

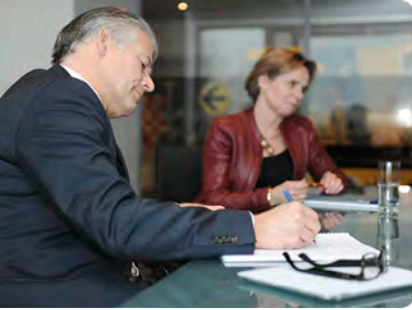
Schiphol Group
Annual Report
2012





Strategy

Message from the CEO



The Netherlands is being put to the test as the economic crisis holds large parts of our society in its grip. In turbulent times, it is all the more important that our country can rely on its Mainports, which connect the Netherlands with the rest of the world and stimulate employment and economic welfare.

Schiphol has a socio-economic responsibility to contribute where possible to economic recovery and the creation of new opportunities. A powerful Mainport is indispensable for this. The core of the Mainport Schiphol is a strong network that can be largely attributed to KLM and SkyTeam. This network is facilitated by an efficient hub airport that has an excellent reputation among passengers and other customers and can withstand tough international competition. This is combined with an attractive environment where people enjoy living and where companies like to do business. These three elements are inextricably interlinked.

Being an airport company, we face dilemmas that can result in conflicts of interests. The highly challenging market conditions and the fierce competition among airlines in 2012 made this very clear. The importance of the network of KLM/SkyTeam for the continuity of the Mainport is evident. Other interests include those of passengers and businesses. They benefit from the freedom of choice and the opening up of new markets. Meanwhile, Schiphol is responsible for the long-term continuity of the Mainport and the related investments in capacity and quality. This requires a healthy financial position to ensure access to the capital market at acceptable conditions. Our shareholders expect a reasonable return and the local community expects the activities of Schiphol to contribute to better living conditions.

In 2012, KLM, Schiphol and the State have taken important steps to develop a shared vision with regard to the Mainport and to gain insight into the conflicting interests. Schiphol

welcomes this renewed bundling of forces and looks forward to the collaboration with confidence.

'Top Connectivity' – an excellent network that connects the Netherlands with the rest of the world – remains a top priority. With 317 direct connections, the destinations network remained stable in 2012. Despite the adverse economic conditions, the aviation sector succeeded in attracting more passengers: the number of passengers at Schiphol increased by 2.6%. This is slightly more than expected. Another positive result was the fact that, on average, there was a better use of the capacity of the aircraft: the load factor reached a record 80.7% (compared with 79.2% in 2011). However, the average ticket prices offered by the airlines were lower. The circumstances for cargo were difficult as expected: the amount of cargo handled decreased by 2.6%. This was, nevertheless, a better result than at other hub airports.

Success for Schiphol airport is success for the sector. We are a service organisation that seeks to offer excellent facilities to passengers, airlines and companies that conduct business at or via the airport. Schiphol stands for 'a pleasant journey' and for a smooth, first-rate transport process. In that respect, Schiphol received wide international recognition in 2012. Passengers and companies in the aviation sector elected Schiphol 'International Airport of the Year' and best European airport. This is something that must be cherished. The success was achieved through the commitment of Schiphol's employees, who are proud of their company. Not insignificant is the fact that Schiphol achieved these results while being the most competitive of the four major European hubs in terms of price and quality. We strive to continuously improve the quality of our products and services and the efficiency of our operations. One of the measures for achieving this is the Backbone, an advanced transport system that interconnects all the baggage handling areas in the terminal and that was put into



operation in 2012. Consequently, Schiphol now offers an even better baggage handling product.

A Mainport cannot flourish without appealing surroundings. Schiphol keeps its eyes and ears open to the world around it and collaborates with companies and government bodies in taking the lead to increase the appeal of the region. We conduct our business with respect for people and the environment and assume responsibility for five key focus areas in particular: sustainable employment, accessibility and air quality, climate-friendly aviation, commodity shortages and noise and local community. We are pleased that, in 2013, KLM will join Schiphol College, the network organisation that stimulates working and learning at and around the airport for people of different ages. A contribution that Schiphol has made to climate friendly aviation and improving air quality is the use of electric busses for transportation between the terminal and the aircraft. Through the Schiphol Fund and the Schiphol Quality of Life Foundation (Stichting Leefomgeving Schiphol), Schiphol invests in the quality of life in the cities and towns in the vicinity of the airport.

Aviation is always dynamic, even in economically challenging times. Within one decade, the number of passengers at Schiphol increased from 40 million to 51 million, while the capacity of the piers and terminals remained virtually the same. This is becoming a bit of a squeeze, especially in view of the expected further growth. For the Mainport to continue to fulfil its public and economic role for the Netherlands, we need to invest in capacity and quality. Schiphol intends to make these investments in close consultation with the home carrier and the other airlines and stakeholders.

First and foremost, security checks at the gates need to be centralised, which will give passengers more freedom of movement and reduce the waiting time at the gates. This

will improve the airlines' ability to let the aircraft depart according to schedule and allow us to continue to smoothly process the growing number of passengers and to continue to operationally comply with European legislation and regulations in the future. The work will start at the beginning of 2013 and will be completed in 2015.

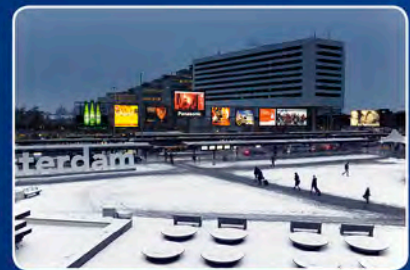
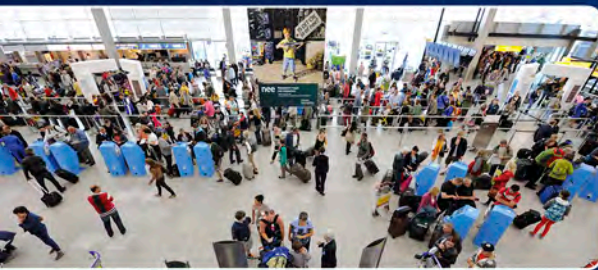
However, this is not sufficient. Schiphol aims to fulfil its public function in the best possible manner and to continue to serve passengers and airlines optimally. To ensure that we remain up to this task in the future and can continue to withstand the fierce international competition further step by step improvements are essential. This will require prudent investments that are affordable for our customers. At the same time, we aim to guarantee the continued financial soundness of the company. The commercial activities support a stable financial position that enables Schiphol to make the necessary investments.

All this requires careful determination and close cooperation. Schiphol looks forward to working out these plans in 2013 and subsequent years.

Jos Nijhuis, President & CEO

Trends

Schiphol Group operates in an environment that is subject to change. That means that we continuously have to respond to events and developments within and beyond the aviation sector, on which we keep a close eye. Below, we describe the trends affecting aviation, our customers and our business operations and results.



Developments in the aviation sector

The aviation sector operates under challenging conditions. Airline revenues are under pressure from the economic crisis in Europe since 2009. In 2012, this crisis continued to have a significant impact on the confidence and spending limits of consumers, businesses and governments. Furthermore in 2012, European hub carriers also had to deal with increasing competition, which included low-cost carriers and Middle-Eastern and Turkish airlines that are rapidly expanding their European operations.

The aviation sector was faced with increasing costs in 2012, in part as a result of higher fuel and energy prices. The sector was also confronted with additional security measures, such as the 100% screening of goods. We also foresee a future increase in investments in security measures, such as the central security concept for non-Schengen flights.

Despite the challenging conditions, the aviation sector as a whole has proven that it is able to grow: in 2012, the number of passengers at Schiphol Airport increased by 2.6 percent to 51 million. In addition, we anticipate further growth in the medium term. Over the next ten years, the

number of passengers at Schiphol is expected to increase by approximately 25%.

Trends and developments that affect our business operations and results

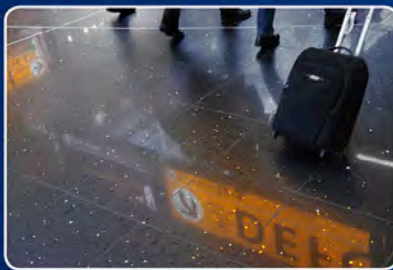
1. **Major developments in the aviation sector.** The major airlines in Europe that make use of the hub airports are faced with an increase in competition from low-cost airlines and new market participants. New participants from the Middle-East and Turkey, in particular, are expanding their position on the European market. Air France-KLM is also experiencing this increase in competitive pressure.
2. **Increasing influence of technological developments.** The introduction of new types of aircraft, such as the Airbus 380 and the Boeing 787, gives a new boost to the development of the aviation sector. This will also have an inevitable effect on Schiphol Airport, both in relation to our market position and our infrastructure. These new types of aircraft can bridge greater distances and are able to skip a hub. With large aircraft, traffic between hubs may intensify. The network of long-distance destinations will expand. Larger aircraft require larger aircraft stands. The increase in the number of

passengers per flight will also increase the pressure on, for example, the baggage handling systems.

3. **Airlines aim for cost reduction.** For airlines, a competitive cost level is essential for maintaining and developing their network. Declining revenues and increasing costs, such as higher fuel prices, affect profitability. This means that load factors and the efficiency of the processes at the airport are also very important.
4. **Economic developments have consequences for traffic volumes.** The current economic situation is increasingly reflected in passenger and cargo volumes, especially in Europe. This effect is partly compensated by the growth in traffic to and from South America, China and other Asian countries.
5. **Increased competition between airports.** A strong airport stays strong if its customers are satisfied: passengers, airlines and other users such as tenants and visitors. Quality perception and sufficient capacity are essential elements of a good competitive position. Schiphol is faced with an increase in competition in both transfer and destination traffic. Europe's main hub airports, such as London Heathrow, Paris Charles de Gaulle and Frankfurt, have made substantial investments in capacity and quality over the past years to safeguard or expand their competitive position. The transfer market is also experiencing competition from the airports of Dubai and Istanbul. Destination traffic at Schiphol is experiencing competition from surrounding airports in Belgium and Germany where low-cost airlines in particular are expanding their activities. In view of the above, Schiphol urgently needs to invest in quality and capacity.
6. **More stringent security requirements.** On a worldwide scale, the requirements for airport security are becoming more stringent. This also applies to Schiphol. Schiphol aims to combine an efficient security process with higher comfort for passengers. We foresee additional future investments in the area of security, such as the central security concept for non-Schengen flights. This requires major changes to the existing infrastructure.
7. **Corporate responsibility.** Limiting noise impact remains an important aim for the region. Schiphol attaches great importance to the dialogue that takes place within the Alders Platform and the agreements with respect to selective growth. These agreements, which are laid down in the Aviation Policy Document, are the compass for the further development of Amsterdam Airport Schiphol and the regional airports. Two global sustainability issues that are particularly relevant to the aviation sector are climate change and the reduced availability of commodities.
8. **Consumers more critical.** The uncertain financial situation in Europe has had a negative effect on consumer confidence. At Schiphol airport, this effect is seen mainly in the form of a decrease in the average spending by European passengers. The average spending of passengers from other parts of the world is still increasing, which is largely attributable to the further improvement of the range of products and services offered at the airport. There is also an increase in the demand for high-end brands, a high level of service and more 'experience'.
9. **Challenges in the real estate market.** The Dutch real estate market is being confronted with lower revenues, lower occupancy levels and declining property values. To date, we are seeing a different picture at the Schiphol location: occupancy levels have risen and rental income has increased. Central, multifunctional locations in city centres and at strategically positioned multimodal hubs, such as the Schiphol location, have not lost their appeal.
10. **Legislator is an increasingly important stakeholder.** Laws and regulations determine to a large extent the freedom of movement and the investment capacity of airports. Legislators and supervising bodies around the world, including those in the Netherlands, are increasingly exercising their influence on the quality and the cost development of large airports.

Schiphol Group strategy

To remain Europe's preferred airport, Schiphol Group seeks to further develop the airport as a high-quality hub. To this end, we work together closely with and aim to provide optimal facilities for our home carrier KLM. We strive to further improve the strong competitive position of the Mainport Schiphol, not just as an airport with a worldwide network but also as a multimodal hub in the Netherlands and as a driving force of the Dutch economy. We seek cooperation at national and regional levels. In this light, Schiphol Group identified four long-term strategic themes in 2012: Top Connectivity, Excellent Visit Value, Competitive Marketplace and Sustainable Performance.



Mainport Schiphol: more than an airport

Schiphol airport, the KLM and SkyTeam hub network and the surrounding metropolitan Amsterdam area have, together, developed into the Mainport Schiphol. Mainport Schiphol is, therefore, more than just an airport with a worldwide network. It functions as a complex of mutually reinforcing companies and activities. Together, they form an international and multimodal hub of flows of people, goods, money, information, knowledge and culture.

The Mainport Schiphol has become a first-rate hub that connects the Netherlands through an extensive network to important economic, political and cultural centres in Europe and the rest of the world. As a result, the activities at Schiphol are an important driving force of the Dutch economy and employment. It also makes the Amsterdam region an attractive location for internationally oriented companies and institutions.

A Mainport requires a high-quality network of connections. Its network makes Schiphol one of the four main airports of Europe. A unique performance, considering its small domestic market, the Netherlands.

Regional and international activities

In addition to Amsterdam Airport Schiphol, Schiphol Group also invests in other airport companies in the Netherlands and abroad. The Dutch regional airports Eindhoven Airport, Rotterdam The Hague Airport and Lelystad Airport play an increasingly important strategic role. These airports strengthen the regional economy through their network of destinations and service the non-business (leisure) segment. In the future, Eindhoven Airport and Lelystad Airport will also play an important role in the realisation of what is called selective growth. This growth is aimed at increasingly servicing destinations that are not Mainport-related, such as holiday destinations, from these regional airports.

Our international activities are aimed at strengthening Mainport Schiphol and the network of destinations that is supported by our home carrier KLM. Through participations in and alliances with major airports in other countries, Schiphol can continue to improve its products and processes and share knowledge with other airport operators, from which all parties involved benefit. Important examples are the SkyTeam hubs John F. Kennedy Airport in New York and Paris Charles de Gaulle. The industrial collaboration and cross-shareholding with Aéroports de Paris is an excellent platform for the further development of the hub system and



the AirportCity formula. Together, we strengthen the dual hub system of Air France and KLM by realising synergy benefits such as cost savings, exchange of best practices, innovations and better service for airlines and passengers.

Robust financial policy

The starting point in the implementation of our strategy is a sound financial policy with the aim of maintaining the creditworthiness of Schiphol Group and good access to capital markets. This is also reflected in a credit rating of at least A by S&P's and A2 by Moody's. This requires a solid capital structure and a certain degree of liquidity, whereby we aim for a minimum FFO/Total debt ratio of 20% and a liquidity that always covers our net financing needs for at least the next twelve months.

Strategic themes

Top Connectivity

Mainport Schiphol owes its success and its reason for existence to the extensive network of connections with the rest of the world. This network is the result of the successful collaboration between home carrier KLM, the government and the airport. Schiphol Group is constantly improving its

facilitating function and expanding it in the interest of multimodal transport possibilities for passengers and cargo. Both an extensive network of connections and a certain freedom of choice for passengers and cargo carriers are important in this respect. The excellent hub network that has been developed in the past must be cherished. Schiphol and its partners also strive to enhance the accessibility of the Mainport by road and by rail.

Excellent Visit Value

To safeguard and further enhance the competitive position of Schiphol Mainport, Schiphol Group seeks to offer customers, airlines and other users an competitive price-quality ratio. We strive to continuously improve the efficiency of our operations and the quality of the products and services at our airports, always keeping in mind the balance between cost and quality.

Competitive Marketplace

Schiphol Group is developing Schiphol Airport as an attractive location to work, to stay, to establish a business, to meet and to relax. For Schiphol as a business location to compete with other national and international locations, it is important that it offers an attractive marketplace. Essential elements are the retail and real estate strategy. We

also strive to improve Schiphol's strength as a cargo distribution point.

Sustainable Performance

Schiphol Group conducts its business with respect for people, the community and the environment. The airport creates sustainable value for its customers and stakeholders. Efficient and financially healthy and sound business

operations are a requirement for a future-proof company, always keeping in mind the balance between people, planet and profit. Schiphol assumes its responsibility with respect to five key socio-economic themes: sustainable employment, accessibility and air quality, climate-friendly aviation, commodity shortages and noise and local community.

Strategic objectives

Our strategic objectives for the period 2013-2017, clustered by strategic theme.

Top Connectivity

1. Facilitating the further development of a high-quality, distinctive and competitive network of, in particular, intercontinental connections.
2. Further enhancement of an extensive, reliable and accessible landside network of multimodal connections.

Excellent Visit Value

1. Further enhancement of passengers' travel convenience.
2. Realisation of a competitive price/quality ratio for airlines.
3. Providing a high-quality and outstanding airport to passengers.

Competitive Marketplace

1. Providing an attractive business climate at the airport.
2. Realising flexible logistics solutions for handling agents and forwarders.
3. Offering an attractive and up-to-date portfolio of products and services.

Sustainable Performance

1. Ensuring a proper balance in the relationship between people, planet and profit.
2. Guaranteeing financially sound and efficient business operations to enable further development of the Mainport and to generate value for all stakeholders.
3. Continuation of the stakeholder dialogue within the Alders Platform and with the parties in the Schiphol Regional Consultative Committee.

Main risks

Top Connectivity

Fluctuations in demand

The continuing economic crisis may lead to a decrease in the number of passengers, lower spending per passenger, a reduction of capacity and a change in the dynamics of the sector.

Major projects

Implementation of major infrastructure projects could involve delays and budget overruns, as a result of which a project is no longer sufficiently in line with actual demand.

Excellent Visit Value

Operational risks Aviation

Safety incidents, unexpected interruptions of business operations or insufficient commitment of parties on which our operations depend could disrupt operations, damage our reputation and negatively affect the financial result.

Changing laws and regulations

Political developments, evolving viewpoints and new or adapted European or national laws and regulations that affect the aviation sector as well as the sale of consumer products at the airport can have a major impact on our business.

Economic regulation

Economic regulation of Schiphol Airport affects the financial soundness of Schiphol Group and the scope for investment in the Mainport.

Competitive Marketplace

Competition

Insufficient investment in quality and capacity may result in an inability to guarantee the competitiveness of the Mainport.

Market developments real estate

Changing market conditions can lead to lower occupancy levels in the property portfolio and lower rent levels, resulting in a decrease in property value.

Sustainable Performance

Exceeding noise and environmental standards

Non-compliance with national and international noise and environmental regulations has negative financial and operational consequences.

Financial risks

Schiphol Group faces a variety of financial risks, such as currency, price and interest rate risks, liquidity risk and counterparty risk.

International operations

International operations offer benefits and opportunities but also entail specific risks that do not apply in the Netherlands.

SWOT

Strengths

- Large network of connections and frequencies
- Home carrier with a strong transfer product
- Modern and well-equipped airport
- Reliable operations with high peak capacity
- International reputation and image
- Well-developed non-aviation activities
- Attractive employer

Opportunities

- Expansion of destinations network and frequencies
- Traffic and transport from emerging economies
- Positioning as gateway between China, Europe and South America
- Strengthening function as a cargo hub
- New investments in capacity and quality
- Expansion of SkyTeam alliance
- Integration of sustainability aspects in all airport processes
- Improvement of high-speed connections to and from the airport (motorways, high-speed rail, regional bus lines)

Weaknesses

- Limited international diversification
- Increasing pressure on operations due to planned large-scale alterations
- Small domestic market and limited catchment area
- Considerable dependency on competitive transfer market
- No constant utilisation of runways; large demand for peak capacity
- Complex system for use of runways and airspace

Threats

- Legislative and regulatory changes and changes in economic and non-economic airport regulations
- Geographic shift of trade and transport flows
- Accessibility of Amsterdam Airport Schiphol
- Large investments in capacity and quality made by competing airports (Heathrow, Frankfurt and Paris Charles de Gaulle)
- Changing attitudes towards flying
- Increasing security requirements
- Adverse economic conditions and low consumer confidence