Schiphol Group

Schiphol continues to invest

Annual Results 2014 Schiphol Group

Schiphol, 19 February 2015

Today, Schiphol Group is presenting its annual results for 2014. Revenue increased by 8.1%, from 1,364 million euros in 2013 to 1,474 million euros in 2014. Excluding the rise in revenue by 52 million euros resulting from increasing its interest in property fund AREB C.V. to 100%, the rise amounted to 4.2%. Adjusted for the effects of this increase, total operating expenses decreased by 0.7%. The net result amounted to 272 million euros in 2014 against 227 million euros in 2013. In 2014 Schiphol invested 396 million euros in fixed assets.

The airport charges will decrease by approximately 7% with effect from 1 April 2015. In addition, an amount of approximately 35 million euros must be settled in the airport charges with effect from 1 April 2016, in accordance with the Aviation Act, mainly due to the better than expected development in passenger volumes and lower depreciation charges in 2014.

Schiphol Group President and CEO Jos A. Nijhuis: 'These are healthy results which enable us to continue to invest in the Mainport. Increasing competition forces us to remain alert and to make further investments in the quality and capacity of Schiphol. Examples include the completion of the central security project in the non-Schengen area in 2015 and the A Area development of a new terminal and pier. We will also reduce the airport charges and keep them at a very competitive level. In addition to reducing costs, we are working hard to further improve efficiency and quality levels, for which we maintain a constructive dialogue with our business partners. In this way we all contribute to strengthening the Mainport and its hub function.'

Key developments

- Our airports have yielded excellent operational performance.
- Schiphol Group achieved sound financial results thanks to the growth in passenger volumes and its cost control efforts.
- Passenger volumes at Amsterdam Airport Schiphol increased by 4.6% to 55 million. KLM and its partners account for most of this increase. Air transport movements at Amsterdam Airport Schiphol rose by 3.0% to 438,000. Schiphol Group as a whole, including its regional airports, welcomed 60.6 million passengers (+5.3% compared with 2013) and handled 484,250 air transport movements (+3.3% compared with 2013).
- Cargo volumes increased to 1.6 million tonnes (+6.7%).
- Schiphol achieved an energy efficiency level of 2.7% in 2014. The target has been raised from 2% to 4%.
- Construction work for the installation of central security in the non-Schengen area, the renovation of Lounge 2 and the new Hilton Hotel is in full swing. The redevelopment of The Base, an innovative office complex, is nearing completion.
- Due in part to renovation projects, developments in online retail and congestion during peak hours average retail spending per departing passenger in the shops behind passport control at Amsterdam Airport Schiphol fell from 15.89 to 14.48 euros. This is exerting downward pressure on concession income and retail sales. Parking revenues are increasing.
- In 2014, Schiphol acquired a 100% stake in property fund AREB C.V., leading to full control of a portfolio of 17 strategic properties at Schiphol.
- Schiphol Group saw the occupancy rate of its total real estate portfolio improve and reach 88.4% as at year-end 2014 (2013: 86.3%).

Schiphol Group

Key figures

EUR million unless stated otherwise	2014	2013 [1]	%
Results			
Revenue	**1,474**	1,364	8.1
Result from sales of property	**1**	-	553.1
Fair value gains on property	**-2**	3	178.6
Operating expenses (excluding depreciation, amortisation and impairment)	**837**	796	5.1
EBITDA [2]	**635**	571	11.3
Depreciation and amortisation	**228**	248	-8.1
Impairment	**4**	17	-75.9
Operating result	**403**	305	32.1
Financial income and expenses	**-86**	-90	-4.8
Share in results of associates	**27**	61	-55.1
Result before tax	**345**	276	24.9
Corporate income tax	**-71**	-45	57.2
Result after tax	**274**	231	18.5
Net result	**272**	227	19.5
Total equity	**3,453**	3,309	4.3
Investments in intangible assets and property, plant & equipment	**396**	323	22.4
Cash flow from operating activities	**508**	462	10.0
Ratios			
Leverage [3]	**35.0%**	36.2%	
Earnings per share [4]	**1,461**	1,222	
Business volume (in numbers)			
Air transport movements [5]	**484,250**	468,996	3.3
Passenger movements (x 1,000) [5]	**60,591**	57,556	5.3
Cargo (x 1,000 tonnes) [5]	**1,633**	1,531	6.7
Workforce in full-time equivalents	**2,039**	2,058	-0.9

1) Comparative figures have been restated due to adoption of IFRS 11
2) Operating result plus depreciation, amortisation and impairment
3) Leverage: interest-bearing debt / (total equity + interest-bearing debt)
4) Based on net result attributable to shareholders
5) Schiphol Group: Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport

Revenue

Our revenue increased by 110 million euros (+8.1%) from 1,364 million euros in 2013 to 1,474 million euros in 2014.

EUR million	2014	2013	%
Airport charges	**864**	816	5.9
Concessions	**136**	137	-0.7
Rent and leases	**157**	140	12.1
Retail sales	**85**	85	-0.2
Parking fees	**104**	98	5.4
Advertising	**19**	19	-1.5
Services and activities on behalf of third parties	**19**	18	7.6
Other revenues	**90**	51	77.2
Net Revenue	**1,474**	**1,364**	**8.1**

The total revenue from airport charges generated by Amsterdam Airport Schiphol, Eindhoven Airport and Rotterdam The Hague Airport rose by 5.9% to 864 million euros in 2014. This is mainly attributable to the increase in traffic and transport with a limited rise in airport charges of 0.4% per 1 April 2014. Total revenue from concessions declined by 0.7% relative to 2013. The decline is largely due to the fall in average retail spending per departing passenger in the shops after passport/security control at Amsterdam Airport Schiphol, which decreased from 15.89 euros in 2013 to 14.48 euros in 2014 (-8.9%). Spending is under pressure in almost all retail categories as a result of construction work and the extremely busy peak periods. External factors include unfavourable exchange rate effects and increased price sensitivity arising from the wider range of products offered online, as well as online price comparison. Total revenue from rents and leases rose by 12.1% to 157 million euros mainly as a result of the acquisition of the remaining interest in AREB C.V. and a rise in the property occupancy rate from 86.3% at year-end 2013 to 88.4% at year-end 2014. Total parking revenue rose by 5.4% to 104 million euros as a result of improved capacity utilisation. The increase in other revenues relates to the one-off effects of increasing the interest in property fund AREB C.V. to 100% (30 million euros) as well as the sale of our interest in Arlanda Schiphol Development Company A.B., generating sales proceeds of 5 million euros.

Operating expenses

Operating expenses rose by 8 million euros (+0.7%) from 1,062 million euros in 2013 to 1,070 million euros in 2014. Adjusted for the one-off effects of the AREB acquisition, the costs fell by 7 million euros (-0.7%).

EUR million	2014	2013	%
Outsourcing and other external costs	**630**	604	4.4
Employee benefits	**188**	186	1.6
Depreciation and amortisation	**228**	248	-8.1
Impairments	**4**	17	-75.9
Other operating expenses	**20**	7	159.7
Operating expenses	**1,070**	**1,062**	**0.7**

Outsourcing and other external costs rose largely on account of increased security activities and higher maintenance costs, in addition to a one-off effect of 7 million euros for increasing the interest in property fund AREB C.V. Depreciation and amortisation costs declined by 20 million euros due to the extension of the baggage system depreciation periods arising from the assets' presumed longer useful life. The impairment of 4 million euros relates primarily to the write-down of land developments at Schiphol-East (2013: 17 million euros of write-downs on land developments in Rotterdam and at Schiphol-East). In addition to a one-off effect of 8 million euros relating to increasing the interest in property fund AREB C.V., other operating expenses comprise a write-down of 7 million euros for an onerous contract concerning land positions, in which Schiphol Group participates with third parties.

Operating result and net result

Operating result

The operating result rose by 98 million euros from 305 million euros in 2013 to 403 million euros in 2014 due to the higher result generated by the Aviation and Real Estate business areas.

EUR million	2014	2013	%
Aviation	**109**	55	99.5
Consumer Products & Services	**182**	180	0.6
Real Estate	**79**	39	100.5
Alliances & Participations	**33**	31	8.9
Operating result	**403**	**305**	**32.1**

Financial income and expenditure

The net financial expense declined by 4 million euros in 2014 to 86 million euros mainly due to lower interest charges following refinancing.

Share in results of associates

The share in the results of associates amounts to 27 million euros in 2014 against 61 million euros in 2013. A number of effects had an adverse impact on the share in the results of associates. Brisbane Airport saw a 17 million euros negative change in the value of its derivatives compared to 2013. From 1 July 2014 Brisbane has been applying hedge accounting which is expected to reduce the volatility of the net result due to derivatives. Furthermore in 2014, a write-down of 16 million euros on an indirect Schiphol Group interest in land positions was recorded under Other associates. Lastly, due to the full consolidation of AREB C.V., it is no longer part of the share in the results of associates.

Corporate income tax

Corporate income tax amounts to 71 million euros in 2014 compared with 45 million euros in 2013. The effective tax burden in 2014 was 20.7%, which is higher than in 2013 (16.4%). The lower than nominal tax burden in both 2014 and 2013 is attributable to the application of the participation exemption to the dividend received on Brisbane Airport preference shares. Other effects are the exempt result on the sale of the interest in the Arlanda joint venture generating proceeds of 5 million euros in 2014, plus non-deductible corporate income tax on impairment losses in Italy. Of the tax burden totalling 71 million euros, 69 million euros comprises Dutch corporate income tax and 2 million euros U.S. corporate income tax.

Net result

The net result for 2014 amounts to 272 million euros (227 million euros for 2013). The net result contains a positive effect due to better than expected passenger growth and the cost advantage from lower depreciation charges in 2014. The positive effect amounts to 35 million euros, which must be settled in the airport charges with effect from April 1, 2016, in accordance with the Aviation Act. The net result contains a 29 million euro negative effect related to property developments (6 million negative in 2013), of which 21 million relates to the impairment in land positions. The return on equity (ROE) amounts to 8.2% in 2014 (7.0% in 2013), while RONA after tax amounts to 6.6% (6.1% in 2013).

Balance sheet and cash flow development

Balance sheet developments

Schiphol Group's balance sheet total rose by 2.3% to 5,830 million euros (5,701 million euros in 2013). The increase of interest in property fund AREB C.V. brought about an increase in fixed assets of 261 million euros. Furthermore, assets under construction rose by 188 million euros mainly on account of the investments made in central security. Cash and cash equivalents declined largely as a result of the repayment of 221 million in bank loans.

Shareholders' equity increased by 143 million euros to 3,453 million euros, which is largely attributable to the addition of the 2014 net result of 272 million euros, after payment of the dividend of 135 million euros.

Cash flow developments

The cash flow from operating activities rose by 46 million euros, from 462 million euros in 2013 to 508 million euros in 2014, mainly on account of an increase in the operating result. The cash flow from investing activities amounted to 410 million euros negative compared with 321 million euros negative in 2013.

The net cash flow from operating and investing activities – the free cash flow – amounted to 98 million in 2014 compared with 141 million in 2013. The cash flow from financing activities was 397 million euros negative in 2014 against 96 million euros negative in 2013 due to the repayment of 221 million euros in bank loans, the settlement of 33 million euros in derivative financial instruments and the dividend payment. Net cash flow amounted to 299 million euros negative in 2014 (45 million euros positive in 2013). Consequently, the net amount of cash balances declined from 482 million euros at the end of 2013 to 183 million euros at the end of 2014.

Investments

In 2014 we invested 396 million euros in fixed assets (323 million euros in 2013), which is 22% higher than in 2013. The main investments in 2014 were:

- 168 million euros for central security in the non-Schengen area of the terminal;
- 47 million euros for the new Hilton hotel;
- 32 million euros for major maintenance;
- 16 million euros for the new security filter in Departure hall 1;
- 14 million euros for ICT;
- 12 million euros for the Northwest buffer apron;
- 11 million euros for the Sierra taxiway;
- 9 million euros for renovating Departure Lounge 2;
- 9 million euros for redesigning the fork of Pier D;
- 7 million euros for property redevelopment (The Base).

Financing

The total amount of outstanding loans and lease liabilities decreased by 17 million euros in 2014, from 1,878 million euros to 1,861 million euros. A loan facility of 200 million euros concluded with the European Investment Bank (EIB) in 2013 was fully drawn in 2014. In January 2014 100 million euros was drawn under a 150 million euro facility issued by KfW IPEX-Bank. In addition, in the first quarter Schiphol Group issued two private placements under its EMTN programme totalling 80 million euros with a term of two years and six months. Most of the various loans and facilities drawn were used to repay a 370 million euro bond loan in January 2014. Schiphol Group can draw on a total sum of 450 million euros in committed bank facilities that

have not yet been used. Under the EIB facility Schiphol Group must comply with financial covenants (own funds/total assets of at least 30%). There are various financing arrangements that contain a change of control clause, usually in combination with a rating covenant. Schiphol Group remained comfortably within the agreed covenants in 2014.

Ratios

The most important financing ratios set out in our financing policy are the 'FFO/total debt' and 'FFO/interest coverage ratio'.

FFO – funds from operations – is the cash flow from operating activities adjusted for operating capital. In 2014 FFO rose from 488 million euros to 493 million euros. The increase in FFO mainly related to an increase in the operating result adjusted, among other things, for write-downs, impairments, other property results and movements in the provisions.

The FFO/total debt ratio amounted to 26.6% in 2014 (2013: 26.0%). The FFO/interest coverage ratio amounted to 6.4x in 2014, which is an improvement over the 5.8x coverage ratio in 2013, primarily on account of the improved operating result. In addition to these two ratios, we apply the leverage ratio (ratio of interest-bearing debt to total equity plus interest-bearing debt). As at year-end, Schiphol Group's leverage was 35.0% (36.2% in 2013).

Rating

The long-term credit rating issued by Standard & Poor's remained unchanged in 2014 at A+ with a stable outlook. The long-term credit rating issued by Moody's remained unchanged at A1, but the negative outlook has been changed to a stable outlook. This relates directly to the change in the outlook on the Dutch state's rating, in March 2014. The short-term ratings are P-1 (Standard & Poor's) and A-1 (Moody's).

Other developments

New environmental standards

The new Environmental Standards and Enforcement System aims to ensure that the allocation of runways is geared to achieving maximum noise mitigation under prevailing conditions (weather conditions in particular). In 2014 the parties in the Alders Platform discussed a rule in the new environmental standards system according to which, under certain conditions, four runways may be used simultaneously. In practice however this rule was already problematic at current traffic levels and, as such, would be an obstacle to Schiphol's further development. A solution was necessary, which resulted in an agreement between the parties in the Alders Platform in January 2015. Schiphol's scope for growth is to be restricted until 2020, with the maximum traffic volume being reduced from 510,000 to 500,000 air transport movements a year. In exchange, Schiphol will be allowed to use its fourth runway more often.

These agreements will help to achieve a balance between the development of Schiphol and reliable network operations on the one hand, and the quality of the living in the surrounding environment on the other. The rules which make up the new system are to be laid down in laws and regulations. Schiphol initiated an Environmental Impact Assessment which is expected to be completed in 2015, after which the new system can legally take effect. At the end of January, the Alders Platform was absorbed into the newly formed Schiphol Local Community Council (*Omgevingsraad Schiphol*).

Airport charges

Schiphol's solid growth in passenger volumes and air transport movements, cost control and the low interest rate have allowed us to reduce airport charges by approximately 7% effective 1 April 2015.

Distinctive Corporate Responsibility policy

In 2014, Schiphol Group made considerable progress in the area of Corporate Responsibility. One notable example is the fleet of 167 electric Tesla taxis that are being used at Schiphol to serve passengers. No other airport in the world offers so many green taxis. We also made progress saving energy, achieving a total energy efficiency level of approximately 2.7%. With effect from 2015, the buses transporting passengers to and from the aircraft will also be fully electric.

Diversity will remain a key theme during 2015. The focus will expand from gender balance to include the broadening range of cultural backgrounds, people with an occupational disability and youth unemployment.

This commitment to Corporate Responsibility has also attracted the attention of parties outside of Schiphol Group. Over the past year, Schiphol was awarded Airport Carbon Accreditation 3+ for its CO_2 emission reduction efforts, earning the airport a place among the world's most sustainable airports. Schiphol also received international praise for its Corporate Responsibility programme, and was presented with the Airports Going Green Award by the Chicago Department of Aviation.

Business risks

Schiphol Group is exposed to various risks associated with its business activities. These risks can be strategic in nature but also include operational, financial and compliance risks. In view of the broad scope of activities in the different business areas, the risks also differ from one business area to another. The annual report describes the most important risks and threats facing Schiphol Group at this time, as well as Schiphol Group's risk management policy. The most significant risks increased slightly over the course of 2014, notably in the following areas: changing demand, competition, the political environment, large projects, safety and security. The other risks described in the 2013 annual report have remained unchanged, except for the financial risks and risks associated with international enterprise, both of which have decreased.

Dividend proposal

The proposed dividend is 138 million euros, which is equal to 744 euro per share.

Outlook for 2015

Barring unforeseen circumstances, we anticipate growth of around 2% in passenger numbers and a lower net result than in 2014 mainly due to the reduction of our airport charges in 2015.

The Schiphol Group annual report is expected to be available at the beginning of March. The General Meeting of Shareholders (which is not open to the public) will be held on 8 April 2015.

Schiphol Group

Schiphol Group 2014 condensed consolidated interim financial statements

(in thousands of euros)	2014	2013 [1]
Revenue	**1,473,917**	**1,364,055**
Result on sales of property	**1,183**	180
Fair value gains and losses on property	**-2,382**	3,029
Other income from property	**-1,199**	**3,209**
Cost of outsourced work and other external costs	**630,138**	603,634
Employee benefits	**188,426**	185,509
Depreciation, amortisation and impairment	**232,323**	265,714
Other operating expenses	**18,735**	7,214
Total operating expenses	**-1,069,622**	**-1,062,071**
Operating profit	**403,096**	**305,193**
Financial income and expenses	**-85,591**	-89,947
Share of results of associates	**27,360**	60,892
Profit before income tax	**344,865**	**276,138**
Income tax	**-71,281**	-45,354
Profit	**273,584**	**230,784**
Attributable to:		
Non-controlling interests	**1,689**	3,292
Shareholders (net result)	**271,895**	227,492
Earnings per share (in euros)	**1,461**	1,222

1) Comparative figures have been restated due to adoption of IFRS 11

Schiphol Group

Consolidated statement of comprehensive income for 2014

(in thousands of euros)	2014	2013 [1]
Result	**273,584**	**230,784**
Translation differences	**7,724**	-18,565
Changes in fair value on hedge transactions	**17,310**	6,596
Share in total result associates after taxes	**-15,990**	1,375
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	**9,044**	**-10,594**
Actuarial gains and losses	**-3,670**	-480
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:	**-3,670**	-480
Total comprehensive income	**278,958**	**219,710**
Attributable to:		
Non-controlling interests	**1,689**	3,445
Shareholders (net result)	**277,269**	216,264

1) Comparative figures have been restated due to adoption of IFRS 11

Schiphol Group

Consolidated balance sheet as at 31 December 2014

Assets

(in thousands of euros)	31 December 2014	31 December 2013 [1]
Non-current assets		
Intangible assets	**74,199**	38,039
Assets used for operating activities	**2,498,769**	2,449,417
Assets under construction or development	**539,019**	350,879
Investment property	**1,200,607**	974,858
Deferred tax assets	**198,034**	200,139
Associates	**796,922**	870,495
Loans to associates	**60,511**	-
Other non-current receivables	**43,705**	44,734
	5,411,766	**4,928,561**
Current assets		
Loans to associates	**-**	59,543
Trade and other receivables	**202,565**	219,130
Income tax	**20,749**	11,585
Cash and cash equivalents	**177,663**	482,182
Assets held for sale	**17,416**	-
	418,393	**772,440**
	-	**-**
	5,830,159	**5,701,001**

1) Comparative figures have been restated due to adoption of IFRS 11

Schiphol Group

Equity and liabilities

(in thousands of euros)

	31 December 2014	31 December 2013 [1]
Equity and liabilities		
Issued share capital	**84,511**	84,511
Share premium	**362,811**	362,811
Retained profits	**3,084,111**	2,948,497
Other reserves	**-106,401**	-111,774
	3,425,032	**3,284,045**
Non-controlling interests	**27,631**	25,221
Total equity	**3,452,663**	**3,309,266**
Non-current liabilities		
Borrowings	**1,800,360**	1,401,206
Employee benefits	**39,532**	35,475
Other provisions	**17,484**	10,658
Deferred tax liabilities	**16,369**	14,441
Other non-current liabilities	**170,142**	160,656
	2,043,887	**1,622,436**
Current liabilities		
Borrowings	**4,957**	420,146
Income tax	**1,374**	-
Trade and other payables	**320,165**	349,153
Liabilities held for sale	**7,113**	-
	333,609	**769,299**
	5,830,159	**5,701,001**

1) Comparative figures have been restated due to adoption of IFRS 11

Condensed statement of changes in equity

(in thousands of euros)

	Attributable to shareholders				Non-	
	Issued share capital	Share Premium	Retained profits	Other reserves	controlling interests	Total
Balance as at 1 January 2013	**84,511**	**362,811**	**2,829,370**	**- 100,547**	**21,998**	**3,198,143**
Profit after income tax	-	-	227,492	-	3,292	**230,784**
Other comprehensive income	-	-	-	- 11,227	153	**- 11,074**
Comprehensive income	-	-	227,492	- 11,227	3,445	**219,710**
Dividend paid	-	-	- 108,365	-	- 222	**- 108,587**
Balance as at 31 December 2013	**84,511**	**362,811**	**2,948,497**	**- 111,774**	**25,221**	**3,309,266**
Profit after income tax	-	-	271,895	-	1,689	**273,584**
Other comprehensive income	-	-	-	5,373	-	**5,373**
Comprehensive income	-	-	271,895	5,373	1,689	**278,957**
Acquisition of NCI without a change in control	-	-	- 932	-	932	**-**
Dividend paid	-	-	- 135,349	-	- 211	**- 135,560**
Balance as at 31 December 2014	**84,511**	**362,811**	**3,084,111**	**- 106,401**	**27,631**	**3,452,663**

	dividend for 2013, paid in 2014	dividend for 2012, paid in 2013
Dividend attributable to shareholders (in euros)	**135,349,823**	108,365,000
Average number of shares in issue during the year	**186,147**	186,147
Dividend per share (in euros)	**727**	582

At the General Meeting of Shareholders of 16 April 2014, the dividend was approved and a gross dividend totalling EUR 135.3 million (EUR 727 per share) was paid on 6 May 2014 .

Schiphol Group

Consolidated statement of cash flow for 2014

(in thousands of euros)	2014	2013
Cash flow from operating activities		
Cash flow from operations	**652,036**	**546,458**
Income tax, interest paid and dividends received	**- 143,772**	- 79,737
Cash flow from operating activities	**508,264**	462,257
Cash flow from investing activities	**- 410,098**	- 321,430
Free cash flow	**98,166**	**140,827**
Cash flow from financing activities	**- 397,179**	- 95,848
Net cash flow	**- 299,013**	**44,979**
Opening balance of cash and cash equivalents	**482,182**	437,353
Net cash flow	**- 299,013**	44,979
Exchange and translation differences	**84**	- 150
Closing balance of cash and cash equivalents	**183,253**	**482,182**
Cash and cash equivalents continuing operations	**177,663**	482,182
Cash and cash equivalents held for sale	**5,590**	-
	183,253	**482,182**