outsourcing), from € 255 million to € 298 million, was mainly due to hiring contract security staff as a result of the transfer of preventive security duties from the government as described earlier.

The 9% increase in salaries and social security charges, from € 128 million to € 139 million, was for 4.5% the result of a further increase in the number of employees due to the transfer of the execution of preventive security duties from the authorities. The remaining 4.5% increase was due to a CLA pay rise of 2% plus an increase in pension costs.

The 23.6% increase in the depreciation/amortisation charge and movements in value, from € 106 million to € 131 million, was due to the opening of the new runway and to baggage facilities. The other operating expenses were almost unchanged compared with 2002.

Operating result and result after taxation

The effect of the various movements in income and expenses was an improvement in the operating result from € 247 million to € 338 million. Excluding unrealised capital gains, the operating result turned out at € 255 million (2002: 232 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) rose from € 353 million to € 468 million. In both these results, the increase in the unrealised capital gains on investment property was the main factor behind the higher figure.

The negative balance of financial income and expenses increased from € 39 million to € 43 million, a higher level of borrowing again being required in connection with refinancing of the investments. The increase in charges was mitigated by the fact that refinancing was possible on better terms.

At 34.9%, the effective tax burden was slightly higher than in 2002 (34.4%). After deduction of taxation, the remaining result was € 191 million compared with € 137 million in 2002.

Investments and finance

The cash flow from operating activities was up from € 293 million in 2002 to € 298 million, mainly accounted for by the effects of a € 33 million improvement in the operating result (after adjustments) and a smaller reduction in working capital, of € 25 million.

Investments in tangible fixed assets amounted to € 353 million compared with € 343 million in the preceding year. The main projects were the extension and renovation of Departure Lounge 1, the Terminal West extension, the extension to the WTC and the purchase of land plus investments in baggage systems, fire safety and security. Offsetting these investments were disposals of € 38 million, including the sale of investment property to ACRE Fund.

The combined negative cash flow from operating activities and investing activities (the free cash flow), totalling € 12 million, plus loan repayments of € 259 million and dividend payments was funded by supplementary means. An eight-year loan for € 150 million at an interest rate of 3.75% was contracted from the European Investment Bank. June saw the issue of a public bond loan. The ten-year loan amounts to € 300 million, carries a coupon interest rate of 4.375% and was issued as part of the existing Euro Medium Term Note (EMTN) programme. Two private transactions totalling € 60 million were also made under the EMTN programme. The proceeds were partly used to refinance existing debt. The effect of these transactions was the increase in the weighted average maturity of the loan portfolio from 8 years as at year-end 2002 to 10 years as at the end of 2003, at the same time lowering the average interest rate from 6.0% in 2002 to 5.8% in 2003. As at year-end 2003, the interest-bearing capital amounted to 30% of the balance sheet total compared with 25% 12 months previously. Adjusted for cash balances, the interest-bearing capital amounted to 24% of the balance sheet total, the same figure as at the preceding year-end. The interest cover ratio rose from 6.3 to 7.9.

Financial position

Shareholders' equity rose from € 1,871 million as at year-end 2002 to € 2,024 million at the end of 2003. The increase was mainly due to retained earnings. As at year-end, shareholders' equity amounted to 58.3% of the balance sheet total compared with 63.7% at the end of 2002.

Financing policy

The total amount of loans outstanding as at year-end 2003 was € 1,024 million. Repayments of € 259 million were made on loans in 2003, with new loans contracted totalling € 546.

As part of the company's financing policy, Schiphol Group aims to reduce the refinancing risk. The terms of the loans contracted in 2003 range from 7 to 15 years, resulting in a longer average maturity for the loan portfolio. Falling capital market interest rates also mean that the average interest charge is lower as a result of refinancing.

As part of the interest risk management policy, Schiphol Group has opted largely for loans with fixed interest rates (either by contracting loans with fixed interest rates in the first place or by using standard interest rate derivatives). 8% of the loan portfolio is at variable interest rates. The interest rate exposure on the loans contracted at variable rates is mitigated to some extent by cash deposits (on which the rates are variable).

Credit rating in 2003

Commercial paper issued by N.V. Luchthaven Schiphol and Schiphol Nederland BV was given an AA– rating by Standard & Poor's. The Moody's Investors Service rating is Aa3.

Risk Management

Schiphol Group has an internal risk management and control system, including the performance of risk self-assessments at management level, a code of conduct, manuals for the presentation and preparation of financial reports and for writing procedures and a system for monitoring and reporting on internal controls that are carried out. Several improvements in internal risk management will be made in 2004, partly on the basis of the Tabaksblat Code provisions. The risk management system will be formalised and integrated into the planning and control cycle. Compliance with the code of conduct will be measured as part of our regular staff satisfaction survey.

The financial reporting manual is constantly being updated, with, among other things, the relevant provisions of the International Financial Reporting Standards (IFRS) in anticipation of future developments. As far as the monitoring and reporting system is concerned, many elements are already in place, such as manuals, audits, controllers' letters, follow-up meetings concerning audit findings between the Board of Management and the operational and commercial managers, the preparation of internal letters of representation, the management letter from the external auditors and the discussion of the audit findings and follow-up by the Supervisory Board Audit Committee.

2004 will see the establishment of a more integrated system of risk analysis, risk management and monitoring of the risk control measures in which the production processes of the various Business Areas will be clustered, with subsequent identification of the specific risks, related to the items in the financial statements associated with the individual processes. This will be used to perform a self-assessment per process of the actual level of control of the processes concerned. Audits by the internal and external auditors complete the picture.

Market risks

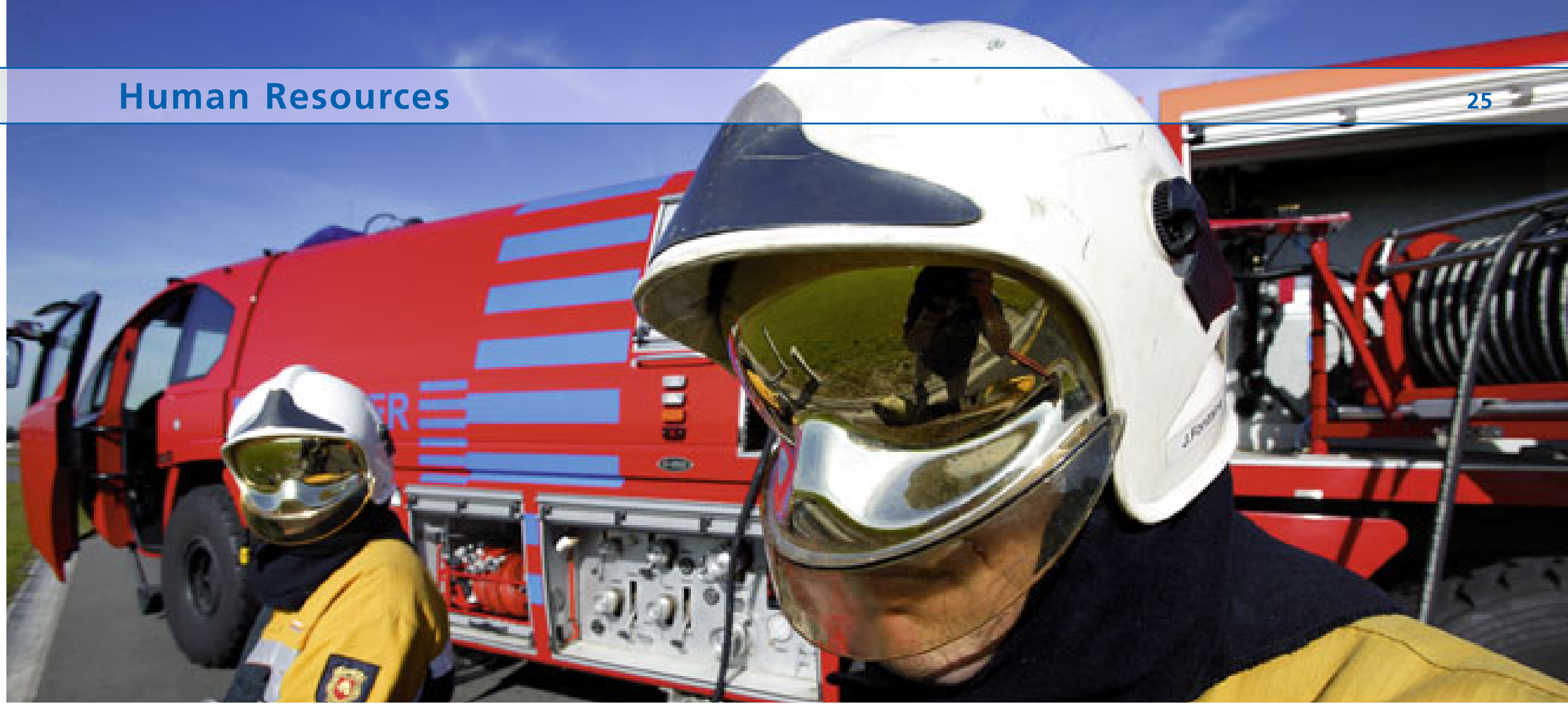
Following the 11 September 2001 tragedy, the consequences of the threat of terrorist attacks and other external influences, such as the SARS epidemic, are still being felt by Amsterdam Airport Schiphol but the diversified nature of the company's activities (Aviation, Consumers and Real Estate) mitigates the effect on the financial results.

The situation of many airlines is still precarious. For Schiphol Group, that means an increased credit risk and it also means that the airlines are looking to building networks and seeking partnerships and alliances, which can have substantial implications on major aviation hubs in general and on Amsterdam Airport Schiphol in particular. The planned merger of KLM and Air France is viewed by Schiphol Group as strengthening KLM. Competition between airports is however expected to intensify. Amsterdam Airport Schiphol will therefore have to position itself as an attractive airport offering excellent facilities, efficient processes, competitive visit costs and competitive charges. In addition, an international strategy is being pursued to further strengthen the airport's position as a major European hub and to operate and further develop the AirportCity concept or certain elements thereof. The recently established joint venture with Stockholm-Arlanda Airport will focus on retail activities in the international terminal at Stockholm Airport and is an example of the kind of project envisaged.

Potential claims

The appeal brought by KLM against the increase in airport fees in 2000 is still before the courts. The various appeals and objections to subsequent increases have been declared unfounded and judgment is final. The period for lodging objections to the 2004 airport fee increase is still open.

In addition, various other claims have been made against the company and/or its group companies. All claims are being contested and, although the outcome cannot be predicted with certainty, our legal advisers and the information available to us give us reason to assume that there will be no material consequences for Schiphol Group's financial position. Accordingly, no provisions, specific or otherwise, have been made for them.



Staff numbers increase

At year-end 2003 staff numbers based on full-time equivalents (FTEs) totalled 2,216.2 (2,334 people) compared with 2,149.8 a year earlier (+ 3.1%). The increase was due to the transfer of preventive security duties from the authorities with effect from 1 April 2003 and the associated organisational changes. The other business units were subject to a strict recruitment policy as part of efforts to control costs.

The average number of employees on an FTE basis in 2003 totalled 2,231 (2002: 2,134).

Staff satisfaction survey

A survey was carried out among the staff for the fourth year in succession. Job satisfaction at Schiphol Group showed a further improvement from 76% to 81%. Staff commitment to the company was also higher, up from 70% to 77%. There was, however, a drop in the response from 69% to 61%.

Management development

The number of internal management promotions in 2003 was nine and 51 people attended the internal training programme designed to develop management skills. A competency profile was also drawn up for all key functions in the organisation in 2003. This will be used as a basis for management development.

New CLA

A new Collective Labour Agreement became effective on 1 April 2003, valid for one year. The CLA included measures to reduce accrued leave entitlement and to prevent accrual of leave entitlement in the future. For shift workers, the exemption from working nights for employees aged 55 and older was replaced by agreements on shorter working hours and earlier retirement. Basic pay rates went up by 2% on 1 April 2003.

For more information on Human Resources please refer to our 'Sustainable Development Report for 2003' published almost simultaneously with this report.

- Passengers down, cargo up
- Further punctuality improvements
- Baggage handling improved

The Aviation Business Area provides services and facilities to the airlines and their passengers at Amsterdam Airport Schiphol. One of its key objectives is to remain competitive with the other major European airports. To achieve that objective, it must continue to offer a high standard of service at competitive visit costs, including airport fees. Amsterdam Airport Schiphol's position as a major European hub will be expanded, with due consideration of other factors, such as fire safety, security and the environment. Key performance indicators (KPIs) for the Aviation Business Area are numbers of passenger and cargo destinations served, costs per workload unit (WLU), punctuality of both arrivals and departures and market shares of passengers and cargo.

Traffic volumes at Amsterdam Airport Schiphol in 2003 were adversely affected by the economic slowdown, the war in Iraq and the SARS epidemic. The number of passengers fell by 1.9% to slightly less than 40 million. The drop in passenger volume was mainly seen in transfer passengers and on the routes to and from the Far East and the Middle East. European traffic was down slightly. The number of passengers using low-cost carriers again showed a strong increase, compensating to some extent for the lower volume in other segments. On the positive side, fourth-quarter passenger figures were once again higher than for the corresponding period in 2002.

Lower market share for passengers

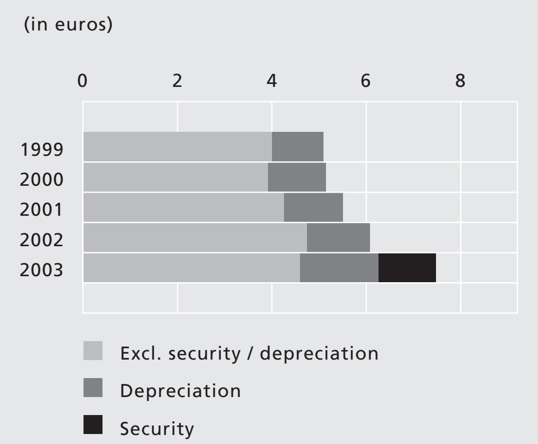
The performance of Amsterdam Airport Schiphol was slightly down on the other major airports in Western Europe, resulting in a slight loss of market share. This was partly due to the less buoyant economy in the Netherlands and the warm summer. In addition, Brussels Airport succeeded in winning back some of the business lost following the collapse of Sabena.

Cargo volumes were up by 5.3% at 1.3 million tonnes, representing an increase in market share for Amsterdam Airport Schiphol. On the important routes to and from Asia and North America, traffic was up by 10% and 6%, respectively. The growth was entirely accounted for by an extremely strong increase in the number of full-freighter flights.

Improvement in punctuality

The number of air transport movements fell by 2.1% to almost 393,000. Flight punctuality again showed a significant improvement. The punctuality of arriving flights rose from 80.4% to 81.7% and that of departing flights improved from 69.1% to 73.7%. The good weather was one of the factors behind the improvement.

Aviation costs per WLU



Financial figures (x € 1 mln)	2003	2002*
RONA before taxation	**6.4%**	5.9%
RONA after taxation	**4.2%**	3.8%
Total operating income	**484**	399
EBITDA	**180**	146
Operating result	**96**	77
Average fixed assets	**1,490**	1,324
Investments in intangible and tangible fixed assets	**248**	258

* restated for comparison purposes

Key Performance Indicators	2003	2002
Passenger market share among ten selected competitor airports in Europe	**10.2%**	10.5%
Cargo market share among five selected competitor airports in Europe	**19.7%**	19.3%
Network (summer schedule)		
Number of scheduled destinations (airports),	**237**	210
of which cargo only	**4**	3
Punctuality		
Arrivals	**81.7%**	80.4%
Departures	**73.7%**	69.1%

Cost savings

An important contribution to the reduced costs and improved efficiency in the year under review was achieved by taking over the execution of preventive security duties in the terminal from the authorities. These duties were performed at lower cost than before. The various cost savings resulted in reduced Work Load Unit (WLU) costs, excluding security costs and depreciation in 2003, i.e. costs per passenger/100kg of cargo and mail.

Investment

An amount of 248 million was invested in such projects as the construction of both the southern taxiway to the new runway and Apron Y adjacent to the A4 motorway, modifications to Pier E in connection with the new additions to the KLM and Northwest Airlines fleets, a new airfield lighting system, fire safety, security and the baggage system.

The investments in the baggage system are beginning to pay off. Baggage-handling performance during the last quarter of the year was better than in the preceding five years. Apart from the investments which have been made, the greatly improved level of co-operation with KLM and the handling agents also played an important role in this regard.

In partnership with KLM, Amsterdam Airport Schiphol also invested in an expansion of the self-service check-in capacity. Passengers are now able to check in their hold baggage at self-service baggage check-in points either via the Internet or by using one of the check-in machines at the airport. At peak times, the proportion of passengers availing themselves of this service is already as high as 30%.

Airport fees

The airport fees were increased with effect from 1 April 2003. For aircraft-related fees, the increase was 4.5%, bringing them back up to 2001 levels.

The increases in the charges payable by passengers averaged 7.5%. For 2004, an increase in charges averaging 2.5% was proposed and has already been approved by the Ministry of Transport and Public Works.

Covenant with KLM

Following on from the covenant entered into in 2002 with the airport's largest user KLM, on the development of Amsterdam Airport Schiphol and its position as a major European hub in the forthcoming years, the long-term infrastructure plans, the necessary return on investment and the relevant level of airport fees now and in the future, discussions continued in 2003 on the setup for the proposed industry regulations. The other airlines were informed of progress during the consultation rounds. The outcome of this process, which will probably be completed in the course of 2004, will be embodied in the statutory and other regulations relating to the planned stock market flotation.

Number of destinations increased

The number of destinations (airports) served by scheduled flights in the summer timetable increased by 27 to 237. These were mainly European destinations, largely accounted for by Transavia's conversion from a charter airline into a low-cost carrier (Basiq Air). The number of low-cost carriers continued to rise in 2003, with a total of five companies now together accounting for 9.5% of the passenger total.

Improved access

Getting to Amsterdam Airport Schiphol has been made easier by the opening of the A5 link road between the A4 and A9 motorways, which has relieved congestion at the Badhoevedorp intersection. Additionally, the opening of the Hemboog loop line has made it easier for people living in the northern part of Noord-Holland province to get to the airport by public transport. The number of passengers using either public or shared transport was down slightly in 2003 at 42.6%, the 2002 figure being 43.8%.

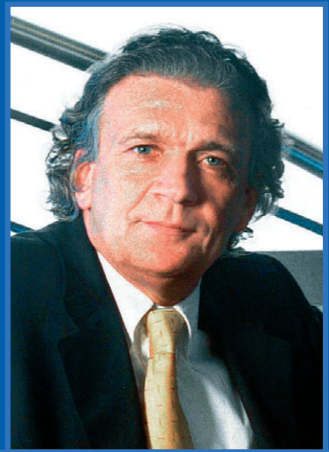
Rectification of input error

A new system of environmental standards came into force on 20 February 2003, coinciding with the phased opening of the new runway. The new system not only sets enforcement standards for noise levels but for the first time also covers air quality and third party risks.

In November, Air Traffic Control the Netherlands and Schiphol Group began work on the Environmental Impact Assessment (EIA) procedure to amend the 'Schiphol Airport Decrees. The reason was an error which had been made in the calculation of the new environmental standards for Amsterdam Airport Schiphol regarding the 2003 EIA input data for Schiphol. This has lead to the incorrect distribution of flights taking off to the north from the new runway, 18R-36L, and runway 18C-36C during peak hours. The input error has resulted in the limits for enforcement points 17 and 18, lying to the north-east of the 18R-36L runway, being set too low and those for a number of other enforcement points being set too high. The government has ruled that rectifying the error will require a new EIA procedure.

More information on the company's environmental, safety and airport accessibility policy can be found in Schiphol Group's 'Substainable Development Report', published almost simultaneously with this annual report.

'The main ports of Amsterdam Airport Schiphol and the Port of Rotterdam have much in common.'



Willem K. Scholten

Chairman of the Executive Board, Port of Rotterdam

Rotterdam has gained prominence as a main port because of its easy accessibility by the largest ocean-going vessels, its excellent communications with the hinterland using all means of transport, the quality of service it provides and its high safety standards. But growing competition means that this position cannot be taken for granted. To retain and expand Rotterdam's strong position calls for even greater quality, not only in the port itself but in the whole of the surrounding area of the 'Delta Metropolis'. In this regard, both Rotterdam and Schiphol, as the engines of the Dutch economy, have shared interests.

The Dutch government recognises this economic driver function and has taken various decisions which benefit the two main ports. The new Betuwe Freight Line will create a dedicated international rail link for goods trains. The high-speed rail (HSR) connections with Amsterdam Airport Schiphol among other centres provided by the HSR strengthen the arguments in favour of location in the Rijnmond area. And it was recently decided to push ahead with building the vital A4 North motorway and expanding the port facilities in the form of Maasvlakte II. The new area of reclaimed land at the mouth of the New Waterway will create space for the port to grow, especially in containers and chemicals, not to mention the city itself. There are ambitious plans for the development of the older harbour basins to provide housing, employment and various amenities close to the city centre with views of the bustling port. In addition to spending on inland waterway and rail links, investment is needed in a state-of-the-art, direct public transport system (underground) linking the urban centres of the Delta Metropolis and Amsterdam Airport Schiphol.

What the Delta Metropolis needs is a multi-faceted economic structure. Ongoing investment in the knowledge and manufacturing base will create more well-paid jobs, enabling Rotterdam to retain a highly qualified workforce. For the port this means developing promising sectors such as renewable energy and industrial ecology and attracting port-related business services. This in turn necessitates an excellent location climate for both companies and their employees. Built-up residential areas, parks and green belt and provision for recreation are all part of the picture. That is why there is a need for an integrated approach to the 'green heart' issue. The associated debate must focus on the questions of 'what sort of quality we want to achieve in developing new areas' and 'what importance we attach to green belt maintenance'. There are plenty of sites with housing development potential in Rotterdam and neighbouring municipalities - prime sites with water frontage, but in areas where there are noise concerns. Developing these areas requires new thinking: it must be possible to build within certain noise contour areas, subject to certain conditions, obviously. Finally, the quality of life is determined by cultural manifestations and the appealing, pleasant and inspirational sides of life. A thriving cultural environment is often an incentive for more economic clusters.

The Netherlands needs to build on its inherent strengths, seen also from the angle of Europe's expansion. The country has to make an impression against that background. The two main ports are vital economic drivers. These factors together will create an outstanding international basis for the Delta Metropolis as a whole. That is good for the Netherlands, good for Schiphol and good for Rotterdam, making the conurbation that is the 'Randstad' more than the sum of its constituent parts.

Business area Consumers

- Operating result up despite fewer passengers
- Number of Privium members increases sharply
- Joint venture with Stockholm Airport

The Consumers Business Area aims to create a carefree and unique travel experience for visitors to Amsterdam Airport Schiphol by offering an integrated range of products and services, both physical and virtual. This is put into practice by, for example, developing of state-of-the-art shopping and food and beverage outlets plus door-to-door concepts and facilities. The objective is to increase the airport's appeal as a frontrunner among quality airports to serve as the base for the home alliance and to create value from different consumer groups as well as by marketing elements of the AirportCity concept around the world. Income mainly comprises revenues from concessions for operating the shops and from car parking fees. Competition comes from airports in neighbouring countries, shopping centres close to Amsterdam Airport Schiphol and, for parking facilities, other modes of transport besides the private car plus other car parks in the immediate vicinity. Key performance indicators for the Consumers Business Area are concession revenues per departing passenger on international flights (IDP), the value for money offered by the See Buy Fly shops and the parking revenues per origin/destination (O/D) passenger (i.e. excluding transfer passengers).

Total operating income for the Consumers Business Area showed a slight improvement despite the lower passenger numbers and the fact that the drop in the number of passengers was mainly seen on intercontinental flights, where the spend per passenger is higher. The average spend per departing passenger on international flights fell from € 18.26 in 2002 to € 17.85 in the year under review. Parking revenues showed a slight rise as a result of a 12% increase in the charges for long-term parking introduced on 1 January and an increase in the average length of stay.

Various alterations were carried out in the See Buy Fly shopping centre, and work also continued on the Departure Lounge 1 extension project, which is due for completion early in the spring of 2004. The project will create a total of 16,000m² of additional space in which many new retail outlets, bars and restaurants can be accommodated.

Expansion of facilities

The catering facilities inside the terminal were expanded and revamped. In response to the trend towards no longer providing food or beverages on short flights, a Grab and Fly outlet was opened at the entrance to Pier C, where passengers can grab a sandwich, salad, snack and/or beverage to take on board. At the end of 2003, the contract with HMSHost, the main catering supplier at Amsterdam Airport Schiphol, was renewed for an extended period.

The capacity of the Schiphol Centre P1 parking garage was doubled to more than 5,600 parking spaces, making it the largest multi-storey/car park in the Netherlands. The almost 2,700 new parking spaces are largely earmarked for passengers and visitors to Amsterdam Airport Schiphol, with the remainder assigned to visitors to WTC Schiphol Airport and the Sheraton and Hilton hotels.

In the lounge area, an Acqua massage facility was launched - a European premier.

Financial figures (x € 1 mln)	2003	2002*
RONA before taxation	**25.7%**	26.0%
RONA after taxation	**16.9%**	17.0%
Total operating income	**252**	242
EBITDA	**142**	133
Operating result	**111**	108
Average fixed assets	**432**	416
Investments in intangible and tangible fixed assets	**58**	12

* restated for comparison purposes

Key Performance Indicators	2003	2002
See Buy Fly concession revenues per IDP	**€ 3.92**	€ 4.06
Perceived See Buy Fly price/quality	**57%**	59%
Parking revenues per O/D passenger	**€ 2.51**	€ 2.38

The number of wireless LAN hotspots in the terminal was also increased, creating a network enabling passengers with suitably equipped laptops to have wireless broadband access to the Internet at various locations. Holland Casino Schiphol revamped its satellite establishment in the Schengen Area and, in Schiphol Plaza, Airport Telecomshop, the store specialising in sales, rental, service and repair of mobile phones, opened its doors. ABN AMRO Bank also introduced ATMs dispensing US dollars at Amsterdam Airport Schiphol.

www.schiphol.nl attracts considerable interest

Our website www.schiphol.nl is developing into one of the most important communication channels of Amsterdam Airport Schiphol. In addition to the usual information such as arrival and departure times, parking and check-in details, an increasing amount of specific information is also becoming available on the site. Despite the slowdown in the travel business, www.schiphol.nl succeeded in achieving healthy growth in the number of airline tickets sold, hotel reservations made, text messages sent, taxis ordered and See Buy Fly purchases made. The number orders climbed from 11,231 to 16,245 with the number of page views jumping from 35.8 million to 46.6 million.

The number of airlines participating in the Privium Plus service programme increased by six to fifteen. The most important element of this programme is secure and fast border passage employing iris recognition. Members can also check in at the business class desk of participating airlines even if they only have an economy ticket, as well as being able to park close to the terminal. The number of Privium members increased by over 80% to 9,000. Some 79% of the members are Dutch nationals.

Consumers International

2003 saw the signing of a contract with Luftfartsverket (LFV, the Swedish civil aviation authority and owner of Stockholm Airport) giving Schiphol Group as from 2004 a 40% stake in a joint venture for operating all the consumer-related activities in the North Terminal (the international terminal) at Stockholm-Arlanda Airport. The contract runs for 15 years and activities commenced on 1 January 2004. There are also good commercial opportunities for Schiphol Group at other major airports operated by LFV.

- Increase in rents and leases despite property market slowdown
- More properties sold to ACRE Fund
- WTC extension completed

Schiphol Real Estate (SRE) develops, invests in and manages buildings and land at and around airports in the Netherlands and other countries, specialising in quality properties forming part of a carefully conceived urban development model with close attention to the requirements of users and the quality of the public spaces. The policy pursued is one of geographical diversification, a mix of offices and other commercial property and a combination of new development and periodic disposal of non-strategic properties. Key performance indicators for the Real Estate Business Area are occupancy levels, the percentage of contracts lapsing within twelve months and tenant satisfaction ratings.

SRE's results developed satisfactorily, particularly against the background of the slowdown in the Dutch office market. Rents and leases showed a moderate increase, partly because of the completion of several new projects, as well as indexation of rents and leases. The overall occupancy level fell from 96.7% to 89.9%, this drop primarily relating to the completion of new projects that have not yet been fully leased, including the extended WTC building and the Tristar complex.

Unrealised capital gains amounted to € 83 million compared with € 15 million in 2002. This item comprises a number of different components, such as the revaluation of the portfolio in connection with the completion of new projects (€ 28.1 million), impairment of investment property reflecting the market situation (€ 45.1 million negative), the increase in value of a previously contaminated site (€ 33.8 million), new long-lease contracts signed (€ 13.7 million), allocation of residual values to long-lease contracts (€ 32.5 million) and positive revaluation of capitalised infrastructure costs (€ 19.8 million). It was partly on the strength of the unrealised capital gains that the operating result almost doubled.

100% occupancy for ACRE Fund

At the end of 2003, SRE disposed of two office buildings and two buildings with a logistics function in its portfolio, having a combined market value of € 57 million, to Airport City Real Estate Fund (ACRE Fund), the property fund launched in 2002. As at year-end 2003, the ACRE Fund therefore comprised eleven buildings. SRE has a 50% interest in the fund. The proceeds from this transaction will be available for SRE to use for new investments in due course.

The existing portfolio of seven buildings hardly showed any diminution in value in 2003, thus showing itself to be resistant to the effects of the deteriorating office market.

As at year-end 2003, the fund comprised 37,726m² of office space and 66,263m² of business units with a market value of approximately € 150 million. Occupancy was 100%. The intention is for the fund to grow to around € 360 million by including other Dutch properties from the SRE portfolio.

SRE and ING Real Estate are working in partnership on the establishment of an international airport-related property fund.

Financial figures (x € 1 mln)	2003	2002*
RONA after taxation, including unrealised capital gains	**10.3%**	6.1%
RONA after taxation, excluding unrealised capital gains	**4.2%**	4.8%
Total operating income	**173**	129
EBITDA	**140**	77
Operating result	**132**	70
Average fixed assets	**837**	753
Investments in intangible and tangible fixed assets	**43**	65

* Restated for comparison purposes

Key performance indicators	2003	2002
Occupancy	**89.9%**	96.7%
Contracts lapsing within twelve months	**5.6%**	15.5%
Tenant satisfaction rating	**6.8***	6.8*

* Measured once every two years, the last survey was conducted in 2002

SRE portfolio

As at year-end 2003 SRE had a portfolio of property comprising a total lettable floor area capacity of 291,086m² (including 50% of the lettable floor space in ACRE Fund), made up of 165,764m² of offices and 125,322m² of business units. The market value of the property portfolio as at year-end 2003, including land as well as buildings, was € 649 million compared with € 477 million as at the end of 2002, the difference being accounted for by unrealised capital gains (€ 82.8 million), the completion of WTC 2 and Tristar (€ 128.5 million) and the sale of buildings to ACRE Fund (€ 26.4 million negative).

The result achieved by SRE on the buildings is compared with the standard Dutch property ROZ/IPD indices for offices and business units. For 2000-2002*, this produced the adjacent results:

New investments

The WTC Schiphol Airport extension, comprising 28,000m² of office space, was completed in mid-2003. Several prestigious names have already registered their interest, including Numico, which has leased 7,445m² as from the spring of 2004 to accommodate the company's headquarters. The decision was swung in favour of the WTC by the good accessibility, the proximity of the airport and the extensive facilities both in the building itself and in the immediate surroundings. Other tenants in the new part of the WTC are ABP and STMicro Electronics, which means that the WTC complex will be 69% leased as from 1 April 2004.

In addition, the Tristar office complex in Schiphol-Oost, comprising three towers affording combined floor space of 10,000m², was completed, although the complex has not yet found tenants.

Offices	SRE	ROZ/IPD
Average direct return 2000-2002	8.1%	7.4%
Average appreciation 2000-2002	11.2%	3.7%
Average overall yield 2000-2002	19.3%	11.1%

Business units	SRE	ROZ/IPD
Average direct return 2000-2002	9.3%	8.6%
Average appreciation 2000-2002	3.5%	2.3%
Average overall yield 2000-2002	12.8%	10.9%

* The ROZ/IPD indices for 2003 are not yet available

Access to Schiphol-Noordwest, lying north-west of the A4 motorway, was further improved during the year by a new bridge across the motorway. The Dutch Border Police (Koninklijke Marechaussee) will be setting up their new base in this zone. SRE has released the necessary land to the Ministry of Defence on long lease. SRE acquired several parcels of land in this zone and at Schiphol-Zuidoost during the year. On the site of the former Fokker aircraft factory, a court building and a cell block were opened by the Ministry of Justice.

Activities at other locations

Development of the Flight Forum business park adjacent to Eindhoven Airport is making steady progress. The business park will ultimately comprise 90,000m^2 of offices and 175,000m^2 of business units. The low-rise part of the combined office building Flight Square in this business park, which has been leased in its entirety to Deloitte & Touche, is now fully owned by SRE, following the takeover of the 50% interest of Heijmans IBC. For the high-rise section of Flight Square, which is jointly owned by SRE and Heijmans IBC, a letter of intent has been signed with a potential tenant.

A start was made in 2003 with plans for the redevelopment of the sites surrounding the Rotterdam Airport terminal, specifically the landside zones, Landzijde I (approximately 33.3ha) and Landzijde II (approximately 16.2ha). Redevelopment of these zones will allow approximately 100,000m^2 of offices and approximately 100,000m^2 of business units to be built.
A dedicated property company, Rotterdam Airport Vastgoed, has been set up as a wholly-owned subsidiary of Rotterdam Airport Holding to develop the area. Rotterdam Airport Vastgoed is managed by SRE.

Tradeport Hong Kong, a joint venture involving Schiphol Group (18.75%), Fraport AG (18.75%), Hong Kong Land (37.5%) and CNAC (25%), completed the construction of a logistics centre providing 30,000m^2 of floor space at Hong Kong International Airport, with scope for future extension to 40,000m^2. Owing to the SARS epidemic and the war in Iraq, the first contracts with users for the supply of logistics services (FedEx, DHL, ABX Logistics and Disneyland) were not signed until the second half of 2003, so that the results achieved for 2003 were down on expectations. Some 30% of the Tradeport Hong Kong capacity is currently utilised.

FedEx in Hong Kong elected to also apply the Tradeport concept in Singapore. Tradeport now manages a FedEx logistics centre (6,500m^2) there, too. Tradeport does not have any capital invested in the Singapore centre.

In October, Malpensa Real Estate B.V., a joint venture of Schiphol Real Estate (60%) and Grontmij Real Estate, acquired a 70% interest in the company Avioport, which owns land adjacent to the site occupied by Milan's Malpensa Airport. The joint venture is currently making preparations for the development of the first phase of 10,000m^2 of warehouses and 3,500m^2 of offices.

Alliances & Participations

- Focus on consolidation in 2003
- Rotterdam and Eindhoven reflect profit
- Brisbane issues dividend

The objective of the Alliances & Participations Business Area is to strengthen the position of the domestic regional airports forming part of Schiphol Group and to diversify the risks by exporting the AirportCity concept, which may or may not involve the acquisition of interests in airports in countries outside the Netherlands. Joint ventures specifically associated with a particular Business Area have already been mentioned in the Consumers and Real Estate sections of this report.

International policy during the year mirrored Schiphol Group's corporate objectives. International activities are required to further at least one of the three objectives pursued by Schiphol Group, namely strengthening Amsterdam Airport Schiphol's position as a major European airport, expanding non-aviation turnover and diversifying risks.

The focus in 2003 was mainly on consolidating and improving the performance of existing participating interests, and starting a limited number of new initiatives. As a consequence, the number of people working for Schiphol International BV in particular was considerably reduced.

Alliances

Dartagnan

Following special clearance under competition rules by the Netherlands Antitrust Authority (NMa) for the company Dartagnan TM biometric solutions formed jointly by Schiphol Group and Joh.Enschedé B.V., the new company was duly incorporated on 21 March 2003. Dartagnan offers technical solutions in the field of biometric identification to airports and other companies.

A contract was signed by Dartagnan with Sukarno-Hatta International Airport in Jakarta to install an automated border passage system. The iris recognition trial for airport staff in Terminal 4 at JFK Airport in New York, which began in 2002, is to be continued and extended in 2004. Orders received last year included systems for Athens International Airport, Nederlandse Gasunie in Assen and a major Dutch bank.

PT Angkasa Pura Schiphol, Jakarta

The joint venture with PT Angkasa Pura II, the operator of the Jakarta and Medan Airports in Indonesia, among others, was transformed during the year into a platform for a strategic alliance between Schiphol Group and PT Angkasa Pura II, with the emphasis on exporting the AirportCity concept on a project basis. One of the more high-profile results in 2003 was the contract for the automated border passage system at Jakarta Airport.

Alliance with Fraport

The logistics centre Tradeport Hong Kong developed in alliance with Fraport was completed in 2003.

Domestic airports

Rotterdam Airport

Rotterdam Airport Holding is a wholly-owned Schiphol Group subsidiary. Rotterdam Airport did

Financial figures (x € 1 mln)	2003	2002*
RONA after taxation, including unrealised capital gains	0.1%	– 3.6%
RONA after taxation excluding unrealised capital gains	– 2.5%	– 3.6%
Total operating income	47	35
EBITDA	6	– 3
Operating result	– 1	– 8
Average fixed assets	129	133
Investments in intangible and tangible fixed assets	9	10

* Restated for comparison purposes

well in 2003. Although the number of air transport movements was down by 19.6%, passenger numbers increased by 0.8% to almost 617,000. The result was again a profit, achieved in difficult economic circumstances and under considerable operational restrictions on night-time operations imposed by a new Directive. The transfer of the execution of preventive safety and security duties from the authorities was accomplished smoothly and efficiently. This led to an increase in the workforce.

A strategic and commercial business plan was prepared for the period up to 2010, setting out the way in which Rotterdam Airport can develop into a prominent regional airport for both business and tourist traffic by maximising use of the available aircraft noise envelope and real estate development locations.

Eindhoven Airport

Eindhoven Airport, in which Schiphol Group has a 51.5% interest, had another good year. While the number of air transport movements fell by 8.3%, the number of passengers was up by 17.7% at 428,000. The increase was mainly due to the addition of a second daily flight by Ryanair to London Stansted and the growing popularity of Turkey, the most important holiday destination from Eindhoven Airport. The result improved strongly.

In January, agreement was reached on an amendment to the regional agreement, and this was ratified in November by a new order guaranteeing the airport's growth up to 2013 at the same time as improving the quality of the environment in the immediate vicinity.

An important change is that the environmental impact is now being measured on the basis of actual noise levels and no longer on the basis of the number of flights. New scheduled services to Barcelona-Gerona and Istanbul will be started in 2004. Eindhoven Airport was the first Dutch regional airport to obtain ISO 14001 certification for its environmental management system. To cater for the growing volume of passengers, work started on the construction of a new, temporary arrivals hall.

Lelystad Airport

Following a decision by the Council of State, as a result of which the current EIA procedure for amending the noise zone has to be repeated, plans for Lelystad Airport were revised. The plan to implement air traffic control has been shelved for the time being and investments in an extension to the runway and expansion of the airport terminal building have been delayed.
The number of general aviation aircraft movements fell by 13.3% to 119,754. The decline was partly due to the fact that far-reaching restrictions had to be imposed on activities on several occasions. Application has accordingly been made to the authorities for implementation of the proposed easing of the existing noise contours as quickly as possible. Just as in 2002, Lelystad Airport posted a negative result in 2003.

In 2003, the central area was commissioned, as was a new complex of 22 hangars. The aviation theme park Aviodrome also opened its doors.

Foreign airports

Market share JFK Terminal 4 rises

For the joint venture JFK IAT, in which Schiphol USA has an interest of 40%, 2003 was another difficult year. External factors delayed the recovery in air travel following the September 2001 attacks. Despite this, the number of passengers using Terminal 4 at New York's JFK Airport, which is operated by the joint venture, increased by almost 5.7% to over 4.6 million, while the number of air transport movements was up by 4.3%. The increase was entirely seen in the international segment. There was in fact a sharp drop in the number of domestic passengers as a result of the collapse of National Airlines in 2002. A considerable number of new international airlines were attracted, however, enabling Terminal 4 at JFK Airport to increase market share.

Following an agreement between the airport authorities and the City of New York, it is expected that the period for which Terminal 4 will be operated by JFK IAT will be extended by ten years to 2025. An easing of the financial terms and conditions was also agreed for 2003. Talks are continuing on adjustments to the financial structure of the operating agreement with a view to mitigating the effects of volatility in the aviation sector.

The AirTrain light rail line came into service in mid-December, linking the various terminals at JFK Airport with each other and with New York's metropolitan transportation system. Terminal 4 is the only terminal with its own station right inside the terminal building.

Increase in passenger numbers at Brisbane

Schiphol Group, through Schiphol Australia, has an interest in Brisbane Airport Corporation (BAC), the company operating Brisbane Airport. The airport had a good year, in which the number of passengers rose by 7.5%, although the number of air transport movements was down by 1%. The increase was mainly seen on domestic flights resulting from the advent of the airline Virgin Blue. The result showed a further improvement, thanks to the increase in passenger volume and substantially higher airport fees. The debt position was also restructured, with a resultant improvement in both financial flexibility and structure. Income from this participating interest increased considerably.

New carriers welcomed to Brisbane in 2003 were China Airlines and Emirates. A start was made on the construction of a training centre for the low-cost carrier Virgin Blue and Australian Aerospace opened an extension to its facilities which will be used for the assembly of helicopters and light aircraft. The development of the airport into an AirportCity was continued.

Based on the recovery in the closing months of 2003, Amsterdam Airport Schiphol expects to see passenger volume grow to almost 42 million in 2004. The associated number of air transport movements is anticipated to increase as well as cargo volume. These forecasts are made on the assumption that the world economy will gradually improve and that aviation will not be hit by new crises such as those of the last few years.

Costs are set to increase considerably as a result of higher pension charges, higher depreciation charges and maintenance costs in connection with the completion of major capital projects. A cost control programme has been elaborated with the object of keeping cost levels competitive.

Investments in 2004 are estimated at € 430 million. Consequently there will be a further increase in financing costs. The existing cash, the forecast cash flow from operating activities and the available financial facilities provide ample funding.

The 2004 result after taxation excluding unrealised capital gains is expected to fall slightly.

Amsterdam, 18 February 2004

Board of Management

Gerlach Cerfontaine
Marike van Lier Lels
Pieter Verboom

Consolidated Balance Sheet as at 31 December 2003 (after profit appropriation)

(in thousands of euros)

Assets

	31 December 2003		31 December 2002*	
Fixed assets				
Intangible fixed assets		**4,041**		2,697
Tangible fixed assets				
Tangible fixed assets for operating activities	**1,895,189**		1,528,655	
Tangible assets under construction or development	**416,084**		649,372	
Investment property	**649,114**		477,381	
		2,960,387		2,655,408
Financial fixed assets		**82,072**		70,976
		3,046,500		2,729,081
Current assets				
Stocks	**30,229**		29,376	
Debtors	**121,392**		141,423	
Cash at bank and in hand	**270,558**		38,015	
		422,179		208,814
		3,468,679		2,937,895

Shareholders' equity and liabilities

	31 December 2003		31 December 2002*	
Shareholders' equity		**2,023,683**		1,870,698
Minority interests		**20,042**		7,554
Provisions				
Early retirement	**26,604**		30,437	
Deferred taxation	**33,575**		5,147	
Other provisions	**3,849**		5,830	
		64,028		41,414
Long-term liabilities		**1,024,196**		515,805
Current liabilities		**336,730**		502,424
		3,468,679		2,937,895

* Restated for comparison purposes.

Consolidated Profit and Loss Account for the year ended 31 December 2003

(in thousands of euros)

	2003	2002*
Net turnover	**859,707**	774,187
Unrealised capital gains and losses	**82,775**	14,918
Own work capitalised	**13,319**	15,863
Total operating income	**955,801**	804,968
Costs of outsourced work and other external charges	**298,252**	254,906
Salaries and social security charges	**139,076**	127,586
Depreciation/amortisation and movements in value	**130,592**	105,622
Cost of sales of investment property	**26,878**	46,757
Other operating expenses	**23,417**	23,051
Total operating expenses	**618,215**	557,922
Operating result	**337,586**	247,046
Financial income and expenses	**– 42,744**	– 39,254
Result on ordinary activities before taxation	**294,842**	207,792
Taxation	**– 103,012**	– 71,528
Share in results of participating interests	**630**	758
Result on ordinary activities after taxation	**192,460**	137,022
Minority interests	**– 1,151**	– 136
Result after taxation	**191,309**	136,886

* Restated for comparison purposes.

** Excluding dividends, amounts owed to banks and loans.

Consolidated Cash Flow Statement

(in thousands of euros)

		2003		2002*
Net result		**337,586**		247,046
Adjustments for:				
▪ Depreciation/amortisation and movements in value	**130,592**		105,622	
▪ Cost of sales of investment property	**26,878**		46,757	
▪ Writeoff of long-term receivables	**500**		–	
▪ Unrealised gains and losses	**– 82,775**		– 14,918	
▪ Release of negative goodwill	**– 343**		– 1,367	
▪ Release of ground rents received/paid in advance	**– 1,188**		– 309	
▪ Disposal of assets	**– 38,123**		– 46,845	
▪ Movements in provisions	**– 5,814**		– 1,968	
		29,727		86,972
Operating result after restatement		**367,313**		334,018
Movements in working capital		**9,241**		34,081
Cash flow from operations		**376,554**		368,099
▪ Taxation paid (advance taxes)		**– 51,554**		– 50,723
▪ Interest paid		**– 37,144**		– 29,596
▪ Interest received		**9,132**		4,496
▪ Dividend received		**699**		602
Cash flow from operating activities		**297,687**		292,878
▪ Additions to intangible fixed assets	**– 3,197**		– 1,505	
▪ Additions to tangible fixed assets	**– 353,179**		– 343,236	
▪ Disposals	**38,123**		46,845	
▪ Acquisition of consolidated participating interests	**– 8,007**		–	
▪ Acquisition of non-consolidated part. interests	**– 2,446**		– 4	
▪ Increase in receivables from non-consolidated participating interests	**–**		– 985	
▪ Decrease in receivables from non-consolidated participating interests	**516**		9	
▪ Increase in other long-term loans	**– 1,500**		– 2,604	
▪ Commuted ground rents received	**19,936**		2,254	
Cash flow from investing activities		**– 309,754**		– 299,226
Cash flow from financing activities				
▪ Long-term loans drawn down	**545,777**		305,629	
▪ Repayments on long-term loans	**– 259,338**		– 292,176	
▪ Investment grants received	**325**		541	
▪ Dividend paid	**– 42,113**		– 45,113	
Cash flow from financing activities		**244,651**		– 31,119
Net cash flow		**232,584**		– 37,467
Exchange differences		**– 41**		–
Increase/decrease cash flow		**232,543**		– 37,467

General

The financial statements have been prepared in accordance with the generally accepted accounting principles in the Netherlands, as set forth in Part 9, Book 2 of the Netherlands Civil Code. With the exception of the changes mentioned below under the heading Accounting policy changes, the accounting policies applied in the preparation of the 2003 financial statements are the same as those used for the 2002 financial statements.

Basis of consolidation

Criteria for the consolidated financial statements
The consolidated financial statements include the financial statements of N.V. Luchthaven Schiphol and its subsidiaries, as listed on page 72, applying the full consolidation method and uniform accounting policies. Subsidiaries are those companies which form part of the economic entity of N.V. Luchthaven Schiphol and in which the latter company has control over business and financial policy.

Joint ventures are accounted for by proportionate consolidation. A joint venture is an activity performed by either a legal entity or a partnership which is controlled by a limited number of entities by virtue of a joint venture agreement. A list of these companies is included on page 72.

The results of the subsidiaries acquired in the course of the year are consolidated as from the date on which N.V. Luchthaven Schiphol gains control of such companies. The financial information relating to group companies disposed of during the course of the year continues to be included in the consolidation up to the date of disposal. The share of the other shareholders in group equity and group results is disclosed as minority interests.

Corporate profit and loss account
Use has been made of the option of presenting the corporate profit and loss account in abridged form provided by Section 2:403 of the Netherlands Civil Code.

Accounting policy changes

The accounting policies remain unchanged compared with those applied for the financial statements for 2002 with the exception of the method of accounting for investment property, and the treatment of the dividend payable according to the appropriation of the result. These changes in accounting policies have been implemented on the basis of the new Dutch Annual Reporting Guideline 213 'Investment property' and the amended Guideline 420 'Profit appropriation and treatment of losses'. Both Guidelines are applicable to the financial years commencing on or after 1 January 2003. The implementation of these Guidelines has led to the following changes:

Investment property
An investment property is defined according to Guideline 213 as property (land or building) that is held to generate rental income and/or capital gains. The following real estate does not qualify as an investment:

- Property for own use by the company. Property for own use by the company is real estate that is held for use in connection with ordinary activities.
- Property under construction or development

- Initial valuation of investment property is at cost, including transaction costs. Thereafter, investment property is carried at fair value. This is considered to mean the amount for which an asset could be traded between well-informed, independent parties on an open market.
- Gains and losses due to movements in fair value have been accounted for, with effect from 1 January 2003, in the profit and loss account for the year in which the movement occurred. In addition, a revaluation reserve for the sum of the change is formed as part of the profit appropriation. Previously, unrealised movements in value were directly accounted for in the revaluation reserve and only realised gains and losses in value were taken to the profit and loss account.
- With effect from 1 January 2003, property for use by the company has been valued at cost less depreciation based on cost. Previously such assets were carried at fair value, with movements in value accounted for directly in the revaluation reserve, and they were not depreciated.
- With effect from 1 January 2003, a distinction has been made within the balance sheet item tangible fixed assets between tangible fixed assets used for operating activities, tangible fixed assets under construction or development and investment property.
- Various reclassifications have been made in the balance sheet to comply with Guideline 213 that took effect on 1 January 2003. Investment property intended for sale has been classified as part of stocks.

Development sites
Development sites on which it is planned to build investment property in the future have been classified as tangible fixed assets under construction or development. Development sites intended for sale have been classified as stock of land. On completion of development, the assets are reclassified as investment property.

Appropriation of the result
With effect from 1 January 2003, in accordance with the amended Guideline 420, the proposed dividend distribution as at balance sheet date is no longer recognised as a liability, and included in current liabilities, when the appropriation of the result is not adopted by the shareholders until after balance sheet date. There is the option of including the proposed dividend in the balance sheet as a separate component of shareholders' equity or disclosing details of the proposed dividend in the notes. In the interests of transparency, the Schiphol Group Board of Management has opted to account for the amount of the proposed dividend distribution in the financial statements as a separate component of shareholders' equity.

For the sake of comparison, the 2002 figures in the profit and loss account, balance sheet and cash flow statement have been restated according to the new accounting policies. The net effect of this restatement on the result after taxation for 2002 amounts to € 3.8 million negative, while the effect on shareholders' equity as at 31 December 2003 is € 80.6 million negative.

Effect of accounting policy changes on the net result for 2002

(in millions of euros)

Result after taxation according to existing accounting policies		**140.7**
Restatement as a result of change in accounting policies		
▪ Unrealised capital gains and losses recognised in the 2002 Financial Statements	17.1	
▪ Unrealised capital gains and losses as a result of reclassification	– 2.2	
▪ Depreciation as a result of reclassification	– 2.1	
▪ Sales to Airport Real Estate Basisfonds CV (ACRE Fund)	– 18.6	
▪ Corporation tax	2.0	
Effect of restatement		– 3.8
Result after taxation and restated in line with the change in accounting policies		**136.9**

Effect of accounting policy changes on other reserves forming part of shareholders' equity

(in millions of euros)

Balance as at 1 January 2003 *(before change in accounting policies)*	**1,509.8**
Change in accounting policies concerning investment property	– 7.4
Balance as at 1 January 2003 *(after change in accounting policies)*	**1,502.4**

Cash flow statement

The cash flow statement has been drawn up on the basis of the so-called indirect method.
With effect from 1 January 2003, the format and other aspects of the presentation (such as grouping, aggregation and order of items) of the cash flow statement have been changed. The 2003 figures have been reclassified accordingly.

Foreign currencies

Income and expenses denominated in foreign currencies are included in the profit and loss account at the settlement rate. Other receivables, amounts owed and cash denominated in foreign currencies are translated at the rate prevailing on the balance sheet date. Exchange differences are included in the profit and loss account under financial income and expenses. Exchange differences resulting from translation of net investments in foreign participating interests are taken directly to shareholders' equity.

Basis of valuation of assets and liabilities

Unless otherwise stated, assets and liabilities are carried at face value.

Intangible fixed assets

Intangible fixed assets represents goodwill purchased from third parties and start-up and share issue costs.
With respect to the latter category, a statutory reserve is formed for the costs not yet amortised, as stipulated in Subsection 2 of Section 2:365 of the Netherlands Civil Code.

Goodwill is the difference between the cost of acquisition and the net asset value determined in accordance with Schiphol Group's accounting policies. Goodwill is amortised on a straight-line basis over the estimated life of the asset. The carrying amount is adjusted for any impairment. Formation costs and share issue costs are amortised over 2 years.

Tangible fixed assets

Tangible fixed assets for operating activities

Tangible fixed assets used operating activities are carried at historical cost depreciated on a straight-line basis over the estimated life of the asset, less any impairment. Land is not depreciated.

Tangible fixed assets under construction or development

Tangible fixed assets under construction or development comprises two categories of assets:

- Tangible fixed assets under construction in connection with future operating activities
- Tangible fixed assets under construction or development in connection with future investment property activities.

Tangible fixed assets under construction or development are carried at historical cost including:

- Interest during the construction period in the case of major investments
- Hours charged to investment projects by company staff during the construction phase. The hourly rate includes a mark-up for indirect costs.

Investment property

Investment property is distinguished from operating property on the basis of the following criteria:

- Investment property is held to earn rentals or for capital gains, or both.
- Investment property generates cash flows that are largely independent of the other assets held by the company.
- Investment property does not include property intended for own use by the company (now or in the future) or property under construction or development in connection with future investment property activities.

The buildings classified as investment property are carried at fair value, i.e. their market value as let property. Approximately 50% of the properties in the portfolio are appraised each year by independent surveyors, the remaining properties being appraised internally.

Land in the investment property portfolio is subject to internal appraisal only. The market value of land leased out on a long lease is calculated by discounting the value of the future annual ground rents under the contracts concerned (DCF method), using a discount factor based on the interest rate on Dutch government bonds plus a risk mark-up.

In view of the long-term nature of the contracts, for reasons of prudence a figure has only been attributed to the residual values where the long lease expires within 20 years. Properties on long lease, which, on expiry of the lease, may possibly have an operational use have not been included in investment property but are instead accounted for as tangible fixed assets used for operating activities (land).

Unrealised capital gains and losses due to a change in the fair value of the investment property are recognised in the profit and loss account in the year in which the change occurs. On disposal of assets, realised gains or losses are reflected in the profit and loss account if a difference between fair value and sales value occurs.

Property under development for future use as an investment property is classified as assets under construction and valued as described earlier.

Tangible fixed assets of which the company and its subsidiaries are the beneficial owners under a lease contract are capitalised. These assets are recognised as tangible fixed assets used for operating activities and investment property.

Financial fixed assets

Financial fixed assets consists of participating interests, other financial fixed assets and other receivables. Participating interests are carried at net asset value. Participating interests over which the company does not have significant influence are carried at historical cost less a provision for impairment where necessary.
Other financial fixed assets are carried at face value less a provision for bad debts where necessary.

Current assets

Stocks

Investment property intended for sale is classified as part of stocks. The stock of land (development sites) is valued at cost, made up of the costs of acquiring the land and site preparation costs.

The other stocks are carried at average cost. Stocks held for technical maintenance purposes are valued at nil.

Debtors

Debtors are carried at face value less a provision for bad debts where necessary.

Cash at bank and in hand

Cash at bank and in hand is carried at face value.

Revaluation reserve

The revaluation reserve is formed in respect of unrealised changes in the carrying amount of investment property (buildings and land) resulting from fair vaue appraisals. In accordance with Guideline 213, additions to this reserve are made via the profit appropriation, with due allowance for corporation tax. On disposal of investment property, the net gain or loss held in the revaluation reserve for the assets concerned is transferred to the other reserves. Also included in the revaluation reserve are the unrealised gains and losses relating to the revaluation directly accounted for in the shareholders' equity of the participating interests.

Provisions

The provisions for early retirement are generally carried at actuarial value, applying an actuarial interest rate of 4% (2002: 4%).

The provision for deferred taxation is carried at face value and is calculated on the accumulated unrealised net capital gains and losses since 1 January 2002, applying the current rate of corporation tax.

The other provisions are included at face value.

Long-term liabilities

Long-term liabilities are carried at face value. They include deferred investment grants, which comprises grants received towards the operating expenses associated with capital projects less the amounts released to income each year. The deferred investment grants are carried at face value.

Current liabilities

Current liabilities are carried at face value.

Basis of profit determination

Net turnover

Net turnover represents the income from the supply of goods and services less tax on turnover. Income is recognised when the goods are delivered or the services are rendered, with costs charged against turnover in the year in which the related turnover is accounted for.

Unrealised capital gains and losses

This includes the unrealised changes in the fair value of investment property.

Depreciation and amortisation

The intangible fixed assets and tangible fixed assets used for operating activities are in principle amortised and depreciated on a straight-line basis according to the depreciation schedule below, depending in part on the nature of the asset.
No depreciation is charged on investment property, assets under construction or land.

Depreciation and amortisation periods

Intangible fixed assets	
Goodwill	5 years
Formation costs	2 years
Tangible fixed assets	
Runways, taxiways and aprons	30 – 40 years
Land and roads	
■ Car parks	30 years
■ Roads	30 years
■ Other paved areas	10 – 30 years
■ Buildings	20 – 40 years
■ Installations	5 – 30 years
■ Other fixed assets	3 – 20 years

Deferred investment grants

Investment grants are released to the profit and loss account (set against depreciation) over the life of the qualifying assets.

Taxation

Taxation on the result is calculated by applying the statutory tax rate to the result for the year, taking into account any permanent differences between the profit as calculated for reporting purposes and that according to tax rules. Deferred taxation is carried at face value. Deferred tax assets are only recognised if their future realisation is a certainty. Reference is also made to the notes under the heading of corporation tax.

Corporation tax

With effect from 1 January 2002, N.V. Luchthaven Schiphol has been subject to corporation tax.
The taxation charge shown in the profit and loss account has been calculated on the profit for reporting purposes, taking account of permanent differences between the profit on a reporting basis and on a tax basis.
In 2003, Schiphol Group prepared the opening balance sheet for tax purposes and a tax return was filed for 2002. When the opening balance sheet for tax purposes has been agreed with the tax authorities, a provision for deferred taxation will be formed in respect of any permanent difference between the assets and liabilities as recognised for tax purposes and those for reporting purposes. The formation of this provision will result in a non-recurring item in the profit and loss account, which may be material and will probably be positive.
Because of the uncertain nature of deferred taxation, it has not been valued in the balance sheet as at 31 December 2003. With effect from 2002, a provision for deferred taxation has, however, been formed in respect of unrealised capital gains and losses.

Financial instruments

The company makes use of derivative financial instruments such as interest rate and currency swaps, which are not included in the balance sheet, in order to limit the borrowing costs of the long-term loans contracted and to hedge exchange risks. The gains and losses generated by these swaps are taken to the profit and loss account (under financial income and expenses) in proportion to their effect in the reporting period. If swaps are liquidated because there is no longer a matching position, the related income or expense is taken directly to the profit and loss account.

(in thousands of euros)

Assets

Fixed assets

Intangible fixed assets

The movements were as follows:

	Goodwill	Start-up costs	Total
Book value at beginning of year	2,412	285	2,697
Additions	3,171	27	3,198
Acquisitions	–	31	31
Amortisation	– 1,777	– 150	– 1,927
Transfer of investment property	–	42	42
Book value at year-end	**3,806**	**235**	**4,041**

The goodwill paid relates to the following items:

- The food and beverage facilities in the departure hall of the terminal building acquired by Rotterdam Airport in 2002.
- Acquisition in 2003 of a 50% interest in Dartagnan B.V. amounting to € 1 million. This amount was charged to the result as a lump sum in 2003, based on an estimate of the likely result.
- Acquisition in 2003 of 8.2% of the shares of Schiphol Airport Development Company N.V. amounting to € 2.2 million.

The start-up costs refer to:

- Airport Real Estate Basisfonds C.V., Schiphol Real Estate Italy srl and Avioport S.p.A..

Tangible fixed assets

The movements in tangible fixed assets used for operating activities were as follows:

	Runways, taxiways and aprons	Land and roads	Buildings	Installations	Other fixed assets	Total
Year-end analysis						
Cost	532,021	448,496	1,028,393	773,738	199,897	2,982,545
Depreciation	– 175,314	– 81,982	– 345,712	– 366,814	– 117,534	– 1,087,356
Book value at year-end	**356,707**	**366,514**	**682,681**	**406,924**	**82,363**	**1,895,189**
Book value at beginning of year before change in accounting polices	234,720	245,696	591,101	340,904	74,132	1,486,553
Change in accounting policies	–	2,294	39,850	– 42	–	42,102
Book value at beginning of year after change in accounting policies	234,720	247,990	630,951	340,862	74,132	1,528,655
Movements during the year	**121,987**	**118,524**	**51,730**	**66,061**	**8,231**	**366,533**
Analysis of movements during the year						
Completed assets	135,549	126,023	86,359	119,012	27,940	494,883
Acquisitions	–	–	–	–	205	205
Sales	–	–	–	– 5,922	– 215	– 6,137
Disposals	– 337	– 405	– 598	– 555	– 1,022	– 2,917
Impairment	–	–	–	– 1,254	–	– 1,254
Reclassification	–	1,140	23	– 27	– 3	1,133
Exchange differences	–	–	–	–	– 30	– 30
Depreciation	– 13,225	– 8,234	– 34,054	– 45,193	– 18,644	– 119,350
Total movements during the year	**– 121,987**	**– 118,524**	**– 51,730**	**66,061**	**8,231**	**– 366,533**

The tangible fixed assets used for operating activities include an amount of 48.6 million in respect of the book value of assets to which the company does not have legal title (finance leases).

The movements in tangible fixed assets under construction or development were as follows:

	Assets under construction for operating activities	Assets under construction for investment property	Total
Book value at beginning of year before change in accounting policies	448,845	–	448,845
Change in accounting policies	61,981	138,546	200,527
Book value at beginning of year after change in accounting policies	510,826	138,546	649,372
Capital expenditure	282,641	70,538	353,179
Completed assets and investment property	– 494,883	– 119,640	– 614,523
Acquisitions	–	30,454	30,454
Sales	–	– 512	– 512
Exchange differences	–	– 660	– 660
Reclassification	– 42	– 1,184	– 1,226
Book value at year-end	**298,542**	**117,542**	**416,084**

The movements in investment property were as follows:

	Operating property	Property under development	Land	Total
Book value at beginning of year before change in accounting policies	461,036	172,487	237,520	871,043
Change in accounting policies	– 114,167	– 172,487	– 107,008	– 393,662
Book value at beginning of year after change in accounting policies	346,869	–	130,512	477,381
Completed investment property	116,541	–	3,099	119,640
Sales	– 26,365	–	–	– 26,365
Unrealised capital gains and losses	– 44,730	–	127,505	82,775
Transfer of prepaid ground rents	–	–	– 4,368	– 4,368
Reclassification	1,155	–	– 1,104	51
Book value at year-end	**393,470**	**–**	**255,644**	**649,114**

In December 2003, four buildings forming part of the investment property portfolio were transferred to Airport Real Estate Basisfonds C.V. N.V. Luchthaven Schiphol, via its wholly-owned subsidiary Schiphol Real Estate, has a 50% interest in the share capital of this company. This interest is proportionately consolidated (50%). The sales of € 26.4 million shown in the analysis with respect to this transaction concerns 50% of the book value of the sales.

Operating property includes an amount of € 95 million in respect of the fair value of assets held under finance leases. Land includes both land for future development by the company and land leased to third parties.

All the long-lease, ground rent and rental contracts relating to (parts of) buildings contain a clause covering the use of the land. Schiphol Group has the right to cancel these contracts at any time if the land and/or (parts of) these buildings are needed for airport activities.

It is Schiphol Group policy to grant rights to all land solely on either a long-lease or a ground rent basis. The proportion of the current leases (measured in terms of rental income) expiring within one year is 5.6%.

Financial fixed assets

The movements were as follows:

	Participating interests	Loans to participating interests receivable	Other amounts	Total
Book value at beginning of year	63,320	2,330	5,326	70,976
Additions	2,524	–	181	2,705
Transfer of prepaid ground rents	–	–	4,368	4,368
Withdrawals	–	242	330	572
Results	630	–	–	630
Dividend	– 699	–	–	– 699
Exchange differences	5,074	– 22	–	5,052
Other movements	– 493	– 1,039	–	– 1,532
Book value at year-end	**70,356**	**1,511**	**10,205**	**82,072**

Current assets

Stocks

The analysis is as follows:

	2003	2002
Stock of land intended for sale	**27,031**	26,461
Stocks held for technical maintenance and the provision of services	**3,198**	2,915
Total	**30,229**	29,376

With effect from 1 January 2003, following the implementation of Guideline 213 Investment property and the consequent change in accounting policies, the stock of land which it is intended to sell on, is presented along with other stocks. The increase in value relative to the preceding year is due to capitalised site preparation costs.

The carrying amount of the technical maintenance/services stocks is stated after deduction of a provision for obsolescence.

Debtors

The analysis is as follows:

	2003	2002
Trade debtors	**64,463**	77,018
Amounts owed by shareholders and participating interests	**5,924**	26.431
Other receivables	**15,286**	11,248
Prepayments and accrued income	**35,719**	26,726
	121,392	141,423

Trade debtors includes a provision of € 2.2 million (2002: € 3.5 million) for bad debts. Other receivables include an amount of approximately 10.7 million (2002: approximately € 8.5 million) in respect of taxation and social security contributions, € 10.4 million of which relates to turnover tax reclaimable (2002: 8.5 million).

Cash at bank and in hand

Cash at bank and in hand includes € 247.0 million (2002: € 29.5 million) in the form of deposits with terms ranging from 1 to 12 months. The cash is readily available.

Shareholders' equity and liabilities

Shareholders' equity

The notes to the corporate balance sheet include an analysis of the changes in shareholders' equity.

Minority interests

This item refers to minority interests held by third parties in the capital of the group companies Eindhoven Airport N.V., Malpensa Real Estate B.V., Malpensa Real Estate srl and Avioport S.p.A.

Provisions

Early retirement

The movements in the provision were as follows:

	Occupational early retirement	Retaining pay	Pre-early retirement	Total
Book value at beginning of year	18,812	847	10,778	30,437
Utilisation	– 1,561	– 663	– 3,448	– 5,672
Release	– 157	-	– 1,585	– 1,742
Additions	2,289	444	848	3,581
Book value at year-end	**19,383**	**628**	**6,593**	**26,604**

The amounts of the provisions for occupational early retirement and retaining pay are calculated on an actuarial basis, applying an actuarial interest rate of 4% (2002: 4%). The provision for occupational early retirement includes an amount of € 10.3 million for commitments relating to future benefit recipients (2002: € 11.0 million).

The provision for pre-early retirement results from:

- The Collective Labour Agreement (CLA) adopted in 1996/1997, under which staff have the opportunity to retire before the official early retirement age.
- The 1999 reorganisation, as part of which a group of employees was offered early retirement.
- The over-55 night-shift arrangement, which, since 2001, has provided for early retirement of full-time employees aged 55 and over who regularly work nights.

Provision for deferred taxation

The analysis is as follows:

	2003	2002
Book value at beginning of year	**5,147**	–
Additions	**28,428**	5,147
Book value at year-end	**33,575**	5,147

Other provisions

The movements in the various provisions were as follows:

	Lelystad under performance	Reorgani-sation	Other	Total
Book value at beginning of year	3,417	2,350	63	5,830
Utilisation	– 709	– 812	–	– 1,521
Additions	–	–	5	5
Release	–	– 465	–	– 465
Book value at year-end	**2,708**	**1,073**	**68**	**3,849**

Lelystad under performance

The provision for under performance by group company N.V. Luchthaven Lelystad was formed in 1993 in connection with a commitment made at the time of its acquisition and is utilised to cover the future losses of that airport.

Reorganisation

The reorganisation provision relates to the expected costs resulting from an internal reorganisation carried out in 1999.

Long-term liabilities

The analysis is as follows:

		2003		2002	
	Average interest %	Total	Due after 5 years	Total	Due after 5 years
Bonds and private loans and finance lease obligations	5	925,138	636,533	456,455	135,013
Bank loans	6	34,594	–	12,879	–
Deferred investment grants		12,516	7,484	13,183	10,016
Other		51,948	47,916	33,288	30,589
		1,024,196	691,933	515,805	175,618

Schiphol Group launched a Euro Medium Term Note (EMTN) programme in 1999 (the ceiling of which was most recently increased in 2003), making it possible to raise funds as required in the years ahead up to a maximum of € 1,000 million. As at year-end 2003, the amount raised totalled € 655.7 million. An arrangement has also been entered into with the European Investment Bank for a facility of € 150 million. This amount was drawn down in 2003.

The bonds, private loans and finance lease obligations includes two finance leases, one financing the P1 car park/walkway and the other Triport. Both contracts were entered into with Algemeen Burgerlijk Pensioenfonds (ABP). The remaining terms are 32 and 31 years, respectively. The outstanding debt as at year-end 2003 amounted to € 57.6 million for the P1 car park/walkway and € 68.1 million for Triport.

The other long-term liabilities comprise amounts received in connection with the purchase of long leases, these amounts being released to the profit and loss account in instalments over the duration of the leases concerned.

Amounts repayable in the following year are included as current liabilities in the balance sheet, and total € 54.6 million (2002: € 246.9 million).

Current liabilities

The analysis is as follows:

	2003	2002
Instalments on long-term loans due within one year	54,575	246,932
Bank loans	12,773	9,985
Trade creditors	76,700	88,629
Amounts owed to shareholders and participating interests	4,430	3,055
Taxation and social security charges	43,461	19,412
Pension liabilities	1,534	1,087
Other liabilities	15,615	30,878
Accruals and deferred income	127,642	102,446
	336,730	502,424

The amounts owed in respect of taxation and social security charges can be analysed as follows:

	2003	2002
Wage tax	2,853	3,105
Corporation tax	39,917	15,784
Other taxes	691	523
	43,461	19,412

As already explained under the heading of corporation tax, the taxation charge is calculated on the profit for reporting purposes, taking account of permanent differences between the reported profit and the profit for tax purposes. The corporation tax on the unrealised capital gains and losses is accounted for in the provision for deferred taxation.

The accruals and deferred income can be analysed as follows:

	2003	2002
Interest due	16,066	6,800
Costs to be paid	83,961	75,385
Deferred income	27,603	20,261
Other accruals and deferred income	12	–
	127,642	102,446

Contingencies and commitments not included in the balance sheet

In addition to the liabilities included in the balance sheet, the company has the following commitments:

	2003	2002
Commitments:		
■ Investments	105,271	204,968
■ Operating leases and rental contracts	2,769	2,396
■ Long-term maintenance and cleaning contracts	60,017	77,915
■ Subsidies and other contributions to third parties	9,106	9,106
Guarantees issued to third parties for:		
■ Loans contracted	–	4,538
■ Loans contracted by staff and other guarantees	– 1,035	883
	178,198	299,806

Commitments

Subsidies and other contributions include € 8.5 million for the Uitwerkingsplan Mainport en Groen project. The payments made will be spread over the years 2006-2009. Also included in this item is € 0.6 million for Schipholfonds.

As at year-end 2003, combined interest rate/currency swaps had been contracted totalling USD 75 million and JPY 10 billion to hedge the interest rate and exchange rate exposures on loans. The contracts mature in 2007 and 2009. Interest rate swaps totalling an additional € 77 million had also been contracted to hedge the interest rate exposure on long-term loans. These contracts mature in 2004 and 2009. The market value of the contracts amounted to € 54.3 million negative. The swap transactions entered into match the underlying loans fully and hedge the positions relative to the euro or fixed interest rates.

Because buildings erected on the Groenenberg site may seriously affect operation of the 01R-19L runway, the State Secretary for Transport and Public Works has imposed a ban on erecting buildings on that section of land in accordance with article 38 of the (previous) Aviation Act. The owner has instituted legal proceedings against the airport to recover the loss. To the extent that the loss is recoverable from Schiphol Group, the airport itself has the possibility to recover the loss from a third-party.

The appeal brought by KLM against the increase in airport fees in 2000 is still before the courts. The various appeals and objections to subsequent increases have been declared unfounded and judgement is final. The period for lodging objections to the 2004 airport fee increase is still open.

Airport Real Estate Basisfonds C.V. has pledged 11 buildings in the real estate portfolio to ING Bank N.V. and Fortis Bank N.V. for a combined amount of € 35.2 million.

There are various other contingent liabilities totalling € 7.1 million.

Various other claims have been filed against the company and/or its group companies. All are being contested. Although the outcome of the various disputes cannot be predicted with any certainty, on the basis of legal advice and the information available, it can be assumed that there will be no material consequences for Schiphol Group's financial position. Accordingly, no debt provisions have been formed.

The group companies Airport Real Estate Management B.V., Schiphol Telematics B.V., Flight Forum Beheer B.V. and Flight Square Beheer BV, in their capacity as general partners, bear joint and several liability for the debts of Airport Real Estate Basisfonds C.V., Schiphol Telematics C.V., Flight Forum CV and Flight Square C.V.

Schiphol Nederland BV bears similar liability for the debts of VOF Proefdraaiplaats Holding 27.

In addition, the company has filed declarations of joint and several liability, pursuant to Section 403, Book 2, of the Netherlands Civil Code, with respect to a number of group companies, for which reference is made to Page 90.

Notes to the Consolidated Profit and Loss Account

(in thousands of euros)

Net turnover

The analysis by activity is as follows:

	2003	2002*
Airport fees	**466,297**	381,229
Concessions	**115,497**	119,137
Rents and leases	**104,912**	101,475
Parking fees	**62,563**	59,703
Utility services	**17,554**	16,950
Sale of investment property	**29,874**	46,723
Other activities	**63,010**	48,970
	859,707	774,187

Operating income was generated mainly in the Netherlands. Income from other activities primarily relates to work carried out for third parties, advertising and the disposal of assets.

An analysis of income from the rents and leases is as follows:

	2003	2002
Investment property leases (buildings), including service costs	**39,872**	39,316
Investment property leases (land)	**21,553**	20,369
Operating property leases, including service costs	**43,487**	41,790
	104,912	101,475

Unrealised capital gains and losses

An analysis of the unrealised capital gains and losses is as follows:

	2003	2002
Allocation of residual value to long leases	**32,475**	–
Revaluation of capitalised costs	**19,800**	–
New long leases	**13,700**	–
Completion of new buildings	**28,100**	5,261
Adjustment to market value	**– 45,100**	9,657
Upward revaluation of formerly contaminated land	**33,800**	–
	82,775	14,918

Exceptional items

The 2003 result from ordinary activities before taxation rose by 32.5 by more precise calculation of the residual value of a number of long leases included in the investment property. Prior to 2003, the value of long leases was arrived at by the DCF method and, on grounds of prudence, no residual value was attributed to them. However, on closer analysis, Schiphol Group is now in a position to calculate a justifiable residual value for those long leases that expire within 20 years and which, on the basis of current information, will be renewed.

* Restated for comparison purposes

There is also a positive effect on the result, amounting to € 19.8 million, owing to the recalculation of the discounted costs for landscaping and infrastructure included in the carrying amount of the investment property. The appraisals to establish the fair value of the investment property do not in the first instance take account of costs necessary for the maintenance of landscaped areas and infrastructure. The aggregate amount of the estimates of these costs is discounted and set against the investment property value as a lump sum. In 2003, there was a reduction in the costsand the applied discount factor was higher, which had a positive effect.

Finally, prior to 2003, an amount of € 33.8 million had been deducted from the carrying amount of the land owing to previously discovered pollution, which was Schiphol Group's responsibility to clean up. Recent quality tests of the soil and groundwater have revealed that the site, which has undergone various treatments, is no longer polluted and the amount of the relevant provision has been released to the profit and loss account for 2003.

The above items have been accounted for in the unrealised gains and losses.

Own work capitalised

Own work capitalised relates to interest during construction on major investment projects and investments in investment property and to staff hours which are charged to capital projects during the construction phase. The analysis is as follows:

	2003	2002
Capitalised staff hours	**8,177**	8,227
Capitalised interest	**5,142**	7,636
	13,319	15,863

Costs of outsourced work and other external charges

The analysis is as follows:

	2003	2002
Outsourced work	**131,933**	85,336
Energy	**24,205**	21,260
Maintenance	**45,933**	49,573
Other external charges	**96,181**	98,737
	298,252	254,906

The costs of security activities form part of the outsourcing costs. The transfer of security duties from the authorities with effect from 1 April 2003 largely accounts for the increase in the cost of outsourced work.

Salaries and social security charges

	2003	2002
Wages and salaries	**112,056**	105,058
Pension charges	**13,502**	10,373
Social security charges	**13,518**	12,155
	139,076	127,586

The average number of employees (converted into full-time equivalents) of N.V. Luchthaven Schiphol and its group companies totalled 2,231 (2002: 2,134). The increase in staff costs is due to a 4.5% increase in the average number of employees and a CLA pay rise. The increase in the number of staff is due to the transfer of security duties from the authorities.

Schiphol Group has entrusted the pension scheme to ABP, with ABP qualifying as a company pension fund. Since Schiphol Group, as affiliate of such a fund, does not normally have any liability to make supplementary contributions (other than in connection with an increase in future contribution rates) if the fund is in deficit and does not enjoy any rights to any surpluses in the fund, the scheme is a defined contribution plan.

As a consequence, in calculating the liabilities under the pension scheme, it is sufficient merely to account for the actual contributions payable in the profit and loss account.

The direct actuarial risk, including the investment risk, is not incurred by Schiphol Group, or at least only minimally. Indirectly, as an affiliate of ABP, Schiphol Group does, however, bear those risks, since any deficits will result in an increased contribution rate.

The remuneration of the members of the Board of Management and the Supervisory Board, disclosed pursuant to Section 383C, Book 2, of the Netherlands Civil Code was as follows:

Board of Management

Regular salary	**2003**	2002
G.J. Cerfontaine	345,047	338,293
P.M. Verboom	269,529	264,245
M.E. van Lier Lels	269,529	258,870
Total	**884,105**	861,408

(in € 1.000)

There are short-term and long-term bonus schemes. The bonus percentage is based on the achievement of specific targets and is applied to the regular salary.

Profit-sharing and bonus payments (short-term)	2003	2002
G.J. Cerfontaine	**129,392**	144,563
P.M. Verboom	**121,288**	106,486
M.E. van Lier Lels	**121,288**	107,572
Total	**371,968**	358,621

The bonus scheme (short-term) is based on the achievement of targets, both financial (ROE: return on equity) and relating to personal performance (such as customer satisfaction and improving the purchasing procedure). In 2003, all the members of the Board of Management comfortably exceeded the ROE targets. The other targets, however, were partially met.

Bonus payments (long-term)	2003	2002
G.J. Cerfontaine	**60,383**	126,860
P.M. Verboom	**47,168**	99,092
M.E. van Lier Lels	**47,168**	97,976
Total	**154,719**	323,028

The long-term bonus is a performance-related remuneration component which is conditional on the members of the Board of Management having satisfied certain performance criteria (cumulative economic profit figures) over a period of three years (the reference period) from the time of award of the bonus. Payment is only made if the Board of Management member concerned is still with the company.

The performance criteria for the 2003 long-term bonus relate to the economic profit for the three-year period covering 2003, 2004 and 2005. Payment, if applicable, will be made in 2006. At the end of each year, an estimate is made of the amount of the bonus payable on conclusion of the three-year period. During the reference period a pro rata part thereof is charged on an annual basis to the result for the relevant year.

The development in the economic profit in 2003 was such that, in accordance with the method described in the preceding paragraph, one-third has been charged to the result for 2003.

The long-term bonus for 2002, unlike the bonus for 2003, related solely to the performance achieved in 2002. This bonus will be paid in 2005, again on condition that the individual Board of Management members are still with the company. This long-term bonus was accordingly charged in its entirety to the result for 2002.

Pension costs	2003	2002
G.J. Cerfontaine	**63,540**	42,303
P.M. Verboom	**49,063**	32,662
M.E. van Lier Lels	**48,843**	31,962
Total	**161,446**	106,927

The above pension costs concern the payment of regular pension contributions.

The other payments include compensation for the employee’s share of medical expenses and entertainment expenses.

Other payments	2003	2002
G.J. Cerfontaine	**11,187**	10,614
P.M. Verboom	**10,193**	10,102
M.E. van Lier Lels	**6,409**	6,209
Total	**27,789**	26,925

	2003	2002
Total remuneration paid to the Board of Management	**1,600,027**	1,676,909

The Remuneration Committee decided in 2003 to bring the pension of the Board of Management members into line with the market. The pension insurer Algemeen Burgelijk Pensioenfonds has recalculated the back-service pension liabilities. For Gerlach Cerfontaine the recalculation covers the period 1998-2003, for Pieter Verboom the period is 1997-2003 and Marike van Lier Lels it is 2000-2003.

The consequent charges are summarised in the following table.

Back-service pension	2003	2002
G.J. Cerfontaine	325,413	–
P.M. Verboom	215,260	–
M.E. van Lier Lels	7,058	–
Total	**547,731**	–

The emoluments paid to members of the Supervisory Board 2003 were as follows:

	2003	2002
P.J. Kalff	**34,256**	27,227
H. van den Broek	**21,680**	20,420
G.D. Dales	**–**	20,420
J.M. Hessels	**24,680**	20,420
J. Kremers	**5,105**	20,420
G.H.O. van Maanen	**–**	20,420
T.H. Woltman	**23,930**	20,420
M.J. Cohen	**–**	20,420
T.A. Maas-de Brouwer	**21,680**	20,420
P.H.J.M. van Dijk	**–**	15,315
S. Patijn	**21,680**	–
W.F.C. Stevens	**24,680**	–
Total	**177,691**	205,902

The General meeting of Shareholders held in 2003 passed a resolution adjusting the emoluments payable to members of the Supervisory Board with effect from 1 April 2003. The chairman's fees with effect from 1 April2003 are € 29,600 per annum and the fees for the other members of the Supervisory Board are € 22,100 per annum. Those members of the Supervisory Board who are also members of the Audit Committee or Remuneration Committee receive additional fees of € 4,000 and € 3,000 per annum, respectively.

Amortisation

		2003		2002
Goodwill	**1,777**		506	
Start-up costs	**150**		–	
		1,927		506

Depreciation

		2003		2002
Runways, taxiways and aprons	**13,225**		10,941	
Land and roads	**8,234**		9,675	
Buildings	**34,054**		30,904	
Installations	**45,193**		37,720	
Other fixed assets	**18,644**		14,821	
		119,350		104,061
Depreciation on disposals		**10,308**		1,927
		129,658		105,988
Deferred investment grants		**– 993**		– 872
		128,665		105,116
Total depreciation and capital gains		**130,592**		105,622

Cost of sales of investment property

This mainly concerns the historical cost of four buildings totalling 26.4 million transferred to Airport Real Estate Basisfonds C.V.

Other operating expenses

This item includes a sum of € 10.9 million for other staff costs. It also includes € 1.9 million (2002: € 4.0 million) in respect of net additions to provisions (addition less release). For further details of the additions, reference is made to the notes to the consolidated balance sheet.

Financial income and expenses

The analysis is as follows:

	2003	2002
Interest income	**9,803**	4,507
Interest expense	**– 52,793**	– 43,875
Other financial gains and losses	**246**	114
	– 42,744	– 39,254

Taxation

The tax burden amounts to 34.9%, which is almost the same as the tax rate currently applicable to the primary fiscal entity of 34.5%. The difference is due to losses not qualifying for tax relief attributable to participating interests in the period up to the end of June 2003.

Share in results of participating interest

This item concerns the Group's share in the results of the non-consolidated participating interests.

Schiphol, 18 February 2004

Supervisory Board

P.J. Kalff, Chairman
H. van den Broek
J.M. Hessels
J. Kremers
T.H. Woltman
T.A. Maas-de Brouwer
S. Patijn
W.F.C. Stevens

Board of Management

G.J. Cerfontaine, President
M.E. van Lier Lels, Member of the Board of Management and Chief Operating Officer
P.M. Verboom, Member of the Board of Management and Chief Financial Officer

Corporate Balance Sheet as at 31 December 2003 (after profit appropriation)

(in thousands of euros)

Assets

	31 December 2003	31 December 2002*
Fixed assets		
Financial fixed assets	**1,837,267**	1,641,843
Current assets		
Other receivables from group companies	**142,009**	160,031
Cash at bank and in hand	**51,302**	77,108
	2,030,578	1,878,982

Shareholders' equity and liabilities

	31 December 2003		31 December 2002*	
Shareholders' equity				
Issued capital	**77,712**		77,712	
Revaluation reserve	**297,874**		252,318	
Statutory reserve for participating interests and statutory reserve for start-up costs	**10,796**		7,764	
Exchange differences reserve	**– 7,481**		– 11,500	
Other reserves	**1,603,782**		1,502,404	
Dividend	**41,000**		42,000	
		2,023,683		1,870,698
Long term liabilities to group companies		**3,218**		2,763
Current liabilities		**3,677**		5,521
		2,030,578		1,878,982

Corporate Profit and Loss Account for the year ended 31 December 2003

(in thousands of euros)

	2003	2002*
Result on ordinary activities after taxation	**6,981**	218
Share in results of participating interests	**184,328**	136,668
Result after taxation	**191,309**	136,886

* Restated for comparison purposes.

Notes to the Corporate Balance Sheet and the Profit and Loss Account

(in thousands of euros)

General

The accounting policies are the same as for the consolidated balance sheet and profit and loss account. Reference is therefore made to the notes to the consolidated financial statements. Notes to the corporate balance sheet and profit and loss account have only been included where there are material differences between the consolidated and the corporate balance sheet and profit and loss account.

Financial fixed assets

The analysis is as follows:

	Participating interests in group companies	Receivables from group companies	Other participating interests	Total
Book value at beginning of year before change in accounting policies	1,743,190	14,154	7,058	1,764,402
Change in accounting policies	– 122,559	–	–	– 122,559
Book value at beginning of year after change in accounting policies	1,620,631	14,154	7,058	1,641,843
Acquisitions	8,007	–	–	8,007
Result	183,971	–	315	184,286
Dividend	–	–	– 315	– 315
Exchange differences	3,124	1,211	–	4,335
Other movements	– 889	–	–	– 889
Book value at year-end	**1,814,844**	**15,365**	**7,058**	**1,837,267**

Group companies refers to the wholly-owned subsidiaries of Schiphol Nederland B.V. and Schiphol International B.V. Other participating interests refers to the 1% interest in Flughafen Wien AG.

(in thousands of euros)

Shareholders' equity

The movements were as follows:

	Issued capital	Revaluation reserve participating	Statutory reserve for reserve interests and statutory reserve for formation costs	Translation differences	Other reserves	Dividend	2003 Total	2002 Total
Balance at beginning of year before accounting policy changes	**77,712**	**367,514**	**7,764**	**– 11,500**	**1,509,767**	**–**	**1,951,257**	**1,860,011**
Accounting policy change relating to investment property	–	– 115,196	–	–	– 7,363	–	– 122,559	– 121,611
Accounting policy change relating to dividend	–	–	–	–	–	42,000	42,000	45,000
Balance at beginning of year after accounting policy change	**77,712**	**252,318**	**7,764**	**– 11,500**	**1,502,404**	**42,000**	**1,870,698**	**1,783,400**
Realised gains and losses	–	– 8,318	–	–	8,318	–	–	–
Profit appropriation	–	54,217	3,185	–	92,907	41,000	191,309	136,887
Other movements	–	– 343	– 153	4,019	153	– 42,000	– 38,324	– 49,589
Balance at year-end	**77,712**	**297,874**	**10,796**	**– 7,481**	**1,603,782**	**41,000**	**2,023,683**	**1,870,698**

Issued capital

Shareholders:

State of the Netherlands	58,937	75.8%
City of Amsterdam	16,915	21.8%
City of Rotterdam	1,860	2.4%
	77,712	**100.0%**

The authorised capital is € 136,134,065 divided into 300,000 shares of € 453.78 each.

Revaluation reserve

The revaluation reserve is formed in respect of unrealised changes in the carrying amount of investment property (buildings and land) resulting from fair value appraisals. In accordance with Guideline 213, additions to this reserve are made via the profit appropriation, with due allowance for corporation tax. On disposal of investment property, the net gain or loss held in the revaluation reserve for the assets concerned is transferred to the other reserves. Also accounted for in the revaluation reserve are the net gains and losses accounted for in the movements in the revaluation reserve, included directly in the shareholders' equity of participating interests, amounting to € 343,000.

Statutory reserve for participating interests and statutory reserve for start-up costs

The amount of 153,000 charged to the statutory reserve for participating interests concerns dividend distributions made by participating interests, which have been added to other reserves. As a result of the capitalisation of formation costs, a statutory reserve has been formed for an amount of € 235,000. This amount is included in the amount of € 3.2 million added via the profit appropriation. The amounts held in the statutory reserve for participating interests and the statutory reserve for start-up costs cannot be distributed to shareholders.

Translation reserve

This comprises the exchange differences resulting from the translation of net investments in foreign participating interests.

Contingencies and commitments not included in the balance sheet

Reference is made to the notes to the consolidated balance sheet for details of the various contingencies and commitments. The company filed a statement of joint and several liability as referred to in Section 2:402 of the Netherlands Civil Code, for a number of group companies (see pages 72 for list).

Schiphol, 18 February 2004

Supervisory Board

P.J. Kalff, Chairman
H. van den Broek
J.M. Hessels
J. Kremers
T.H. Woltman
T.A. Maas-de Brouwer
S. Patijn
W.F.C. Stevens

Board of Management

G.J. Cerfontaine, President
M.E. van Lier Lels, Member of the Board of Management and Chief Operating Officer
P.M. Verboom, Member of the Board of Management and Chief Financial Officer

Provisions of the articles of association concerning profit appropriation

Article 25 of the company's articles of association contains the following provisions on profit appropriation:

1. Without prejudice to the provisions of Section 2:105 of the Netherlands Civil Code, the profit pursuant to the approved financial statements shall be added to reserves unless the General Meeting of Shareholders resolves to make profit distributions according to a proposal by the Board of Management having the approval of the Supervisory Board.

2. The General Meeting of Shareholders shall decide the appropriation of the amounts thus reserved according to a proposal by the Board of Management having the approval of the Supervisory Board.

Proposed profit appropriation

(in thousands of euros)

Result		191,309
With due observance of Article 25 of the articles of association,		
it is proposed that the result for the year be appropriated as follows:		
Addition to the statutory reserve for participating interests and the statutory reserve for start-up costs	– 3,185	
Addition to the revaluation reserve	– 54,217	
		– 57,402
		133,907
Dividend distribution		– 41,000
Addition to other reserves		**92,907**

The balance sheet has been drawn up on the assumption that this proposal will be adopted.

Auditors' Report

Introduction

In accordance with your instructions we have audited the financial statements of N.V. Luchthaven Schiphol, Schiphol, for the year 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

Amsterdam, 18 February 2003

PricewaterhouseCoopers Accountants N.V.

Group Companies	Registered in	% share
Schiphol Nederland B.V. [1]	Schiphol	100
Schiphol Belgium N.V.	Antwerpen	100
Schiphol Australia Pty Ltd.	Brisbane	100
Schiphol North America Holding Inc.	Delaware	100
Eindhoven Airport N.V.	Eindhoven	51.5
Schiphol Asia Sdn. Bhd.	Kuala Lumpur	100
N.V. Luchthaven Lelystad	Lelystad	100
Schiphol USA Inc.	New York	100
Schiphol USA LLC	Delaware	100
Rotterdam Airport B.V. [1]	Rotterdam	100
Rotterdam Airport Supplies Services B.V.	Rotterdam	100
Rotterdam Airport Holding B.V. [1]	Rotterdam	100
Rotterdam Airport Vastgoed B.V.	Rotterdam	100
Beheer- en beleggingsmaatschappij Balnag B.V.	Schiphol	100
Brisbane Airport Real Estate B.V.	Schiphol	100
Malpensa Real Estate B.V.	Schiphol	60
Malpensa Real Estate srl	Lonate Pozzolo	60
Schiphol Real Estate Caravelle B.V.	Schiphol	100
Schiphol Dienstverlening B.V. [1]	Schiphol	100
Schiphol International B.V.	Schiphol	100
Schiphol Project Consult B.V. [1]	Schiphol	100
Schiphol Real Estate Logistics Park B.V.	Schiphol	100
Schiphol Real Estate B.V. [1]	Schiphol	100
Schiphol Real Estate Eindhoven B.V.	Schiphol	100
Schiphol Real Estate Eindhoven Finance B.V.	Schiphol	100
Schiphol Real Estate Eindhoven II B.V.	Schiphol	100
Schiphol Real Estate International B.V.	Schiphol	100
Schiphol Real Estate Tristar B.V.	Schiphol	100
Schiphol Utility Services B.V.[1]	Schiphol	100
Schiphol Utility Network B.V. [1]	Schiphol	100
Schiphol Real Estate Parking B.V.	Schiphol	100
Schiphol Real Estate World Trade Center B.V.	Schiphol	100
Schiphol Real Estate Italy srl	Lonate Pozzolo	100
Airport Real Estate Management B.V.	Schiphol	100
Airport Property Management B.V.	Schiphol	100

Proportionally consolidated companies:		
Airport Real Estate Basisfonds C.V.	Schiphol	50
Dartagnan B.V.	Amsterdam	50
Schiphol Telematics C.V.	Schiphol	50
Schiphol Telematics B.V.	Schiphol	50
Schiphol Travel Taxi B.V.	Schiphol	50
Flight Square Beheer B.V.	Schiphol	50
Flight Square C.V.	Schiphol	50
Flight Forum Beheer Vennoot B.V.	Eindhoven	50
Flight Forum C.V.	Eindhoven	49.05

1) Section 403, Book 2, the Netherlands Civil Code has been applied.

Other participating interests	Registered in	% share
Beijing GSA Aviation Business Management Corporation Ltd.	Beijing	33 1/3
Brisbane Airport Corporation Ltd.	Brisbane	15.82
P.T. Angkasa Pura Schiphol	Jakarta	50
T4 Expension Development LLC	New York	40
JFK IAT LLC	New York	40
Beheer Personeelsrestaurant Schiphol B.V.	Schiphol	50
Cargonaut B.V.	Schiphol	37
Schiphol Area Development Company N.V.	Schiphol	33.2
SADC Parkmanagement B.V.	Schiphol	33.2
Schiphol Logistics Park B.V.	Schiphol	48
V.O.F. Proefdraaiplaats Holding 27	Schiphol	50
Flughafen Wien AG	Wenen	1
Pantares Tradeport Asia Ltd	Hong Kong	50
Tradeport Hong Kong Ltd	Hong Kong	18.75
Airport Medical Services B.V.	Haarlemmermeer	20
Airport Medical Services C.V.	Haarlemmermeer	20
Avioport S.p.A.	Lonate Pozzolo	42

Historical Summary

(in millions of euros unless stated otherwise)

		2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Profit and loss account	Net turnover	**860**	774	695	637	575	553	504	446	401	370
	Unrealised capital gains and losses	**83**	15	74	63	16	2	1	1	1	– 1
	Other income	**13**	16	11	10	11	11	0	0	0	0
	Total operating income	**956**	805	780	710	603	566	505	447	402	369
	Total operating expenses before depreciation/amortisation	**– 488**	– 452	– 383	– 340	– 312	– 287	– 259	– 236	– 225	– 261
	EBITDA	**468**	353	397	370	291	280	246	210	178	108
	depreciation/amortisation	**– 131**	– 106	– 101	– 107	– 82	– 83	– 80	– 74	– 69	– 28
	Operating result	**338**	247	296	263	209	197	166	136	108	81
	Financial income and expenses	**– 43**	– 39	– 35	– 35	– 32	– 30	– 24	– 33	– 32	– 25
	Taxation and share in operating results of participating interests	**– 104**	– 71	3	4	6	3	2	– 5	1	1
	Result on ordinary activities	**191**	137	263	232	183	169	144	98	78	57
	Extraordinary income and expenses	–	–	–	– 18	– 29	–	–	–	–	–
	Net result	**191**	137	263	214	154	169	144	98	78	57
Balance sheet											
	Fixed assets	**3,047**	2,729	2,522	2,219	1,976	1,700	1,512	1,359	1,319	1,171
	Current assets	**422**	209	254	213	196	267	241	233	155	176
	Total assets	**3,469**	2,938	2,775	2,432	2,172	1,967	1,753	1,592	1,474	1,347
	Shareholders' equity	**2,024**	1,871	1,783	1,548	1,356	1,207	1,058	916	820	744
	Provisions	**64**	41	38	54	71	43	39	33	29	29
	Long-term liabilities (incl. minority interests)	**1,044**	523	459	448	342	536	524	514	519	457
	Current liabilities	**337**	502	494	382	403	180	133	129	106	117
	Total shareholders' equity and liabilities	**3,469**	2,938	2,775	2,432	2,172	1,967	1,753	1,592	1,474	1,347
	Operating cashflow [1]	**298**	293	216	251	290	283	237	190	115	144
Ratio's											
	Operating result as % of net turnover	**39.3**	31.9	42.6	41.2	36.4	35.5	33.0	30.5	27.0	21.8
	Interest coverage ratio [2]	**7.9**	6.3	8.4	7.6	6.5	6.5	6.9	4.1	3.4	3.2
	Return on average equity	**9.8**	7.5	15.8	14.7	12.0	14.9	14.6	11.3	9.9	8.0
	RONA [3]	**11.7**	9.4	12.5	12.5	11.4	12.2	11.6	10.2	8.7	7.2
	ROCE [4]	**11.5**	9.4	12.8	13.8	11.8	11.5	10.8	9.6	8.3	6.8
	Interest bearing debt/total assets	**0.30**	0.25	0.25	0.23	0.24	0.27	0.29	0.33	0.35	0.34
Figures per share	Earnings per share	**1,117**	799	1,536	1,250	901	987	844	572	455	331
	Operating cashflow per share	**1,738**	1,710	1,258	1,468	1,696	1,655	1,386	1,112	673	840
	Dividend per share	**239**	245	263	133	119	119	93	66	41	41
Personnel											
	Average effective full-time equivalent employees	**2,231**	2,134	2,038	1,864	1,868	1,928	1,791	1,717	1,687	2,151

1) For analysis see the cash flow statement.

2) Interest coverage ratio: Operating result / net financial income and expenses.

3) Return on net assets = operating result / average fixed assets.

4) Return on capital employed = operating result / average (liabilities less non-interest-bearing short-term loans).

Appendix 1a

Traffic volume, Amsterdam Airport Schiphol

		2003		2002	% change
Passengers					
(excluding transit direct)		**39,808,649**		40,587,562	– 1.9
Transit direct passengers		**151,751**		148,447	+ 2.2
Air cargo (in tonnes)		**1,306,155**		1,239,900	+ 5.3
Air mail (in tonnes)		**47,605**		48,726	– 2.3
Aircraft movements					
Air transport movements	**392,997**		401,385		– 2.1
Other	**15,303**		15,735		– 2.7
Total aircraft movements		**408,300**		417,120	– 2.1

Appendix 1b

Traffic volume, Rotterdam Airport

(source: CBS)

		2003		2002	% change
Passengers					
(excluding transit direct)		**616,823**		612,021	+ 0.8
Air cargo (in tonnes)		**230**		285	– 19.3
Aircraft movements					
Air transport movements	**14,458**		17,991		– 19.6
Other	**52,485**		68,980		– 23.9
Total aircraft movements		**66,943**		86,971	– 23.0

Appendix 1c

Traffic volume, Eindhoven Airport

(source: CBS)

		2003		2002	% change
Passengers					
(excluding transit direct)		**427,792**		363,373	+ 17.7
Air cargo (in tonnes)		**649**	511		+ 27.0
Aircraft movements					
Air transport movements	**9,860**		10,758		– 8.3
Other	**4,944**		5,555		– 11.0
Total aircraft movements		**14,804**		16,313	– 9.3

Appendix 1d

Traffic volume, Lelystad Airport

(source: CBS)

	2003	2002	% change
Total aircraft movements	**119,754**	138,192	– 13.3

Appendix 1e

Traffic volume, Terminal 4, JFK Airport, New York

		2003		2002	% change
Passengers					
(excluding direct transit)		**4,644,189**		4,391,705	+ 5.7
Air cargo (in tonnes)		**not available**		**not available**	
Aircraft movements					
Air transport movements	**27,393**		26,254		+ 4.3
Other	**n.a.**		n.a.		
Total aircraft movements		**27,393**		26,254	+ 4.3

n.a. = not applicable

Appendix 1f

Traffic volume, Brisbane Airport, Australia

	2003	2002	% change
Passengers			
(excluding transit direct)	**12,842,852**	11,946,653	+ 7.5
Air cargo (in tonnes)	**not available**	not available	
Aircraft movements			
Air transport movements	**127,624**	128,932	– 1.0
Other	**10,306**	12,158	– 15.2
Total aircraft movements	**137,930**	141,090	– 2.2

Appendix 2

Comparison of the 10 major Western European airports

Air transport movements

(x 1,000)

	2003	2002	% change
1 London [1]	**863.2**	849.5	+ 1.6
2 Paris [2]	**708.5**	709.2	– 0.1
3 Frankfurt	**445.0**	444.0	+ 0.2
4 Amsterdam	**393.0**	401.4	– 2.1
5 Madrid	**382.9**	367.2	+ 4.3
6 Munich	**333.0**	320.3	+ 4.0
7 Rome [3]	**320.4**	295.0	+ 8.6
8 Milan [4]	**307.4**	298.8	+ 2.9
9 Barcelona	**278.9**	263.2	+ 4.1
10 Copenhagen	**255.9**	263.2	– 2.8

Amsterdam Schiphol share 9.2% (2002: 9.5%)

Passenger movements (including transit direct passengers counted once)

(x 1,000)

	2003	2002	% change
1 London [1]	**112,193**	109,016	+ 2.9
2 Paris [2]	**70,512**	71,465	– 1.3
3 Frankfurt	**48,352**	48,450	– 0.2
4 Amsterdam	**39,960**	40,736	– 1.9
5 Madrid	**35,694**	33,904	+ 5.3
6 Rome [3]	**28,043**	26,266	+ 6.8
7 Milan [4]	**26,388**	25,257	+ 4.5
8 Munich	**24,193**	23,164	+ 4.4
9 Barcelona	**22,749**	21,345	+ 6.6
10 Manchester	**19,868**	19,038	+ 4.4

Amsterdam Schiphol share 9.3% (2002: 9.7%)

Air cargo

(x 1,000 tonnes)

	2003	2002	% change
1 London [1]	**1,646.6**	1,666.0	– 1.2
2 Paris [2]	**1,589.3**	1,510.2	+ 5.2
3 Frankfurt	**1,527.0**	1,494.9	+ 2.2
4 Amsterdam	**1,306.2**	1,239.9	+ 5.3
5 Luxembourg	**630.0***	577.5	+ 9.0*
6 Brussels	**575.0**	506.1	+ 13.6
7 Cologne	**518.5**	494.9	+ 4.8
8 Liège	**374.2**	326.2	+ 14.7
9 Zurich	**283.8**	309.7	– 8.4
10 Milan [4]	**323.4**	296.1	+ 9.2

Amsterdam Schiphol share 14.9% (2001: 14.7%).

1) Heathrow, Gatwick and Stansted
2) Charles de Gaulle and Orly
3) Fiumicino and Ciampino
4) Malpensa and Linate

* Estimate

Appendix 3

Airlines using Amsterdam Schiphol

Passenger / cargo carriers

1. Adria Airways
2. Aer Lingus
3. Aeroflot
4. Air Alps Aviation
5. Air Astana
6. Air Baltic
7. Air Canada *)
8. Air France
9. Air Malta
10. Air Moldova
11. Air Wales
12. Airzena Georgian Airlines
13. Alitalia
14. Armavia
15. Austrian Airlines
16. BMIBaby
17. British Airways
18. British Midland Airways
19. Bulgaria
20. Cathay Pacific Airlines
21. China Airlines
22. China Southern Airlines
23. Continental Airlines
24. Croatia Airlines
25. Cyprus Airways
26. Czech Airlines
27. Delta Air Lines
28. Dutch Caribean Express
29. EasyJet
30. Egypt Air
31. El-Al
32. Eritrean Airlines
33. Estonian Airlines
34. Ethiopian Airlines
35. EVA Air
36. Finnair
37. Garuda Indonesia
38. Iberia
39. Icelandair
40. Iranair
41. JAL Japan Airlines
42. JAT Jougoslav Air Transport
43. Jet2
44. Kenya Airways
45. KLM
46. KLM cityhopper
47. KLM exel
48. Korean Air
49. Kuwait Airways
50. Lithuanian Airlines
51. LOT Polish Airlines
52. Lufthansa
53. Lufthansa CityLine
54. Macedonian Airlines
55. Maersk Air
56. Malaysia Airlines
57. Malev Hungarian Airlines
58. Martinair Holland
59. Meridiana
60. Northwest Airlines
61. Olympic Airways
62. PIA Pakistan International
63. Pulkovo Airlines
64. Royal Air Maroc
65. Royal Jordanian
66. SAS Scandinavian Airlines
67. Scot Airways
68. Sierra National Airlines
69. Singapore Airlines
70. Skynet
71. Swiss Int. Airlines
72. Syrian Arab Airlines
73. TACV Cabo Verde
74. TAP Air Portugal
75. THY Turkish Airlines
76. Transavia Airlines
77. Tunis Air
78. Ukraine International Airlines
79. United Airlines
80. US Airways
81. Varig
82. Virgin Express

Cargo carriers

1. Asiana Airlines
2. Das Air Cargo
2. Dragonair
3. Emirates
5. Kalitta
6. Nippon Cargo Airlines
7. Polar Air Cargo
8. Qatar Airways
9. TMA of Lebanon
10. VLM
11. Westair

*) Summer schedule only

Glossary

ACRE Fund
AirportCity Real Estate Fund
A property fund to which a number of Schiphol Real Estate buildings have been transferred, 50% of the shares of which have been placed with institutional investors.

Airport fees
Charges for take-offs, landings, aircraft parking and passenger fees.

Airport ruling
A section of the Aviation Act, under which certain operating regulations or imitations may be imposed.

Airport Security Charge
A fee introduced on April 1, 2002 to compensate for the costs of and investments in security measures.

Aviation Act
Legislation laying down new standards for noise, air quality, odour plus third-party risk at Amsterdam Airport Schiphol applicable from 20 February 2003.

Catchment area
The area from which the airport can attract passengers and cargo because of its distance from the airport and accessibility over land.

Concession income
Income derived from a concession, i.e. a licence to carry out specific activities such as operating a restaurant or a retail outlet at the airport.

Departure Lounge 1
Waiting area for passengers travelling to a Schengen country (see Schengen Treaty).

Eligibility for Permanent Invalidity Benefit
A new Act, the objective of which is to reduce the influx of disabled workers.

EIA
Environmental Impact Assessment (Milieu Effect Rapportage - MER).

Enforcement points
Points situated on the boundary of the airport's former noise zones, to which limit values apply that may not be exceeded in any one year. There are 35 enforcement points for the full 24-hour period and 25 for the night-time period only.

Euro Medium Term Note (EMTN)
Certificate of debt that can be issued in a variety of currencies, the due date of which can be defined together with the relevant bank.

Fraport
The company that operates Frankfurt/Main airport.

FTEs
Full-time equivalents, or the number of full-time positions calculated in accordance with full working weeks

Full-freighter
An aircraft that transports only cargo.

HSR
High-speed rail link.

Hub
An airport that serves continental and intercontinental air transport.

IATA
International Air Transport Association, the worldwide umbrella organisation for airlines.

Iris recognition
Biometric identification of the human eye.

Low cost carrier
A 'no frills' airline specialised in offering low air fares.

Key Performance Indicator
(KPI)
A key indicator used to measure a company's or business area's results.

Mainport
A hub for air, road and rail transport, which serves as home base to an airline alliance, generating significant economic activity within its environs.

MTOW
Maximum Take-Off Weight. The maximum take-off weight of aircraft taking off is used to calculate take-off and landing fees.

New runway
'Polder' Runway' (18R-36L), Amsterdam Airport Schiphol's new fifth runway that opened for air traffic in 2003. The runway is situated parallel to the 18C-36C runway.

Pantares
The Schiphol Group and Fraport alliance.

Preventive security duties
Security control of passengers and their hand and hold baggage prior to boarding an aircraft.

Privium
An airport service programme applying automatic border passage employing iris recognition.

Randstad
The Western part of the Netherlands formed by the major cities of Amsterdam, The Hague, Rotterdam and Utrecht, which competes with other major economic regions in Europe.

ROZ/IPD index
Dutch index used to determine the added value of commercial property.

RSI
Abbreviation for Repetitive Strain Injury, also called Computer-Related RSI.

SARS
Abbreviation for Severe Acute Respiratory Syndrome, the infectious lung disease that first appeared in the Far East.

See Buy Fly shopping centre
The shopping centre located after Passport Control, which is operated on the basis of a partnership with the retailers in the terminal and Amsterdam Airport Schiphol.

Schengen Treaty
A treaty allowing free transport of persons and goods within countries participating in the treaty (named after the city in Luxemburg, where the treaty was ratified).

Schiphol Plaza
An integrated, central entrance hall, train station and public shopping centre inside the Amsterdam Airport Schiphol terminal.

Schiphol Travelport
The airport's virtual travel agency – an element of the airport's website – where visitors can reserve airline tickets and rental cars online.

Tabaksblat Code
The Corporate Governance Code for Listed Companies introduced in 2003, the provisions of which were defined by the Tabaksblat Committee at the request of Dutch parliament.

Terminal
The airport building, including the arrival and departure halls.

Third party risk
The risk run by people living close to an airport of falling victim to an aircraft accident.

Transfer passenger
A passenger changing planes at an airport.

Transit direct passenger
A passenger arriving at an airport and continuing his/her journey on the same plane.

Visit costs
Total costs, including airport fees that an airline pays an airport for allowing aircraft to land and take-off.

WAO
Dutch abbreviation for the Disablement Act (Wet op de Arbeidsongeschiktheid).

WTC
World Trade Center Schiphol Airport.

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