

Royal Schiphol Group Annual Report

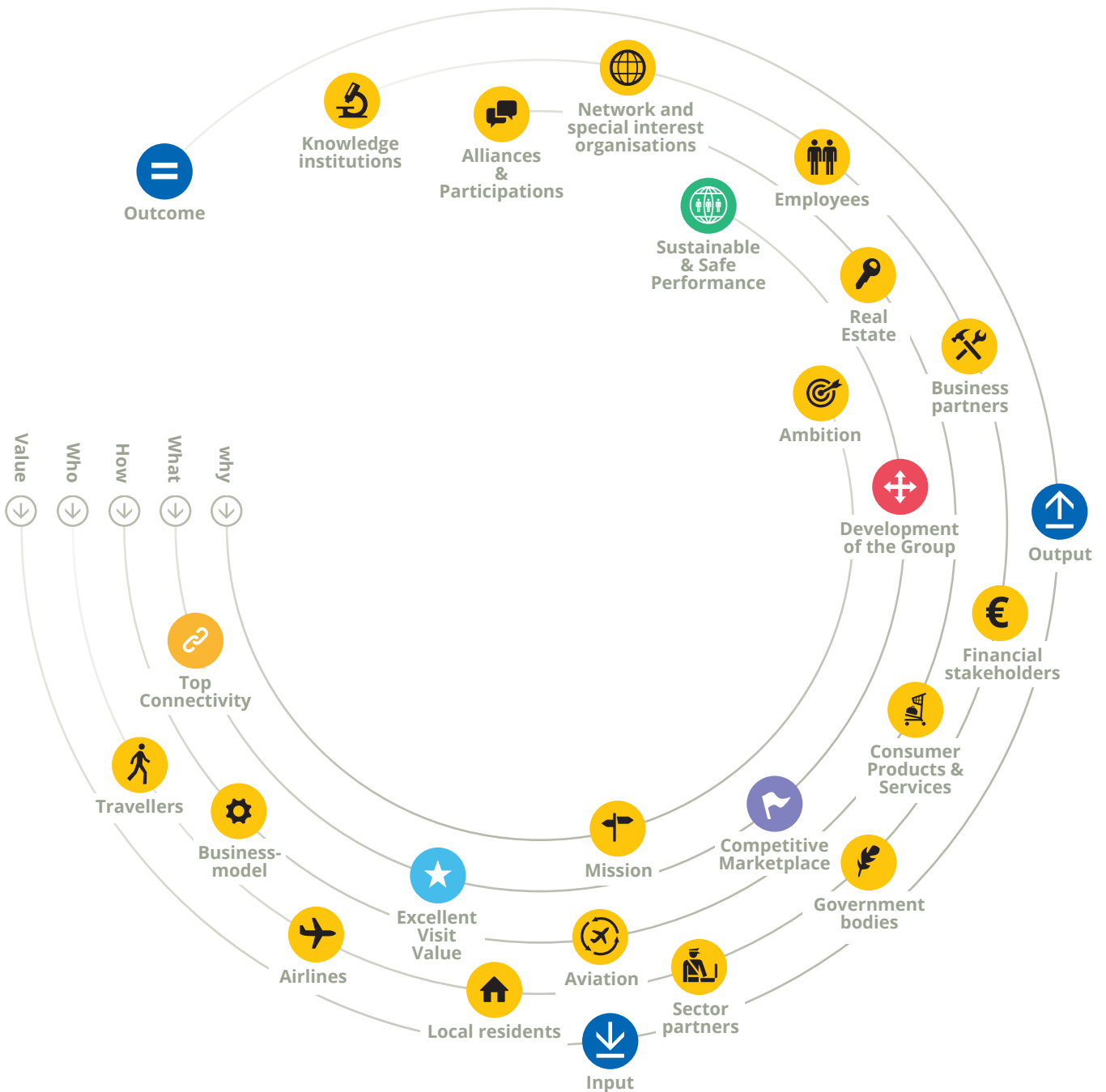
2016



Value creation

Connecting the Netherlands

Royal Schiphol Group's mission is Connecting the Netherlands: We facilitate optimal links with the rest of the world in order to contribute to prosperity and well-being both in the Netherlands and elsewhere; connecting to compete and connecting to complete.





Why



Mission

Connecting the Netherlands: We facilitate optimal links with the rest of the world in order to contribute to prosperity and well-being in the Netherlands and elsewhere.



Ambition

It is Royal Schiphol Group's ambition to develop Schiphol into Europe's Preferred Airport for travellers, airlines and logistics service providers.



How

In order to achieve our mission effectively and efficiently, we have clustered our core activities around four business areas: Aviation, Consumer Products & Services, Real Estate, and Alliances & Participations. This business model guides the implementation of our joint strategy and determines the success of Royal Schiphol Group.



Aviation

Infrastructure and facilities for airlines, passengers, handling agents and logistics service providers at Schiphol, safety and security at Schiphol.



Consumer Products & Services

Products and services for travellers and businesses at Schiphol.



Real Estate

Operational and commercial real estate at Schiphol and other airports.



Alliances & Participations

Participating interests in airports in the Netherlands and abroad, other domestic and international activities.



What

It is Royal Schiphol Group's socio-economic task to strengthen and develop Mainport Schiphol and the regional airports. To do this, Royal Schiphol Group must be successful across the board. Our strategy is embodied in five themes:



Top Connectivity

The best connections

Connect

- Network of destinations and flight frequencies
- Airport infrastructure
- Accessibility by road and rail



Excellent Visit Value

An attractive airport

Compete

- Cost-efficient operations
- Streamlined and distinctive passenger experience
- Competitive price/quality ratio



Competitive Marketplace

A prime location

Attractive

- Location
- Attractive business climate
- Logistics capacity



Development of the Group

A strong Group

Strengthen

- International development
- Organisational development
- Synergy within the Group



Sustainable & Safe Performance

Sustainability and safety

Future-proof

- People • Planet • Profit
- Financial solidity
- Safe environment for staff, passengers and visitors



Who

Schiphol has many stakeholders who represent a wide range of interests:



Travellers



Airlines



Local residents

- Regional Alders Platforms
- Schiphol Local Community Council
- Local Community Contact Centre Schiphol



Sector partners

- Airlines
- Air Traffic Control the Netherlands (LVNL)
- Handling agents
- Dutch Customs
- Royal Netherlands Marechaussee



Government bodies

- Neighbouring municipalities
- Provinces
- Ministries



Financial stakeholders

- Shareholders
- Banks
- Bond investors



Business partners

- Concessionaires
- Lessees
- Security companies
- Facility services providers
- Construction and installation companies



Employees

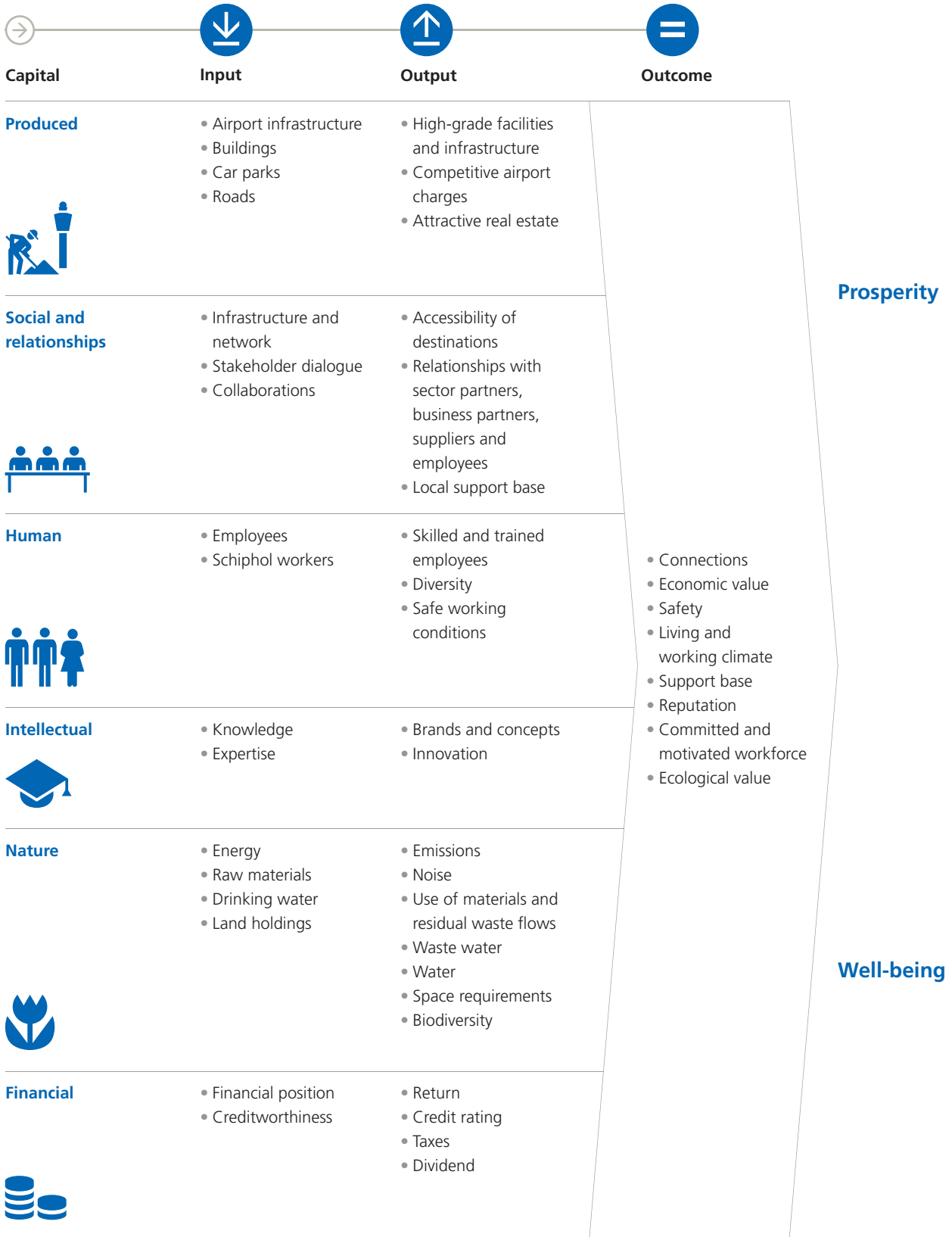


Network and special interest organisations






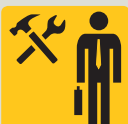
Knowledge institutions

Value





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Message from the CEO

↓ Schiphol's 100th anniversary: His Majesty King Willem-Alexander visits Amsterdam Airport Schiphol



The year 2016 was, for various reasons, an exciting, intense and turbulent year for Royal Schiphol Group. It was also a year in which we pulled out all the stops to celebrate the airport's 100th anniversary. Highlights included meetings with our partners and neighbours, receiving the 'Royal' designation and His Majesty the King's visit on our birthday, 19 September. The European Aviation Summit convened at Schiphol this year, bringing European aviation leaders together to discuss current issues facing the industry. It was also a year of unexpectedly strong growth in passenger volumes, which presented some major challenges.

Pressure on capacity and quality

In its centenary year, Amsterdam Airport Schiphol welcomed a record 63.6 million passengers, representing a 9.2% increase compared to 2015. This growth was most noticeable in Departure Hall 1 (passengers to destinations within the Schengen area), where passenger numbers rose by 17%. The unexpectedly strong growth may in part be due to airlines requesting additional slots in order to ensure they have sufficient capacity for future growth now that the capacity limit of 500,000 air transport movements is approaching. Cheaper plane tickets also contributed to higher demand, leading to increased passenger flows throughout the year. This has led to significant pressure both on the capacity and the quality of our airport. Added to this were the heightened terrorism alert, structural under-staffing at the Royal Netherlands Marechaussee and a number of operational disruptions.

Swift and adequate response

Thanks to the flexibility and ingenuity of many, we were able to act swiftly and effectively to ensure a safe and successful 2016. We are immensely grateful to our own employees and those of our partners for their commitment. Looking ahead, that commitment will remain vital to keep pace with the forecast continued growth of the aviation industry. Over the coming years, major investments to create additional space at Schiphol will be needed to keep capacity and quality up to par. Our motto is: Perform today. Create tomorrow. This means that we are working today to build the Schiphol of tomorrow, while at the same time offering a good product at a competitive rate during the construction period. As a case in point,

as of 1 April 2016 our airport charges went down by an average of 11.6%.

Big investments ahead

Schiphol's new pier and terminal are set to significantly expand airport capacity. In 2016 we received the green light for construction, and preparatory work is now under way. The new pier will be finished in late 2019, and the new terminal in 2023.

To guarantee sufficient capacity and quality in the interim, Schiphol is building a temporary departure hall on top of Baggage Hall South. This decision was taken in September 2016 and the temporary hall will be commissioned in April 2017.

Working in cooperation with the Amsterdam Metropolitan Area and the Ministry of Infrastructure and the Environment, investments are also being made to improve access to Schiphol through the modification and expansion of roads, the railway station, bus station, Schiphol Plaza and Jan Dellaertplein. These plans are still in the decision-making phase.

Lelystad setback

Under the selectivity policy we are working to create additional capacity not only at Amsterdam Airport Schiphol but also at Lelystad Airport. The Alders Agreement provides for Lelystad to take over a sizeable number of flights from Schiphol, mostly non-Mainport-related holiday flights to destinations around the Mediterranean. All of the contracts for construction of the new terminal and runway were signed in June 2016, work got off to a flying start and the

infrastructure will be in place in April 2018. Therefore, it came as a disappointment to learn in late 2016 that Air Traffic Control the Netherlands (LVNL) will not be able to have air traffic control in place by that date, resulting in the delay of the opening of Lelystad. We are now seeking firm assurances from the Ministry of Infrastructure and the Environment and LVNL that Lelystad Airport will be ready to open in April 2019 with immediate capacity for 4,000 flights a year.

Clarity on selectivity

As Schiphol is nearing the limits of its capacity, discussions about the selectivity policy are becoming more urgent. In the Alders Agreement it was determined that further growth would be premised on selectivity, with Schiphol to focus on Mainport-related air traffic: in other words, to destinations that contribute most to prosperity in the Netherlands.

With the increase in the number of low-cost carrier flights, Schiphol has been accused of disregarding the selectivity policy. However, it is not up to Schiphol to decide which airlines can land here. That is laid down in international laws and regulations, and the slots are subsequently issued by an independent slot coordinator. Schiphol's role in the selectivity policy therefore consists in nothing more nor less than facilitating the decisions of others. We call on the government to provide more clarity on the selectivity policy, what it entails and who bears responsibility for what.

Nearing limits

The increase in passenger volumes means that Schiphol is rapidly nearing the limit of its growth potential. Under its agreement with the local community, Schiphol will be allowed to grow to a maximum of 500,000 air transport movements per operating year through the end of 2020. In 2016, we reached almost 479,000 air transport movements. Scope for further growth therefore is limited. Given that Schiphol is committed to the agreements it has made with the local community, it will not be long now before we will have to disappoint airlines. We have already asked the slot coordinator not to issue more than 500,000 slots.

Forward-looking agreement framework

The trajectory for Schiphol's development has been established for the period through the end of 2020, but what will happen after this is unclear. Agreement on a definitive course is urgently needed and must be reached in 2017 so that the airport, airlines, local residents and authorities all know what to expect further down the road.

Consultation with partners and the local community will be vital as we plot the course of Schiphol's future. Important as such consultation is, however, it is our experience that decision-making is sometimes unnecessarily protracted. It would make a great difference if we could incorporate the principles of flexibility, manoeuvrability, decisiveness and speed in the various consultation bodies that are concerned with Schiphol.

We would like to work with everyone involved to establish a forward-looking agreement framework focused on the objectives rather than the means, and balancing the need for noise mitigation, Mainport development and quality of life. Such an agreement

framework will provide the solid foundation we seek for Schiphol's future sustainable growth.

Sustainable growth

The Sustainable Development Goals provide an incentive for us to make our business processes more sustainable and take the lead in the mobility debate. Royal Schiphol Group wants to assume greater leadership in these efforts. By anticipating future developments and embedding sustainability in our processes, we are demonstrating how growing airports and growing metropolitan regions can go hand in hand. Like our neighbouring municipalities, we are well aware of the need for circular enterprise and are taking concerted action to achieve it. Apart from partnering with local parties, we also seek to join forces with other airports. During Airports Going Green, the leading industry conference on sustainability, Schiphol therefore took the initiative for the signing of the *Airports Sustainability Declaration*, in which airports around the world have expressed their ambition to work together to make airports more sustainable.

Schiphol Action Agenda

In the Schiphol Action Agenda published in late April, the Dutch government affirmed the importance of Schiphol in promoting prosperity and well-being in the Netherlands. The Action Agenda sets out a number of measures to further improve Schiphol's competitive edge. According to the government, Schiphol's continued growth in balance with its surroundings is vital to enable it to compete with other airports in Europe and with rapidly growing airports in Turkey and the Gulf States. Royal Schiphol Group welcomes the Schiphol Action Agenda, although more must be done. The Action Agenda leaves various loose ends to which we will continue to draw attention, in the interests of our competitive position.

Digital services vital

Sustainable growth, capacity expansion and quality improvement not only concern our physical environment but also entail digital solutions. The Digital Airport Programme was set up to accelerate the implementation of such solutions, putting Schiphol on the path to becoming the leading digital airport by 2019. We want to guarantee the best and smoothest possible travel experience by offering passengers more control over the travel process and personalised information through our digital channels such as the new Schiphol website and app launched in late 2016. In 2016 we also began testing innovative equipment for scanning hand baggage so that passengers will no longer have to unpack liquids and laptops. No-Q Passport Control was also expanded in 2016, in cooperation with the authorities.

Creating success together

We create Schiphol's success together. We are grateful to our partners and neighbours for helping us to make Schiphol a success for the past 100 years. For example, our home carrier KLM and other airlines continually expand their networks, which boosts Schiphol's appeal. We also look to the government to create the right preconditions, among other things by ensuring sufficient capacity at the Royal Netherlands Marechaussee. Unfortunately this was not the case in 2016, nor will it be in 2017, despite promised expansion. The long queues continue to be a point of concern. Together with

the government we are working hard to further digitise the border process, and we have every confidence that these efforts will be fruitful. Constructive collaboration and commitment from all sector partners will enable us to remain successful going forward.

Economic and social benefits

The sustainable growth of all Royal Schiphol Group airports and of Amsterdam Airport Schiphol in particular is a collaborative effort and serves a much broader interest. By connecting the Netherlands with the rest of the world, aviation provides economic and social benefits that are vital to the country's development. We are well aware of the challenges we face. Royal Schiphol Group is ready to take on those challenges as we head into the next 100 years. The aviation industry and the future of the Netherlands depend on it.

Jos Nijhuis

President & CEO of Royal Schiphol Group

Key events in 2016

First quarter

4 January
Start of the Schiphol centennial year during the New Year's reception for business relations



15 March
Schiphol's shareholders give their definitive go-ahead for the development of a new pier and terminal at Amsterdam Airport Schiphol



11 April
'Schiphol' tulip christened in honour of 100th anniversary

12 May
Opening of online museum on the history of Schiphol in collaboration with the Amsterdam Museum

30 June
Contract signed for the construction of a terminal and integrated services for the new Lelystad Airport

Third quarter

4 July
Opening of renovated Departure Lounge 2 with seven themed worlds and a work of art by Maarten Baas

27 August
'Beyond', a work of art by Daan Roosegaarde, unveiled in Departure Hall 3



15 September
Opening of exhibition entitled '100 years: Ready for Departure' in the Amsterdam Museum



19 September
One hundredth anniversary of Amsterdam Airport Schiphol. His Majesty King Willem-Alexander visits Schiphol

17 October
Start of construction work for temporary departure hall above Baggage Hall South



8 November
Launch of pilot project with new equipment allowing passengers to keep their laptops and liquids inside their bags

30 November
The mainports of Schiphol and Port of Rotterdam launch websites to promote cybersecurity among the companies established at their sites

5 March
Start of major maintenance of Buitenveldert Runway (09-27)

16 March
Schiphol voted 'Best Major European Airport' at the IATA World Cargo Symposium in Berlin

Second quarter

14 April
New sustainable Smart Parking car park opened at P3



15 April
Start of European tender procedure for integrated design of the new pier

2 June
Agreement reached with trade unions on working conditions of security company staff

30 July
Launch of heightened security measures by Royal Netherlands Marechaussee on access roads and in the terminal at Schiphol



14 September
Schiphol Group receives 'Royal' designation from the King's Commissioner for North-Holland and the Mayor of Haarlemmermeer

17 – 18 September
Schiphol receives 10,000 local residents during the Super Neighbour Days



Fourth quarter

4 October
Schiphol voted 'Best European Airport' by readers of British travel magazine *British Traveller* for the 27th time

31 October – 2 November
Airports Going Green conference at Schiphol; 18 airports sign the Airports Sustainability Declaration




22 November
His Majesty King Willem-Alexander opens the Joint Inspection Centre at Schiphol, part of SmartGate Cargo

12 December
Schiphol introduces new website and app

About us



Facts and figures

 <p>322 destinations</p>	 <p>70 million passengers</p>
 <p>479 thousand air transport movements at Schiphol</p>	 <p>63.6 million passengers at Schiphol</p>
 <p>1.7 million tonnes of cargo</p>	 <p>37.8% transfer passengers</p>
 <p>349 outlets at Schiphol</p>	 <p>17.97 € spend per passenger on airside</p>
 <p>1.5 billion euros real estate</p>	 <p>6.4 billion euros in total assets</p>
 <p>88.7% real estate occupancy rate</p>	 <p>1.0 Lost Time Injury Frequency (LITF)</p>
 <p>1.56 kg CO₂ per passenger</p>	 <p>4.72% energy efficiency</p>
 <p>42.4% of passengers arrive by public transport</p>	 <p>33.6% waste separated</p>
 <p>30.3% female employees</p>	 <p>4.0% absenteeism</p>
 <p>46%</p>	 <p>8.2%</p>

Key figures

EUR million unless stated otherwise	2016	2015	%
Results			
Revenue	1,435	1,423	0.8
Other income and results from investment property	71	67	7.1
Other income	-	50	>100
Operating expenses (excluding depreciation, amortisation and impairment)	848	804	5.4
EBITDA ¹	658	735	-10.4
Depreciation and amortisation	237	223	6.2
Impairment	2	8	-78.8
Operating result	420	505	-16.8
Financial income and expenses	-91	-89	2.3
Share in results of associates	67	60	11.6
Result before tax	397	477	-16.7
Corporate income tax	-86	-99	-12.7
Result after tax	311	378	-17.7
Net result	306	374	-18.1
Total equity			
	3,860	3,716	3.9
Investments in intangible assets and property, plant & equipment	303	439	-30.8
Cash flow from operating activities	438	508	-13.7
Proposed dividend	148	187	-20.7
Ratios			
RONA after tax ²	7.1%	8.3%	
Return on equity (ROE) ³	8.2%	10.4%	
Leverage ⁴	34.9%	37.0%	
FFO / total debt ⁵	22.8%	22.0%	
FFO interest coverage ratio ⁶	6.8	6.7	
Earnings per share ⁷	1,645	2,010	
Dividend per share	797	1,006	
Business volume (in numbers)			
Air transport movements ⁸	527,285	498,580	5.8
Passenger movements (x 1,000) ⁸	70,001	64,309	8.9
Cargo (x 1,000 tonnes) ⁸	1,662	1,621	2.5
Workforce in average full-time equivalents	2,063	2,000	3.2

1 Operating result plus depreciation, amortisation and impairment

2 Operating result after tax plus share in results of associates and interest income / (average non-current assets minus deferred tax assets)

3 Net result attributable to shareholders / average total equity

4 Leverage: interest-bearing debt / (total equity + interest-bearing debt)

5 Funds from operations (cash flow from operating activities before changes in working capital) / interest-bearing debt

6 Funds from operations plus gross interest expense / gross interest expense

7 Based on net result attributable to shareholders

8 Schiphol Group: Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport

Our organisation

↓ Super Neighbour Days at Schiphol



Royal Schiphol Group is an airport company with an important socio-economic task. The airports of the group, and Amsterdam Airport Schiphol in particular, create value for society and for the economy. With our mission of Connecting the Netherlands we facilitate optimal links with the rest of the world, contributing to prosperity and well-being in the Netherlands and elsewhere.

Amsterdam Airport Schiphol is not the Netherlands' only gateway to the rest of the world. Though the operation of this hub airport is one of our principal activities, our other airports in the Netherlands further extend our reach and impact. Schiphol Group is the owner and operator of Rotterdam The Hague Airport and Lelystad Airport, and holds a majority share in Eindhoven Airport.

We also work closely with foreign airports which strengthen our position. They include the airports of Groupe ADP, in which we have an 8% cross-participation. In addition, Schiphol Group is involved in the activities of JFKIAT at JFK International Airport's Terminal 4 in New York. We are also engaged in strategic collaboration with Incheon Airport, have an interest in Brisbane Airport and have activities at the airports of Hong Kong and Aruba. These international activities account for a significant part of Schiphol Group's results. We conduct our domestic and international operations in a balanced manner, centred around our key values of reliability, efficiency, hospitality, inspiration and sustainability.

Thanks to these activities and the strength of the group we are able to invest in growth and the highest standards of quality. By joining forces with our sector and business partners, the authorities and the local community, we can achieve our ambition to further develop Mainport Schiphol as a multimodal hub. We are positioning Amsterdam Airport Schiphol as Europe's Preferred Airport: the first choice of passengers, airlines and logistics service providers.

Over the years, Amsterdam Airport Schiphol has grown into one of the largest hub airports in Europe, with 322 direct destinations. In 2016 the number of passengers served by Schiphol grew by 9.2% to almost 63.6 million. Cargo volumes increased by 2.5% to a record volume of almost 1.7 million tonnes. Schiphol is an important marketplace, with the airport site alone accommodating some 500 companies that together employ around 65,000 people.

The number of passengers at Rotterdam The Hague Airport increased by 0.3%, and at Eindhoven Airport by 9.3%. In 2016 a total of 70.0 million passengers travelled through Schiphol Group's Dutch airports, a rise of 8.9%.

Schiphol Group



To maintain its position and continue fulfilling its socio-economic role, Schiphol Group invests in infrastructure and facilities at its airports, seeking to balance a reasonable return on its equity and a stable dividend stream, on the one hand, with competitive airport charges on the other. Our sound financial policy is aimed at safeguarding the independent financing of our business, both today and in the future. Schiphol Group has four shareholders: the Dutch state (69.8%), the Municipality of Amsterdam (20.0%), Groupe ADP (8.0%) and the Municipality of Rotterdam (2.2%).

Our activities

↓ Schiphol's 100th anniversary: His Majesty King Willem-Alexander visits Amsterdam Airport Schiphol



In order to achieve our mission of Connecting the Netherlands effectively and efficiently, we have clustered our core activities around four business areas: Aviation, Consumer Products & Services, Real Estate, and Alliances & Participations. We use this business model to implement our strategy and secure the success of Royal Schiphol Group.

Our business model

The most important airport in the group, Amsterdam Schiphol Airport, has been developed as an AirportCity where travellers, airlines and businesses can access all the services they need, 24 hours a day. Schiphol continues to distinguish itself through the development of a wide range of commercial activities. Our AirportCity concept is anchored in three business areas: Aviation, Consumer Products & Services and Real Estate, which complement and reinforce each other.

Serving travellers, airlines, handling agents and logistics service providers alike, the Aviation business area plays a pivotal role at the airport. Aviation provides and manages the infrastructure needed to ensure pleasant, reliable and efficient arrival and departure processes for passengers, baggage and cargo. It is responsible for coordinating safety in the terminal, on aprons and roads, and in airside areas and buildings.

The Consumer Products & Services business area works with partners to create unique experiences for travellers, with a surprising range of shops, catering outlets and services. It also uses innovative online and offline media concepts to reach and inform travellers. Offering a variety of parking products and premium services such as Privium and the VIP Centre, this business area facilitates a carefree and comfortable travel process.

The Real Estate business area develops and manages real estate at and around the airport. The airport area offers attractive business

locations and a pleasant environment. We offer first-class real estate such as the new Hilton Hotel, office buildings, logistics buildings and leased premises in the terminal.

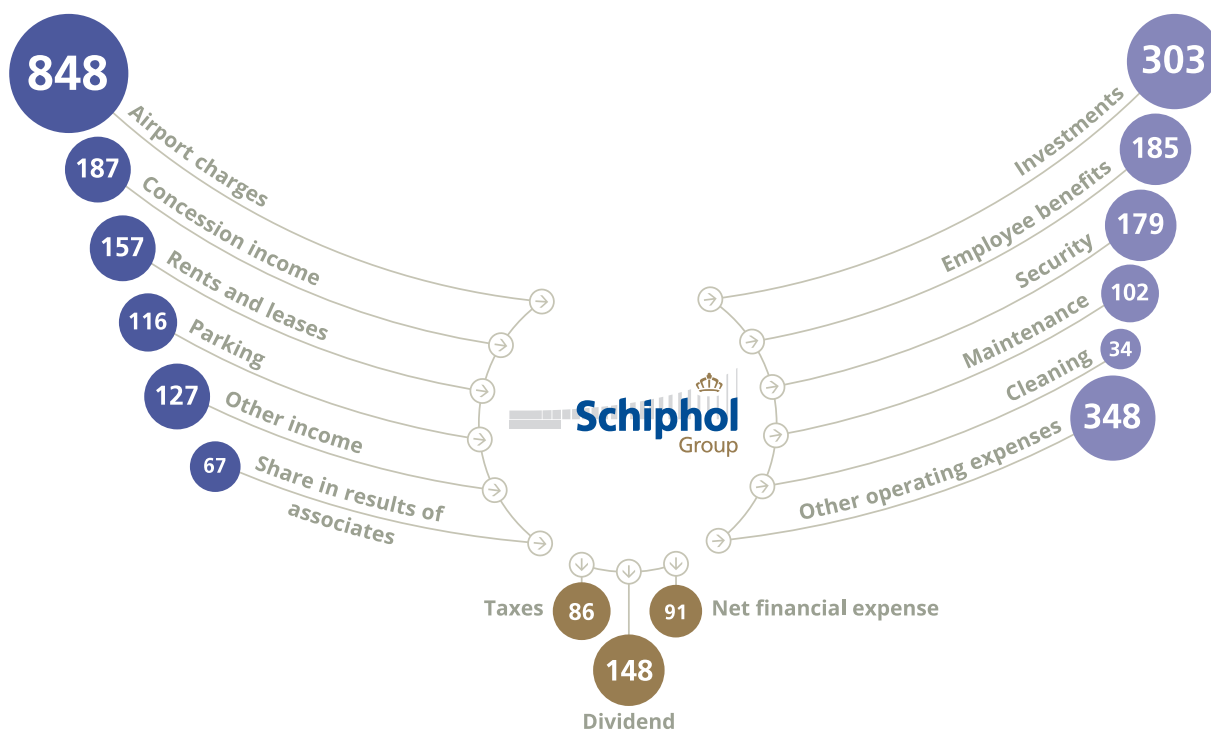
Our fourth business area, Alliances & Participations, is concerned with the operation of regional airports and the development of international business activities. Like Schiphol itself, the regional airports are developed according to the AirportCity concept through investments in real estate and the creation of an attractive range of shops, hotels and restaurants. We also export the AirportCity concept and operational expertise to airports abroad, thereby generating income as well as gaining new insights to reinvest in Mainport Schiphol.

Royal Schiphol Group is more than the sum of its four business areas or a collection of airports. By tapping into the operational and commercial knowledge and innovative capacity of every part of the group, including our foreign interests, the group as a whole can remain strong, agile and distinctive.

The operation of these airports is governed by a management model that enables Schiphol Group to make maximum use of the expertise of sector and business partners in the value chain, thus both promoting flexibility within the group and offering economies of scale. We participate in various partnerships for the joint development of innovative concepts and solutions, as well as in joint procurement initiatives, where possible.

Business model

(EUR million)



All four business areas contribute to Schiphol Group's results. The group derives its income from a range of sources, including airport charges and passenger service charges, concession fees from retail and catering companies, revenue from advertising and parking services, property rents and leaseholds, and income from associates.

Regulation

Our income differentiates between regulated and non-regulated flows, in what is known as a dual-till system.

Rates for aviation activities at Amsterdam Airport Schiphol are regulated. The costs that Schiphol Group can charge are restricted to the costs associated with primary airport operations, infrastructure and security. The rates, including take-off and landing fees and passenger and security charges that Schiphol receives from the airlines, are periodically determined in accordance with legal provisions in the Dutch Aviation Act.

A new Aviation Act was passed in 2016 and is expected to enter into force on 1 July 2017. One of the most important changes under this new law is that charges will no longer be fixed annually, but every three years, with effect from the 2019-2021 period.

The return on aviation activities has been capped at the regulated average weighted cost of capital (WACC) determined annually, on which the ten-year interest rate on government bonds has a considerable impact. This means that Schiphol Group's return on aviation activities depends on the general development of the interest rate. The WACC reached a historic low in 2016 of 1.8%.

Non-aviation activities at Schiphol are not regulated. They include all activities related to retail, catering, leases, media, real estate development and parking fees as well as our international activities. The operation of our regional airports is not regulated either. Our non-regulated revenue flow contributes substantially to the group's financial results, allowing us to maintain a healthy financial position. Both our aviation and non-aviation activities contribute to the fulfilment of our mission: connecting the Netherlands with the rest of the world.


Aviation

Key figures

EUR million	2016	2015	%
Total revenue	828	844	-1.9
Operating expenses	615	579	6.2
Depreciation	176	161	9.1
EBITDA	214	266	-19.6
Operating result	37	104	-64.0
Average fixed assets	2,300	2,225	3.4

EUR million	Aviation			Security		
	2016	2015	%	2016	2015	%
Total revenue	541	549	-1.5	287	295	-2.7
Operating expenses	368	341	7.9	247	238	3.8
Depreciation	135	124	8.5	41	37	11.1
EBITDA	173	208	-16.8	40	57	-29.8
Operating result	38	84	-54.3	-1	20	-104.3

Key performance indicators

Number of scheduled destinations

Passengers and cargo



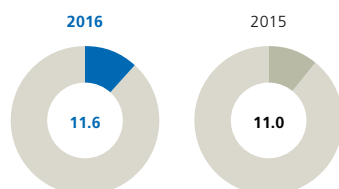
IR rate for baggage handling

in % of baggage delayed



Schiphol market share in passenger volumes

Top-10 European airports (in %)



Punctuality of arrivals

in %



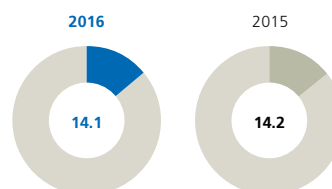
Punctuality of departures

in %



Schiphol market share in cargo

Top-10 European airports (in %)





Consumer Products & Services

Key figures

EUR million	2016	2015	%
Total revenue	306	314	-2.6
Other income	-	50	-100.0
Operating expenses	81	102	-19.9
Depreciation	27	24	13.4
EBITDA	224	262	-14.4
Operating result	197	238	-17.1
Average fixed assets	348	314	10.7
EUR million	2016	2015	%
Concessions	164	155	5.2
Parking fees	97	90	7.7
Retail sales	-	26	-100.0
Rents and leases	17	16	7.2
Advertising	17	16	4.7
Other revenues	12	11	6.3
Total revenue	306	314	-2.6

Key performance indicators

Airside retail spend per passenger

EUR per departing passenger

2016	13.65
2015	14.45

Airside catering spend per passenger

EUR per departing passenger

2016	4.32
2015	3.98

Parking revenue

EUR per departing passenger

2016	7.47
2015	7.91

Concession income

EUR per departing passenger

2016	5.14
2015	5.33



Real Estate

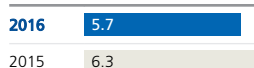
Key figures

EUR million	2016	2015	%
Total revenue	206	173	19.4
Other income and results from investment property	71	66	7.2
Operating expenses	109	85	28.6
Depreciation	19	19	-0.6
Impairment	2	7	-76.1
EBITDA	168	154	9.0
Operating result	148	129	14.8
Average fixed assets	1,980	1,861	6.4
EUR million	2016	2015	%
Investment property: buildings, including service charges	72	70	3.9
Investment property: land	30	24	24.7
Operating property, including service costs	41	43	-4.6
Other	62	35	75.9
Total revenue	206	173	19.4

Key performance indicators

Direct return on offices¹

in %



Indirect return on offices¹

in %



Total return on offices¹

in %



¹ Only standing investments. A standing investment is an object that was part of the portfolio throughout the year (i.e. from 1 January through 31 December) without being the subject of any partial transactions (partial purchase or sale) or development/redevelopment.

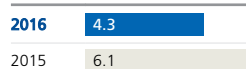
Direct return on industrial property¹

in %



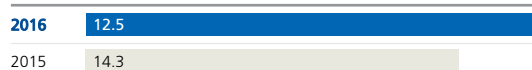
Indirect return on industrial property¹

in %



Total return on industrial property¹

in %



¹ This concerns the property index as included in the de ROZ-IPD benchmark. It does not include the activities of SRE International.

Occupancy rate

in %



Alliances & Participations

Key figures

EUR million	2016	2015	%
Total revenue	181	187	-3.1
Operating expenses	129	133	-3.6
Depreciation	15	19	-21.4
EBITDA	53	54	-2.0
Operating result	38	34	11.2
Share in result of associates including interest	74	63	17.6
Average fixed assets	1,054	983	7.2

EUR million	International airports		Domestic airports		Other participations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	13	13	95	92	73	81	181	187
Operating result	10	11	16	18	11	5	38	34
Share in result of associates including interest	74	63	-	-	-	-	74	63
	-	-	-	-	-	-	-	-
Total result	84	74	16	18	12	5	112	97
Average asset base	861	820	145	117	48	46	1,054	983

Key performance indicators

Eindhoven Airport

Number of passengers x 1,000

2016	4,732
2015	4,329

Rotterdam The Hague Airport

Number of passengers x 1,000

2016	1,644
2015	1,639

Brisbane Airport (Australia)

Number of passengers x 1,000

2016	22,678
2015	22,153

JFK IAT, New York (USA)

Number of passengers x 1,000

2016	20,594
2015	19,582

Our position in the value chain

Many parties are involved in Mainport Schiphol, and the passenger and cargo transport processes are the basis of a complex value chain. As an airport operator, Royal Schiphol Group has statutory responsibility for these processes. Our socio-economic task is to supply optimal infrastructure in order to maintain a high-quality hub for domestic and international air traffic.

Airports provide infrastructure and facilities for departing, transferring and arriving passengers and cargo, and for the businesses involved in the transportation process. As a multi-modal hub, we offer an attractive marketplace and business location. Our processes are carried out by a large number of parties, and responsibility is in many cases shared with business partners and sector partners. Airports do not always have full control over end performance.

The airport process

Schiphol Group plays a critical role in this chain: as an airport operator, we are responsible for these processes. This is also laid down in legislation and licences. Our activities revolve around three main processes: transport to and from the airport, the terminal, and the airfield with its aprons, taxiways and runways. The material aspects on which we report are directly linked to these processes.

Airport grounds

Schiphol Group owns all of the land on which the airport is situated. The group develops, builds and operates real estate and infrastructure such as roads itself, or leases out land under long leases. The terminal is owned by Schiphol Group. Real estate such as office buildings, cargo warehouses and hotels is developed by Schiphol Group on behalf of or in collaboration with users/lessees. Responsibility for spatial planning of the airport grounds is shared with government authorities.

Pre and post-transport

Schiphol Group owns the parking areas at the airports. By adjusting parking fees, Schiphol Group can influence the use of various modes

of transport. For example, picking up and dropping off passengers involves four car journeys, driving and parking oneself only two. Together with our public transport partners and government authorities, we are working to expand and improve train and bus capacity. Schiphol Group grants concessions for taxi services from the airport, including sustainable taxis.

Terminal

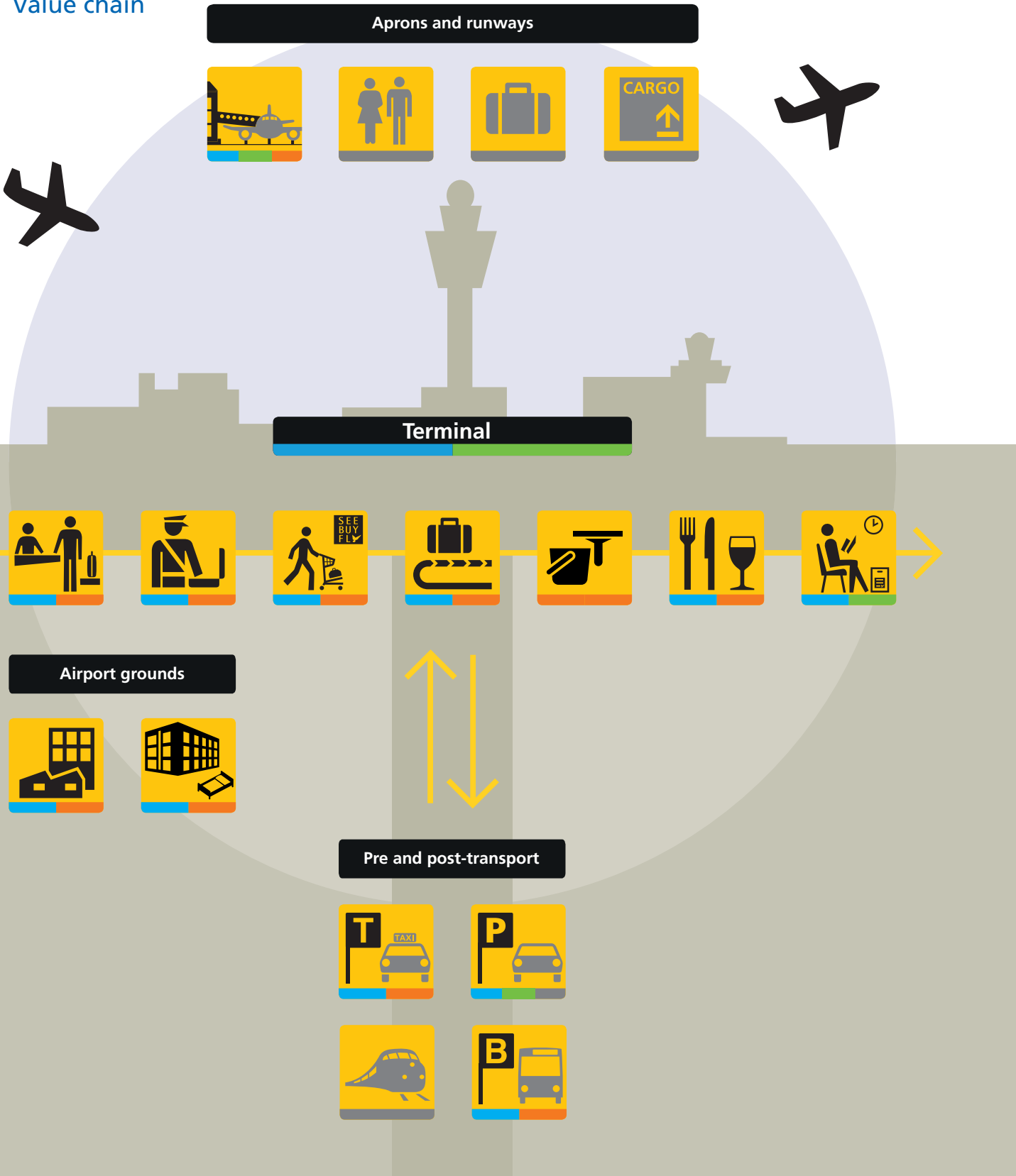
The terminal and infrastructure and systems such as check-in desks and the baggage system used by airline and ground handling staff are owned by Schiphol Group. Screening of people and goods is carried out jointly by the Royal Netherlands Marechaussee, Dutch Customs and security companies. The security and cleaning companies in the terminal are contracted by Schiphol Group. The departure lounges located behind border/security control are Schiphol Group assets. We grant concessions for operating retail and catering outlets and develop leisure concepts in association with these business partners.

Apron and runways

The gates and passenger bridges are Schiphol Group assets. Aircraft are not owned by Schiphol Group. The airlines are responsible for the safe carriage of passengers, baggage and cargo. The aprons and runways are Schiphol Group assets. We are responsible for the maintenance, availability and safety of the apron and runway infrastructure.

Air Traffic Control the Netherlands (LVNL) indicates which take-off or landing runways should be used. The government-appointed slot coordinator allocates licences to take off and land at specific times, in accordance with international regulations.

Value chain



- Own facility
- Full control
- In collaboration with partners
- No control

Our strategy



Trends and developments

↓ Presentation of the first Golden Booklet on Schiphol in Madurodam

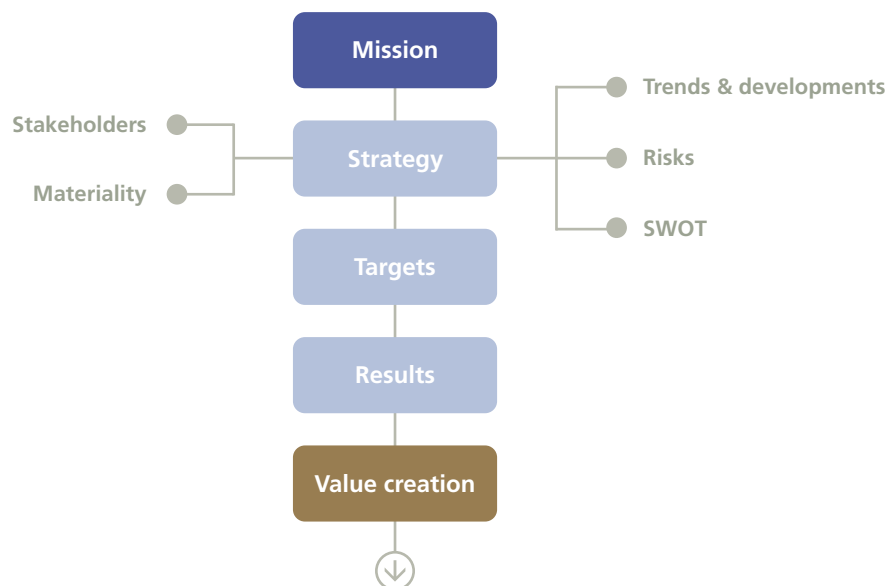


Royal Schiphol Group is firmly rooted in a dynamic and complex society. In our centenary year we experienced a surge in air traffic at our airports. The number of passengers travelling via Amsterdam Airport Schiphol has already reached the level that we had forecast a few years ago for 2020. This affirms the ever-increasing importance of aviation. Today, an airport with a network of flight destinations is as essential as a road or rail network.

The Reporting Summary sets out the structure of the annual report. Royal Schiphol Group's mission and socio-economic task have been captured in five strategic themes. The interests of our stakeholders have been incorporated in a number of material themes. Schiphol Group's strategy also responds to trends, developments and risks.

The SWOT analysis presents the opportunities and threats. Schiphol Group has formulated a number of objectives that will help it fulfil its mission and create value. The annual report website opens with a model that centres around value creation.

Reporting Summary



Our role in the Netherlands

Schiphol in 1916 and Schiphol in 2016 are two very different worlds. In the 1920s air travel was reserved for the happy few and primarily offered a luxurious and expensive alternative to travelling by sea to faraway destinations. It was only in the 1970s and 1980s that air travel became accessible to larger parts of the population. At that time Schiphol - like the Port of Rotterdam - became recognised as a 'mainport', an important gateway for the Netherlands and a major driver of the Dutch economy.

Society today is unimaginable without air travel. It is taken for granted that the Netherlands is accessible by air. Amsterdam Airport Schiphol, the most important airport in the group, facilitates the majority of the air transport services to and from the Netherlands, which are operated by over one hundred different airlines. The Dutch regional airports also contribute to the connectivity of the Netherlands. Schiphol Group is the owner and operator of Rotterdam The Hague Airport and Lelystad Airport, and holds a majority share in Eindhoven Airport.

The airports have become important elements of Dutch society, contributing to prosperity and well-being. This brings with it significant responsibility - a responsibility that grows as the importance of aviation increases. Moreover, our position must be viewed in conjunction with the development of other mainports, the Port of Rotterdam and the Eindhoven region. We must also consider other business location factors, such as digital

infrastructure. This is endorsed by the Council for the Environment and Infrastructure (RLI; see the section highlighted below).

Our mission: Connecting the Netherlands

Based on our mission of Connecting the Netherlands, we facilitate optimal connections with the rest of the world, contributing to prosperity and well-being in the Netherlands and elsewhere. We create social and economic value. We call this 'Connecting to compete and connecting to complete'.

Connecting the Netherlands is not a task we can perform on our own. We work in association with sector partners, such as airlines, handling agents, air traffic control, Customs and the Royal Netherlands Marechaussee. In collaboration with public transport operators, government authorities and our business partners we have developed our airports into efficient hubs and attractive visitor and work locations. We provide facilities for air transport and undertake to ensure good road and rail access to the airports.

It is Schiphol Group's task to meet the demand for air transport and to contribute to the economic growth of the Netherlands, taking the rapidly changing operating environment and requirements into account. Compared with the 1980s, when the focus was primarily on the immediate benefits of a successful airport, such as increasing employment in the aviation sector and in logistics services, today the horizon has widened considerably.

The end of the mainports?

'Does the future position of the Dutch mainports call for a change in policy, in the light of global developments?' This was the government's question to the Council for the Environment and Infrastructure. The Council provided its response on 1 July 2016 in a report entitled 'Mainports voorbij' (Beyond mainports). The Council concludes that while the Dutch economy has certainly benefited from the growth of the Schiphol and Rotterdam mainports, in the current context a separate mainport policy is no longer desirable. Although Royal Schiphol Group agrees that the mainport policy should, in due course, be reviewed against the background of national and international developments, we can only partially endorse this advisory report.

We concur with the Council that a broad government vision and approach are required. We support an integrated, comprehensive government policy, and a government with an integrated, comprehensive philosophy. It should be 'and-and', rather than 'either-or'. Digitisation, the energy transition and an attractive business climate call for an integrated vision. The individual mainports too are undertaking significant efforts in these areas. For this reason, Schiphol Group does not subscribe to the conclusion that a separate mainport policy is no longer required. On the contrary, the challenges highlighted, combined with internationalisation and the resulting need for connectivity, underscore the importance of Mainport Schiphol and an appropriate integrated policy.

Mainport Schiphol, together with the regional airports, not only constitutes a key business location factor and creates considerable employment opportunities, it is an increasingly critical prerequisite for promoting prosperity and well-being in the Netherlands. A lack of good air accessibility to the Netherlands would impair the Dutch knowledge economy. We call for a broader view of Mainport Schiphol, which reflects the contribution it delivers to society and its impact, both positive and negative.

Airports are assuming an ever more important role in facilitating flows of passengers and goods, constituting the basis for international trade, knowledge exchange and tourism. This is impossible without good and frequent connections. The airport as an economic engine holds true for Schiphol, our most important airport, but equally applies to the regional airports. They perform a pivotal role in regional economic development and tourism. Eindhoven Airport is growing rapidly thanks to the upswing in economic activity in the Brainport region and the rising demand for low-cost leisure flights.

The Netherlands, and the Amsterdam Metropolitan Area in particular, have become more attractive to internationally oriented businesses due, in part, to our airports, and especially to Amsterdam Airport Schiphol. We plan to build on this development. The proximity of a major airport with a refined network of destinations is a potentially decisive business location factor. Companies like Microsoft, Cargill and Danone have opted for the Amsterdam Metropolitan Area given the excellent accessibility of this location from Europe and the rest of the world. Such companies have a higher level of productivity than regionally oriented businesses, a factor which again adds value and drives prosperity.

Airports offer opportunities in other areas too: they enable people to engage and maintain contact with others abroad, to enrich their lives with new experiences or to enjoy leisure activities in a different environment. This represents a further contribution we make to well-being in the Netherlands and the wider world.

We are aware that our activities have not only a positive but also a negative impact, particularly on the airport environs. This concerns noise impact and emissions, such as CO₂ and fine and ultra-fine particles. The rising volume of air traffic has an impact on the airport environs and an airport also has consequences for spatial development opportunities. The air traffic routes and the associated noise impact and safety zones virtually rule out the possibility of building homes in certain areas. In conjunction with our sector partners and in close consultation with the authorities and local residents, we endeavour to minimise these adverse consequences. We are also working to improve the quality of the living environment, an example of which is our contribution to the Schiphol Quality of Life Foundation (Stichting Leefomgeving Schiphol). We promote sport and physical exercise initiatives in the local community through the Schiphol Fund.

Our ambition: Europe's Preferred Airport

The Netherlands is not an inherently large market considering the size of Schiphol's immediate catchment area and the number of potential passengers. This is why we will continue to develop Amsterdam Airport Schiphol as an airport which is more than simply a departure, transfer or arrival point. We aspire to be Europe's Preferred Airport, the European airport of choice for passengers, airlines and logistics service providers. An airport which stands out with smooth processes and an appealing array of retail and catering outlets for departing, arriving and transfer passengers. We aim to offer passengers a pleasant experience so that they will again choose Schiphol on a subsequent journey.

We will continue to develop Amsterdam Airport Schiphol as an attractive business location, an ideal workplace for thousands of people and an area where people can meet, relax and stay overnight. Schiphol does not necessarily need to be the largest or least expensive airport, but it must be the airport that delivers the best quality at a fair price. This is the basis that will enable us to continue providing optimal connectivity for the Netherlands.

The dynamic environment in which we operate

Schiphol Group operates in a dynamic environment. In order to perform our socio-economic task, we need to respond adeptly and take a forward-looking approach to developments within and outside the aviation sector.

Central to this is an understanding of the drivers of air transport growth, particularly in view of the higher than expected growth in the number of passengers travelling to and from Schiphol in 2016. Following a 4.6% increase in 2014 and a 6.0% increase in 2015, we recorded an increase of over 9% in 2016. According to an estimate by Airports Council International (ACI), worldwide growth in passenger numbers amounted to 4.9%. Similarly, cargo volume at Schiphol climbed to a record 1.66 million tonnes. Amsterdam Airport Schiphol currently ranks as Europe's third-largest passenger

China: Connecting to compete and connecting to complete

Schiphol has excellent air connections with China, with direct flights to eight destinations (in comparison, London Heathrow has five). In addition to delivering a direct economic impact, connectivity offers further advantages. For example, good accessibility is a factor which makes Dutch universities attractive to Chinese students. The tuition fees they pay are an important source of income for the universities and contribute to the universal affordability of higher education. Moreover, in the longer term there is a good possibility that students who studied in the Netherlands end up in senior positions in a business or organisation in China. If they plan to do business in Europe, they will likely think of the Netherlands where they have already established a social network.

airport, and retains the ranking it has held for several years as third-largest cargo airport.

We have generally been able to project demand for air transport on the basis of economic forecasts. While these forecasts continue to provide guidance, we have found that economic variables are becoming less important in explaining developments in the sector. The surge in passenger numbers is attributable not just to the growth of the Dutch economy and the recovering global economy.

Growth is more often a consequence of choices individuals and businesses make based on multiple social, geopolitical and economic factors over which Schiphol only has a limited influence. We highlight and monitor these factors to identify the key risks we are exposed to and their implications for aviation in general, and for Schiphol Group in particular. We make adjustments where necessary within the five strategic themes of Top Connectivity, Excellent Visit Value, Competitive Marketplace, Development of the Group and Sustainable & Safe Performance. The SWOT analysis presents an overview of the trends and developments that can be translated into strengths, weaknesses, opportunities or threats. It also highlights a number of themes that specifically apply to Schiphol.

Drivers of growth

Socio-economic developments

Globalisation

Society is increasingly internationalising from a socio-economic perspective. Trade barriers are falling away. More than in the past, the economy is a complex network of smaller businesses rather than conglomerates, resulting in greater specialisation, also geographically. This generates new international trade and knowledge flows, in turn boosting demand for air traffic.

People's personal lives are globalising too. Thanks to social media such as Facebook, Twitter and Instagram, friends and knowledge networks have become borderless. A growing number of international contacts similarly helps boost demand for consumer air travel.

Urbanisation

The whole world, including the Netherlands, is urbanising. People and organisations prefer to be close to each other, at locations offering the best job prospects. At the global level, urban regions (global cities and metropolitan areas) are attracting economic activity and are flourishing, whereas more remote areas and cities are facing tougher times.

Airports in the vicinity of major cities and metropolitan areas are gaining in importance. Cities with a central business district relatively close to the airport (such as Amsterdam, Zurich, Copenhagen and Frankfurt) are more likely to be successful than cities served by a remote airport.

Newcomers in international traffic

There are large groups of people who previously travelled very little beyond their own borders, such as the population of China. Other countries (such as Turkey) may find that visa requirements are lifted in the future, eliminating a major barrier to international travel.

Together with our business partners we have established the China Board, aimed at ensuring that we take into account cultural customs when dealing with Chinese travellers.

Time is more valuable

Time has become more important both in our working and social lives. Time is more valuable than ever. Where in the past a business trip lasted two days, nowadays it is not uncommon to fly back from a meeting within half a day. An intricate European network enables Schiphol to respond to the need for greater speed and efficiency.

We are observing a parallel development in the personal sphere, with consumers planning their holiday flights more efficiently. People are opting for an optimal travel schedule rather than a direct flight with a less convenient departure time. The need for efficiency will also have an impact on operational processes, with diminishing acceptance of queues, unless waiting time can be spent usefully.

Growing demand for a wider choice of flights will be advantageous for airports with a large network of high-frequency flights.

Cheaper air fares

Air fares have fallen considerably across the board, due to factors such as increased competition between airlines and lower oil prices. This has brought about a change in travel behaviour. Whereas in the past consumers could afford one holiday flight a year at most, many can now afford two or more. As flights become cheaper, people are more likely to spend time working or living in another country for some time.

Rise in incoming tourism

The Netherlands is enjoying increasing popularity as a holiday or city break destination. In 2016, 15.7 million tourists visited the Netherlands, a 5.0% increase. This is largely attributable to the appeal of Amsterdam, but other destinations including Rotterdam are also popular among foreign tourists. Factors such as the flourishing economy combined with the cheap euro also increase the appeal. Flight availability is another factor that comes into play. For instance, the growth in the number of Indian tourists in 2016 can be linked directly to additional flight capacity. The Netherlands Office for Tourism & Conferences (NBTC) projects a further increase in the number of overseas visitors in 2017.

Capacity shortage at Schiphol

Growth at Schiphol is limited to 500,000 air transport movements until 2020. In view of the imminent capacity shortage in the short term, airlines have probably accelerated their growth at Schiphol in the past year to secure the scarce capacity.

Strengthening our competitive position

Developments in the aviation sector

Although there is little doubt that air traffic will continue to grow in the years ahead, we cannot assume that a proportionate part of that growth will go to Schiphol Group's airports. We must consider our position in relation to our competitors. Technological and other developments across the aviation sector will also affect how we must strengthen our airports, particularly the Schiphol hub.

Middle East competition

The hub airports in the Middle East are major competitors for the European hub airports. However, we are now observing a number of developments that will mitigate the competitive pressure, at least temporarily. Airports in the Middle East began charging transfer passengers airport fees for the first time in 2016. This increase in visit costs could weaken the competitive position of these airports somewhat. We are also witnessing several other significant developments. Looking specifically at our competitor in Turkey, Istanbul Airport, its popularity has dwindled due to a series of terrorist attacks and the political climate in Turkey. This could be a temporary effect which may also affect other airports. In the long term, with the opening of a new airport, Istanbul is likely to remain a very strong competitor.

Competition facing network carriers

The role of low-cost carriers is increasing, not only in Europe but also on intercontinental routes. Network carriers must compete by lowering costs and enhancing their product offering. Airports are playing a prominent role in this regard. We have noted that network airlines are interested in developing their own low-cost flight services, both European and long-haul.

Hub-to-hub traffic on the rise

Patterns in long-haul air traffic, mainly between Europe and North America, are changing. The percentage of passengers (both economy and business/first class) on this route taking a direct flight to their destination has declined from 53 to 45 in the past decade. More and more passengers are taking a connecting flight on an intercontinental journey. This may be due to the air fare or flight times. The number of passengers transferring twice is also growing.

Scarcity of capacity

The growth of air traffic has implications for resources not just at Schiphol. Many major European airports are approaching their capacity limits. Scarcity therefore is becoming a wider problem. Schiphol Group's regional airports likewise have a need for increased capacity. Eindhoven Airport and Rotterdam The Hague Airport are both working to expand their capacity. The new Lelystad Airport will help to accommodate this need for additional capacity, mainly for leisure flights, giving Mainport-related traffic room to grow at Schiphol.

Deployment of new aircraft types

New technologies are changing the operating range of aircraft. Aircraft types such as the Boeing 787 and the Airbus 350, which have replaced the Boeing 747 and 777, are capable of 'skipping' a hub. This would, in principle, adversely affect the hub airports. However, these new aircraft types primarily operate on existing routes. Where they operate new routes, almost all have a primary hub as a departure or destination airport. If this trend continues, this should constitute an opportunity rather than a threat for hubs such as Schiphol.

Other developments

Relationship with our business model

Online and offline shopping

Consumer behaviour has changed profoundly in recent years. Passengers increasingly expect an omni-channel experience, including continuous access to consistent and real-time information. Online shopping poses a threat to traditional shops, including at airports, but also presents opportunities to develop this omni-channel approach. Airport shops will have to offer an even broader range of products, both online and offline. In collaboration with our business partners we are developing new business models for retail, catering and media.

The possible abolition of the duty-free sales of tobacco and alcohol and restrictions on the number of carry-on bags (the 'one-bag rule') constitute a further threat to airport retail sales.

Digitisation and innovation

Society is rapidly digitising. New market players and products are emerging to offer digital support or solutions to myriad activities and functions. On top of that, people are connected to one another anytime anywhere. Travellers are increasingly using the available technological resources to prepare, book and experience their journey. Airports need to respond to this trend and ensure optimal services to passengers before and during their journey (offline and online). Schiphol is preparing for its role in this changing world by investing in innovations, such as biometric border control, smart assets and mobility services. By effectively utilising digital contact moments, we will connect with and stay connected to travellers and be able to provide them even better service.

Mobility is changing

Owning a car is less important to the younger generation than to older generations. A car is no longer considered a status symbol. Car sharing is becoming more popular, particularly in major cities where public transport or a bicycle are good alternatives to cars. In addition, new business models such as Uber are maturing. The driverless car is projected to make its appearance on the roads around 2020. This will have an impact on people's behaviour and choice of transport, on certain occupational groups, such as taxi drivers, on the use of the road network and on the need for parking facilities.

Brexit

Brexit could pose challenges to Schiphol relating to connectivity, and cargo and baggage customs control. Depending on nature of the Brexit process, this may have implications for the agreements that currently apply within the European Union to the use of airspace and British carriers. It is conceivable that new or additional regulations will be introduced for goods and that the Royal Netherlands Marechaussee may need to conduct additional border and visa checks. The United Kingdom is an extremely important market for Schiphol with a 15% share of the passenger market and just under one thousand weekly flight departures.

Sustainable aviation

The international aviation sector is responsible for around 2.5% of CO₂ emissions worldwide. Emissions are set to rise due to the projected increase in air traffic. In Montreal, during the conference held by the International Civil Aviation Organization of the United Nations (ICAO) every three years, it was agreed that the sector will reduce emissions by way of technological innovations, improved procedures and biofuel. And while the focus is on airlines, airports and airlines are so closely intertwined that the airports will have to participate in the effort to reduce emissions.

Implications for our airports

We will reach the agreed limits to growth at Schiphol sooner than expected, probably as early as in 2017. In the Schiphol Local Community Council we have agreed that the number of air transport movements through 2020 will not exceed 500,000. We will adhere to that agreement. The unexpectedly strong growth in passenger numbers in 2016 may have something to do with the fact that Schiphol is now nearing that limit. As a result, airlines will face a shortage of slots as early as in 2017 and we will not be able to fully satisfy the demand for air transport capacity. This will have consequences for our customers and for the Dutch economy at large.

Lelystad Airport should be able to accommodate part of the demand from April 2018, particularly where holiday flights are concerned. However, since not all arrangements will be in place to provide the requisite air traffic control services in time, it seems likely that the opening of the new Lelystad Airport will have to be postponed to April 2019.

We expect that despite the limitation on the number of air transport movements, passenger numbers at Schiphol will continue to rise due to the use of larger aircraft and a higher load factor. The outlook for Schiphol in the long term remains favourable. Although we anticipate fierce competition in certain areas, we are well prepared to address the challenge thanks to our hub function combined with the appeal of the Netherlands, and of the Amsterdam Metropolitan Area in particular.

The strong growth we are currently experiencing is easily explained in light of the developments outlined above. It does however present us with some significant operational challenges. The measures we are taking in response to those challenges include both long-term and short-term perspectives. See the chapter on *Results* for further details.

The future of aviation in the Netherlands hinges upon a thorough and comprehensive understanding of the role and importance of aviation to Dutch society. This should also involve an exploration of the various ways in which the aviation sector could help the country cope with a range of future societal challenges. Within this context, Schiphol is developing a vision on aviation and its own role in it for the period beyond 2020. Crucially, in that vision it is not the aviation sector itself that will take centre stage, but society at large. This requires an integrated and comprehensive approach, also from the government.

The Dutch government's Action Agenda

In 2016 the Dutch government presented the Schiphol Action Agenda for 2016-2025. The government involved us and other sector parties in the preparatory phase of this Agenda. In the document the government expresses its ambition to accommodate the growing demand for air transport in the Netherlands, specifically at the airports of Schiphol, Lelystad and Eindhoven. Needless to add, this should be achieved with due regard for the various interests in the surrounding communities as well as for security and sustainability. Schiphol Group supports this ambition. It requires that we continue our investments in quality and capacity. The government's task is to facilitate the necessary conditions. If we are to achieve this ambition beyond 2020, new agreements will have to be made with parties in our environs and other stakeholders.

Material aspects for stakeholders

Schiphol Group has a large number of stakeholders varying from sector partners and government authorities to employees and local residents, each with their own - and often diverging - interests. We are in continuous dialogue with these stakeholders. An overview of all stakeholders and contact moments is provided in the section on *Socio-economic accountability*. Topics addressed in our stakeholder consultations are determined on the basis of the material themes that guide Schiphol Group and on which it reports in the annual report. The interests of Schiphol Group and those of our stakeholders in respect of these themes are juxtaposed in the materiality matrix below.

Materiality analysis 2016

In 2016 we carried out a comprehensive materiality analysis, which is our policy to conduct every three years, supplemented by 'light updates' in the intervening years. We began by conducting an internal analysis to verify that we had identified all the relevant themes (big data check, media analysis and peers). We then sent out surveys to external and internal stakeholders on behalf of the CFO, which were completed by more than one hundred respondents. This included a long-list of 24 topics which we asked them to rate in terms of importance. Based on these scores we clustered the topics to arrive at the final topics as they are now presented in the materiality matrix, giving all stakeholders equal weight. The Management Board adopted this materiality matrix in October, and the topics serve as a starting point for this annual report. They are also used in our strategy and tactical details.

Shifts in 2016

At the top of the matrix is safety, as it was in the previous matrix. A number of other topics have shifted relative to the previous matrix, and topics are more spread out. Air quality was scored as more important than CO₂ emissions. Commissioning and Accessibility are extremely relevant to our stakeholders. Schiphol Group is a

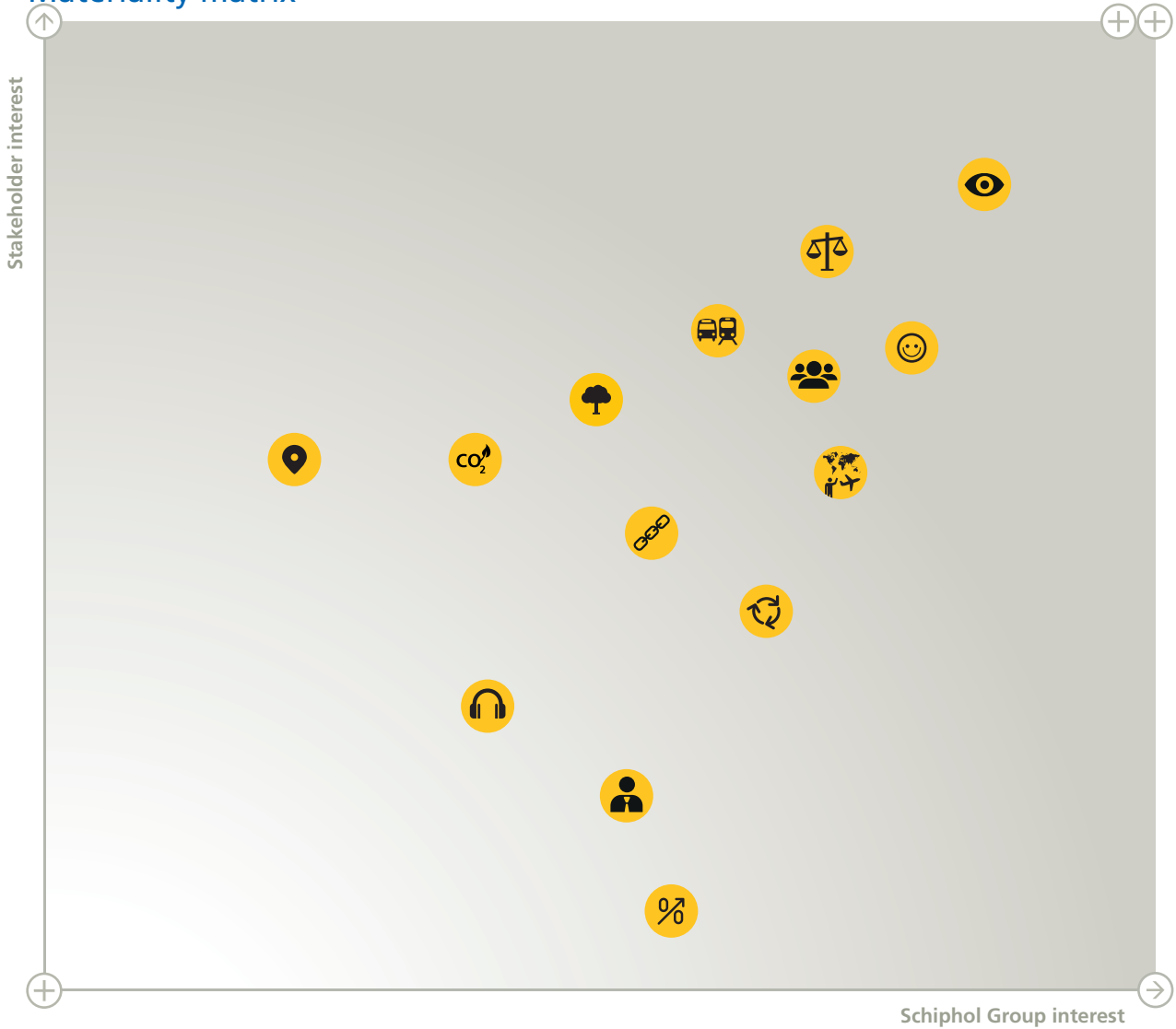
coordinating organisation, and contracting practices are essential to that. However, this is the first time the theme was included in the matrix. Noise scored lower than in our reports of the past two years; one explanation for this is that Noise did not receive a high score across all stakeholder groups.

'Internal' topics such as Employment practices and Financial solidity are less important to our external stakeholders.

Philanthropy and Biodiversity were also included on the list but fell just outside the figure presented here, which represents the top right-hand quadrant and includes the issues that are most important both to Schiphol and to the stakeholders. Water scored lower than in the previous matrix; we no longer report on this topic in the annual report.

In the open question, respondents suggested that Schiphol Group could play a larger role in the mobility transition, should be more candid in its communications and be more active in partnerships. Playing a role in mobility development was also a recommendation made during the *stakeholder dialogue* on Corporate Responsibility.

Materiality matrix



Top Connectivity



Network of destinations



Airport capacity



Accessibility



Excellent Visit Value



Customer appreciation



Safety & security



Competitive Marketplace



Regional significance



Development of the Group



Financial Solidity



Employment practices



Sustainable & Safe performance



Noise



CO₂ emissions



Raw materials and residues



Air quality



Supply chain responsibility

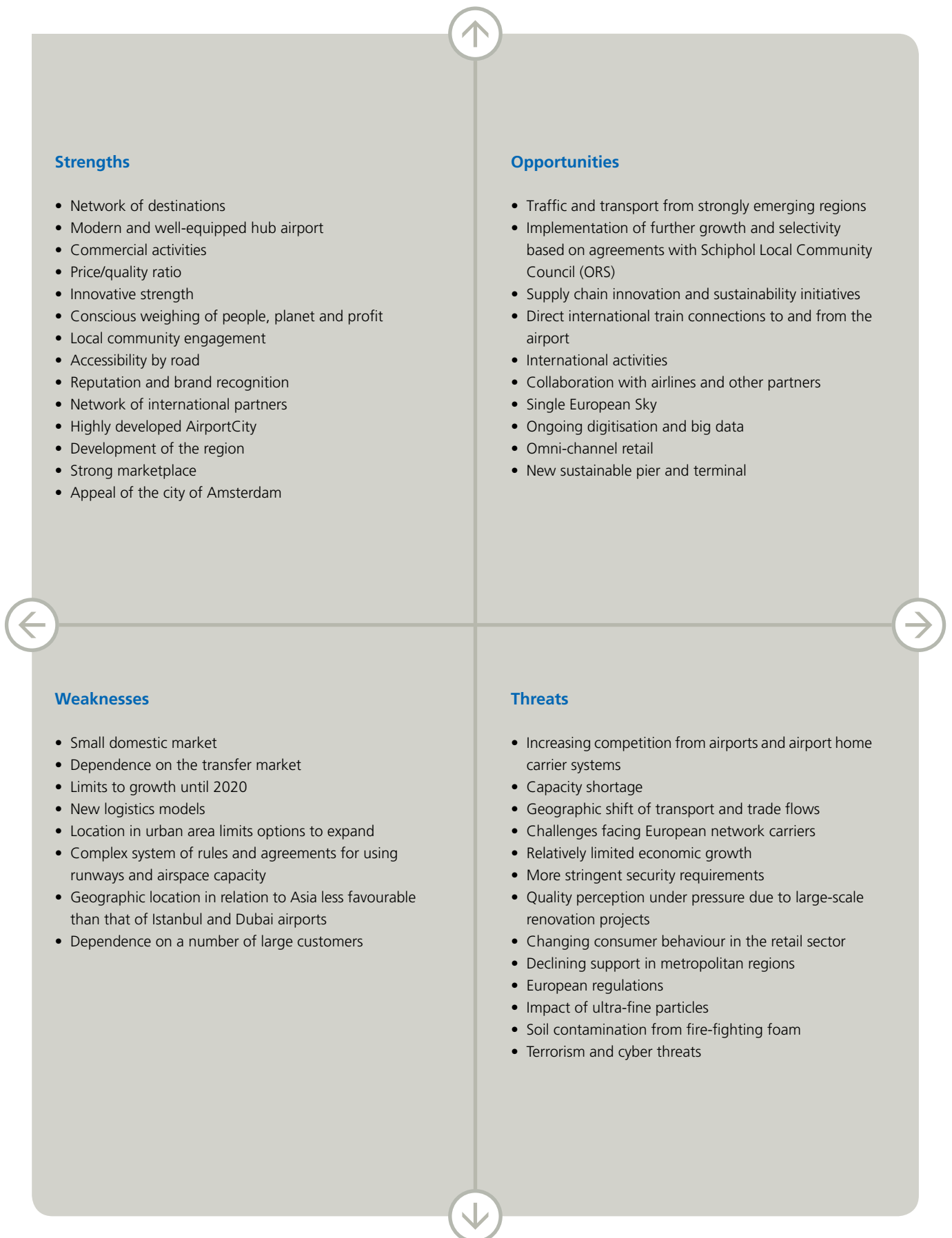


Commissioning



Safety & security

SWOT analysis



Our strategy: Mainport development

↓ The Schiphol Fund Bicycle Tour



The central focus of our strategy for the years 2016-2020 is to strengthen Mainport Schiphol. We will use this strategy to fulfil our mission of Connecting the Netherlands: providing optimal connections with the rest of the world, thereby contributing to prosperity and well-being in the Netherlands and elsewhere. This is summarised in our motto, 'Connecting to compete and connecting to complete'. We will continue to develop Amsterdam Airport Schiphol as one of the world's most important hub airports, with an intricate network of destinations.

Mainport Schiphol



Strategic themes

Our strategy is embodied in five themes: Top Connectivity, Excellent Visit Value, Competitive Marketplace, Development of the Group and Sustainable & Safe Performance. Each theme has its own focus area; Sustainable & Safe Performance is the dimension that connects them.

Top Connectivity The best connections

Mainport Schiphol's principal strength is its network of connections. The majority of these are served by our home carrier KLM and its partners. It is this intricate network that makes Schiphol one of Europe's key hubs. We strive to expand the network not only in Europe but intercontinentally as well, particularly by adding destinations that support the Mainport. To continue Mainport development, current capacity in and around the terminal will have to be used even more efficiently and new capacity must be created.

The new pier will become available in 2019. Four years after that, a new terminal will be opened in the same area. Until the new terminal is finished we will take additional measures to maximise the use of existing capacity. We have already begun building a temporary departure hall above the existing Baggage Hall South, which will be connected to Terminal 1 and taken into operation in April 2017.

Growth in traveller numbers makes it also necessary to further develop the station area. Expansion and renovation are required to cope with the large volumes and maintain comfort for public transport users. These efforts are taking place in cooperation with the Amsterdam Metropolitan Area, ProRail, the Dutch Railways (NS) and the Ministry of Infrastructure and the Environment.

We also expect continued growth at Eindhoven Airport. Over the next few years, the number of air transport movements will be permitted to increase by 15,000 in phases, to 43,000. Expansion of this airport's capacity is already under way, with a new baggage hall to open in 2017. Lelystad Airport will be ready to serve commercial flights in 2018, and from 2019 will focus on non-Mainport-related air traffic to make way for Mainport traffic at Schiphol.

Excellent Visit Value An attractive airport

Our ambition is for Schiphol to be Europe's Preferred Airport and the first choice among passengers, airlines and logistics service providers. We strive for top quality in our processes, facilities and commercial offering, while taking into account the interests of customers and passengers.

At Schiphol, the passenger experience is key. If passengers are satisfied with the efficiency of procedures and the attractive retail and food offering, they will be more likely to choose Schiphol again the next time they travel. We invest in processes and resources that will improve this experience and monitor them closely during large-scale renovation works. One example is the accelerated digitisation of the airport. As well as enabling us to inform travellers through our full range of channels, automation (in passport control, for instance) and extra security lanes will help to speed up processes.

We continue to offer a high standard of retail and catering services. Retail earnings have not grown in pace with traveller numbers, however. This is partly attributable to heavy traffic flows and renovation, but it is also symptomatic of a wider trend in purchasing behaviour, with consumers increasingly preferring to buy online rather than offline. We are catering to this shift through new concepts and an adapted offering, and by developing alternative sources of revenue.

Schiphol's efficient, innovative logistics chain makes it ideal for cargo. We search for and deploy innovative solutions leading to higher, more affordable quality and lower costs for ground handlers and forwarders.

We continue to strive to offer an attractive product at a competitive price and seek to achieve quality and cost levels that compare favourably to our rival hubs. However, after years of decreases, it is unavoidable that our airport charges will rise. Following another reduction in 2017, they are expected to increase once again in 2018.

Competitive Marketplace A prime location

We are continuing to strengthen the Mainport through further development of AirportCity Schiphol as a prime location for work and leisure, boasting excellent accessibility and good parking options. A key reason why international businesses establish themselves here is the proximity to the airport. By locating at or near the airport, businesses can save valuable time. Offices, meeting facilities and hotels in and around the terminal are all performing very well, as are logistics services based along the periphery of the airfield. We strive to maximise these advantages in our real estate portfolio.

Improvements to the quality of the working environment are ongoing, with the addition of facilities and the offer of innovative lease concepts and services. Schiphol also seeks to provide an impulse for the regional logistics sector and is exploring opportunities for new business, for example through the application of new technological developments.

Development of the Group A strong Group

A greater focus on the synergy that we can develop as a group will enable the Schiphol Group airports to work ever more closely together. Our ability to do this will depend to an important degree on improving the Schiphol Group organisation. We are evolving into a High Performance Organisation and are actively promoting inclusive business practices. We coordinate our large investment projects in an integrated manner.

Synergy can be achieved primarily through more efficient use of our own airport network, making the most of the interplay between Amsterdam Airport Schiphol, the regional airports and the group's international activities. We are seeking to expand our international activities, particularly with airports of strategic relevance for the Mainport.

Schiphol has a sound and forward-looking financial policy, which is keyed to our mission to achieve reasonable returns that will enable us to independently finance future investments.

Sustainable & Safe Performance Sustainability and safety as basic conditions

Sustainability and safety are the basic conditions for everything we do and will only become more important in the years to come. Our responsibility for these themes, which transcend the interests of our business, is a fixed and integral consideration in the decisions we make. Maintaining a healthy and safe working environment for staff and safe surroundings for passengers and nearby residents is a top priority. We are developing into a High Reliability Organisation. To us, sustainability means we maintain our focus on long-term developments and seek to create lasting value. Staying in continuous dialogue with our stakeholders is crucial. We carefully balance the social, environmental, commercial and financial interests of people, planet and profit, increasingly measuring our value creation against more than financial criteria alone.

Cohesion

Our strategy responds to new developments in the aviation industry, society and the world at large. This also enables us to plot a course so that we are better equipped to take on challenges, risks and opportunities. The material topics highlight the interests of both our stakeholders and Schiphol Group and indicate where we can make a difference and thereby have an impact. We feel that it is important to establish a clear link between material aspects and our strategy. At the same time, we want to mitigate the associated risks by actively managing them.

An overview clarifying the relationship between the key risks facing Schiphol Group, its strategic themes and material aspects is presented below.

Schiphol Group faces strategic, operational, financial and compliance risks. We have identified the key risks which could stand in the way of achieving our mission and we have taken the appropriate measures to mitigate these risks. Risk management is an integral part of our business operations.

The most important risks are as follows:

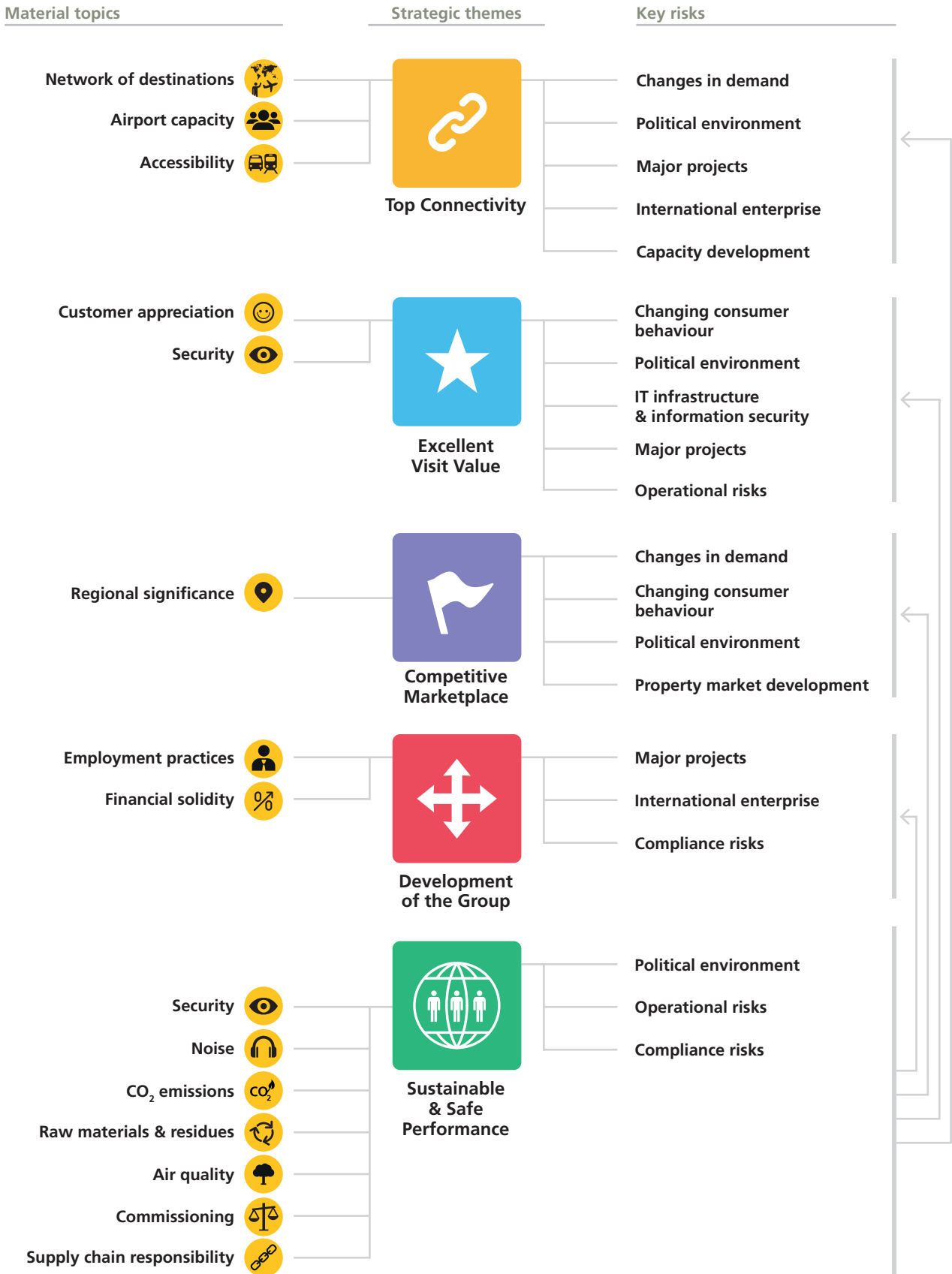
- **Change in demand:** can have a negative impact on our network, while our relatively fixed cost structure offers limited flexibility to cope with unexpected changes in demand.
- **Capacity development:** during lengthy development periods, conditions can sometimes change to the extent that new

capacity is not ready when it is needed or is no longer the right solution by the time it is delivered.

- **Changing consumer behaviour:** heavy competition from Internet and omni-channel retail concepts, resulting in pressure on airside retail passenger spending.
- **Real estate market development:** the focus will remain on developing Schiphol as a prime location. However, supply elsewhere and shifts in demand could have a serious impact.
- **Political context:** comprehensive government policy and effective economic regulation are necessary for a strong Mainport.
- **IT infrastructure and information security:** increasing dependence on IT systems makes their sustained availability, reliability and security crucial.
- **Major projects:** the progress, budget and quality of major projects must be monitored to ensure the required capacity is available as needed and investments achieve the desired effect.
- **International enterprise:** presents opportunities for risk diversification but can also pose unknowable risks.
- **Operational risks:** safety, business continuity and dependence on third parties must be properly managed in order to reliably facilitate growth.
- **Compliance risks:** failure to comply with legislation and regulations and other integrity violations could lead to reputational damage and loss of support.

Control measures are covered in more detail in the section on *Risk management* (page 110).

Cohesion



Targets

Every year we translate our long-term strategy into a four-year tactical plan, which incorporates the budget for the next year alongside an outlook for the subsequent three years. The tactical plan sets out in concrete terms how we intend to achieve all of Schiphol Group's strategic milestones. An important condition of the plan is that it meets the requirements of a sound financial policy. The company must maintain its creditworthiness (S&P rating of A+) and be robust enough to weather any financial setbacks. Schiphol Group also aims to meet or exceed the return required by the Dutch government, currently 6.7% (return on equity of Schiphol Group). The tactical plan also results in a management agenda which sets out concrete actions and targets for management for the year to come.

2017 Management Agenda

Facilitating the airport's continued, sustainable growth is one of our top priorities for 2017. To this end we not only have to obtain the government's support for such growth, but will also seek to establish a new framework of agreements within the Schiphol Local Community Council. In 2017 we intended to work on developing a vision for the period spanning 2020-2030, which will include an integral focus on Corporate Responsibility.

Another important priority is our Digital Airport Programme. Digitising processes to the greatest extent possible will enable us not only to enhance the quality of our product but also to maintain our competitive price level.

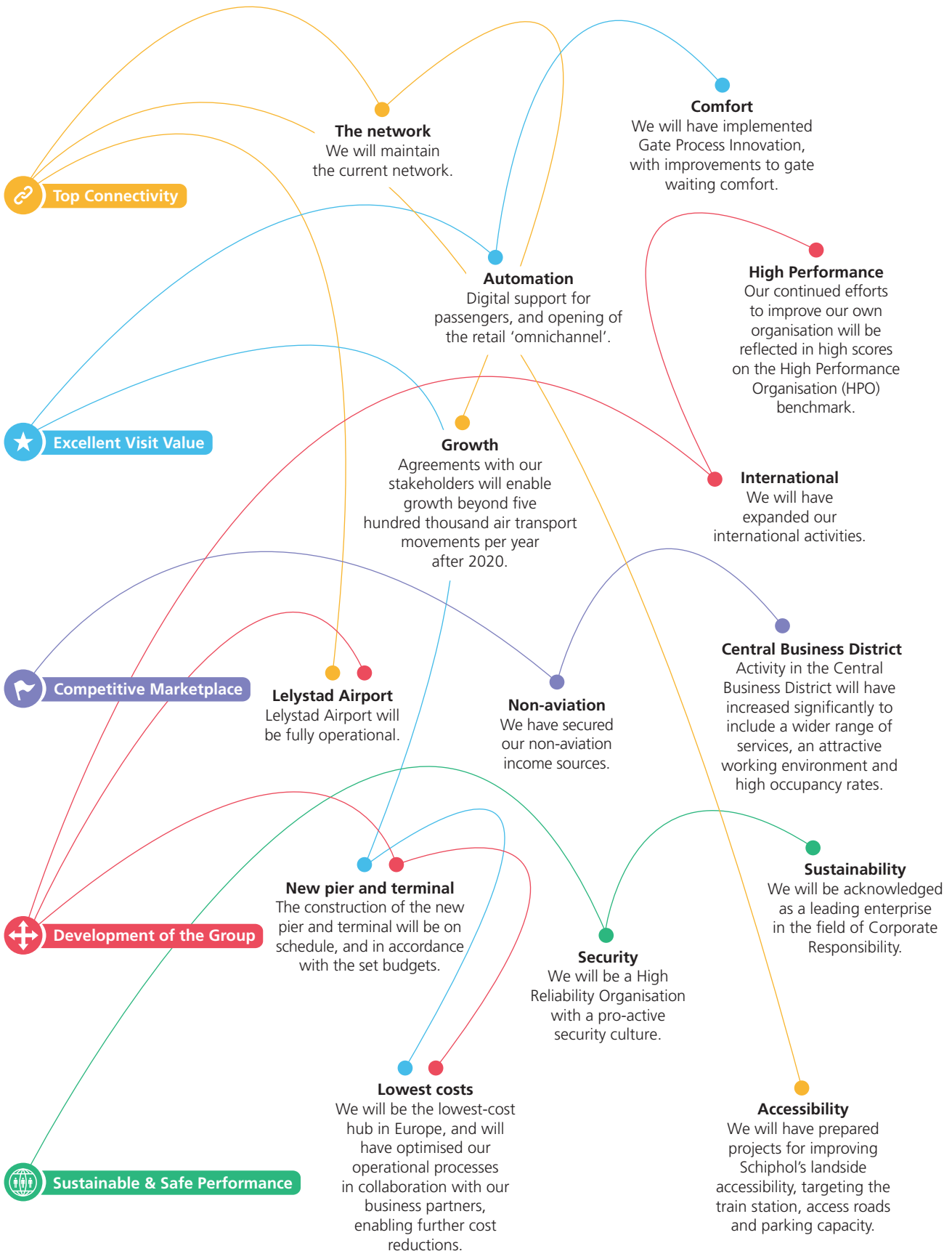
Various investment projects are slated for 2017. The largest, comprising the development of the new pier and terminal, will involve mostly preparatory activities this year. Safeguarding the continuity of daily processes throughout all works in the coming years is a key priority. So, even as we prepare for the future, we must also focus on the quality of our ongoing operations, paying particular attention to safety and our safety culture, information security and effective coordination with our stakeholders.

2017 Management Agenda

Priorities

Facilitate sustainable growth - <i>Conclude a framework agreement with the ORS, create support for the envisaged growth among public authorities and at the political level, and finalise the 2030 Master Plan</i>	<input type="radio"/>
Take a leading role in CR in the sector - <i>CR and sustainability should become integral components of the Vision for 2030 to be developed</i>	<input type="radio"/>
Safeguard high levels of quality in processes and customer satisfaction at competitive cost levels - <i>Implement the Digital Airport Programme using measurable business cases and concrete road maps, and with specific attention for culture and conduct</i>	<input type="radio"/>
Facilitate capacity for 500,000 air transport movements at Schiphol and sufficient capacity at the regional airports, including commitment for the opening of Lelystad Airport on 1 April 2019 at the latest	<input type="radio"/>
Maintain the quality and connectivity of the network – <i>By maintaining more than 300 destinations</i>	<input type="radio"/>
Implement investment projects and secure good road and public transport access - <i>Start preparations for the construction of the new pier and terminal</i>	<input type="radio"/>
Optimise commercial revenue and maximise scarce square meterage - <i>Enhance commercial revenue and develop new business models that contribute to this</i>	<input type="radio"/>
Improve coordination with stakeholders - <i>Focus on a long-term solution to the taxi issue, increase staff capacity for the Royal Netherlands Marechaussee at the airport, and generate support and contributions from the government for innovation in security and border passage</i>	<input type="radio"/>
Realise projects with a specific focus on safety - <i>Work towards a 'level 4' safety culture within the organisation, and further implementation of measures to promote information security objectives</i>	<input type="radio"/>
Develop the organisation - <i>Further professionalise the organisation and improve its effectiveness, by focusing on High Performance Schiphol, active talent management and developing international leads</i>	<input type="radio"/>

Where will we be in 2020



Our results



2016 Management Agenda











The Remuneration Committee of the Supervisory Board determines the Management Agenda, which includes the management priorities that are supported by more specific, concrete targets. Those targets set the course for the entire Schiphol organisation. The evaluation of the Management Agenda and associated targets is also used to determine the variable remuneration. For more information, see the *Remuneration section*.

Most of the 2016 targets were achieved. The airport's market position and the quality of its network amply exceed the corresponding targets. Amsterdam Airport Schiphol, as well as the regional airports, are fully able to accommodate the flights offered. Schiphol Group's expansion of Lelystad Airport is proceeding on schedule. Working with our stakeholders, we have achieved good results, including the establishment of the Schiphol Action Agenda. The past few years have seen the necessary measures in the areas of security, information security and safety culture. The first major strides forward have also been made for the digitisation of


important processes at the airport. The intended result in the area of quality and customer satisfaction was partially met. The quality targets measured through continuous customer satisfaction surveys were achieved.


Points requiring further attention include a focus on realising scheduled major projects within the budgeted time frame. In addition, Schiphol did not succeed in keeping the costs per passenger within budget, despite the accelerating growth in passenger numbers. This was caused by multiple factors, including higher security costs, extra operational measures and additional costs associated with nuisance caused by taxi touts. The Master Plan 2030, which was to have been completed in 2016, incurred delays for various reasons and will not be finalised until mid-2017. Commercial activities are posting favourable results; however, retail spend per passenger in the shops behind security control fell in 2016. For more details about the results achieved relative to our targets, please check the section *Our results*.

2016 Management Agenda

Priority	Progress
Maintain network quality and connectivity	
High quality of processes and high customer satisfaction at the airports at competitive costs	
Safeguard capacity for 500,000 air transport movements at Schiphol and create sufficient capacity at the regional airports, including the development of Lelystad Airport	
Provide necessary operational capacity and quality prior to the completion of the new pier and terminal (Area A)	
Execute the Master plan, maintaining operational performance levels and meeting infrastructural challenges	
Optimise commercial turnover and use scarce meterage wisely	
Improve coordination with stakeholders	
Care for People, Planet and Profit (Corporate Responsibility and financial solidity)	
Maintain a healthy and safe working environment	
Develop the organisation	

 Target achieved

 Target partially achieved

 Target not achieved

Our results





↓ Super Neighbour Days at Schiphol



Royal Schiphol Group's socio-economic task is to strengthen and develop Mainport Schiphol and the regional airports. In fulfilling this task we have an impact on our surroundings. Our results show how we take responsibility and seek to strike the appropriate balance between the positive and negative effects of our activities. We always endeavour to consciously weigh people, planet and profit in our investment decisions, calls for tenders and other business activities.

Top Connectivity

The strength of Mainport Schiphol lies in its network of destinations. Our mission is Connecting the Netherlands, and through our extensive network we link the Netherlands to major economic, political and cultural centres around the world. Schiphol has established itself as one of Europe's most important hubs not only due to the air traffic it handles, as maintaining such a position also depends on good road and rail connections.

Objective for 2020	Progress	Achieved in 2016
Network Maintaining a network with more than 300 destinations		<ul style="list-style-type: none"> Number of destinations: 322 Number of passengers: 63.6 million Number of air transport movements: 478,864
Accessibility Projects for improving landside accessibility have been prepared		<ul style="list-style-type: none"> Multi-year Infrastructure, Space and Transport (MIRT) project started Accessibility by road and rail improved
Airport capacity New pier and terminal Lelystad Airport fully operational		<ul style="list-style-type: none"> Decision-making process on the Capital Programme realised Preparations for infrastructure at Lelystad Airport started (opens in 2019)
Growth Agreements with our stakeholders will enable growth beyond 500,000 air transport movements per year after 2020		<ul style="list-style-type: none"> Discussions in the Schiphol Local Community Council have started



On track in 2016 to achieve target in 2020



Largely on track in 2016 to achieve target in 2020



Partly on track in 2016 to achieve target in 2020

Network of destinations

Through its airports, in particular Amsterdam Airport Schiphol, Royal Schiphol Group facilitates an extensive network of European and intercontinental destinations. The number of destinations and flight frequencies determine the socio-economic value of the network. Our aim is to maintain and expand this network for both passengers and cargo.

Number of destinations

The number of direct flights remained stable relative to 2015: 322 destinations served. This is a satisfactory result given the growing competition from other international hubs. Schiphol's extensive European network is supplemented by 128 intercontinental destinations, making the airport Europe's second (after Frankfurt) when it comes to total number of direct flights. Schiphol is the world's number 2 hub airport, as confirmed by the 'Connectivity Report 2016' of Airports Council International (ACI). This network is made possible by our home carrier KLM and its SkyTeam partners' hub connectivity.

The strong growth in the number of passenger flights is not reflected in more destinations served because flights to a number of holiday destinations have been suspended. Owing to unrest in Tunisia (Djerba, Enfidha, Monastir) and Egypt (Sharm El Sheikh), flights to these airports have been discontinued.

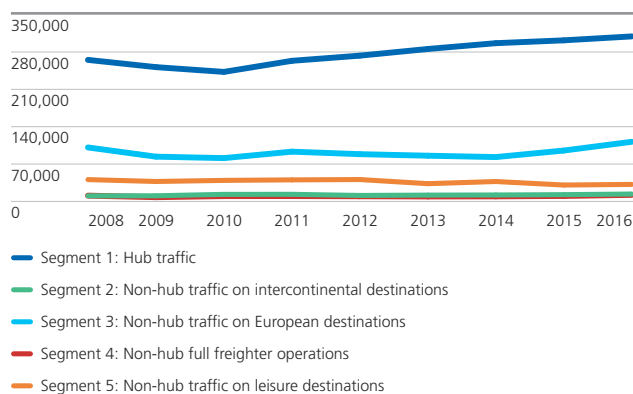
The majority of Schiphol's 322 destinations (293) are combined passenger and cargo destinations. The number of cargo destinations totalled 162 (2015: 165). Twenty-nine of these cargo destinations were served exclusively by full-freighters (aircraft that transport cargo only) (2015: 27 in total).

Mainport-related traffic

With a view to the selective development of Mainport Schiphol, the type of destination matters. We distinguish between traffic that is important for the Mainport and non-Mainport-related traffic. Under the current competition law framework, however, Schiphol lacks the instruments to take measures aimed at actively stimulating hub and Mainport-related traffic, in preference to leisure traffic. Schiphol is able to enhance the quality of the network through marketing activities directed at airlines and through the Airline Reward Programme. The independent slot coordinator (SACN) is responsible for allocating take-off and landing slots. The development and use of the regional airports is the only practical option for Schiphol to implement selectivity agreements. Destinations connected to the Netherlands via Lelystad Airport will help achieve this ambition.

As part of the Alders Agreement (2008), five traffic segments have been defined on the basis of their importance to the Mainport. This depends on the nature of the destination and whether passengers travel there for business purposes. Hub traffic (segment 1) has seen an average growth of 1.9% in terms of air transport movements since 2008. Non-hub-carrier traffic within Europe has grown by an average of 1.3%. The leisure segment (segment 5) fell by an average of 3.1%. It should be noted however that a number of destinations cannot be allocated exclusively to the leisure category; over time there have been shifts between certain segments.

Growth in number of air transport movements per Alders segment



Destinations from Schiphol

The 322 direct destinations in 96 countries are served by a total of 111 airlines. Of these destinations, 128 were intercontinental (2015: 134). With 17 SkyTeam airlines, Schiphol is the world's most diverse SkyTeam hub. The number of destinations operated by KLM and its codeshare partners rose to 206 (in 2015: 196).

Our home carrier has added Astana (Kazakhstan), Colombo (Sri Lanka) and Windhoek (Namibia) as new destinations served from Schiphol. Jet Airways started operations at Schiphol in March with three daily intercontinental destinations, including the new destination of Mumbai (India).

New destinations served from Schiphol in 2016

	KLM/Skyteam	Other	Low-cost carriers
Europe	4	7	1
Intercontinental	3	3	-

In addition to direct connections, the weekly frequencies offered are also important for the strength of our network. Major expansions in weekly frequencies on intercontinental routes are as follows: Aeromexico to Mexico City; easyJet and Transavia to Tel Aviv; Jet Airways to Delhi and Toronto; KLM to Kigali, Tehran and Salt Lake City; and China Eastern Airlines to Shanghai. Qatar Airways increased its capacity by deploying a B777 to Doha.

KLM has added two new European destinations to our network: Dresden (Germany) and Genoa (Italy). Further European additions are Bergerac (France) by Transavia, Doncaster and Dundee (United Kingdom) by Flybe, Rennes (France) by HOP! and Tivat (Romania) by TUfly.

Airlines

Schiphol welcomed six new airlines in 2016: Aeromexico (to Mexico City), Jet Airways (Mumbai, Delhi and Toronto), China Eastern Airlines (to Shanghai), Thomas Cook Airlines (Tenerife, Las Palmas and Palma), Silk Way West Airlines (full-freighter to Baku) and Small Planet Airlines (Las Palmas, Tenerife, Lanzarote, Hurghada, Ilha do Sal and Banjul). Malaysia Airlines has discontinued its service to and from Kuala Lumpur after 36 years, during which period the airline is estimated to have flown nearly four million passengers between Kuala Lumpur and Schiphol.

Stimulating the quality of the network

Schiphol's airline marketing policy aims to strengthen the Mainport network using a balanced approach, in which analyses of unserved destinations or possible frequency expansions are used to stimulate airlines to expand their networks. One of the instruments for achieving this goal is the Airline Reward Programme, which is open to all airlines and offers transparent conditions. Since the start of the programme in 2007, a total of nearly 43 million euros has been allocated to airlines for new destinations and/or more frequencies. In the past five years, 81% of this amount has been distributed to airlines operating in segment 1 from the Alders Agreement (hub traffic).

Sector consultations

Four times per year, senior managers of Schiphol, Air Traffic Control the Netherlands, the airlines based at Schiphol (KLM, Transavia, Martinair, TUIfly, Corendon Dutch Airlines and easyJet) and two interest groups (Schiphol Airline Operators Committee (SAOC) and BARIN) convene the Schiphol Operational Consultation (OSO). In the OSO, which is chaired by Schiphol's Director of Operations, capacity declarations are adopted regarding the maximum number of air transport movements during the winter and summer seasons, and important operational issues and problems are discussed. It is important to reach consensus on the capacity declaration, as the various interests and growth plans represented in the meeting may well conflict. The slot coordinator and representatives of the Directorate-General for Mobility and Transport of the Ministry of Infrastructure and the Environment regularly sit in on these meetings. The independent slot coordinator is responsible for allocating slots to the airlines.

Regional airport network

The networks of our regional airports differ from that of Schiphol. Where the focus of our largest airport is on Mainport-related traffic, the focus of Rotterdam The Hague Airport and Eindhoven Airport is on flights to mainly European holiday and business destinations (such as London City and London Stansted). The new Lelystad Airport will be open in 2019 for commercial air traffic to holiday destinations in Europe and around the Mediterranean, thereby freeing up capacity for Mainport-related traffic at Schiphol.

The number of destinations served by Rotterdam The Hague Airport fell to 39 in 2016 (2015: 47). New direct connections are Manchester and Birmingham (both served by Flybe). The number of destinations operated from Eindhoven Airport rose in 2016 by three to 75. New destinations from Eindhoven Airport include Munich, Prague and Timisoara.

Development in passenger numbers

Total passenger volume handled by Schiphol Group was up 8.9%, from 64.3 million to 70.0 million. The largest share was generated by Amsterdam Airport Schiphol, where passenger volume rose by 9.2% to 63.6 million (2015: 58.3 million).

O&D traffic (origin and destination traffic using Schiphol as the airport of departure or arrival) grew substantially, mainly due to the unprecedented popularity of the Netherlands and Amsterdam as destinations. This may be explained by passengers preferring to avoid Paris and Brussels following the terrorist attacks there. The growth can also be explained by the strong increase in the number of short-haul flights to European destinations from Schiphol. Within Europe, KLM has expanded its network and increased flight frequencies. Moreover, point-to-point carriers (especially easyJet, Transavia, Vueling and Flybe) have substantially increased their frequencies and added new routes.

Air traffic within Europe grew to 70.9% of total passenger volume (2015: 69.8%). This growth is mainly driven by Spain (23.4%) and the United Kingdom (8.2%). Spain's strong growth comes from holiday flights to Turkey, Tunisia and Egypt being rebooked to it. Italy and Greece are also popular holiday destinations and jointly account for 11.5% of holiday traffic. The United Kingdom experienced growth because easyJet, Flybe and KLM have increased the number

New frequencies in 2016

Airport	Country	Number of weekly flights		Difference
		2016	2015	
Delhi (DEL)	India	14	7	+7
Toronto (YYZ)	Canada	17	10	+7
Shanghai (PVG)	China	14	10	+4
Tehran (IKA)	Iran	6	2	+4
Miami (MIA)	United States	5	2	+3
Havana (HAV)	Cuba	7	4	+3
Tel Aviv (TLV)	Israel	30	27	+3
New York JFK (JFK)	United States	24	21	+3
Mexico City (MEX)	Mexico	10	8	+2
Muscat (MCT)	Oman	7	5	+2

Passenger volumes at Schiphol in 2016

	Total	Growth
KLM	30,539,100	6.50%
easyJet	5,352,766	19.60%
Transavia	4,698,957	10.70%
Delta Air Lines	2,673,303	-1.90%
TUfly	1,906,082	16.90%
Vueling	1,342,713	51.80%
British Airways	1,264,299	3.40%
Air France	1,174,922	-4.60%
Lufthansa	816,377	-2.50%
Flybe	734,965	28.90%
Other	13,122,050	11.40%

numbers by airline

of weekly flights from 840 to 903. In 2016, the total number of passengers to Schengen destinations grew by 17%. Passenger volumes outside Europe mostly saw growth in Asia (7.1% of total volume), Latin America (4.6%) and the Middle East (currently 3.5% of total volume).

The growth in the number of flights was further fuelled by airlines requesting slots and operating flights in an effort to provide against any future scarcity as the limit of 500,000 air transport movements decided under the Alders Agreement is approaching. Furthermore, airline operating costs, such as the price of kerosene and airport charges, were lower.

The growth in passenger numbers in 2016 has pushed Schiphol up to the third spot in the list of Europe's top-10 airports. For the first time in its history, Schiphol has surpassed Frankfurt, and it has now also left Istanbul trailing behind it. However, Schiphol is not expected to retain this position for long as the limit of 500,000 air transport movements is expected to put the brakes on this growth already in 2017.

Schiphol's market share for O&D passengers in its catchment area rose from 31% to 33% while its market share in the European top ten grew from 11.0% to 11.6%. The growth of Schiphol's market share at the expense of other European hubs is related to the limited opportunities for growth at London Heathrow, and to the effects of strikes and the threat of terrorism in Paris and Frankfurt. Istanbul Atatürk Airport has experienced the first - slight - fall in passenger numbers in years as a result of political instability and terrorist attacks. The airport recorded a 1.7% drop to 60.2 million passengers, which translates into market share of 11.0%.

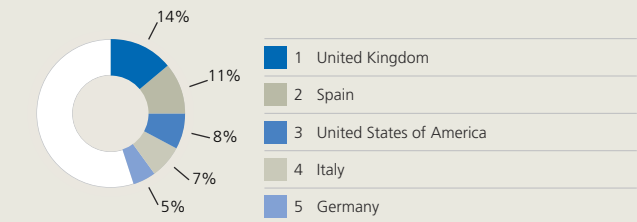
Passenger profile

Leisure is increasingly a reason for people to fly. In addition, we observe a trend towards more, but shorter holidays.

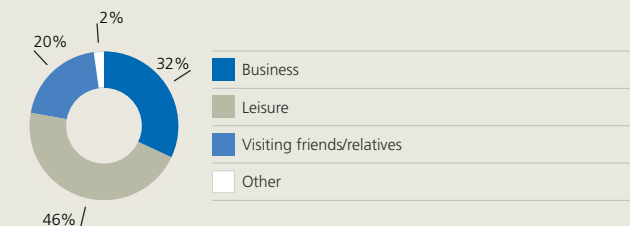
Country of residence



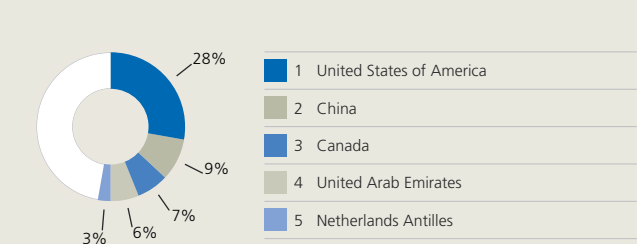
Top-5 leisure destinations



Reason for travelling



Top-5 intercontinental destinations



Transfer traffic increased by 4.4%, bringing the total number of transfer passengers to 24.0 million. The share of transfer passengers in the total volume fell from 39.5% to 37.8%.

At Eindhoven Airport the number of passengers was up by 9.3% to 4.7 million. This growth was mainly brought about by the increase in flight services offered by Wizz Air (15%) and Transavia (17%), despite the fact that the airport was closed for more than two weeks in June for work on the runway. Passenger volume at Rotterdam The Hague Airport climbed marginally to 1.6 million, a very modest rise due to restrictions on Rotterdam's growth as set out in agreements with the airport's neighbours. Furthermore, Turkish Airlines and Transavia flights to Turkey were cancelled owing to the unstable political situation in the country.

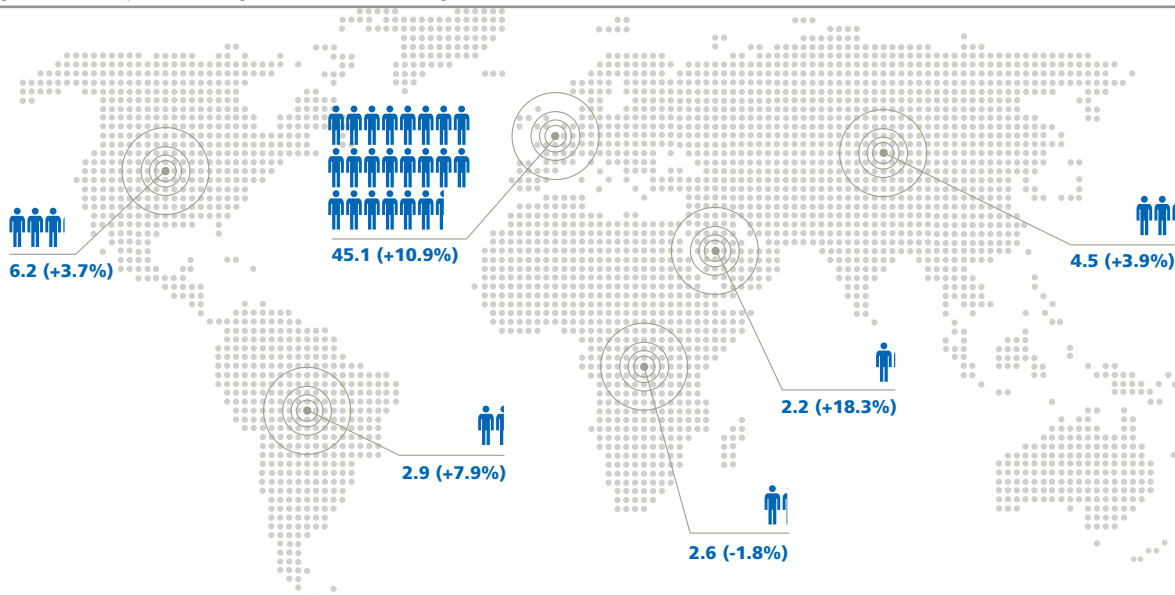
Development of Schiphol's market share in 2016

in millions, excluding transit

			Growth	Market share	
1	London Heathrow	LHR	75.7	1.0%	13.8%
2	Paris CDG	CDG	65.9	0.2%	12.0%
3	Amsterdam	AMS	63.5	9.1%	11.6%
4	Frankfurt	FRA	60.7	-0.4%	11.1%
5	Istanbul	IST	60.2	-1.7%	11.0%
6	Madrid Barajas	MAD	50.4	7.7%	9.2%
7	Barcelona	BCN	44.1	11.2%	8.1%
8	London Gatwick	LGW	43.1	7.1%	7.9%
9	Munich	MUC	42.2	3.2%	7.7%
10	Rome Fiumicino	FCO	41.6	3.3%	7.6%

Passenger volume and growth by continent

Passenger volume at Schiphol in millions (growth versus 2015; excluding transit)



Dilemma

Real limits: number of air transport movements or degree of nuisance?

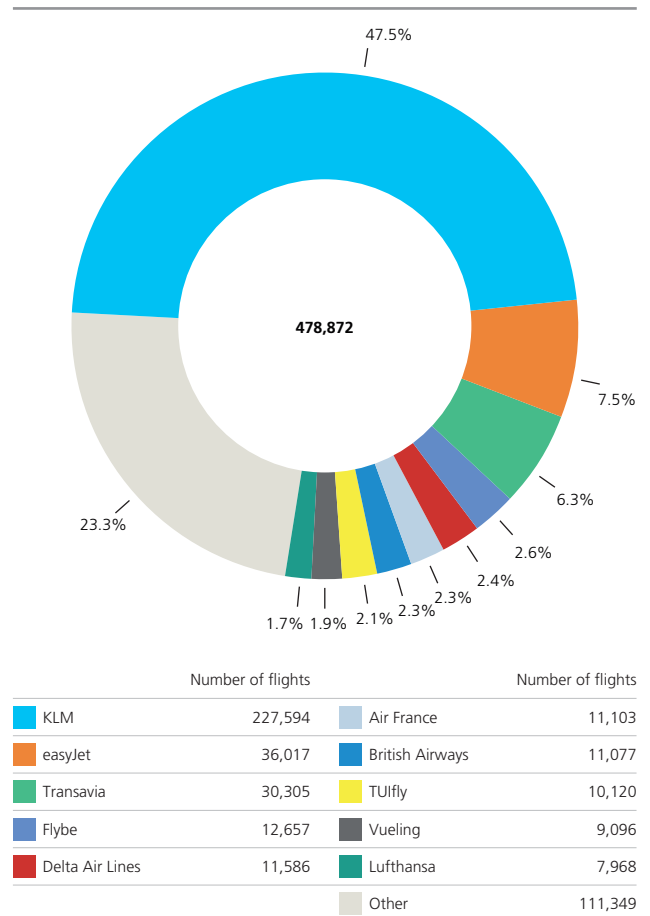
Schiphol Group wishes to facilitate and stimulate the socio-economic growth of the Netherlands as effectively as possible. An important factor of this growth is the Netherlands' accessibility by air, which for the most part depends on the airports of Schiphol Group. This accessibility has come under pressure due to capacity shortages. The limit on the number of air transport movements laid down in the Alders Agreement in 2015 (500,000 movements in 2020) may already be reached next year. We will stick to the agreed maximum, which was determined with a view to reducing nuisance. However, this may slow down socio-economic growth in the Netherlands and it is also at odds with the government's ambitions.

The question is whether in the future the limit should continue to be based on the number of air transport movements. The aviation sector has worked hard to reduce noise nuisance. Despite the continued growth in the number of air transport movements in recent years, total noise nuisance has fallen by more than 30% - well above the agreed target of 5% - thanks to the use of new types of aircraft and new flight procedures. To retain the perspective of sustainable growth after 2020, Schiphol would like to establish a forward-looking agreement framework which includes the measurable targets of noise mitigation, continued Mainport Schiphol development, and improvement of the quality of life in the environs of the airport. In this context, capping the number of air transport movements is not a goal in and of itself. This approach is the subject of discussion in the Schiphol Local Community Council, in the aviation sector in general and in talks with the relevant government ministries in The Hague.

Air transport movements

Air transport movements at Schiphol rose by 6.3%, from 450,679 to 478,864. The number of seats per aircraft increased from 162 to 165, an increase driven by fleet renewal, especially by home carrier KLM (phasing out of the Fokker 70 and Boeing 747, introduction of the Embraer 175/190 and the Boeing 787-9 Dreamliner). The average load factor in 2016 was 83.8% (2015: 82.9%). By comparison, in 2011 the average load factor was 79.4%. In 2016, total seating capacity increased by 8.1% to 76.0 million.

Air transport movements at Schiphol in 2016



Developments in cargo

The air cargo market has recovered compared with the past few years. Cargo traffic to and from Schiphol grew faster than the European economies. Schiphol Cargo had a record year, with 1.66 million tonnes of cargo passing through, representing growth of 2.5%. With this volume, Schiphol remains Europe's third cargo airport. More airlines have started using Schiphol, airlines already established at Schiphol operated more flights and many airlines had a higher load factor.

In March 2016, Silk Way Airlines, based in Azerbaijan, started operations from Schiphol with four flights weekly to destinations including Kuala Lumpur (via Baku), a route that was left unserved following the departure of Malaysia Airlines Cargo from Schiphol. In 2016 Schiphol welcomed the combined passenger and cargo airlines Jet Airways, Aeromexico, Xiamen Airlines and China Eastern Airlines. All these airlines focus on passenger transport, while carrying cargo in the hold (belly); a combination that strongly contributes to the profitability of these flights. Further to growth generated by new carriers, we also saw growth from existing customers such as DHL, AirBridgeCargo, Cargolux and Singapore

Airlines. For a number of years, belly cargo volume has been growing more strongly than full-freight cargo volume (i.e. cargo-only flights).

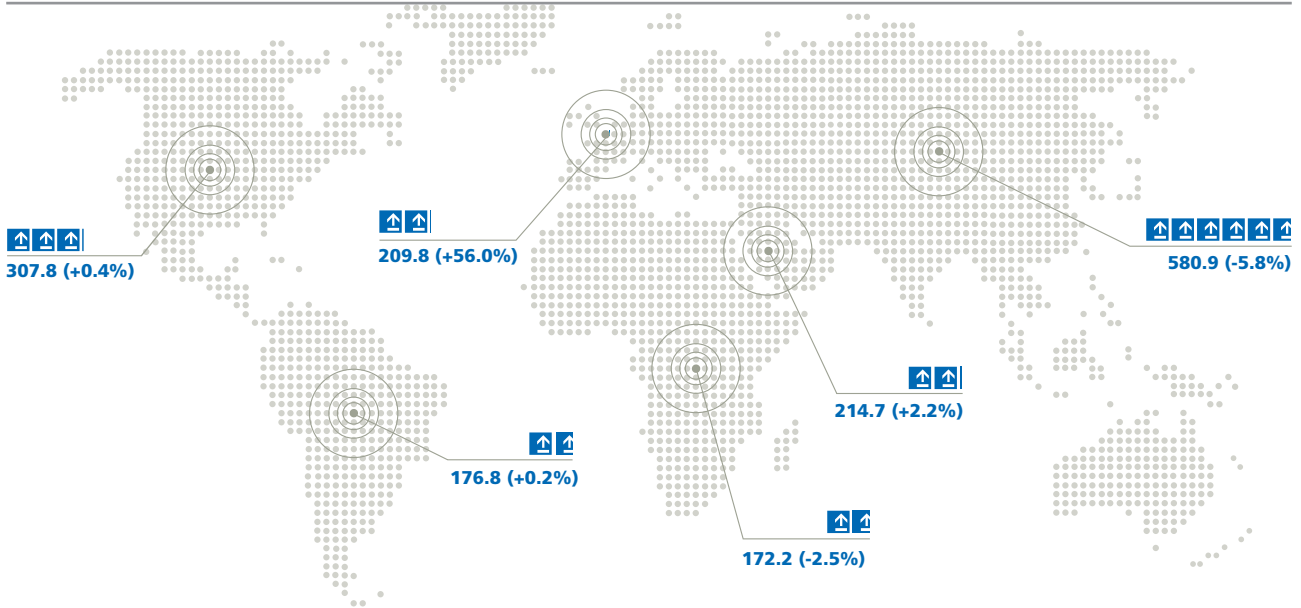
In 2016 the number of cargo flights grew sharply by 6.2%, while the number of intercontinental passenger plus cargo flights grew by 4.0%. A further trend is the growth of e-commerce, which is fuelling goods flows especially to and from China. We are also seeing a shift from bulk imports by large organisations towards more parcels and mail items intended for smaller parties, including consumers.

Cargo per continent

The number of direct flights to and from Asia dropped: the number of inbound flights from that region fell by 5% while the number of outbound flights dropped by 7%. However, there was an increase in the number of flights to Asia via European destinations, such as Baku (Azerbaijan) and Moscow (Russia). Consequently, a portion of the growth for Europe - an increase of 74% in outbound volume and an increase of 42% in inbound volume - can be attributed to the transshipment of cargo to and from Asia.

Cargo volumes and growth by continent

Schiphol cargo x 1,000 tonnes (growth versus 2015)





Airport capacity

In an effort to strengthen our competitive position and ensure that we can continue to offer our passengers and airlines a top-quality product, Schiphol Group is making substantial infrastructural investments. To support and ensure Schiphol's continued growth, the airport's facilities will undergo extensive expansion and renewal in the years ahead. This will allow us to offer the required extra capacity, raise quality and further optimise processes.

Amsterdam Airport Schiphol

Development of new pier and terminal

In early 2016 final decisions were made regarding the development of a new pier and terminal. Both the Supervisory Board and the shareholders approved the expansion plan. This expansion in capacity is vital for Mainport Schiphol to consolidate its competitive position, and bolsters the airport's socio-economic function. The new pier and terminal represent a structural solution for the growing need for capacity and quality. The investment will help us implement our strategy of continuing to offer passengers and airlines top connectivity combined with a top-notch visitor experience.

The increasing need for aircraft stand capacity and gates will be met in part by the construction of a new pier that can accommodate large and medium-sized aircraft. The pier will be completed in two phases. We strive to complete the first phase, covering the largest section of the pier, towards the end of 2019. In order to accommodate the growth in passenger numbers, we are building a new terminal on the roof of Baggage Hall South and on part of the P2 car park. The new terminal will feature a connection to the existing terminal, allowing us to continue offering passengers the much-appreciated 'one terminal' concept. The new terminal is scheduled for completion in 2023. The landside infrastructure will be adapted to accommodate all expansions. We will also be adding capacity to the existing P1 car park. In 2016 we initiated the tender procedures for the expansions. Several projects have since been put out to tender and the first contracts for the design of the landside infrastructure and the pier have already been concluded.

Capital Programme

The expansion projects have been assigned to a new organisation within Royal Schiphol Group: the Capital Programme. This programme is designed to optimally coordinate and manage the various large-scale and complex projects, a necessity given that airport operations will continue as normal during the construction and renovation work. Furthermore, the Capital Programme will bring together the specific knowledge and experience that the projects require.

Expansion of Departure Hall 1 and temporary departure hall on Baggage Hall South

In Departure Hall 1 we are approaching the limits of the capacity available in terms of people, resources and space. The number of Schengen O&D passengers departing from Schiphol was 17% higher than in 2015. It is now permanently very busy in Departure Hall 1. Passengers to Schengen destinations often travel with hand baggage only, which results in additional peaks and queues in the

security lanes. We are unable to deal with these peaks with temporary staff deployments or operational measures alone.

We are therefore expanding and improving Departure Hall 1. The mezzanine floor in Departure Hall 2 will be extended and the Schengen security filter moved upstairs. This will result in an entire security floor where we will be able to use the security lanes flexibly. This expansion will be completed in 2019. We are also going to accelerate the expansion of the self-service facilities in Departure Hall 1; until then, we will deal with the capacity problem using temporary measures. We are opting for a solution that will allow us to continue providing the level of quality appropriate for Europe's Preferred Airport. A temporary departure hall will be built on top of Baggage Hall South and will be connected with Departure Hall 1 via a corridor.

The temporary departure hall will be modular in design and built using recyclable and demountable components. The temporary departure hall and the corridor amount to almost 4,400 square metres; this additional space will improve both the customer experience and security in both halls. The temporary departure hall will have 6 security lanes, 22 check-in desks, 12 self-service check-in kiosks and baggage drop-off counters. Of course, there will also be facilities such as office space, service desks, seating and toilets.

The preparation and tender procedure for this work proceeded expeditiously. The building was topped out on 1 December 2016. The temporary departure hall was declared wind and weatherproof on 23 December and will be completed in April 2017.

Information meetings for stakeholders

Schiphol's plans for creating extra capacity were discussed with stakeholders at a meeting in the Sheraton Hotel on 21 November. On 12 December, during a second meeting with our stakeholders at our offices we updated them on the landside adjustments being made to accommodate the construction of the new pier and terminal. Our stakeholders had many questions about the impact of the planned work on the location's accessibility for travellers and Schiphol staff. They were also brought up to speed on the MIRT study of the station area.

Sector consultations

Throughout the year, we meet with airlines to discuss transport forecasts, investments and cost developments. More than just a formal legal obligation, these consultations represent an ongoing dialogue with the airlines, culminating in the official adoption of agreements on airport charges at a specified point in time. We also discuss our investment plans in these meetings. Given the urgent need for capacity, it was decided to adopt a phased approach to the construction and completion of the new pier and terminal. Each time a consultation process is completed, the airlines are invited to evaluate it.

Parking

'Operational excellence' is an absolute priority for Schiphol Parking. We meet the needs of our customers by offering attractive products and continuously improving our existing facilities.

The growth in passenger numbers is accompanied by a growing need for parking space. One of the ways we have addressed this is through the opening of the new Smart Parking garage on P3 (from where passengers are quickly transferred to the terminal by shuttle bus). The new garage, which can accommodate 2,650 vehicles, was opened just before the busy May holiday period, by which time 8,000 online bookings had already been received. Passengers flying with TUI or Transavia can check in their baggage at P3 Long-term Parking. Drive in Check in is an additional service offered during holiday periods.

The new parking garage uses colours to help passengers find their way quickly and easily. Known as natural wayfinding, the colour of the main stairwell guides travellers clearly to where they need to go. The same colour is repeated along the route taken by travellers walking through the building, as a sort of intuitive wayfinding system. The parking garage is constructed out of 90% recyclable concrete and metal. A unique element in this project is the use of organic paint derived from a type of flax that is grown on land under one of the airport's approach paths. The flax is processed into lineseed oil and then into organic paint. The garage is fitted with solar panels and LED lighting.

Development of Lelystad Airport

In order to maintain and strengthen Amsterdam Airport Schiphol's economic function, Schiphol has been allowed to grow on a selective basis, and to use Eindhoven Airport and Lelystad Airport as alternative airports for non-Mainport-related traffic. On 31 March 2015, the State Secretary for Infrastructure and the Environment issued the Airport Decree, which permits us to carry out our plans for Lelystad Airport. In 2016 preparations were made, designs were completed and projects put out to tender. Execution will begin in 2017. The original aim was to have the new airport open and start flight operations in April 2018. However, as not all air traffic control arrangements will be up and running in time, the opening will probably be postponed by one year. We communicate actively regarding our plans and progress made with established businesses,

pilots, regional entrepreneurs, the residents of Flevoland and other interested parties.

The concept for the new Lelystad Airport not only incorporates the vision, mission and key requirements for the airport, but also its no-nonsense identity. Schiphol will also use its expertise in commercial real estate to develop a business park at the new airport. Flying Group, which offers and manages a fleet of commercial private business aircraft, has signed a letter of intent to establish itself at Lelystad Airport.

Rotterdam The Hague Airport

In order to meet growing market demand, we are currently working to create regional support for a new Airport Decree for Rotterdam The Hague Airport, which will allow the airport to grow gradually through the addition of ten new destinations. An environmental impact assessment, an economic feasibility study and a socio-economic cost-benefit analysis have been drawn up in order to substantiate this project. The desired growth and expansion will depend on securing as much regional support as possible from local authorities and local residents. This requires an extensive dialogue with all stakeholders in the region. According to a number of studies conducted by VNO-NCW West, the Municipality of Rotterdam and others among local residents and businesses, a large majority of the local residents support expansion of the airport.

A new arrivals hall was opened in 2016. The entire apron is currently being renovated; this work will be completed in mid-April 2017. The square in front of the terminal will be renovated in 2017.

Eindhoven Airport

Eindhoven Airport is preparing an integrated Master Plan for its further development. The plan provides for a range of investments in airport infrastructure and in the accessibility both on airside and landside, so that the airport can accommodate the ever-growing number of air transport movements and passengers. In 2016, construction work commenced on an entirely new baggage hall, and a modern multi-purpose building is being erected at the old P1 location. The areas in the terminal beyond security control will be redesigned in 2017.

Dilemma: central or remote parking?

Demand for parking space at Schiphol continues to rise, mainly driven by the continuing growth in passenger numbers. This gives rise to the question of where to locate the next expansion of parking capacity. Should Schiphol continue to invest in car parks at Schiphol-Centre, which is already highly congested? We intend to continue our efforts to meet the demand for parking space, because cars are becoming cleaner and parking and mobility are key components of our business model. Ideally, car parks should be located as close to the terminal as possible. However, land around the terminal is scarce, and we can also use it for other facilities that contribute to our AirportCity formula. It is easier to build new car parks at more remote locations such as Schiphol-Northwest; moreover, those car parks are designed to provide space for shared cars and self-driving cars - developments in mobility that will play a prominent role in the years to come.



Accessibility

It is essential that our airports are easily accessible. After price, the network of destinations and flight frequency, accessibility is the main reason why passengers choose a specific airport. A robust network of multimodal connections within the Netherlands and with neighbouring countries is vital for Schiphol to retain its competitive position.

Amsterdam Airport Schiphol needs more room to accommodate the expected growth in the number of passengers and air transport movements. We are investing in capacity expansion and higher quality by building a new pier and terminal, which will also require extensive changes to the infrastructure of the access roads and parking spaces.

The NS railway station, the bus station and the taxi drop-off roads in front of Jan Dellaertplein at Schiphol Plaza together form a multimodal public transport hub. To ensure that Schiphol remains easily accessible and safe in the future, as well as to increase capacity, State Secretary for Infrastructure and the Environment Dijkzma decided on 11 July 2016 to start an MIRT (Multi-year Infrastructure, Spatial Planning and Transport Programme) study. At the same time, Schiphol is working to improve accessibility to the airport through investments in the public transport hub, Schiphol Plaza and Jan Dellaertplein in front of the terminal. In addition, we will continue to argue for an additional link to Amsterdam, for example by extending the North-South metro line.

Stakeholder dialogue on accessibility

Within the context of the 'OV Bereikbaarheid Schiphol' (Public transport access to Schiphol) programme, Schiphol, the Ministry of Infrastructure and the Environment, NS, ProRail, the Municipality of Amsterdam and the Amsterdam Metropolitan Area are collaborating on concrete projects and measures for the near and mid-term. The parties have discussed solutions for incidents in the Schiphol railway tunnel and improving travel information as well as the physical changes required in the access to the platforms with a view to improving safety and comfort. The participants visited a number of bottlenecks in the area. The discussions also covered the scheduling of the MIRT for a large-scale renovation of the train and bus station.

Accessibility to Schiphol by train

The Amsterdam Airport Schiphol railway station is one of the busiest in the Netherlands. On some days more travellers use this station (to depart, arrive or transfer) than Rotterdam Central Station or The Hague Central Station. Schiphol Group is working together with the authorities mentioned above to enhance accessibility by public transport and further improve travel information.

In 2016 the number of tracks between Schiphol and Amsterdam-Zuid and Duivendrecht was doubled to four. More trains have been running to and from Schiphol since December 2016 when NS introduced its new timetable. For example, the number of intercity trains on the route to and from Almere doubled from two to four. Intercity trains can now more easily make connections thanks to the new flying junction at Riekerpolder.

Work has started on improving access via the stairs/escalators between Schiphol Plaza and the station below to ease congestion on the platforms and to allow for safe movement of passengers to and from the station. More travel information screens have been placed in the terminal and trains to Amsterdam are clearly indicated. The direction signs on the platforms at Schiphol Plaza have been adapted so that walking routes are indicated more clearly. NS is deploying additional staff on the platforms.

The Schiphol Perception Monitor shows that the train is particularly popular as a mode of transport among travellers and visitors alike. Both the number of train connections and punctuality have improved. Travellers are also finding it easier to locate the train-ticket vending machines at Schiphol Plaza.

The number of disruptions to train services to Schiphol fell to 731 in 2016, compared with 846 in 2015. The most important reasons for this drop are the measures taken in the Schiphol railway tunnel and a decrease in the number of technical malfunctions. Nationally, the number of disruptions on the railway network rose by 3%.

Accessibility to Schiphol by bus

Use of bus services has also grown steadily. The number of travellers using line 197 to Amsterdam city centre has grown particularly strongly. More and more travellers are taking this bus as an alternative to the train to Amsterdam Central Station.

In 2016, the Amsterdam Metropolitan Area issued a tender for public bus transport in the Amstelland en Meerlanden concession, which includes bus services at and around Schiphol. Given the huge importance of bus transport for Schiphol, we were directly involved with this tender. It was eventually awarded to Connexxion, which will be deploying electric buses. The concession commences in December 2017, simultaneously with the winter timetable. The accessibility of Schiphol-East will be improved with the construction of a new dedicated bus lane.

Accessibility to Schiphol by road

The Rijkswaterstaat project to reroute the A9 motorway between the Raasdorp junction and Badhoevedorp continued throughout 2016. A major portion of the new A9 motorway was taken into operation in mid-December 2016. The rerouting will improve the quality of life in Badhoevedorp and reduce Schiphol-bound traffic jams. The motorway will soon no longer cut across Badhoevedorp, but bypass it to the south. Schiphol is investing 30 million euros in this Rijkswaterstaat project. The entire new road network will be completed in 2018.

Work on improving the motorway tunnels is also being carried out. In the next few years, Schiphol will renovate the Loevensteijnse Randweg tunnel beneath Runway 09-27 and the tunnel beneath Runway 06-24 that connects the two cargo zones, to ensure that both tunnels comply in time with the Dutch Tunnel Act, which comes into force in 2019. To improve safety in the tunnels, escape routes will be modified and smart technical installations fitted.

High-quality taxi service

Schiphol wishes to offer travellers and visitors high-quality and sustainable taxi transport. We have reached agreements with our regular partners on the service levels for trips from the taxi rank at Jan Dellaertplein. These providers operate a sustainable fleet of 167 electric Tesla cars and 30 taxi vans powered by biogas. Other taxis are also welcome at the taxi rank. To be eligible, taxis must join the Taxi Control Foundation and meet specific quality requirements.

Following an Amsterdam Court of Appeal ruling in 2015 regarding a loophole in local legislation, taxi drivers who are not a member of the foundation may currently also offer their services at Jan Dellaertplein. As a result, Schiphol is not able to guarantee the quality of all taxis departing from the airport. Unfortunately, many of these unaffiliated taxi drivers cause a nuisance and behave in an intimidating manner. We consider this situation extremely undesirable as we feel that it does not reflect the image of a high-quality international airport. Following consultations with Schiphol, the Municipality of Haarlemmermeer amended local legislation in January 2017: it will now be prohibited to offer taxi services outside the official taxi rank. A number of taxi drivers instituted interim relief procedures to contest the rules, after which enforcement was suspended. The court ruled in favour of Haarlemmermeer on 7 February. We will continue to seek a permanent solution to the taxi touting problem, with the aim of returning taxi services from Schiphol with the desired high quality level.

Uber

In November 2016, taxi organisation Uber concluded an ordered-transport contract with the Schiphol Transfer Assistance (STA) facility, a collaboration with Axxicom. This marks the start of better regulation. Previously all Uber taxis waited at random locations for arriving passengers and picked them up in the vicinity of the terminal. In the new situation, waiting and pick-up will be more regulated for the somewhat more deluxe Uber service 'Uber Black'. From now on, taxis will wait at parking lot P41, from where they will be able to use the taxiway in front of Jan Dellaertplein.

Passengers' choice of transport

International passengers accounted for the largest share in the strong growth in passenger numbers we saw in 2016. This is reflected in the use of public transport. In 2016 travellers took the train more often, with almost 38% of them travelling by train. The total share in mode of transport represented by public transport amounted to more than 42%, a rise of almost two percentage points. The total share represented by public transport and group transport (hotel buses, group buses and taxi vans) is currently almost 50%. At the same time, we are observing a fall in the use of cars for picking up and dropping off passengers. We welcome this development since each time a passenger is picked up or dropped off is in fact a double car journey. The percentage of travellers that parked at Schiphol dropped for the first time in years.

Passengers' choice of transport to and from Schiphol

in %	2016	2015
Public transport	42.4	40.4
Dropped off by car	22.5	23.8
Parked car at airport	12.3	13.6
Taxi	11.7	10.8
Group transport	7.4	8.2
Other	3.7	3.2

Accessibility of regional airports

Improved public transport connections and the construction of better access roads are very important for our regional airports.




The accessibility of Rotterdam The Hague Airport has been improved by expanding and renovating the airport's link to the A13 motorway (the Doenkade junction). Car traffic is now flowing more smoothly. With respect to public transport, the frequency of bus services (line 33) to and from Meijersplein/Airport station (RandstadRail) and Rotterdam Central Station has increased. Work is being carried out together with the metropolitan region (transport authority), RET and other parties on further improving access to the airport by public transport.




The growing number of travellers to and from Eindhoven Airport has caused a significant increase in traffic. Not only is the road infrastructure in the direct vicinity overburdened, there is also severe traffic congestion at the Flight Forum business park. Accessibility of Eindhoven Airport via public transport could be improved with an NS intercity station, Eindhoven-Noord, on the existing track between Eindhoven and Den Bosch. This option, which is currently the subject of a study, is supported by the State Secretary for Infrastructure and the Environment. Furthermore, work is ongoing on a high-quality public transport network in the Eindhoven region, in which the airport will be an important hub. There are also plans for dedicated new exits to the airport from the Eindhoven bypass and the A58 motorway.

January 2017 will see the start of construction on airside and landside infrastructure at Lelystad Airport. The Province of Flevoland has issued the order for the construction of the access roads. Regional authorities and the central government have embarked on the project to improve the A6 motorway.

★ Excellent Visit Value

It is Schiphol Group's ambition to develop Schiphol into Europe's Preferred Airport: the first choice for passengers, airlines and logistic service providers alike. We are investing in our facilities in the terminal, our digital platform, mobility products, innovative retail concepts and services that enhance the travel experience. We are developing new business models for retail, catering and media to ensure profitability in the future. For Schiphol, providing top quality is an absolute necessity. We wish to offer the traveller an excellent experience and be a leading digital airport.

Objective for 2020	Progress	Achieved in 2016
Digitisation Digital support for passengers, and omni-channel retail access		<ul style="list-style-type: none"> The Digital Airport Programme is yielding its first results
Comfort We will have implemented Gate Process Innovation, with improvements to gate waiting comfort		<ul style="list-style-type: none"> Gate renovation work is ongoing Waiting comfort has been increased with the transition to centralised security throughout the terminal
Lowest costs We will be the hub with the lowest airport charges in Europe, and will have optimised our operational processes together with our business partners, enabling further cost reductions		<ul style="list-style-type: none"> Our airport charges will fall by 23% over the period 2015 to 2017

 On track in 2016 to achieve target in 2020
  Largely on track in 2016 to achieve target in 2020
  Partly on track in 2016 to achieve target in 2020

😊 Customer appreciation

Our ambition is to be Europe's Preferred Airport. We can only realise this ambition if we offer comfort and service at the highest level. We ask our customers for their opinion in order to identify areas for improvement. We also focus on consistent high quality at our regional airports.

Amsterdam Airport Schiphol

Customer appreciation of Amsterdam Airport Schiphol is recovering steadily now that large-scale renovations in the terminal have been completed. This is shown by the Schiphol Perception Monitor, a survey conducted every two months among departing and arriving passengers into the perception and appreciation of Schiphol. As improvements usually take a while before being clearly reflected in customer appreciation scores, we expect customer appreciation to rise further in the period ahead.

In June 2015 Central Security filters for non-Schengen destinations were commissioned, and the summer of 2016 saw the completion of the renovation work in Departure Lounge 2, located in the heart of the terminal. Passengers' perception of quality has clearly been influenced by these activities. Now that these large-scale construction projects are behind us, we have a new lounge for departing and transfer passengers and customer appreciation is again rising, particularly among transfer passengers. The perception of the atmosphere and the walking distances, quality aspects that suffered most as a result of the renovation work in the past few years, have improved. Passengers can now more easily find their way through the terminal.

The commercial facilities (retail and catering) also received higher evaluations in 2016 than in 2015. There was a clear improvement in especially the overall assessment of retail and the range of retail outlets, thanks in part to the completion of Departure Lounge 2. Convenience of transferring, so important to a transfer airport like Schiphol, also received a higher evaluation.

Passenger perception of waiting comfort at the gate showed a clear upward trend in 2016, which is an effect of the transition from decentralised to Central Security in 2015. Nevertheless, waiting comfort at the gate remains a point for attention; this is an area in which we score relatively low compared with the European airports Schiphol views as its peers. All non-Schengen gates will be upgraded in the next few years.

On many fronts passengers are far happier now with the hospitality shown by airport staff; this is clearly the case at check-in, passport control and Customs checks, as well as in the retail outlets and catering establishments. This is very important, given that hospitality is an aspect in which Schiphol can make a difference.

In the perceived quality of security and passport control among departing passengers there is still room for improvement. We expect these evaluations to improve in 2017, when additional lanes become available with the commissioning of the temporary departure hall above Baggage Hall South. The Royal Netherlands Marechaussee will expand its staffing at passport control.

The rise in customer appreciation for Schiphol lags behind the rising scores of the airports that are our direct competitors, as evidenced by the Airport Service Quality (ASQ) benchmark, a study in which Schiphol is compared with 15 mid-sized and large hub airports in

Europe. With respect to departing passengers, we have retained our seventh position, while for transfer passengers we have dropped from sixth to seventh place.

The Net Promoter Score (NPS), a measure of loyalty to Schiphol, increased from 28 to 32 in 2016.

In the years ahead we will face new challenges: major renovation projects can influence passengers' perception of quality. In addition to congestion at the security checks and passport control, and waiting comfort at the gates, the landside work associated with the construction of the new pier and terminal will also cause inconvenience.

Rotterdam The Hague Airport

Rotterdam The Hague Airport has successfully implemented quality improvements. New parking products, which can be reserved online, have been introduced. The arrival halls have been revamped and expanded and baggage screening flows have been improved. Customer appreciation is being monitored regularly. Staff receive extensive hospitality training courses. The passengers are showing their appreciation, as the Net Promoter Score rose from 46 in 2015 to 50 in 2016.

Eindhoven Airport

Eindhoven Airport's 'Always Easy' promise to its customers brings together speed, service and atmosphere. 'Always Easy' focuses on improving facilities and infrastructure, a strong customer focus from staff and more online services. In this way Eindhoven Airport wishes to offer travellers a pleasant experience so that they choose to fly from the airport again. Since the complete renewal of the online environment in 2016, visitors return more often to the website and stay longer. Ticket sales by partner VakantieXperts have more than doubled and the number of online parking transactions rose by more than one quarter. Questions are answered more quickly, also via social media. Eindhoven Airport conducts monthly online surveys among 2000 respondents in order to be able to respond quickly to

shifts in quality perception. In 2016 Eindhoven Airport conducted a measurement for the Net Promoter Score for the first time, which yielded a score of 35.

Pleasant stay

Renovated Departure Lounge 2 opened

With the complete refurbishment of Departure Lounge 2 in the heart of the terminal, Schiphol is responding to the changing needs and wishes of passengers. Departure Lounge 2 was renovated as part of the Master Plan, a comprehensive project to improve the airports quality by increasing capacity and enhancing efficiency and comfort for passengers. Each year, over 15 million people visit Departure Lounge 2. More than half (61%) are transfer passengers.

Departure Lounge 2 consists of seven themed worlds. Each world offers a distinctive experience, from Luxury to Family and from Modern Dutch to Care & Wellness. Upon entering the space, after the security check and passport control departing passengers can survey the seven worlds at a glance. Each themed world has been constructed using custom materials and has its own design, as well as tailored amenities such as seating areas, stores, restaurants and cafés. The world's interiors have been designed using sustainable materials such as FSC-certified wood and LED lighting.

The total floor space on the first and second levels of Departure Lounge 2 now amounts to around 16,000 square metres. The renovation has added around 20% more space for retail and catering outlets. The trendsetting Johnnie Walker House at Schiphol is a first in Europe. Other brand shops include Gucci, Bulgari, Herms and Rolex. The range of catering establishments has been renewed and expanded and now also includes Café Coco, a Starbucks outlet with innovative food concepts, and the Heineken Bar.

The renovation of Departure Lounge 2 took over 18 months, which is longer than had been planned. The renovation budget was also exceeded. The work was carried out in phases, and in the evening

Renovation of Pier C: what are we spending our money on?

We must make decisions on how to spend our available financial resources and on which priorities to set. One of the issues raised was the renovation of Pier C. Discussions about renovation or even a complete rebuild have been ongoing for more than a decade. One important reason for renovation is the need to improve the passenger experience, but the pier is not a pleasant environment for employees either. In 2014, at the request of KLM, the pier's largest user, Schiphol took a number of measures to modify the climate control system and the use of daylight.

Major maintenance of the 50-year-old pier cannot be postponed any longer; Schiphol has been receiving complaints from passengers and employees working in the pier. The combination of overdue maintenance and climate control systems nearing the end of their useful life creates an environment in Pier C that people tend to experience as unpleasant.

Even though Schiphol Group is about to make major investments in capacity expansion, it has been decided to also renovate Pier C in 2018. A large-scale project will bring Pier C up to modern-day standards. The renovated pier will meet energy label A criteria (instead of the current label G) and will have an expected life span of at least 30 years.

hours as much as possible, in order to keep inconvenience to a minimum. Shops remained partially open in smaller temporary locations. Travellers to non-Schengen destinations could also visit the shops and catering establishments in Departure Lounge 3.

The renovation of Holland Boulevard will be completed in the summer of 2017. Many of the new facilities and catering establishments have already been completed.

Premium Services

Our Premium Services had a good year. The number of Privium members grew to 50,000. In the first half of the year, the VIP centre welcomed many foreign government leaders on a number of occasions owing to the Dutch presidency of the EU.

Digital airport

Schiphol wants to be a leading digital airport by 2019. Airlines' processes have been digitised, and passengers are making more and more use of digital channels to prepare, book and experience their journeys. Schiphol wishes to accommodate airlines and passengers in the best possible way using personal information and biometrics for seamless control procedures. Schiphol wants to provide passengers with information that is relevant to them, such as up-to-date arrival or departure times, walking routes through the terminal and waiting times at the security lanes. In this way we remain in contact with our passengers at all important points along the travel process and help to alleviate stress.

Digital Airport Programme

The Digital Airport Programme (DAP) manages and accelerates Schiphol's digital initiatives.

Circular lighting: setting a new standard

Schiphol has introduced circular lighting in Departure Lounge 2. This new LED lighting system has yielded considerable energy savings and has a longer service life. Circular lighting is the result of cooperation with Philips and ENGIE. The new model developed by Turntoo has attracted considerable international interest. It is seen as a new standard in the transition to a circular economy. We have also optimised the perception of light in the terminal: the lighting is now experienced as more pleasant and comfortable.

In accordance with the Light as a Service concept, Amsterdam Airport Schiphol no longer owns the lighting. We pay for the use of the lighting during the contract term. Phillips remains the owner of the fittings and the installations. Together with facility manager Engie Services, the company is responsible for the system's performance and service life.



Beyond, a work of art by Daan Roosegaarde, has been on view in Departure Hall 3 since 27 August 2016. It is a 3-D representation of clouds and the Dutch sky composed of a number of cloudscapes. On the stairs/escalator leading up to central security control, the typical Dutch clouds change into the cloudscapes that passengers see during their flight.

Seamless Flow: paperless travel using biometrics

Faster and more relaxed travel without paper travel documents when departing, arriving or transferring: Schiphol intends to live up to this promise in 2018 using biometric identification, for example during boarding and border control procedures. The focus is on maximising convenience for both passengers and airlines. The number of physical contact moments at the airport will decrease, waiting times will become shorter and our passengers will experience less stress. It goes without saying that our passengers' privacy is of key importance and will be respected it at all times.

With Seamless Flow, we are improving security, strengthening operational performance and enhancing the passenger experience at Schiphol. As a positive side-effect, Seamless Flow allows for a more efficient deployment of people and resources.

Proactive Airport Control

We are gradually working towards a digital Airport Control Room to ensure effective management of airport processes and support Schiphol employees in their day-to-day duties. This will allow the five control centres and operational organisation to anticipate situations even better and manage the main processes - passengers, flights and baggage - more precisely.

The Track and Trace pilot project, which we conducted for the emergency response organisation in the terminal, fits in this programme as it provides the control centre with an up-to-date overview of where emergency response team members are located in the terminal. Time will be saved in the case of requests for assistance as the control centre will be able to see which emergency response team member is closest.

As part of the DAP, Schiphol is continuously experimenting with new technologies. One of these is the Internet of Things (IoT), which includes the connectivity of LoRa (Long Range Low Power) technology. LoRa enables the exchange of small quantities of information with extremely low power consumption. For instance, smart rubbish bins will be placed in the terminal, fitted with sensors which indicate when the bins need emptying. This will help to make the work of the cleaning crew more pleasant and efficient, and to keep the terminal clean and tidy.

Sharing and accessing data

In order to become the 'leading digital airport', Schiphol wants to reach as many passengers as possible with relevant personalised information. We can achieve this by sharing data both within and outside the sector. In 2017 we will begin by launching an API platform with information about flights, waiting times and locations. Centrally managing data and access to data results in a single reliable platform that can be accessed by the organisation and other carefully selected parties.

Competitive rates

To sustain our airports' competitive position, it is essential that we maintain competitive airport charges. The rates charged by Amsterdam Airport Schiphol for using the airport are regulated, and determined each year following extensive consultations with the airlines. The rates are subject to supervision by the Dutch Authority for Consumers and Markets (ACM). This economic regulation is part of the Aviation Act, and does not cover the regional airports. However, given that Eindhoven Airport will soon surpass five million passengers, this airport will also be subject to price regulation in the future and is already making preparations.

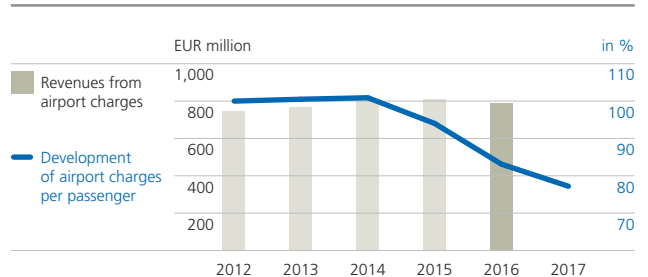
Schiphol Group is mindful of the fact that it competes directly with other airports. A large portion of our passengers can also choose from other airports in neighbouring countries. The capacity and quality of our airports and the added value of the services we provide to airlines, ground handlers and passengers alike are therefore of key importance. Over the past few years, Schiphol's price-quality ratio has compared favourably with that of several main European competitors.

Each year the SEO Economic Research Foundation carries out a benchmark study on behalf of the Ministry of Infrastructure and the Environment, which looks at both the airport charges and government levies applicable to Schiphol and its key competitors. The benchmark published in 2017 shows that Schiphol had eight more expensive competitors in 2016.

2016 and 2017 airport charges

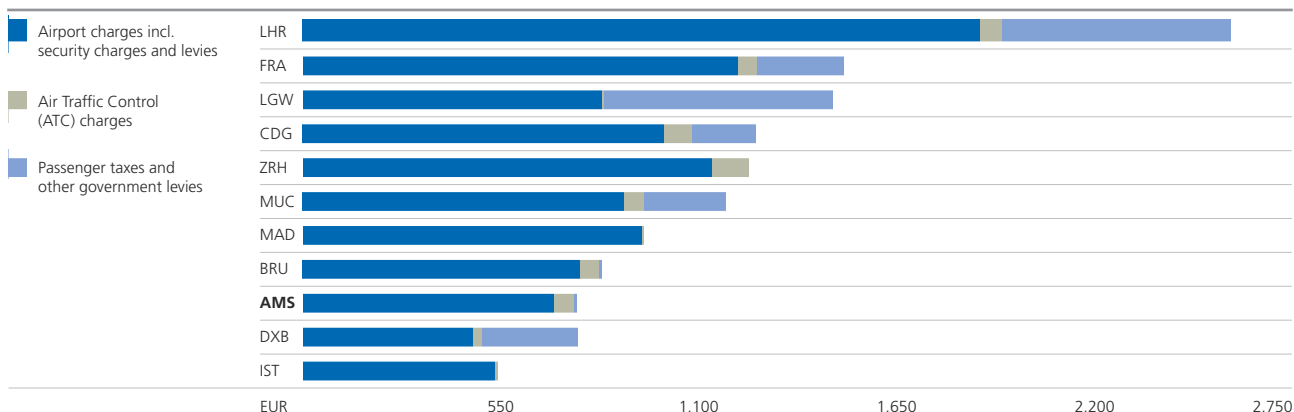
The airport charges were reduced by 11.6% with effect from 1 April 2016. The decision has been made to reduce the airport charges in 2017 by an average of 7.1%. The aviation charges will be reduced by an average of 8.7% and security charges by 4.2%.

Airport charges



The airport charges are expected to rise as from 2018, unless significant settlements must again be made as a result of higher than expected traffic volumes. Furthermore, in the years ahead we expect to make major investments which will increase the cost levels and be reflected in the airport charges.

SEO Benchmark for airport charges and government levies



Source: SEO Amsterdam Economics 'Benchmark study on Airport Charges and Government Levies', February 2017

Security

Landside security

Following the terrorist attacks at the airports in Brussels and Istanbul, Schiphol and the National Anti-Terrorism Coordinator (NCTV) are paying extra attention to landside security at Schiphol. A number of visible and invisible modifications have been made. Efforts have also been made to expand knowledge and raise awareness among airport staff with respect to preventing incidents and acting when they do occur. To this end a special programme has been developed. Rotterdam The Hague Airport and Eindhoven Airport have implemented similar programmes.

Additional security measures at Schiphol

Following a threat alert regarding Schiphol and in consultation with the NCTV, on 30 July the Mayor of Haarlemmermeer, the Chief Public Prosecutor and the Royal Netherlands Marechaussee/National Police decided to take additional measures at and around Amsterdam Airport Schiphol. The airport and the direct vicinity remained accessible and all airport and aviation processes continued as normal while the additional measures were in force.

The alert matched the national threat level, which has been high since 2013. Consequently, the situation of heightened vigilance applies to Schiphol just as it does to the rest of the Netherlands. The same applies to other European airports. Following further investigation into the specific alert, it was concluded that the heightened state of alert was no longer required; the additional security measures were revoked on 18 August. Nevertheless, additional security, both visible and invisible, remains in force at the airport.

Fighting congestion

The strong growth in the number of departing passengers (9.2% in 2016) has consequences for the airport's processes. More than 31 million passengers underwent a security check at Schiphol in the past year. Even though the vast majority of these passengers were required to wait less than ten minutes before being checked, long queues did occur a number of times. This was not only due to larger numbers of passengers, but also to the fact that the quantity of

hand baggage to be checked has increased. Passengers are travelling more often with just hand baggage, for convenience and owing to the additional costs that airlines charge for hold baggage. Consequently, much hand baggage has become both bulkier and fuller, resulting in delays at the security lanes.

We were forced to partially stop the security process at the checks for non-Schengen destinations a number of times because of long queues at border and passport control immediately following the security checks. We also had to deal with a number of technical malfunctions that delayed the process.

During busy periods Schiphol deployed additional security personnel to shorten the waiting time for passengers as much as possible; we also temporarily opened the Schiphol staff security lanes to passengers.

We expect the pressure on the security lanes to decrease with the opening of the temporary departure hall above Baggage Hall South.

Additional resources for Royal Netherlands Marechaussee

The Royal Netherlands Marechaussee experienced staff shortages at Schiphol in 2016. Staffing at passport control came under pressure since additional manpower was required for other tasks, including additional security measures in response to the terrorism threat. In order to maintain the quality of border surveillance at Schiphol during the busy summer period, the Royal Netherlands Marechaussee was supported by colleagues from other brigades. Customs personnel specially trained for border surveillance at Schiphol were also deployed from early May. Staff of the Custodial Institutions Agency lent support to Royal Netherlands Marechaussee officers in carrying out their tasks. The government has promised to deploy additional capacity in the form of 135 staff from 2017. Nevertheless, Schiphol has indicated that an additional 450 border surveillance staff are required if queues are to be avoided.

Security lane innovation

This year Schiphol began testing new hand baggage scanning equipment. These tests, in which passengers can leave their liquids and laptops in their bags, are being conducted in conjunction with

NCTV and KLM. The new equipment includes software that renders a 3-D image of the contents of the baggage. The security officer can turn the scan for closer inspection. If the pilot project is successful, we will gradually equip all security lanes at Schiphol with this innovative scanning equipment in 2018/2019.

No-Q

Amsterdam Airport Schiphol facilitates the border process that the Royal Netherlands Marechaussee carries out at Schiphol. We also expanded No-Q passport control in 2016, in cooperation with the authorities. This is an automated ID check based on facial recognition. More portals have been installed and the number of locations has also been expanded, including in Arrivals Hall 1, Departure Hall 3 and at the filter between Schengen and non-Schengen. New hardware and software have improved the performance of the portals so that the e-gates now also meet the new government requirements regarding the modified border check regime. The use of automatic ID checks has further standardised the border passage process and improved its speed and continuity. No-Q also saves on Royal Netherlands Marechaussee manpower, increases passenger convenience and benefits the flow at the airport. Further optimisation of the system is expected in 2017.

Preclearance

Based on an initial feasibility study, in March 2016 Schiphol decided to continue the Preclearance project. Preclearance is a service for passengers to the United States. In the Netherlands border control takes place before departure, so that travellers can be treated as local passengers on arrival in the US, avoiding long queues at the domestic security checks. At Schiphol these passengers should be able to mix with other passengers who are not travelling to the United States, thereby avoiding the need for separate waiting and other areas. Biometric checks are central to preclearance. In 2016 we further investigated the operational feasibility of this system and the Council of Ministers has since issued a negotiating mandate. This means that the government will be able to negotiate with the American authorities in 2017 on the implementation of preclearance. Pilot projects for this service are being prepared. In February 2017, the Dutch government decided to postpone the negotiations in view of the envisaged new entry restrictions imposed by the US authorities.

Awards

Schiphol Group and Amsterdam Airport Schiphol received various distinctions during 2016.

Schiphol Group



- *Randstad Award 2016: Most attractive employer in the Netherlands.*
- *SDG Inspirator Logistics Sector (Schiphol Group 2015 Annual Report).*
- *Second place in the Ministry of Economic Affairs' Transparency Benchmark (Schiphol Group 2015 Annual Report).*

Amsterdam Airport Schiphol

- *Business Traveller: Best European Airport 2016 (27th time).*
- *IATA: Air Cargo Excellence Award, 'Best major European airport'.*
- *European Design Awards London: Hilton Amsterdam Airport Schiphol.*
- *Baxter Travel Media Annual Agents Choice Award (Canada): Favourite International Airport 2016.*
- *Routes Marketing Award Europe (in the more than 20 million passengers category).*
- *Routes Best Overall Airport Marketing Award.*
- *SEO report (commissioned by ACI): Second hub world-wide in number of direct destinations.*
- *Star Alliance Trade Awards: 'Innovative Entrepreneurship 2016'.*

Competitive Marketplace

We are consolidating the Mainport concept by further developing the Schiphol marketplace. We view the airport as a prime location for work and leisure. To continue competing as an attractive business location, our aim is to make Schiphol a highly desirable option for internationally operating businesses. We are continuously investing in the working environment and offer flexible, innovative lease concepts. We stimulate the region's logistics sector and investigate opportunities for new business. The regional airports are also developing into economic hubs in their respective regions.

Objective for 2020	Progress	Achieved in 2016
Non-aviation Guaranteeing revenue flow from non-aviation activities		<ul style="list-style-type: none"> • More revenue from non-aviation activities through facilities in The Base office building • More revenue through digitisation and an omni-channel approach • Retail revenues are under pressure; catering establishments exhibit an upward trend • Increasing revenues from parking is a challenge
Central Business District Increasing activity in the Central Business District. Working towards a wider range of services, an attractive working environment and high occupancy rates		<ul style="list-style-type: none"> • The positive developments in the real estate sector are continuing. Virtually all office space in the Central Business District is occupied • An ever increasing range of services

 On track in 2016 to achieve target in 2020
  Largely on track in 2016 to achieve target in 2020
  Partly on track in 2016 to achieve target in 2020

Schiphol: AirportCity

Amsterdam Airport Schiphol seeks to distinguish itself by delivering top quality. Our ambition to be Europe's Preferred Airport transcends our activities in the terminal and the airport process. Amsterdam Airport Schiphol is itself a dynamic city: an AirportCity.

Schiphol offers a wide variety of work, visitor and leisure facilities, which we are continuously enhancing. These improvements are based on the principles of flexibility, multifunctionality, connectivity, experience and value for money. Schiphol is evolving into an ever more inspiring meeting place. People working in the Central Business District (CBD) enjoy going to their workplaces and work on their development every day. They interact with colleagues in an inspiring environment which contributes to a healthy work-life balance. SPOT, a platform set up for the benefit of the community, organises knowledge sessions and events for Central Business District company staff, including the third edition of TEDx Schiphol in 2016.

We offer a range of high-quality facilities to logistics services providers and companies based at the airport. One of the new companies we had the honour of welcoming was electronics manufacturer Samsung, which moved into the Avioport building. The modern design of the new Hilton Hotel, located right at the heart of the CBD, is a true eye-catcher and has successfully completed its first year. The Base office complex is another resounding success and has already attracted tenants for almost all of its 36,000 square metres of floor space. In 2017 we will begin expansion of the complex by adding a tower with a total service area of approximately 6,000 square metres. The Base is developing into a community centre and has a number of facilities suited to this

purpose. We are further improving the outside area; car park P15, located between The Base and the Hilton Hotel, will be turned into a public area with a square, an amphitheatre, extensive green spaces and lighting features.

Developments in real estate

The positive developments in the Dutch real estate investment market continued in 2016. Gross initial yields dropped further and vacancy levels for both offices and the logistics market have fallen. Virtually all office space in the Central Business District is occupied, confirming that the location of an office remains decisive for its occupancy rate and valuation. The occupancy rate in the logistics market is highest for modern logistics real estate at good locations. At Schiphol this is reflected in the very high occupancy rate of first-line cargo buildings. Owing to favourable economic developments, including the rise in consumer expenditure, second-line logistics spaces are also performing well.

For The Outlook and the Schiphol Main Building we were awarded with the BREEAM-NL In-Use Very Good certificate on the Asset component. For the TransPort building we received the Excellent certificate on the same component. The Cargo Centre was demolished to make room for the new pier and terminal. The old Hilton Hotel was also demolished in 2016. In both cases the demolition was carried out in a sustainable fashion, including recycling of materials.

A crew centre for easyJet was constructed and completed at the head of Pier H/M.

Schiphol cargo community

Airlines like using Amsterdam Airport Schiphol due to the operational quality, the efficient Customs process, the excellent connections with the rest of the continent and a strong local ground network of cargo parties.

New cargo strategy

Schiphol Cargo launched a new strategy in 2016, in which the focus has shifted from international promotion to investing in the quality of ground operations. We are now implementing this strategy, together with many parties from the Schiphol cargo community. For example, we have started a project together with KLM Cargo that will allow us to improve and streamline the European supply chains, thus strengthening our competitive position. The results of this project, which also includes partners such as Kuehne+Nagel, Jan de Rijk and Swissport, are available to all cargo parties at Schiphol. Schiphol is also investing with the cargo partners in the Cargonaut cargo community platform. Using a modern platform with a larger reach and an open data strategy, we aim to facilitate better information exchange between the various players in the logistics chain. Thanks to the improved ground and digital processes, cargo volumes at Schiphol can continue to grow even if the number of flights remains unchanged and there is a scarcity of slots.

Focus on flowers and medicines

In 2016, the Schiphol Cargo community also focused on more intensive collaboration for specific cargo flows, with the aim of attracting more businesses to Amsterdam.

In March 2016 a new alliance was established between 13 parties under the name of Pharma Gateway Amsterdam. The air transport of pharmaceuticals accounts for almost 5% of all cargo. While this share is still relatively small, we expect this segment to experience faster growth than the other types of cargo. Pharma Gateway Amsterdam has set itself the goal of responding more effectively to the wishes of pharmaceutical manufacturers, who attach great value to careful and temperature-regulated processes. The parties follow all the relevant IATA quality training courses; the first certificates have since been awarded. The pharmaceutical manufacturers have responded enthusiastically to the improvements.

We have started a similar initiative with KLM Cargo and Royal Flora Holland for flowers: the Holland Flower Alliance, which we hope will strengthen Schiphol's position as a flower hub.

In a joint project with Customs, Schiphol Cargo endeavoured to attract cargo parties to use simplified declarations for e-commerce shipments. In addition to the postal authorities and integrators, all parties in the aviation chain can now use this 'VENUE' regulation for small parcels of relatively little value.

Joint Inspection Centre

King Willem Alexander opened the Joint Inspection Centre (JIC) on 22 November. Part of Schiphol Smartgate Cargo, the JIC is a unique public-private partnership in which Customs, the Netherlands Food and Consumer Product Safety Authority and the Royal Netherlands Marechaussee cooperate to inspect a portion of imported and

exported goods. In addition to inspections in the JIC itself, there are mobile inspections and inspections carried out at the locations of private parties. The information and images from these inspections are read, viewed and verified by the JIC. The JIC, as well as the underlying government programmes, significantly improve the efficiency of the Schiphol cargo hub.

Regional significance

An airport is of major significance to the region in which it is located. This applies both to the hub airport of Schiphol and to the regional airports.

For the Amsterdam Metropolitan Area (and beyond), Schiphol's extensive destination network is a major factor that distinguishes it from other urban regions. The Amsterdam region competes with regions such as Frankfurt, Paris and Berlin.

Eindhoven Airport plays an important connective role for the Brainport region. Rotterdam The Hague Airport focuses on expanding the accessibility of the Rotterdam-The Hague metropolitan area in the south-west of the Netherlands. The development of Lelystad Airport signifies a major impulse for the Province of Flevoland.

Employment

The aviation sector is an engine for employment. Studies into the scale of this effect make a primary distinction between direct and indirect employment. Direct employment involves persons working in the sector itself while indirect employment concerns persons working at suppliers to the aviation industry.

A recent study (Labour market for the aviation sector, in late 2014) revealed that the aviation sector in the Netherlands accounts for more than 85,000 direct jobs, of which 65,000 are at Schiphol and more than 4,400 at the regional airports. Nearly half (44%) of the employees work at companies directly involved in the aviation sector and approximately one quarter work at suppliers. The total effect on employment in the Netherlands due to Mainport Schiphol is around 300,000 jobs.

With 1,500 jobs both directly and indirectly related to aviation, Eindhoven Airport has become one of the Netherlands largest regional employers. Rotterdam The Hague Airport is good for the direct and indirect employment in the aviation industry of 2,500 people. At Lelystad Airport, 441 people are employed at 65 companies. However, we are also indirectly stimulating regional employment in the Lelystad Airport area, where we are working with regional partners such as De Lelystadse Boer. This foundation was established in 2016 to develop the agricultural area surrounding the airport as the Netherlands' vegetable garden.

The type of jobs that aviation brings with it is also important. Schiphol offers many jobs for low-skilled workers. This is precisely the type of employment that a metropolitan region like Amsterdam views as very desirable. Around 60% of those working at Schiphol live in the province of North-Holland, and approximately one third of the total headcount at Schiphol live in Amsterdam,

Haarlemmermeer and Almere. At the other end of the spectrum, thanks to its network and good accessibility Mainport Schiphol attracts countless internationally oriented and high-quality jobs.

Tourism

Good connections with the rest of the world are vital for the tourism industry. The Netherlands, and Amsterdam in particular, are increasingly popular as a holiday or short break destination. According to NBTC Holland Marketing, the number of international guests that the Netherlands welcomed in 2016 rose by 5% to 15.7 million. Amsterdam is a particularly favoured destination, and the number of hotels in the city has increased.

Rotterdam, named the fifth must-visit city by *Lonely Planet* in 2016, and other locations in the Netherlands recommended by the same guide, have also attracted their fair share of tourists. This explains in part the growth in the number of non-Dutch travellers arriving at Amsterdam Airport Schiphol. Factors such as a favourable economy combined with a cheap euro have further stimulated tourist traffic. The growth in tourists from Asia (particularly from India) can largely be explained by additional aircraft capacity: Indian airline Jet Airways started operating flights to Schiphol in March 2016.

Contributions to education by airports and airport-based businesses

We stimulate regional employment through Schiphol Aviation College, an organisation established by KLM, the Amsterdam Regional Training Centre (ROC) and Schiphol Group. Every year, the College provides training to some six hundred students and offers work placement positions for three hundred students. One thousand employees also receive training or take courses at the College each year. At Schiphol, the College promotes intersectoral mobility aimed at facilitating employee job rotation among the companies located at the airport.



As a business entity firmly rooted in the Dutch community, we wish to fulfil our social responsibility by offering job opportunities to people with limited chances on the labour market. Schiphol Aviation College places them with airport-based employers.



Rotterdam The Hague Airport, too, is making efforts in this area via the Startbaan project. In this project, the airport, the Port of Rotterdam Authority, the Municipality of Rotterdam, the Royal Netherlands Marine Corps and the Shipping and Transport College offered work experience placements. Of the most recent group of 14 participants, 9 found a job or started a study programme after completing the placement. This project will enter its sixth year in 2017.

Similarly, Lelystad Airport has made a commitment to help people with limited chances on the labour market find a job, in collaboration with Werkbedrijf Lelystad. The airport has also partnered with Stichting Campus Amsterdam Lelystad Airport (SCALA) and the Amsterdam University of Applied Sciences to promote and put in place training initiatives and work placements.

Development of the Group

Royal Schiphol Group wants to get the most out of interaction between Amsterdam Airport Schiphol, the regional airports and the Group's international activities. We are going to strengthen the cohesion of the group and benefit more strongly from the synergies within our airport network. We complement and reinforce one another. We continuously work to improve our organisation so that we can fulfil our socio-economic task as efficiently as possible. We pursue financial policies that are forward-looking and solid.

Objective for 2020	Progress	Achieved in 2016
High Performance Higher scores on the High Performance Organisation (HPO) benchmark		<ul style="list-style-type: none"> HPO score 6.8
International Expansion of international activities		<ul style="list-style-type: none"> International activities account for a significant part of Schiphol Group's results Synergy within the group is used increasingly effectively (through joint tenders and staff exchanges)

 On track in 2016 to achieve target in 2020
  Largely on track in 2016 to achieve target in 2020
  Partly on track in 2016 to achieve target in 2020

Employment practices

In 2015, Schiphol Group started activities aimed at developing into a High Performance Organisation. Views on work and employment are changing, and we wish to realise our ambition of being and remaining Europe's Preferred Airport by becoming a highly flexible, learning organisation. The development of our organisation and our staff towards high performance is based on five pillars, which include further quality gains among managers and an open and proactive attitude.

We periodically measure our progress towards HPO and provide specific guidance for departments where required. The first measurement yielded an average final score of 6.8. In the first quarter of 2017, we will carry out a second broad measurement across the Schiphol organisation. In this second measurement we intend to achieve a final score of 7.3 for the entire organisation. While we have taken several initiatives to improve the HPO score, we expect it will be quite a challenge for us to achieve our target for 2020: a score of 8. Similarly, reaching our targets in connection with inclusive enterprise has proven no easy task. However, we will continue our efforts to achieve the intended result.

Sustainable employability

As our active mobility policy enters its third year, employees and managers are actively engaging in discussions on sustainable employability. Our policy of continuous employee development enables staff members to advance to new, challenging roles within the company. The underlying principle is that all our people should be fit, motivated and able to continue working productively, both now and in the future. Vitality is a key concept for us.

Schiphol promotes internal mobility. We firmly believe that employees will derive greater enjoyment and be more productive if they change jobs or move to another workplace at the right time. The target we have set is that every year 15% of our employees change jobs, either within our organisation or by seeking

employment elsewhere. We achieved that target again in 2016 with a mobility percentage of 19.6% (2015: 20.1%).

In 2016 we focused more specifically on shift workers, a group that was not well represented in the vitality programme. Specially for this group, we developed the Fit as a Shift Worker programme, which offers them support and advice on working with optimum health and vitality. We will be continuing this programme in 2017. This year we will focus more on older employees, who should be able to continue working for our organisation in good health. Internal mobility is a key part of this because, for example, it is our policy that staff aged 60 years and older will no longer be required to work night shifts from 2018. We are engaged in discussions with these employees on how they can continue to perform their jobs satisfactorily from that point onwards.

We are studying the impact on our enterprise of having multiple generations in the workplace. Naturally we also wish to be and remain an attractive employer for the younger generation in the labour market. We help management gain a better understanding of the aspects that can influence the employability of their people.

As in previous years, in 2016 we were able to effectuate staff exchanges and secondments between regional airports - especially Lelystad Airport - and international airports. We will continue and further develop these efforts in 2017.

Inclusive business practice

The vision underpinning Schiphol Group's employment practices is that we value people for who they are, their qualities and their talents. We aim to be an organisation where all employees feel at home, regardless of their cultural or work background, gender, sexual orientation or physical disabilities. Schiphol Group has further shaped its ambitions for inclusive business practice in 2016. Creating jobs for people with an occupational disability and for

young people and adults with a different cultural background are important objectives of inclusive business practice.

We are one of the initiators of Aviation Inclusive. When launching this initiative, the employers involved formulated the ambition to realise a hundred successful placements per year for people with an occupational disability, and to persuade at least a hundred companies to join the initiative within two years. Twenty-six organisations have done so thus far. In this way, the entire Schiphol community can present itself as a creator of jobs, including jobs for these groups in society. Aviation Inclusive is in line with the Participation Act. In addition to merely formulating an ambition, we have achieved several concrete results. On 6 September 2016, the day of Sustainable Employment, a large symposium was organised at which employers and job-seekers with limited chances on the labour market were introduced to each other via speed dates. In 2016, Schiphol Group realised a number of placements for employees with an occupational disability.

As in previous years, in 2017 Aviation Inclusive will organise a variety of activities, such as job markets, speed dates and temporary work placements, aimed at giving people with an occupational disability a chance to work at Schiphol. All of this is to be undertaken with the goal of creating 100 jobs in 2017 and of getting at least 25 additional companies involved in Aviation Inclusive, with support from Schiphol Aviation College. The College is an important link in the chain as it can connect the parties to job seekers with limited chances on the labour market.



During Amsterdam's Gay Pride, the iconic Dutch farmer boy and farmer girl kissing in the arrival halls were temporarily replaced by two people of the same sex kissing. Schiphol Group also participated in the canal parade for the first time with its own boat.

In 2016 we supervised 132 interns and also organised a large number of one-day orientation placements. This is in line with the intentions set out in the Youth Covenant signed by Schiphol in 2014, an initiative aimed at increasing young people's opportunities on the labour market. We had set ourselves the target of hiring young people (younger than 27) for 20% of the total number of vacancies arising; we achieved 11.6%. We will continue to strive for 20% in 2017.

For Schiphol, inclusive entrepreneurship also means that we should be a fair reflection of society around us; after all, our customers are also diverse. This is why we actively seek to attract employees from different cultural backgrounds. Our goal for 2016 was to fill 10% of all new vacancies by hiring people with a non-Western background. We did not reach that goal. In 2017 we will again strive to attain 10%.

Schiphol will participate for the second time in the national mentor programme of the ECHO foundation, the diversity policy expertise centre. In this programme, mentors from Schiphol guide Dutch students with a non-Western background who are about to take the step from higher vocational or university education to the job market.

Women

According to the Management and Supervision (Public and Private Companies) Act, the Schiphol Group Management Board and Supervisory Board should comprise a balanced mix with at least 30% female members. As of 1 September 2014, our Management Board consists of 50% male and 50% female members. The composition of the Supervisory Board similarly complies with this principle, with five male members and three female members (37%) effective April 2015. The challenge for 2017 is to establish a good male-female ratio across the board, ensuring that women are represented in all levels and departments and are given the opportunity to advance their careers.

Appreciation from employees

The perception of the outside world regarding Schiphol as an employer appears to match the perception within the organisation. In 2016 Schiphol climbed in 'The Netherlands' Best Employer' survey, produced by Effectory and Intermediair, to fifth place with a score of 7.7. Last year we were placed eighth. The survey showed that employee involvement and satisfaction regarding Schiphol Group as an employer had risen relative to 2015. We are proud of this recognition, which is particularly relevant since the survey was conducted amongst our own employees. They indicated that they enjoy working for Schiphol because no two days are the same while the airport operations continue 24/7. The variety of business activities provides opportunities for each employee to apply their individual skills. In 2016, Amsterdam Airport Schiphol was also named the Netherlands' most attractive employer. This is an award from the Randstad employment agency in which the Dutch labour force are asked what company they would like to work for.

Integrity

Schiphol places great value on the integrity of its employees. The subject of integrity is high on the agenda. We have a Code of Conduct which stipulates that employees must refrain from undesirable forms of behaviour such as sexual harassment, discrimination and bullying. The Code also contains regulations concerning use of the available communication resources and facilities (such as email, the Internet, laptop computers or telephones) and social media. A further aspect highlighted in the Code is that it is crucial for managers to set the tone and lead by example. We offer employees an online training course, and raise awareness of the Code of Conduct both among our own employees and external staff.

In 2016 extra attention was devoted to raising awareness among employees on IT security and privacy issues, for example through a campaign and interactive workshops. It is also important that everyone understands how and when to report unethical behaviour, as we highlighted this again this year. Situations are now often discussed preventively. In 2016, 16 issues were reported to the Integrity Committee. The reports have been investigated and where appropriate, people have been called to account and necessary actions have been taken.

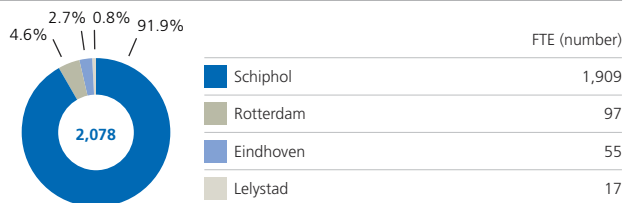
Employees in figures

The number of FTE at the end of 2016 rose to 2,078 (2015: 2,009). Our employees either have an annual contract or a permanent employment contract. We make separate agreements with employees who are not covered by a collective labour agreement. The male/female ratio has remained stable, both overall and among managerial positions.

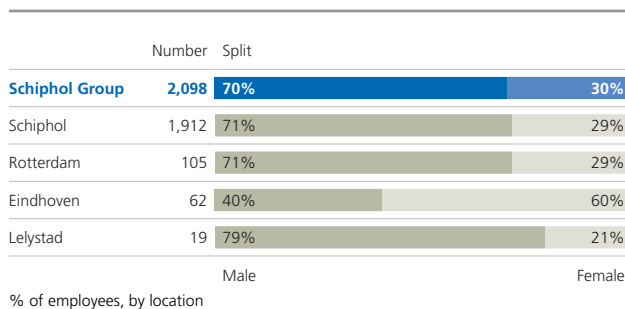
In 2016, the absenteeism rate for Schiphol Nederland B.V. rose from 3.7% tot 4.1%, mainly as a result of the number of long-term absences due to illness. The Verbaan standard for Schiphol Nederland B.V., which indicates a realistic level of absenteeism, is 3.6%. Absenteeism due to illness at Rotterdam The Hague Airport was 2.7% (2015: 2.6%). At Eindhoven Airport the absenteeism figure for 2016 was 4.6% (2015: 1.4%).

Total workforce

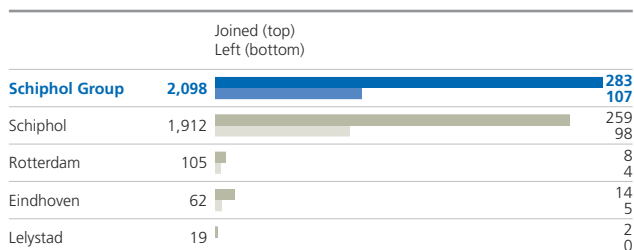
% of total FTEs, by location



Gender split

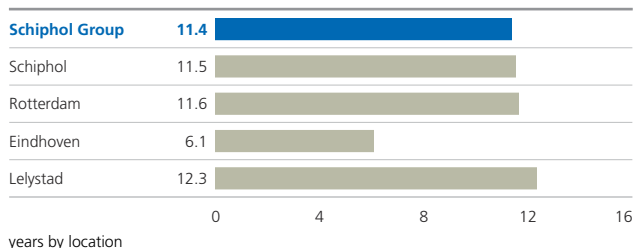


Employee turnover

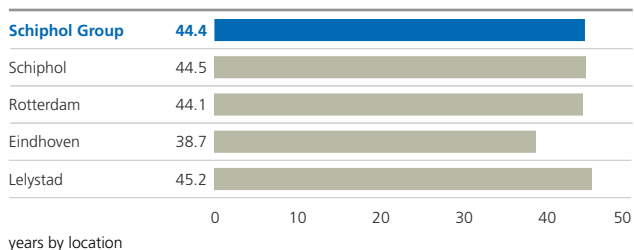


numbers by location

Average length of service at Schiphol Group



Average employee age



% Financial solidity

Schiphol Group's financial policy seeks to ensure a solid financial position and good creditworthiness with at least an A rating from two reputable credit rating agencies. This is vital to our ability to finance the necessary large-scale investments. Profitability is an essential factor in maintaining a high credit rating. The return generated by Schiphol Group determines to what extent we can create economic value for our shareholders. It equally determines the extent to which financial stakeholders believe that Schiphol Group is equipped to bear investment risks.

A dividend is paid to the shareholders every year. In 2016 Schiphol Group paid a dividend of 187 million euros, of which 173 million was distributed to the Dutch State, the Municipality of Amsterdam and the Municipality of Rotterdam.

Return

Schiphol Group pursues a sound financial policy to ensure current and future independence. We independently raise financing through the capital markets and banks. We have four shareholders, the largest of which is the Dutch State which holds almost 70% of the shares. In 2013 the Dutch State introduced a standard return on equity of 6.7% for Schiphol. A return requirement serves as an added incentive to continue to operate cost-effectively and to generate a higher result through non-aviation activities, such as real estate, parking and concessions. Under the new Aviation Act, a mechanism is being introduced entailing that Schiphol can employ a portion of the return exceeding the standard return to lower the airport charges.

Creditworthiness

It is also important to generate a sufficient return if we are to maintain our ability to independently raise financing, as this will enable us to secure access to the capital markets at favourable conditions. Good creditworthiness is a prerequisite for safeguarding Schiphol Group's ability to independently make the necessary long-term investments in capacity and quality.

The long-term credit rating issued by Standard & Poor's in 2016 remained unchanged at A+ with a stable outlook. Similarly, Moody's long-term rating of A1 remained unchanged with a stable outlook. The short-term ratings are P-1 (Standard & Poor's) and A-1 (Moody's).

Focus on cost control

In order to be able to make major investments while at the same time maintaining competitive airport charges for our aviation activities, we continuously focus on cost control with due regard for the price-quality ratio. We wish to continue to meet the high expectations of travellers and airlines. We are aware, however, that quality comes at a price. Particularly where new investments are concerned, we place greater focus on the long-term implications of the choices we make. By focusing on cost control, we endeavour to increase our financial flexibility and resilience.

Over 50% of all Aviation costs are directly related to the infrastructure, the assets of Amsterdam Airport Schiphol. Particularly when making new investments, we apply Total Cost of Ownership as a cost control mechanism. The tightening of contract management procedures enables Schiphol to derive greater added value from supplier relationships. Where possible, we challenge suppliers to apply the full extent of their knowledge and expertise to enhance service provision and devise intelligent, cost-effective and innovative solutions. We do so, for instance, through open market consultation prior to major tenders and by applying Best Value Procurement wherever possible.

Aviation Business Area costs

EUR million

	2016	2015	2014	2013	2012
Depreciation & amortisation	176	161	163	89	163
Operating expenses (excl D&A)	615	579	565	550	547
	791	740	728	639	710

Cost efficiency improved slightly in 2016. We express cost efficiency as the cost per Work Load Unit (WLU: one passenger or 100 kilogrammes of cargo). The costs per WLU at Amsterdam Airport Schiphol decreased slightly in 2016 from 9.93 euros in 2015 to 9.85 euros in 2016.

Costs per WLU (Aviation)

EUR per WLU

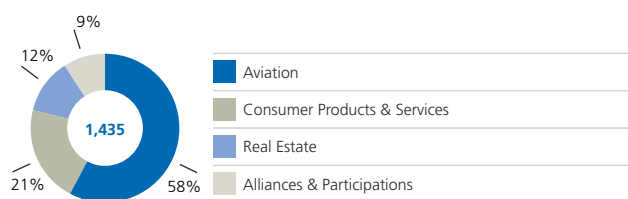
	2016	2015	2014	2013	2012
Depreciation & Amortisation per WLU	2.19	2.16	2.29	2.78	2.47
Operating expenses (excluding D&A) per WLU	7.66	7.77	7.93	8.09	8.30
	9.85	9.93	10.22	10.87	10.77

Significance of non-aviation activities

Non-aviation activities make a substantial contribution to Schiphol Group's return and to its capacity to raise financing. They generate 42% of revenue and 91% of the operating profit. Non-aviation activities enable Schiphol Group to create economic value and financing capacity despite the low returns on aviation activities due to economic regulation that determined a regulated weighted cost of capital of 1.8% in 2016. Without the contribution from non-aviation activities, Schiphol Group would be unable to raise financing independently and the risks would be not be spread sufficiently.

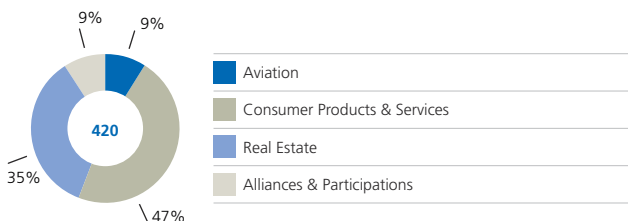
Revenue

EUR million



Operating result

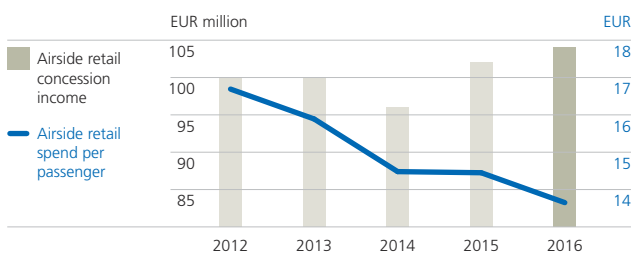
EUR million



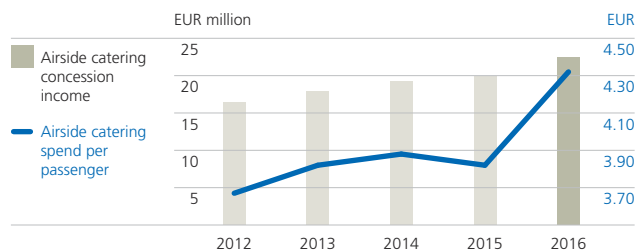
Consumer Products & Services

This business area's contribution over the past few years is largely reflected in the rise in concession income and parking revenue.

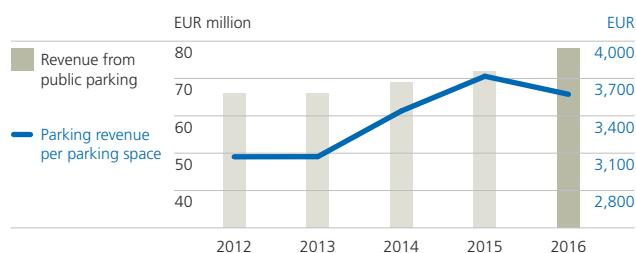
Airside retail concession income and spend per passenger



Airside catering concession income and spend per passenger



Revenue from public parking and revenue per parking space



Spend per passenger

in €

	2016	2015	Index
Retail airside	13.65	14.45	94.5%
Catering airside	4.32	3.98	108.5%
Total	17.97	18.43	97.5%

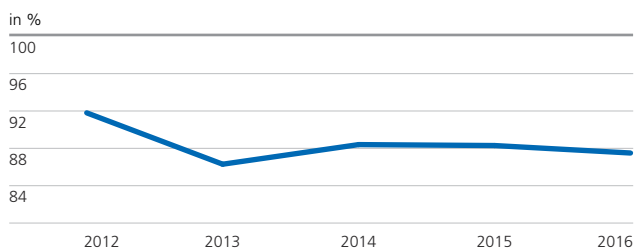
Number of outlets at Schiphol

	Airside	Schiphol Plaza
Catering	63	34
Retail	177	42
Services	19	14
Total	259	90

Real Estate

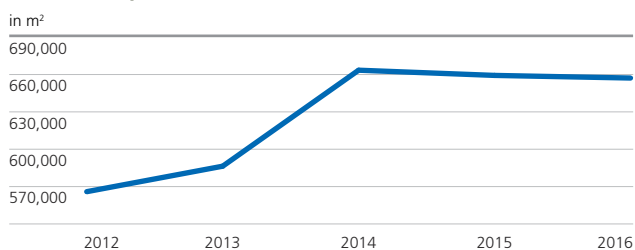
Real estate activities provide robust revenues and cash flows. They are also important for risk diversification since the results are less dependent on developments in the aviation industry. Real estate activities mainly generate rental income. We have a diversified real estate portfolio of offices, business premises and other properties generally offered at prime locations including at the top end of the Dutch office market. The occupancy rate has remained strong over the past few years, particularly in comparison with other players in the real estate market.

Occupancy rate of commercial real estate



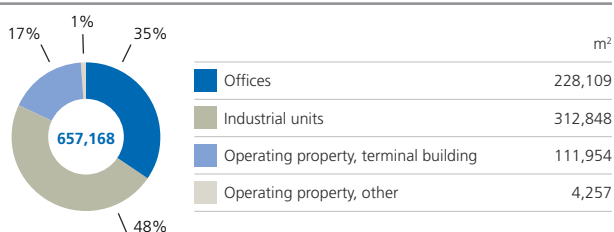
In 2016 the occupancy fell slightly to 88.7% (2015: 88.8%). A number of significant new lessees were recruited for existing and redeveloped premises, including The Base, the office complex which now forms the heart of the Schiphol Central Business District. Recently the valuation of commercial real estate has rallied, partly due to the favourable development of occupancy rates and new, long-term rental contracts.

Real estate portfolio



Real estate portfolio per category

as a % of total real estate portfolio



Contribution from regional airports



Amsterdam Airport Schiphol is not the Netherlands' only gateway to the rest of the world. The regional airports - Eindhoven Airport, Rotterdam The Hague Airport and, in future, Lelystad Airport - help to increase our connectivity and contribute to our results. In addition, the network of domestic airports helps to spread both the benefits and the burdens geographically. The knowledge and know-how gained within the Group ultimately strengthen all our airports.

Contribution from international activities

Our international activities strengthen the organisation and help boost passenger and cargo traffic. They also make a significant contribution to our financial solidity and spread business risk, thereby reinforcing the Mainport's position. Our stakes in Groupe ADP, Brisbane Airport and our other international activities contributed approximately 23% to net profit in 2016.

Sustainable & Safe Performance

Sustainability and safety are unifying elements of Schiphol Group's strategy. We seek a careful balance between the social, environmental, commercial and financial interests of the business and of its stakeholders. Our number one priority is a safe and healthy environment for everyone at and around our airports. We aim to be a good employer and a committed neighbour.

Objective for 2020	Progress	Achieved in 2016
<p>Sustainable We will be acknowledged as a leading enterprise in the field of Corporate Responsibility.</p>		<ul style="list-style-type: none"> • Host of the Airports Going Green sustainability conference • Lighting as a service in Departure Lounge 2 • 2nd position in Transparency Benchmark
<p>Security We are developing into a High Reliability Organisation with a pro-active security culture.</p>		<ul style="list-style-type: none"> • Safety walks introduced and safety awareness increased • EASA certification • Initiatives to establish a pro-active safety culture

 On track in 2016 to achieve target in 2020
  Largely on track in 2016 to achieve target in 2020
  Partly on track in 2016 to achieve target in 2020

Sustainable airport

Corporate Responsibility (CR) is an important topic for Schiphol. In 2016 Schiphol once again sought advice from representatives of the business community and sustainability experts. In the previous year the stakeholders recommended that the goal of 'most sustainable airport' should be further refined. We presented the stakeholders with more specific details in 2016. They took the view that Schiphol Group can increase the sustainability of its processes on the one hand, whilst at the same time spearheading social debate about the future of mobility. The participants emphasised that the airport operator does not have sole responsibility, and that a joint approach is required. We have welcomed these suggestions and have decided to integrate CR further in our vision for Schiphol Group, embedding it in our strategy, policy and processes. This decision is in line with the continuing evolution and adoption of integrated thinking and action within our business.

The question of mobility now and in the future is the subject of an ongoing dialogue with the partners in the chain, both at the airport and further afield. As organiser and host of Airports Going Green we have emphasised the role of aviation in this process. As a sector we have been able to make the statement that sustainability and mobility go hand in hand.

We believe we are making excellent progress on enhancing the sustainability of various operating processes. The results can be found in various parts of the annual report now that the CR themes (climate-friendly aviation, accessibility, sustainable employment, environment, noise and air quality, and raw materials and waste flows) are becoming increasingly interlinked with various policy areas. CR plays a role in our decision-making at multiple levels: in investment decisions, in tenders for construction and renovation work and in our operational processes. In this chapter and elsewhere we report on our commitment and achievements in this area, for instance in our role as commissioning party, in our efforts to establish a circular and sustainable economy, as an employer or as coordinator in the mobility and safety chain.

Sustainable Development Goals

Schiphol Group's mission is Connecting the Netherlands. We enable others to connect, but as a business we also feel connected to the world around us. That is why we find it promising that the business community is playing an increasingly prominent role in sustainable development. Whereas the Millennium Goals (2000-2015) focused on governments, the seventeen Sustainable Development Goals (2015-2030) apply to all countries, companies and citizens, based on the belief that we need to join forces to make the world a better place. This is true for the aviation sector and also for Schiphol Group, its partners and the local communities in which it operates.

The Sustainable Development Goals provide an incentive for us to make our business processes more sustainable and take the lead in the mobility debate, thus strengthening our role as a leader and pioneer. We would like to highlight a number of SDGs that tie in with our activities and role in the chain and that are part of being a responsible airport. By pursuing these SDGs we are investing in the future of the aviation sector and ensuring that the growth of airports and the growth of metropolitan regions go hand in hand.

SDG 8 ('Decent work and economic growth')
Schiphol Group has a socio-economic impact by generating employment at and around the airport. We also promote *inclusive business practice* through initiatives such as Aviation Inclusive.

SDG 9 ('Industry innovation and infrastructure')
Schiphol Group actively encourages the aviation sector to switch to clean energy carriers: witness our achievements in the areas of *energy* and *air quality*.

SDG 11 ('Sustainable communities and cities')
Schiphol Group airports are located in residential, employment, recreation and business areas. An *accessible and healthy living and working environment* is essential.

SDG 12 ('Sustainable consumption and production')

Schiphol Group plays an active role in partnerships with the aim of achieving circular supply chains and ensuring the more careful use of natural resources and other materials. We are fully committed to achieving our goal of becoming a *ZerO Waste* airport.

SDG 13 ('Climate action')

Schiphol Group is switching to sustainable energy and fuels. Our *energy* and *fuel consumption* results are gradually improving.

SDG 17 ('Partnerships for the goals')

Schiphol Group plays a leading role in accelerating knowledge sharing and cooperation via the Airports Sustainability Declaration network. In the 2016 *Airports Sustainability Declaration*, airports commit to collaborate more closely to accelerate the introduction of sustainable operations. Schiphol Group also involves businesses, entrepreneurs and knowledge institutions in its challenges. Results of partnerships can be found under *Supply chain responsibility* as well as other sections.

Safe airport

Alongside sustainability, safety is a key priority in our strategy for the 2016-2020 period. Schiphol Group maintains a healthy, safe environment for passengers and staff, in which the prevention of accidents, loss and damage comes above all else, including commercial and operational interests. We have set out our goals in a renewed vision on safety. This enables us to speak the same language within Schiphol Group, pursue the same objectives, work together with all stakeholders both within and outside the organisation, and align working methods and tools. Our safety goals are:

1. To manage health, safety and environmental risks using risk-based Safety Management Systems.
2. To comply pro-actively with current and future health, safety and environmental protection regulations.
3. To further improve health and safety conditions for all Schiphol Group asset users by actively engaging, guiding or influencing stakeholders.
4. As a High Reliability Organisation (HRO), to create a proactive health and safety culture by actively promoting, pursuing and monitoring *Just Culture*.

This calls for the consistent use of our safety systems, excellent organisation, and leadership to promote continuous learning and improvement. The renewed vision with the four clear focus areas and initiatives such as the safety walks have firmly established safety as a major priority for all parties concerned. This is essential, all the more so in view of the large expansion projects and the many external employees working at our airport. This should also be reflected in our next HRO measurement.

 **Safety**

Safety is a key priority in both our own operations and those of our partners. A safe and healthy airport environment and workplace is the shared responsibility of all stakeholders. We work to ensure the safety of our passengers, visitors and employees and improve workplace safety together with all our sector and business partners. As the airport operator, Schiphol Group monitors compliance with all relevant regulations.

Pro-active safety culture

Our aim for 2020 is to develop Schiphol Group into a High Reliability Organisation with a proactive safety culture. We measure our progress using Hudson's Health, Safety and Environment (HSE) culture ladder. We have formulated a vision on 'Creating safe performance' to facilitate our progress to level 4 on the culture ladder. Our centrally managed 'Schiphol for Safety' (S4S) programme promotes and facilitates the desired change in culture. In 2016 we started in three departments at Schiphol with the help of experts in High Reliability Organising. We will expand on these activities in 2017.

Schiphol Incident Learning System

We introduced a new Safety Incident Learning System (SILS) in 2016, creating a better foundation for the proactive safety culture we are seeking to establish. SILS helps with the registration, analysis and reporting of undesirable events relating to Health, Safety & Environment (HSE). The system makes it easier to report anomalies, incidents and accidents, allowing us to gather more information and identify HSE risks in our operations in a proactive and timely manner.

Safety awareness

In 2016 we introduced so-called safety walks. These walks are conducted by supervisors who engage with employees about the importance of safety, about safety dilemmas and to learn about the situations employees face as part of their daily work. They are designed to bring greater focus to the topic of Safety and reduce the gap between 'handbooks' and 'practice'.

We also organised safety awareness walks attended by 120 retail and catering employees. To promote self-reliance, we explained safety in their work places as regards escape routes and emergency exits, alarm systems, fire-resistant compartments and the various available emergency response resources.

Schiphol has an annual safety drill calendar and each year organises a number of multidisciplinary crisis exercises in various forms and involving different scenarios. We have increased the number of emergency response teams in the terminal, and changed the call procedure for emergency response officers to improve speed and capability. Weekly exercises with the fire department have contributed substantially to the skills of all those involved.

Safety management

To manage safety risks, Schiphol uses safety management systems (SMS). An important element of any SMS is the PLAN-DO-CHECK-ACT cycle, through which we define our policy and objectives and identify safety risks. These risks are then prioritised and analysed (PLAN) and controlled by specific control measures (DO). The CHECK consists of supervision, audits, registrations and incident investigations to monitor the extent to which the risks are sufficiently controlled and whether the measures taken comply with the applicable laws and regulations.

In 2016 Schiphol established the Safety Review Board (SRB), in which the COO and the directors of Schiphol take part. The SRB focuses on the achievement of the strategic objective of creating safe performance at Amsterdam Airport Schiphol and implementing the European Aviation Safety Agency (EASA) requirements. The SRB focuses on managing the key safety risks at Schiphol, sharing safety dilemmas and monitoring the development of safety culture within Schiphol.

All incidents, near incidents and dangerous situations, both major and minor, that take place at Schiphol are recorded and reported. We improve risk management based on recommendations from these incident analyses. The most serious cases are subject to thorough investigation. One such incident in 2016 was a road accident which regrettably involved a fatality. In the accident a pedestrian (an employee of a handling company) was hit by a vehicle on airside. We are investigating the cause of the accident in collaboration with the parties involved. If warranted by the results of the investigation, we will take appropriate measures.

Safety on and around runways

Our runway safety policy is mainly aimed at preventing situations in which aircraft or other vehicles enter a runway when this is not permitted or desirable. The Runway Safety Team (RST, part of the Schiphol Safety Platform) makes every effort to reduce the risk of such runway incursions. If an incident occurs, we take all possible steps to limit the consequences and investigate what can be done to prevent similar occurrences in future. The RST works closely with all parties in the aviation process, in particular with Air Traffic Control the Netherlands (LVNL) and the airlines that operate at Schiphol.

In 2016 a total of 47 runway incursions were registered at Schiphol (2015: 41). A number of measures were taken in 2016 to limit the number of runway incursions, including additional marking on four runways. The new runway control system also became operational in 2016, providing both Schiphol and air traffic control with a clearer picture of runway occupancy, thus further contributing to the prevention of runway incursions. In addition, the airfield manuals have been completely updated and improved. Finally, the RST has launched two studies into additional improvements in infrastructure and lighting. The outcomes and results of these studies will be published in the first half of 2017.

LVNL and Schiphol made far-reaching agreements in 2016 on radio communication in the landing area, resulting in clearer instructions from air traffic control to vehicles in the landing area regarding the

route to be followed to their destination. This provides greater certainty for both the air traffic controller and traffic on the ground, reducing the risk of miscommunication.

On 2 March 2016, the Dutch Safety Board launched a special investigation into the safety of air traffic at and around Amsterdam Airport Schiphol. The Dutch Safety Board has investigated several incidents at the airport in recent years. In this special investigation, the Board wishes to determine whether those incidents could be attributed to more structural causes, such as features associated with the design, location and use of the airport. The investigation will probably last a year.

Runway incursions at Schiphol

annual number

2016	47
2015	41
2014	17
2013	23
2012	42

Rotterdam The Hague Airport

In 2016, a total of seven runway incursions took place out of a total of 52,442 air transport movements at Rotterdam The Hague Airport (2015: 9). Rotterdam The Hague Airport continues to focus on ways to prevent these incidents. A number of control measures have been introduced in recent years to reduce the number of runway incursions and the degree of danger. Runway Guard Lights (flashing lights) have been installed at all relevant runway access roads. Additional ground markings have also been applied and signage placed near to a runway.

Eindhoven Airport

The number of runway incursions was four, showing a downward trend (2015: 11). Moving the holding lines (stop lines) to a different location has been an important factor in this improvement. Due to the fall in the number of runway incursions, in April the Military Aviation Authority decided to end its specific monitoring of these incidents.

Bird strikes

Birds remain a serious flight safety risk. In order to control this risk, Schiphol employs bird controllers who patrol the landing area 24 hours a day, 7 days a week. 2016 was a busy year for the bird controllers. The absence of serious winter weather conditions again this year led to a sharp rise in the populations of many bird species. As in previous years, we sowed special anti-bird grass to deter these birds from Schiphol. The composition of this grass makes it an unsuitable food source for insects and mice, reducing the mouse population and therefore the food supply for birds such as kestrels. The grass is now growing along two runways. We have also launched a study on insects in the airfield to gain more insight into and control over the total food supply.

We have made preparations to add three radar stations to the bird detection system in 2017, thereby covering the entire airport.

The activities of the Netherlands Control Group for Bird Strikes (NRV) were further developed, and grain was once again ploughed under the soil in 2016 to discourage foraging. Frequent use was also made of the bird detection system, which allows us to monitor the effectiveness of our own measures. The number of bird strikes recorded at Amsterdam Airport Schiphol in 2016 amounts to 6.7 per 10,000 air transport movements (2015: 8.4).

Bird strikes at Schiphol

number per 10,000 air transport movements

Year	Number per 10,000 air transport movements
2016	6.7
2015	8.4
2014	5.8
2013	6.1
2012	7.0

Rotterdam The Hague Airport

The number of bird strikes at Rotterdam The Hague Airport increased to 5.0 per 10,000 air transport movements (2015: 3.1).

Eindhoven Airport

The number of bird strikes fell in 2016 to 5.4 per 10,000 air transport movements (2015: 8.0), relating to both civilian and military flights. Both preventive and active bird management policies are pursued at the airport. The preventive measures are designed to make the site less attractive to birds, for instance through conservation management of the landing area and by preventing and removing litter. Despite the falling trend, we continue to focus on optimising our efforts in this area for example through the use of new techniques such as radar.

Occupational health and safety

In 2016 we ran six health and safety campaigns, which were aimed to improve awareness of safety aspects among employees and, where necessary, to promote behavioural changes. At Schiphol, work-related accidents resulting in absenteeism are registered using the Lost Time Injury Frequency (LTIF). Using LTIF makes it possible to compare our performance compared with other companies within or outside the aviation sector. In 2016, Schiphol Nederland B.V. (excluding the fire department) recorded an LTIF of 1.1 (2015: 0.4). The LTIF for the fire department was 8.4 (2015: 27.1). Both scores are lower than the target (3 and 40 respectively). The LTIF for Rotterdam The Hague Airport and for Eindhoven Airport was 0 (as in 2015).

Improved working conditions at the security filters

On several occasions in the spring, security staff went on strike for short periods of time in protest against their high workload. This resulted in long queues in the departure halls. Schiphol subsequently reached agreement with the security companies and the trade unions regarding improved working conditions at the security filters. Major and minor improvements have been introduced over the past few months. One of the issues raised was the high temperature. The security filters in all departure halls and the transfer filters have been equipped with cooling units and other modifications to keep the temperature under control. We are working with the architect to identify structural solutions to this issue. A new protocol for staff uniforms has also been introduced,

which permits staff to work without a jacket above a certain temperature. We will also be introducing a summer uniform protocol in the summer months. From 1 September the maximum uninterrupted period spent by staff at the security filters in the departure halls was reduced from 150 minutes to 120 minutes. The experiences have so far been positive. Break times have been increased from 10 to 15 minutes.

We are also improving working conditions with a number of modifications to the security lane itself, such as the installation of standing supports and standing mats in the lanes to provide relief during long periods of standing. The lane will also be adapted in a number of areas so that staff can drag hand baggage instead of lifting it. We will be making these modifications to each of the more than 70 security lanes.

Reducing the physical burden

Schiphol tests various lifting aids and makes these available to the handling agents. Bags must be lifted at various stages in the baggage process - at the unloading quays, in the baggage halls and at the carousels - requiring specific lifting aids. We carry out targeted trials, and lifting aids that prove successful are developed further. This is already the case at the unloading quays and will probably soon also apply to the central baggage hall.

The 'lifting hatches' needed to feed heavy items into the baggage system have been modified and now comply with health and safety requirements. This was necessary because lifting the heavy items placed too great a burden on servicing staff.

Safe driving in the baggage area

Our goal was to reduce traffic speed in the baggage area. Driving too fast not only led to damage but also endangered staff safety. Adjusting the speed has been a subject of debate for many years. Each of the around 120 baggage tractors (vehicles) is now equipped with a 'turtle button'. When a tractor enters the baggage area or baggage hall the driver must activate this button, preventing the vehicle from exceeding a speed of 10 kilometres per hour. A green light on the roof clearly indicates that the vehicle's speed is limited, simplifying supervision and enforcement. Compulsory use of these speed limitation devices will be included in the Schiphol Regulations.

Noise

Living and working near an airport has both positive and negative sides. These are not evenly distributed throughout the region. We regard it as our socio-economic responsibility to work with partners to improve the quality of life and to limit disturbance to the greatest possible extent.

Noise disturbance depends on the number and timing of flight operations and the aircraft used. Schiphol can influence some of these aspects directly, but on others we can only exert indirect influence. Schiphol is continuing its efforts to limit noise disturbance as effectively as possible in collaboration with other aviation parties, including KLM, BARIN and Air Traffic Control the Netherlands (LVNL).

New system and environmental impact

2016 saw the adoption of the legislative proposal for the new Environmental Standards and Enforcement System. This is an important first step towards legally embedding the arrangements in the Alders Agreement.

The past year marked the implementation of the new system. Selective runway usage means that runways that cause the least disturbance to the local community are given preference. In view of the location of the residential areas around Schiphol, Runways 18R-36L and 06-24 are preferred over other runways.

Schiphol has investigated the environmental impact of the new system. This is a legal requirement. The results can be found in the Environmental Impact Assessment (MER), which is now completed. Growth to 500,000 air transport movements in 2020 has been found to fall comfortably within the environmental limits, with the number of people experiencing severe noise disturbance set to remain 34% below the limit value.

The MER Committee has issued an interim recommendation in response to questions from the Schiphol Local Community Council. The MER will be expanded next year on the basis of a new European calculation model, allowing an even more accurate forecast of future noise impact.

Possibilities for residential construction around Schiphol combined with responsible growth

While Schiphol and the Amsterdam Metropolitan Area are of great significance to the regional and national economy, the future use of Schiphol impacts the potential in the region for residential construction. It is expected that there will be a need for some 440,000 additional new homes in the Noordvleugel area in the period until 2040. Many of these homes are to be built in the Schiphol region. However, new residents are potential new complainants who can obstruct the further development of the Mainport.

According to Schiphol, residential construction is a matter that calls for careful consideration. In order to prevent future problems, municipalities in the area should make sure they are entirely up to date on existing and future flight paths and not plan any residential areas underneath. In this context, it is important to recall the Dutch Government's position from 2006, to the effect that if new housing construction results in additional residents who experience nuisance, the aviation sector should not be blamed. However, as this position in and of itself does not provide any guarantee for the future, this matter should be regulated in agreements at the legal and political levels.

Noise impact

The figure shows the 58 and 48 Lden noise contours during the 2016 operating year. These contours show where noise parameters of 58 decibels or 48 decibels were expected around Schiphol in average weather conditions. The contours are not static but have a bandwidth, as noise disturbance can vary as a result of changes in

Disturbance reduction around Schiphol

Flight frequency: growth and agreements

The maximum permitted traffic volume up to and including 2020 is 500,000 air transport movements. Further growth will be possible in the period after 2020. The specifics are being elaborated in greater detail within the Schiphol Local Community Council.

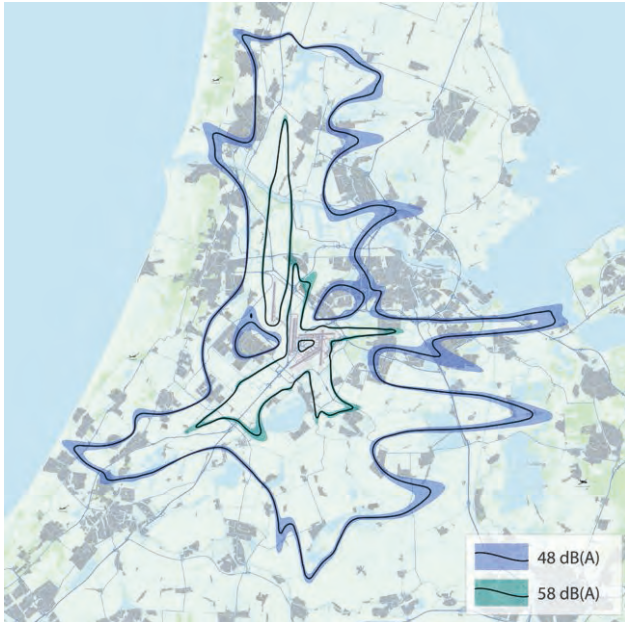
How flights are operated: runway use and large-scale maintenance

Air Traffic Control the Netherlands decides which runways can be used at which times. If a runway cannot be used, this results in a change in overall runway usage. Schiphol influences this through the choices it makes with regard to the timing of large-scale runway maintenance.

The aircraft used: fleet renewal

A quieter, cleaner and more economical fleet is in the interest of both airlines and local residents. The airlines are responsible for fleet renewal: Schiphol can only influence these choices with its pricing policy. For the time being, we have been using this policy to encourage the use of quieter aircraft.

the weather. Within the contours, the number of residents that can be characterised as 'experiencing severe noise disturbance' is calculated. The statutory norm for the maximum number of people who experience severe noise disturbance is 180,000. In the operating year 2016, the number of people experiencing severe noise disturbance as a result of the actual noise impact was calculated to be 138,500.



This year, large-scale maintenance was carried out on Runways 09-27, 04-22 and 18C-36C. In addition, the tunnel underneath Runway 09-27 has been reinforced so that the Airbus A380 can now, if necessary, use this runway for take-off.

During 2016, Schiphol increasingly played host to the latest quieter and more environmentally friendly aircraft types: the Airbus A350 and the Boeing B787. Martinairs McDonnell Douglas MD11 now no longer flies to Schiphol and KLM has started to phase out the Boeing B747 jumbo jet.

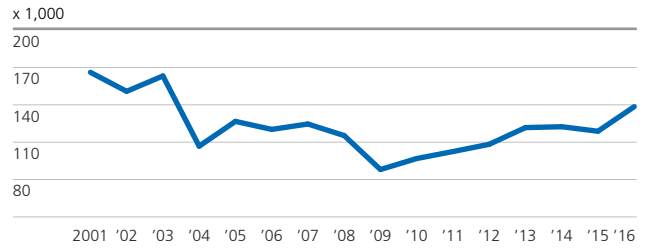
Breaches of environmental standards

In the 2016 operating year the sector deployed runways in accordance with, and in anticipation of, the new Environmental Standards and Enforcement System (NNHS) rules. However, the noise impact exceeded the limit values at seven more enforcement points than under the old system.

Until the introduction of the new enforcement system, the inspectorate will take the new rules into account. If breaches turn out to be the result of the application of rules under the new system, no measures will be imposed on the sector.

Amsterdam Airport Schiphol uses the Noise Monitoring System, or NOMOS, which currently consists of 40 monitoring points. In 2016, Schiphol extended this network by adding two monitoring points in the neighbouring municipalities of Sassenheim and Heiloo.

Number of people experiencing severe noise disturbance



Community engagement

If we are to realise our plans for growth and retain sufficient support for our activities, it is vital that we address the needs and desires of the surrounding community. We believe it is important that local residents feel that Schiphol is a good and committed neighbour. We aim to fulfil our mission of strengthening Mainport Schiphol together with our partners and the various authorities, and in close consultation with other stakeholders.

Local residents

We are engaged in a continuous dialogue with local residents' representatives on both the negative and positive effects of the airport on the surrounding area. Through the Local Community Contact Centre Schiphol (BAS) and other channels we endeavour to inform local residents as fully and effectively as possible of air traffic and other issues at and around Schiphol.

We showcase various aspects of the airport during Neighbour Days and in the teaching materials we distribute to local primary schools. We held two Super Neighbour Days in 2016 to mark our 100th anniversary. On these occasions, around 10,000 local residents were given a unique look behind the scenes of Schiphol's special and complex operations - from security to air traffic control and from customs to the fire department. Doors that usually remain closed were opened especially for them.

Reports by local residents

BAS registers all complaints and visits local residents who feel seriously affected and have requested face-to-face contact.

Number and nature of reports to BAS

	Focus group		Habitual complainants	
	2016	2015	2016	2015
Number of complainants	5,927	5,462	35	35
Reports received				
Specific reports	24,371	20,392	151,976	114,204
Period reports	33,262	27,197	6,115	4,990
General reports	757	685	328	422
Total number of reports	58,390	48,274	158,419	119,616

This increase is attributable to 35 individual habitual complainants who together submitted 158,419 reports, up 32% from 2015. Complainants from the focus group also submitted more reports, ten per year on average compared to nine last year. The largest number of complaints were submitted in August. July saw the largest number of new complainants; in this month both Runway 06-24 and Runway 18L-36R were closed for a week due to regular

maintenance. The steepest rise in the number of complainants occurred in the area under the flight routes of Runway 18C-36C. The largest number of reports came from this area in the months of August, September and October, with the majority relating to air traffic taking off.

An extensive analysis will be available in the BAS annual report, to be published in mid February at bezoekbas.nl.

Collaborating parties

The Schiphol Local Community Council was set up in January 2015. It is a platform in which stakeholders come together to address issues relating to the development of Schiphol and the surrounding area. These stakeholders include authorities, the aviation sector, residents and sector organisations. The CEO of Royal Schiphol Group is a member of the Advisory Board. Topics of discussion include agreements in the Alders Platform covenants, the implementation of noise mitigation measures and the new environmental standards, as well as new plans to build housing in the airport's direct vicinity. In 2016 the implementation of the new Environmental Standards and Enforcement System was one of the key items on the agenda.

Covenant on local environmental quality in the medium term

The arrangements that fall under this covenant concern area-specific projects (improvement of the quality of the local environment in particular areas) and individual measures (mitigation in individual cases of noise-related distress). Financing parties are the Province of North-Holland, the Ministry of Infrastructure and the Environment and Schiphol Group. Schiphol made a tranche of 10 million euros available for the first phase in 2006. A second tranche was committed in the Alders recommendations of October 2013 in connection with which Schiphol Group is again making 10 million euros available. Schiphol Group's contribution in the second tranche will again focus primarily on the most distressing cases.

Noise disturbance around Rotterdam The Hague Airport

Noise impact in the area around Rotterdam The Hague Airport is measured on the basis of six enforcement points. These enforcement points have been laid down in transitional regulations, which serve as a provisional airport decree (based on the Aviation Act). No breaches of these enforcement points occurred during the 2016 operating year. The airport used approximately 95% of available noise capacity at the most critical enforcement point over the course of the 2016 operating year. Rotterdam The Hague Airport has its own Regional Consultative Committee, which holds regular meetings with the main parties in the local community.

Noise disturbance around Eindhoven Airport

The Alders Platform growth phase 2 commenced on 1 January 2016. Eindhoven Airport holds a joint use permit that allows for phased growth up to around 43,000 air transport movements in 2019. At the end of 2015 the government decided that in the period up to 2020, Eindhoven Airport can develop within the permitted noise capacity of 10.3 km² for the 35 Ke noise zone around the airport. However, this is subject to conditions relating to hours of operation and the annual number of air transport movements. Eindhoven Airport remained within the limits of the permit in 2016 with 32,661 air transport movements.

The Alders Platform has been followed up by the Implementation Platform chaired by former State Secretary Pieter van Geel. The Implementation Platform is responsible for overseeing the second growth phase and monitoring and/or carrying out the agreements reached. A working group has explored the options for limiting disturbance along flight route '1b' over Wintelre and made its recommendations to the Implementation Platform in late 2016.

Local residents can find information about civil aviation flights to and from Eindhoven on the website samenopdehoogte.nl. Details of military air transport movements at Eindhoven have also featured on this site since the fourth quarter of 2016. Local residents affected by noise disturbance can submit a report via the website.

Quality of Life fund for Eindhoven Airport

To counteract the negative impact of the expansion and growth plans on the local community, a quality of life fund has been set up to improve the living conditions in the area around Eindhoven Airport. A working group was set up in 2016 that will give substance to this initiative. Eindhoven Airport will contribute funding.

More information:

- *Local Community Contact Centre Schiphol (Bas)*
- *NOMOS website*
- *Schiphol Local Community Council*
- *Schiphol Quality of Life Foundation*
- *Samen op de hoogte website*

CO₂ emissions

Schiphol Group takes responsibility for emissions reduction and pursues active policies to this end. We are pleased with our results, even though expansions and renovations have meant an increase in absolute energy consumption figures. By purchasing sustainable electricity, developing energy-efficient buildings and implementing conservation measures we expect to reduce our CO₂ emissions further still.

A tender process for a new electricity supplier was launched in 2016. This will lead, in phases, to the purchase of 100% sustainable electricity generated in the Netherlands. A key condition of the tender is that new generating facilities are built. The electricity will be purchased for Amsterdam Airport Schiphol and the three regional airports. The contract is expected to be concluded in 2017.

Lower CO₂ emissions per passenger than expected at Schiphol

Amsterdam Airport Schiphol is one of the airports most actively pursuing emission reductions. In 2016 we retained our 3+ status in the Airports Council International's Airport Carbon Accreditation benchmark. This is the highest level that can be attained. Amsterdam Airport Schiphol is a CO₂ neutral enterprise thanks to its practice of compensating emissions through Dutch and Belgian wind and solar energy certificates. We were praised for our investments in electrically powered vehicles, use of LED lighting, biofuels and restriction of commuter traffic, among other things. Our ambition is to maintain this highest status in the future.

CO₂ emissions at Amsterdam Airport Schiphol in tonnes

	Caused by	2016 ¹	2015 ¹
Scope 1	Natural gas and fuels used within the licences of Schiphol Nederland B.V.	16,279	19,954
Scope 2	Electricity	85,916	78,681
Total CO₂ emissions		102,195	98,635

¹ Numbers relate to the emissions and the number of passengers during the operational year

We have set ourselves the target of reducing CO₂ emissions per passenger to 1.35 kg by 2020. Our aim was to achieve a reduction to 1.88 kg by 2016, with the actual level achieved being 1.63 kg. This is better than expected. This result is largely due to the higher than expected passenger numbers, which have not been matched by the development of the required facilities. The energy consumption in proportion to passenger volume is therefore low. Once the scheduled expansions are complete, emissions per passenger will increase and we expect that our target will need to be adjusted. Our emission per passenger goal for 2017 is 1.65 kg. This is quite an ambitious target, given the expansions being made to our facilities, such as the temporary departure hall.

Energy efficiency at Amsterdam Airport Schiphol

Amsterdam Airport Schiphol aims to make the most efficient and sustainable use of energy in its business operations. We take

measures to limit our energy consumption every year, and this is a key consideration when replacing our installations and systems. Where possible we use LED lighting and more energy-efficient air-conditioning systems, electric motors, pumps and baggage belts. We are using more efficient UPS systems and installing roof insulation. When replacing central heating boilers we opt for systems with a smaller capacity and greater efficiency. We are also looking at how we can optimise systems by improving how they are used. One example is the use of the baggage sorting belts, which avoids unnecessary screening of bags that have already been checked.

These measures produced savings of more than 103 TJ in 2016: a 4.7% reduction, 0.7 percentage points more than the target set. The CO₂ results, which are mainly due to energy consumption, clearly show that energy efficiency per passenger has increased.



CO₂ emissions at Eindhoven Airport

CO₂ emissions at Eindhoven Airport amounted to 3,532 tonnes. Eindhoven Airport has set itself the target of reducing CO₂ emissions per passenger by 40% in its own activities by 2020 compared to 2013. In 2017 CO₂ emissions per passenger may be affected by the growing number of passengers combined with various construction activities (the multi-purpose building, expansion of the baggage hall), which will involve extra energy consumption. The airport is taking additional measures to limit energy consumption, such as the installation of LED lighting in both buildings and a sustainable approach to the multi-purpose building in line with the 'very good' BREEAM certification. The building will be equipped with energy-efficient lifts and escalators. Around 220 square metres of solar panels will be installed to power the facilities on the ground floor.

Electric charging points will also be provided to encourage sustainable travel to and from the airport, thereby accommodating the growing numbers of electric cars.

CO₂ emissions at Rotterdam The Hague Airport

Rotterdam The Hague Airport has set itself the goal of eventually becoming CO₂ neutral. The CO₂ emissions, which are calculated on a different basis than at Amsterdam Airport Schiphol, remained more or less the same in 2016, at 2,384 tonnes (2015: 2,356 tonnes). This is due to the new arrival hall, which has been designed to minimise energy consumption. Solar panels have been installed on the roof of the arrival hall and a proportion of the mobile equipment at the airport has been replaced with electrically powered vehicles. The airport is connected to a collective heat and cold storage system, which has cut gas consumption. A large solar cell park has also been included in the investment programme. The energy generated by the park will be used entirely on the airport premises.

Lelystad Airport

We are conducting a 'solar parking' pilot project at Lelystad Airport. In the car park of the Aviodrome theme park, Ecorus, a developer of solar energy projects, has built a carport for 24 parking spaces. The roof of the carport is made of 170 solar panels that supply enough energy for 10 to 15 households per year. The parking spaces will also feature charging points for electric vehicles. The electricity for these charging points comes from the solar panels on the roof. We are currently monitoring and evaluating this pilot project. In 2017, Lelystad Airport will begin construction of a terminal with LEED GOLD certification.

Raw materials and residual flows

Schiphol aims to become a Zer0 Waste airport by 2030. 'Zer0 Waste' means that waste is avoided and all materials, products and raw materials that are no longer needed are reused or recycled according to the highest possible standards. This ideally takes place on site, or as close to Schiphol as possible, and will reduce our dependence on raw materials. The benefits are twofold: we combat waste and save on costs.

Our Zer0 Waste principles apply to the design and construction of all new buildings, the renovation of existing assets, and the purchase of products and services. We want to achieve the maximum output from our resources by allowing them to 'circulate' as long as possible. Reuse and/or recycling of waste flows produced by all processes and activities leads in turn to maximum economic residual value.

In order to achieve our ambition for 2030, we are taking measures in several areas at the same time: we are improving our understanding of flows at the airport, we are adapting processes and procedures so as to embed circular principles in our operations, we are raising the level of knowledge among employees and we are realising specific projects. We obviously need time to securely implement all of these changes and to be able to report on progress made. For instance, in 2016 (as in 2015) we did not reach our target of recycling 39% of our operational waste. However, consultation with our partners and the continued development of processing techniques have convinced us that we will be able to reach these targets in 2020. The concrete successes already achieved and recognition from external parties are very motivating. In 2016, Schiphol achieved international acclaim for its leading role in the implementation of circular economy principles during the Airports Going Green congress, the inbound trade mission known as The Netherlands Circular Hotspot, and meetings abroad to which we had been invited to contribute in our role as launching customer for the *Light as a Service model*.

New construction and renovation

In 2016 we drew up principles and guidelines for circular construction, featuring general information and guidance for the design, purchase, construction and installation of infrastructure assets at and on behalf of Schiphol. These have been integrated into the system requirements and functional specifications for the design and construction of the new pier and terminal wherever possible. The extension of the P1 car park has been brought in line with our

circular construction principles to the extent possible. A circular approach now also applies to the development of the new morgue.

Purchasing

We are investing in further training for our Corporate Procurement staff to enhance their knowledge and expertise in circular purchasing. Schiphol has joined the Community of Practice (CoP) for Circular Purchasing. The Amsterdam Economic Board is facilitating this new learning environment, which gives our purchasing employees the opportunity to deal with cases and share knowledge on the circular economy with colleagues from the region.

Reuse and recycling

We aim to gain full control of our waste flows by implementing an independent, order-based registration system. This will enable us to keep track of exactly where waste flows occur and who is responsible for them as a basis for further optimising our Zer0 Waste policy. It also allows us to reward our clients (concession holders, airlines, lessees) for their sustainability performance based on the polluter pays principle.

We have worked with Amsterdam University of Applied Sciences to examine how Schiphol can obtain maximum residual value from the components to be removed following demolition activities. This will form the basis for our circular demolition policy to be developed in 2017. The main finding was that, during the preparatory phase, we need to perform an independent analysis of the residual value of the materials that will have to be removed so that we can see in advance what we ourselves can reuse on site. At the same time, this will enable us to more accurately assess whether the demolition contractor is offering a good price for the removal of waste.

We aim to recycle at least 70% of operational waste at Amsterdam Airport Schiphol by 2020. Construction and demolition waste and water containing glycol are not included in this target since they are removed by external parties. Schiphol also deals with waste from aircraft landing at the airport: this is estimated to amount to around three million kilos per year of items including plastic, cans, paper and glass used by passengers. Together with the airline TUI and waste processing company Suez we have created a facility for separated waste. TUI cabin crew separate the waste as far as possible, and all recyclable waste is then unloaded from the aircraft in separate bags. TUI is the first airline to use this new facility, and is quite satisfied with it. The percentage of separated waste in 2016 was 34.3% (2015: 28.4%), whereas our target was 39.0%.

Percentage of waste separated

per year at Amsterdam Airport Schiphol

2016	34.3
2015	28.4
2014	25.9
2013	36.0
2012	35.0

Regional airports

Rotterdam The Hague Airport looks at what material can be recycled for all of its activities and investments. When replacing the apron, for instance, the large amounts of concrete rubble, sand and other raw materials that are removed are reused for other purposes, such as paving roads and compacting the soil at the airport. The first steps have been taken towards separating waste by amending the contract with the waste collection company. Containers for separated waste have been installed.

Eindhoven Airport aims to separate at least 30% of its waste by 2020. In 2016, it separated 18%. We are working with the waste processing company and our partner companies at the airport to draw up an improvement programme to achieve our goal.

The new runway at Lelystad Airport is being constructed using innovative foundation techniques that significantly reduce the amount of earthwork required.



Air quality

Schiphol Group is dedicated to high air quality at and around the airports and aims to lead the industry when it comes to reducing NOx and particulate emissions (PM₁₀ and PM_{2.5}). These efforts are important in view of our commitment to the health of employees at Schiphol and local residents. Air quality is monitored by the government through the National Air Quality Cooperation Programme.

In April 2016 the Dutch National Institute for Public Health and the Environment (RIVM) presented an exploratory study into the health risks of ultra-fine particles around Schiphol. Mortality statistics gave no clear indication that the risk around Schiphol is any different to similar areas elsewhere in the Netherlands. RIVM will carry out a supplementary study commissioned by the minister for the Environment, which will take four to five years to complete.

The Schiphol site currently meets all governmental requirements in this field. We apply performance indicators that involve input measurement, such as the installation of Fixed Electrical Ground Power at aircraft stands and electrification of the vehicle fleet. Performance indicators that involve output monitoring are not

being used at present as it is not always possible to draw clear causal links between our own or other parties' activities and air quality.

Measures

In many cases, measures we take to improve air quality at and around our airports can dovetail with measures to cut fuel consumption, most notably in the replacement of traditional fuel engines with electric engines.

The growth of electric driving is accompanied by a growing need for electric charging stations. Schiphol has drafted a policy on electric charging and has shared it with handling agents and airlines. Forty charging facilities were installed in 2016, with more to follow over the next few years. Extra electric charging points will also be installed in the car parks.

Fixed Electrical Ground Power (FEGP) has been added at another three aircraft stands at Schiphol, bringing the total to 73 aircraft stands by the end of 2016. Aircraft at these locations no longer need to use their tail engines, thereby cutting NOx emissions.

At Rotterdam The Hague Airport a further share of the mobile equipment will be replaced with electrical transport in 2016. The pilot project launched in 2015 to replace diesel generators with hydrogen-powered generators has been halted in the current collaboration.

Recyclable hoardings

Schiphol uses around two thousand hoardings in the terminal each year, and this number is set to increase in the years ahead as a result of large-scale renovation work. Thus far the hoardings have been made of MDF (compressed waste wood). MDF is fire resistant, however harmful substances are released during its processing. It is for this reason that we decided to work with the company EcoR to develop hoardings that are better for people and the environment. The new hoardings are made of cellulose-based packaging (like the cartons used for milk, custard and fruit juice) and locally sourced elephant grass. These materials are non-toxic and biodegradable. When Schiphol no longer requires certain hoardings, the panels are returned to EcoR, who use them to make new screens. The first sustainable hoardings were installed in the terminal in 2016, marking a first for Schiphol. The aim is to eventually use completely recyclable hoardings throughout the airport.



Commissioning

As a coordinating organisation, Schiphol works with many parties. As a customer and commissioning party we adhere to clear standards and values: transparency, integrity and compliance with laws and regulations. Likewise, we expect the companies we work with to adhere to these principles.

Transparency

In all our commercial relationships we need to be transparent about what we expect from the parties involved. This is set out in contracts. At the initiative of the Commissioning Authorities Forum, in which Schiphol Group takes part, the Dutch Construction and Civil Engineering Sector has reached agreement on four leading principles for good commissioning practice. These principles are based on the desire to ensure that collaboration throughout the chain promotes pride, professionalism and job satisfaction, resulting in a successful project. Mutual trust and reliability form the basis. Using these principles the joint commissioning authorities and relevant market parties hope to create greater added value at lower public costs.

Essence of tendering policy and contracting practices

The essence of our tendering and purchasing policy is that we engage companies that contribute towards our ambition and provide the best possible value at the best price (Best Value). We also want to enable all contracted companies to exceed the expectations of Schiphol Group, airlines, passengers and other important stakeholders.

In our contracts for the provision of services (e.g. security or cleaning) we are keen to ensure that the contracting party adheres to the collective labour agreement for its sector. Schiphol Group does not allow competition on employment terms, and uses the collective labour agreement as a minimum cost level.

Schiphol has introduced a complaints desk where parties involved in tendering procedures can submit complaints relating to any inaccuracies and irregularities in the procedure. The complaints committee received and examined two complaints in 2016.

Integrity

Schiphol Group attaches great importance to ethical business practices. We will make no concessions on this point. As a coordinating organisation, we can only ensure our integrity if our suppliers also subscribe to ethical business principles. Schiphol Group has a Supplier Code that sets out what we expect from suppliers in terms of integrity and Corporate Responsibility. Schiphol Group expects its suppliers to report instances of negligent or unethical behaviour through their contact person or Schiphol Group's Integrity Committee. This also involves cooperation in any investigations into reports of (suspected) violations of the Supplier Code. Contractual relations with suppliers who deliberately breach the law (e.g. with regard to discrimination or sub-standard working conditions) or who violate important rules of conduct of Schiphol itself will be terminated immediately. This has been laid down in the *Corporate Purchasing Policy*.

New evaluation method

Schiphol Group has introduced and tested a new form of 'vendor rating' contract evaluation in four pilot projects. This method focuses primarily on how a contract is carried out rather than on what is carried out, which is already set out in the contract itself. The method enables us to evaluate on a structural basis what contractors can do to improve their services. Conversely, the contractors can also evaluate what the contracting party is doing to enable them to create maximum value. The method will henceforth be applied to all strategically relevant contracts. Schiphol Group has introduced a training programme for employees responsible for contracts.

Innovative methods

Huge shifts in technology, society and the economy demand new connections between IT service providers and their clients. The traditional method of interaction was not always effective: too static, too time-consuming and too little focus on added value. With the development of the 'Designathon', Schiphol Group has created a method in which parties compete against one another on a single day to come up with the best solution to an issue at an acceptable price.

The tendering procedure for the development of the new airport at Lelystad was the first time we applied the Best Value method. This method is based on the assumption that the market party is the expert, and they are therefore given the scope to put forward innovative and sustainable solutions at the best price. Promoting regional employment was also a key priority in the tendering process. All parties committed themselves to these requirements. In December 2016, we signed the contracts with the companies that will build the new terminal and provide integrated services at the airport. Contracts for the construction of airside and landside infrastructure had been awarded previously.

We also applied a new method in the construction of the P3 car park at Schiphol, which involves industrial construction based on Lean Six Sigma principles for target-oriented and cost-efficient building practices. We closely monitor developments in this area. It is our belief that digitisation in preparation for the construction process, otherwise known as virtual construction, leads to better prepared and more rapidly implemented construction projects. This means fewer risks and a lower cost level.



Supply chain responsibility

As an airport operator, Royal Schiphol Group plays a coordinating role. We seek to increase the sustainability of our own business operations and provide incentives for suppliers and subcontractors to improve their impact in the chain on working conditions and the environment. We encourage parties who are active at the airport to increase their sustainability levels, setting our business operations as an example. We also influence other partners to ensure they focus on the sustainable development of our airports.

Corporate Responsibility (CR) is a dimension that connects the themes of contracting practices and supply chain responsibility. Our central Corporate Procurement department selects suppliers who are consciously engaged in CR practices. The Tender Committee tests bids for lawfulness, integrity, effectiveness and CR. In the context of European tenders we use a tender document that sets out our considerations and the tender results. In the selection phase, Schiphol asks candidates to explain how they have secured CR within their own organisations. In the award phase we ask them to explain how the supply, service and/or work is going to help us reach our CR objectives. All this information is included in the decision-making process. In 2016, our CR official was asked for advice in all tenders (2015: in 83% of tenders).

Like the other topics discussed under Sustainable & Safe Performance, supply chain responsibility affects all aspects of our business operations. We will describe four examples here. In addition, we have asked several partners for their views and recommendations regarding opportunities for Schiphol to continue sustainable growth.

Single European Sky

As a part of the European Single European Sky (SES) initiative, efforts are underway to modernise the European air traffic control system. As well as boosting capacity and optimising air space, these modernisations also encompass significant efficiency improvements in ground processes, aircraft handling and airport use. Schiphol Group and its European partners are actively promoting the accelerated implementation of Single European Sky.

The SES programme is erasing national borders in the sky and the boundaries between civilian and military airspace to create a single European airspace. Airspace optimisation is aimed at shortening flight routes and lowering fuel consumption in order to reduce CO₂ emissions. Efficiency improvements on the ground can also lead to significant environmental benefits, as demonstrated by the Airport Collaborative Decision Making initiative. The initial calculations show that improved consultation between Air Traffic Control the Netherlands (LVNL), Schiphol and the handling agents can reduce aircraft taxiing time to approximately 700 hours per year. This in turn reduces kerosene consumption, thereby cutting CO₂ emissions.

Infrastructure of the future

NGinfra stands for Next Generation Infrastructures, the knowledge institute established in 2016 in which Rijkswaterstaat (Directorate-General for Public Works and Water Management), the Port of Rotterdam Authority, Alliander, Schiphol Group, ProRail and Vitens

all came together. This collaboration is unique, both nationally and internationally. The institute looks at how the infrastructure in the Netherlands can keep pace with social changes and extensive digitisation. The parties are examining ways of making better use of networks at the lowest possible socio-economic cost and without losing sight of end users. The participants are aware that we need to face these challenges together: we are all dependent on one another and the situation is becoming increasingly complex.

NGinfra seeks to establish 'responsive connections' and is building on the knowledge gained through the major international research programme that ran from 2004-2014 under the same name. In order to be responsive and continue to help achieve the goals of our ever changing society, NGinfra's aim is to promote continuous strategic management, maintenance, replacement, expansion and innovation. This requires infra managers to share and further develop their knowledge and expertise with one another.

Together we seek out dialogue with society and contribute by providing better service and information to make responsive infrastructure possible, so that we can better respond to user requirements. We are open to initiatives from users, the corporate sector and residents. By establishing a dialogue and initiating strategic debate about infrastructure governance, NGinfra promotes interaction between the various infrastructures. NGinfra's activities also help to lower the related socio-economic costs.

Schiphol Safety Platform (VpS)

The many companies at Schiphol are each responsible for safety within their business operations and the supply chains of which they form part. However, safe aviation relies on maximum cooperation by all partners in the chain. The airport has set up the Schiphol Safety Platform as an umbrella organisation with the aim of safeguarding our common interests in safe operations at and around the airport in all respects and enhancing cooperation throughout the chain.

The Schiphol Safety Platform's mission is to monitor and continuously improve integral safety at Schiphol. The platform identifies safety risks, coordinates measures, is proactive and communicates with parties concerned on these issues, thereby monitoring and optimising integral safety at the airport. The Schiphol Safety Platform includes the 'Flight Safety', 'Ground Safety' and 'Cargo Safety Expert Groups, which are in turn supported by working groups for specific topics such as bird strike prevention. Air Traffic Control the Netherlands (LVNL), the Human Environment and Transport Inspectorate, the airport and the handling agents all take part in the Ground Safety Expert Group and the Ground Movement Safety Team. The former focuses on the perimeter roads around the piers and the aircraft stands. The team looks at taxiways with the aim of reducing the number of uncontrolled vehicle or aircraft movements.

The Schiphol Safety Platform's working methods and organisation were improved and expanded in 2016, with the new structure allowing more proactive and decisive action. Alongside the various safety campaigns carried out in 2016, this is evidenced by the decision to set up a task force to analyse and mitigate the risks associated with the use of drones. This working group will get

started in the first half of 2017. 2016 also saw the first steps towards an integrated approach to incident investigation, in which all relevant partners in the chain take part in the investigation and share recommendations with one another. This approach will be expanded further in 2017.

The Schiphol Safety Platform aims to improve the safety culture at Schiphol. In 2016 the platform focused on the theme 'Just Culture' and a Safety Event was organised to which all organisations involved in safety at the airport were invited, including government representatives. Such initiatives to maintain and improve the safety culture at Schiphol will continue in 2017.

Pollution from fire-fighting foam

Grondbalans, the company where Schiphol disposes of soil, tested soil from Schiphol for PFOS in September 2016. PFOS were often added to fire-fighting foam in the past. Until a ban was introduced in 2011, fire-fighting foams containing PFOS were used on a large scale across the country; including by the Amsterdam Airport Schiphol Fire Service. The soil tests revealed that a number of soil batches previously classified as reusable contained low concentrations of PFOS. Under soil legislation PFOS contaminated soil cannot be reused, while storage capacity is limited. The government has not yet introduced standards regarding the concentrations of PFOS that must be considered harmful.

Discussions are currently taking place with regard to the future storage or reuse of this soil. Schiphol takes environmental safety and the safety of employees, passengers and visitors very seriously; we are working with all parties in the chain, including contractors, soil processors and regional and national authorities, to find a solution.

Monetisation of impact

In meeting its socio-economic responsibilities, Schiphol Group also aims to add real value. To instil this principle in our thinking and actions we take our impact, both positive and negative, into account in the decisions we make. This does not mean that every investment is always the most sustainable option: aspects such as quality, fire and general safety, and time play a crucial role.

We aim to carry out a comprehensive assessment, in quantitative terms where possible, but often still in qualitative terms. To go one step further in the objective and transparent assessment of various impacts in investment decisions we have begun to monetise our impact. In 2015 we made an estimate of the impact of activities at the Schiphol location. In 2016 we focused on the monetisation of non-financial values when making investment decisions.

How do we monetise impact?

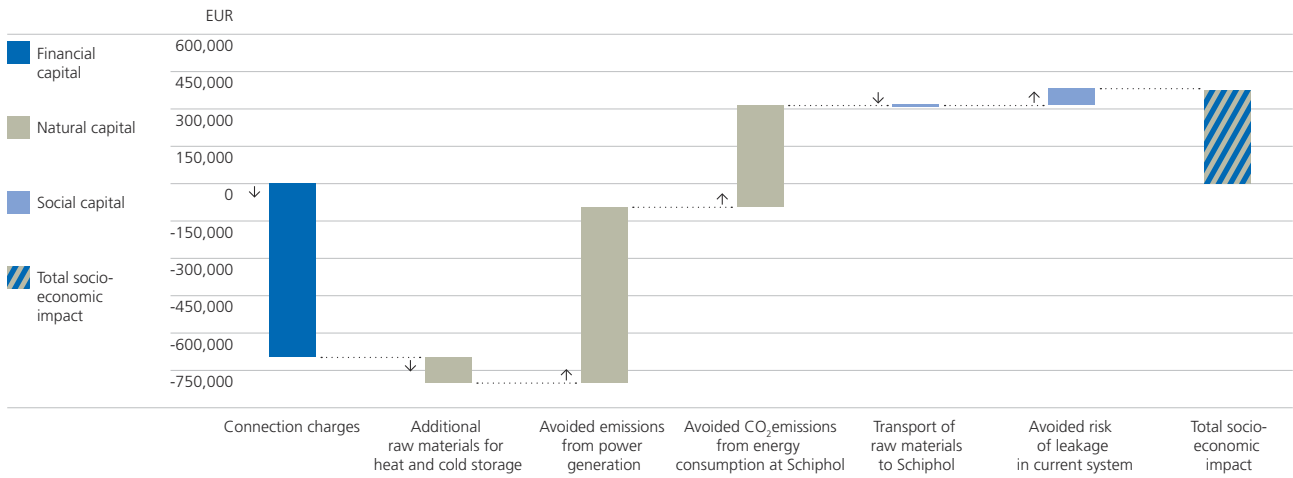
Schiphol Group has applied the total cost of ownership principle for some time. This means that in addition to purchasing costs, we also analyse the operating costs for the entire lifespan of our assets. By monetising impact we also put a price on non-financial impact.

We investigate what we consider to be an appropriate price based on a thorough study of the relevant literature. For CO₂, for example, we started with a conservative price of 50 euros per tonne. A number of studies indicate that the impact of CO₂ in relation to climate change in the long run varies from around 45 to 150 euros per tonne. Following our experience in 2016, we will base our calculations in 2017 on 100 euros per tonne. In addition to CO₂, there are other effects that are not taken into account in our current system but that nevertheless carry a price. Although this may not be direct income or expenditure, this impact does represent a value for Schiphol Group and its stakeholders. Monetising enables us to set out the value of a project's impact, helping us to make a clear assessment of the pros and cons. We can only spend each euro once, and our aim is to get maximum social value for our money.

Taking impact into account in decisions

One of the cases we dealt with in 2016 was the renovation of Pier G. During the investment process we had the option of simply replacing the air-conditioning installations or, at additional costs, adding a heat and cold storage system from the outset. The second option has a negative impact on Schiphol Group's financial capital, but a positive effect on the natural and social capital as shown in the graph. For instance, the greater use of raw materials has a negative impact on natural capital, but is countered by a major reduction in gas and energy consumption, resulting in lower CO₂ emissions at the Schiphol site plus avoided emissions in energy generation. The transport of the materials required for construction of the heat and cold storage plant to the terminal generates a minor negative impact on natural capital. Through their impact on air quality, fine particles also influence public health. In contrast, the prevention of future leaks of the refrigerant R22 and other substances constitutes a positive impact. The analysis of the most material topics in the investment played a decisive role in the decision-making process. The Management Board considered the social value of such importance that it decided to install an additional heat and cold storage system.

Monetisation of decision to invest in heat and cold storage at Pier G



Although the method is still in the development stages, we are convinced that monetising impact adds value. In November 2016 we signed The Hague Business Accord on Natural Capital; we will continue to monetise the impact of new investment decisions in 2017.

Partner views and recommendations

Like the other topics discussed under Sustainable & Safe Performance, supply chain responsibility affects all aspects of our business operations. We asked a number of partners for their views and recommendations on Schiphol's future sustainable growth.

Towards more sustainable air travel



Ab van der Touw
CEO, Siemens Nederland N.V.

Flying is one of the oldest and biggest dreams of humankind. In the past hundred years, plane travel has become something everyone can do, but there is still something magical about it. Apart from the flight aspect, the safety of the journey and the environmental impact of aviation are gaining increasing attention. As one of the leading airports in the world, Schiphol and its partners are taking responsibility and striving to reduce their CO₂ footprint and to optimise passenger safety, without detracting from the experience and process efficiency. As a partner to Schiphol, Siemens is eager to contribute. Among other things, Siemens has teamed up with Airbus to work on making air travel itself more sustainable. Innovative, hybrid electrically-powered aircraft will be able to cut the environmental impact to a minimum so that future generations can also enjoy the magic of flight, unfettered.



Renew the aviation process

Tom Sutherland
Environment Manager, TUfly

Sustainability and innovation represent a massive growth sector, especially in aviation. Keeping Schiphol in the vanguard on both fronts can drive growth and build prosperity. Schiphol can provide an impetus through incentives. As well as securing its own lead, this will give it a competitive advantage over other players. Schiphol should also create a sustainability platform, gathering a small group of airlines together and taking on the challenge of openly sharing and discussing sustainability initiatives. For us as a leisure carrier, we'd be happy with initiatives to enable buffer handling to reduce unnecessary tow movements, or to facilitate remote baggage-drop off and check-in, off-airside. This would reduce traffic in the departure halls during peak periods and thereby push back energy use, while boosting both customer satisfaction and efficiency. Let's tackle the search for innovative, sustainable and smart aviation innovations together.

Break the cycle



Remko de Lange
Vanderlande
Strategy and Business Development

Schiphol has been a key innovation partner for Vanderlande for 50 years now. Together, we have put into practice an array of sustainable and circular initiatives. The need to take steps towards circularity is growing more relevant and urgent. Schiphol can assume a pioneering and exemplary role by scaling up circular business models. For example, business models like pay-per-use, lease or buy-back structures would enable and even impel suppliers to embrace circular material flows. Ideally, partners from across the entire supply chain would be involved in the (re)development of the airfield, starting early on. This new approach to working will be complex and daunting sometimes, because we will have to stretch the frameworks that guide our current thinking. As CEO Jos Nijhuis put it at Airports Going Green: 'It's not easy being green, but it is the only way'. Vanderlande looks forward to working with Schiphol to bring the circular future another step closer.



Make CSR an explicit aim in tenders

Thom Hienekamp
Director BN Parking
(part of Ballast Nedam)

It is a grand ambition to be the most sustainable airport company. And one that entails a moral obligation. Schiphol Group's tender set a high bar for sustainability and use of sustainable materials. At P3, we used organic paint and recycled resources from the airport grounds for the building. And as a form of social return (part of CR), we gave someone a job for not only the duration of the project, but continuing after that too. Schiphol can promote inclusive enterprise by making it a more explicit part of the Corporate Responsibility criteria in tenders. That way, Schiphol can give real substance to its role as pioneer of Aviation Inclusive, and thereby stay ahead of the game.



Towards a circular hub

Anton Brummelhuis
Senior Director of Sustainability,
Philips Lighting

Schiphol Group has strong ambitions to become one of the world's most innovative and sustainable airports and to reach their 2030 environmental goal of zero waste. We recognise Schiphol Group as one of the leading companies in the transition to a circular economy. Implementing Circular Lighting for the airport's Departure Lounge 2 in partnership with Philips Lighting, Engie Services and Turntoo helps Schiphol to halve the energy and to avoid waste to landfill. And as the founding father of the circular expo in the Netherlands Schiphol Group enables the creation of world's first circular economy hub. I wish Schiphol and partners every success in leading this purposeful transition to a circular economy!



From Altitude to Attitude: Creating resilient airports with a future!

Thomas Rau
CEO, Turntoo and
CEO, RAU Architecten

The aviation sector needs new concepts to reconcile passenger growth with planetary boundaries on a local, global en universal level. Its legacy as an innovative leading airport, its capacity and its culture enable Schiphol to lead the change towards a future-proof aviation industry.

I envision Schiphol as an airport that will be able to grow by transformation and change seamlessly, adding value to its business and its environment. Not wasting resources, but eliminating waste and operating energy-positive. Means to enable this are a temporary, flexible and modular set-up of its infrastructure, circular asset-management, and performance based business models. For its passengers Schiphol will offer a transformational and inspiring journey, which demonstrates that care for travellers can go hand in hand with care for the fundamental principles which make life possible. Schiphol can do this by thinking ahead, using a visionary mindset, improving skills and setting concrete examples. From Altitude to Attitude.



Opportunities for a healthy, circular society

John Nederstigt
Alderman for sustainable
economic development
and energy, Municipality of
Haarlemmermeer

Haarlemmermeer is charting the road to a circular society, and we have already come a long way. Having Schiphol as a neighbour adds some twists and turns to that road. Schiphol is a beehive of activity 24 hours a day, 7 days a week, and those activities impact on the environment and its surroundings. We – the municipality, Schiphol and KLM – have the ambition to become the most sustainable airport region in all of Europe. I am certain that a healthy environment and economic prosperity can go hand in hand. But only if we shift the focus of the discussion from obstacles, benefits and burdens to openings for development, innovation and sustainability. The opportunities and prospects for a healthy, circular society are well within our reach. That is why Haarlemmermeer is offering a testbed for new technologies and business models in the circular economy, right outside Schiphol. After all, the future is what you make it.

Financial performance

↓ Schiphol's 100th anniversary: meeting for stakeholders



Amsterdam Airport Schiphol recorded a further increase in passenger numbers to over 63.6 million in 2016. This substantial growth led to extra operational measures in 2016 and a more urgent need for investment in additional capacity in order to remain competitive. Schiphol also launched the Digital Airport Programme in 2016. Royal Schiphol Group enjoys a healthy financial position allowing the company to make such investments.

In 2016 Royal Schiphol Group's net result was 306 million euros (2015: 374 million), a fall of 18%. In 2015 the net result was positively influenced by one-off revenue of 50 million euros from the sale of a 60% stake in Schiphol Airport Retail (SAR). As in the previous year, market developments in the real estate sector were positive, leading to a 71 million euro increase in the value of our real estate portfolio (2015: 67 million euros).

Pursuant to the Aviation Act, the 52 million euro impact of the higher passenger numbers will be settled with the airport charges that take effect on 1 April 2018.

Revenue

Revenue increased by 12 million euros (+0.8%) in 2016, from 1,423 million euros in 2015 to 1,435 million euros.

The total revenue from airport charges generated by Amsterdam Airport Schiphol, Eindhoven Airport and Rotterdam The Hague Airport fell by 2.4% to 848 million euros in 2016. This is mainly attributable to the 11.6% decrease in airport charges at Schiphol as of 1 April 2016. However, the fall in airport charges is largely offset by the rise in passenger numbers, which increased by 9.2% to 63.6 million at Amsterdam Airport Schiphol, while the number of air transport movements rose by 6.3% to 478,864. The increase was seen mainly in the segment of passengers using Schiphol as their point of departure or final destination. The 17% growth in the number of passengers in the Schengen area is also remarkable. Cargo volumes were up 2.5% to 1,662 million tonnes. Eindhoven Airport, a regional airport, likewise recorded growth in passenger numbers, which rose by 9.3% to a total of 4.7 million passengers

despite a two-week runway closure for major maintenance. The number of passengers served by Rotterdam The Hague Airport remained virtually unchanged in 2016 at 1.6 million. The number of air transport movements at Eindhoven increased by 7.2% to 30,911 while at Rotterdam the number remained virtually the same as in 2015, at 17,510.

The total revenue generated by concessions increased by 11.3% in 2016 to 187 million euros, due to the growth in passenger numbers and SAR concession income. Total revenue from rents and leases rose by 1.3% to 157 million euros. This increase can be attributed largely to a positive trend in the lease of office buildings. The occupancy rate of commercial real estate was 88.7% (2015: 88.8%).

Revenue

EUR million	2016	2015	%
Airport charges	848	869	-2.4
Concessions	187	168	11.3
Rent and leases	157	155	1.3
Parking fees	116	108	7.1
Retail sales	3	29	-90.9
Advertising	18	17	5.0
Services and activities on behalf of third parties	23	22	5.3
Hotel activities	29	2	>100
Other	55	54	2.1
Net Revenue	1,435	1,423	0.8

Total parking revenue increased by 7.1% to 116 million euros due to the rise in the number of passengers for whom Schiphol is the point of departure.

The fall in revenue from retail sales was due to the sale of 60% of the shares in SAR. As a result of this sale, since 1 May 2015 Amsterdam Airport Schiphol no longer receives revenue from retail sales. The revenue from the remaining 40% stake in SAR is accounted for as a share in the results of associates.

The revenue generated from hotel activities was 29 million euros in 2016 (2015: 2 million euros), mainly resulting from the opening of the Hilton Hotel in December 2015.

Other revenues and other results from investment property

In 2015, the one-off result on the sale of a 60% stake in SAR of 50 million euros was recognised under this item. No such transaction took place in 2016.

Other results from investment property amounted to 71 million euros (2015: 67 million euros). This can be attributed to positive market developments and lower vacancy rates in the offices at Schiphol-Centre and the logistics buildings. This result concerns a fair value change, and does not reflect any actual cash receipts or realised income.

Fair value gains and losses on the real estate portfolio

EUR million	
2016	71
2015	67
2014	-2
2013	3
2012	-24

Operating expenses

Operating expenses

EUR million	2016	2015	%
Outsourcing and other external costs	482	434	11.1
Depreciation and amortisation	237	223	6.2
Employee benefits	185	185	-0.1
Security	179	183	-2.1
Impairments	2	8	-78.8
Other operating expenses	3	4	-26.5
Operating expenses	1,086	1,035	4.9

Total operating expenses rose by 4.9%, from 1,035 million to 1,086 million euros. This increase has to do with the substantial growth in the number of passengers and the associated operational measures required to accommodate that growth. Outsourcing and other external costs also rose as a result of the opening of the Hilton Hotel at the end of 2015, the launch of our Digital Airport Programme, the increase in IT security and the additional deployment of supervisors to counter taxi touts. Despite the increase in passenger

numbers, security costs fell by 2.1%. This was the result of the implementation of central security throughout the terminal as of June 2015.

Depreciation charges increased by 6.2%, from 223 million to 237 million euros, because of the commissioning of new central security assets in June 2015.

The impairment of 2 million euros primarily relates to the 0.9 million euro write-down of land developments at Rotterdam The Hague Airport and the 0.7 million euro write-down of buildings.

Operating result

The operating result fell by 86 million euros from 505 million euros in 2015 to 420 million euros in 2016. This fall can be attributed to a one-off result for Consumer Products & Services in 2015 of 50 million euros due to the sale of a 60% stake in SAR, and to a fall of 68 million euros in the operating result for the Aviation business area. This was a result of the 11.6% fall in airport charges as of 1 April 2016 and the increase in operating expenses due to the extra operational measures.

The Real Estate result rose due to the positive development in the lease of office buildings and the fair value gains on property (2016: 71 million euros, 2015: 67 million euros). The opening of the Hilton Hotel at the end of 2015 also made a positive contribution towards the Real Estate result in 2016.

Operating result

EUR million	2016	2015	%
Aviation	37	104	-64.0
Consumer Products & Services	197	238	-17.1
Real Estate	148	129	14.8
Alliances & Participations	38	34	11.2
Operating result	420	505	-16.8

Financial income and expenses

The net financial expense rose by 2 million euros to 91 million euros in 2016. Much of this increase is caused by the fact that part of the interest expense in 2015 was attributed as construction period interest to large-scale investment projects that have since been capitalised.

Share in results of associates

The share in the results of associates increased from 60 million euros to 67 million euros and represents 22% of the total net result (2015: 16%).

Share in result of associates

EUR million	2016	2015	%
Groupe ADP	43	36	17.9
Brisbane Airport Corporation Holdings	25	20	21.6
Other results of associates	-	3	-97.6
Result of associates	67	60	12.4

The return on our 18.72% stake in Brisbane Airport Corporation Holdings amounted to 23.3% in 2016 (2015: 21.7%). The return on the 8% stake in Groupe ADP amounted to 6.7% in 2016 (2015: 5.8%).

Corporate income tax

Corporate income tax amounted to 86 million euros in 2016 compared with 99 million euros in 2015. The effective tax burden in 2016 was 21.6%, up 0.9 percentage points from 2015 (20.7%). The lower than nominal tax burden in both 2016 and 2015 is mainly attributable to the application of the participation exemption to the results of associates. Another one-off effect is the exempted result on the sale of the stake in SAR in 2015 for 50 million euros.

Of the tax burden totalling 86 million euros, 82 million euros comprises Dutch corporate income tax (2015: 94 million euros) and 4 million euros US corporate income tax (2015: 5 million euros).

Net result

The net result recorded for 2016 is 306 million euros (2015: 374 million euros). The positive effect of the growth in passenger numbers is offset by the 11.6% fall in airport charges as of 1 April 2016. There was also a fall in other revenues owing to the sale of a 60% stake in SAR and an increase in operating expenses due to the operational measures required to streamline increasing passenger flows. Pursuant to the Aviation Act, approximately 52 million euros will be used to settle with the airport charges that take effect on 1 April 2018. The return on equity (ROE) amounted to 8.2% in 2016 (2015: 10.4%) and RONA after tax to 7.1% (2015: 8.3%).

Following adjustment for the fair value gain on property and the part of the result that must be set off against the 2018 airport charges, the return on equity amounted to approximately 6%.

Investments

In 2016 Schiphol invested 303 million euros in fixed assets, 31% less than in 2015 (439 million euros) due to the completion of central security for non-Schengen destinations in that year.

Departure Lounge 2 was officially opened on 1 July 2016. This completely renovated departure lounge at the heart of the terminal marks a major investment by Schiphol in quality and visitor comfort. The P3 parking garage was opened in April 2016, while December 2016 saw investment in the purchase of land for the development of Lelystad Airport. The construction of a temporary departure hall on top of Baggage Hall South also commenced in late 2016, with a view to accommodate the growing number of Schengen passengers.

Schiphol Group investments

EUR million

2016	303
2015	439
2014	396
2013	310
2012	298

Movement in the consolidated statement of financial position

Schiphol Group's balance sheet total rose by 0.4% to 6,426 million euros (2015: 6,399 million euros). Shareholders' equity increased by 144 million euros to 3,860 million euros, largely on account of the addition of the 2016 net result of 306 million euros, after payment of the 187 million euro dividend for 2015.

Associates and joint ventures posted an increase of 38 million euros arising from the favourable development of the results of Brisbane Airport and Groupe ADP.

Investment property rose by 76 million euros largely due to the unrealised fair value gain on buildings.

Cash and cash equivalents fell by 155 million euros to 239 million euros, largely as a result of repayments on loans. At the end of 2016 the current liabilities for borrowings amounted to 5 million euros (2015: 284 million euros).

In 2016 a private placement of 150 million euros was issued under the EMTN programme with a 12-year maturity period and 1.12% interest.

Cash flow developments

The cash flow from operating activities fell by 70 million euros to 438 million euros as a result of the lower operating result. The cash flow from investing activities amounted to 301 million euros negative, compared with 411 million euros negative in 2015. This was mainly due to the lower investment level of 303 million euros versus 439 million euros in 2015.

The net cash flow from operating and investing activities the free cash flow amounted to 137 million euros in 2016, compared with 97 million euros in 2015. The cash flow from financing activities was 323 million euros negative (2015: 157 million euros positive) as a result of a 288 million euros repayment on loans and a total dividend payment of 187 million euros. The net cash flow in 2016 amounted to 187 million euros negative (2015: 254 million euros positive). Consequently, the net amount of cash balances declined from 394 million euros at the end of 2015 to 239 million euros at the end of 2016.

Financing

The total amount of outstanding loans and lease liabilities fell by 118 million euros in 2016 to 2,067 million euros. In 2016, a 12-year loan of 150 million euros was issued under the EMTN programme. The resulting revenue was used to finance loan repayments. Schiphol Group has access to a 300 million euros committed facility with a term to June 2020. The group also has access to a bilateral committed credit facility agreed with BNG Bank in the Netherlands. In 2016 this 100 million euros credit facility was extended until 1 January 2020. In addition, Schiphol Group has two bilateral uncommitted credit facilities, amounting to 75 million euros each. Both were undrawn at year-end 2016.

Ratios

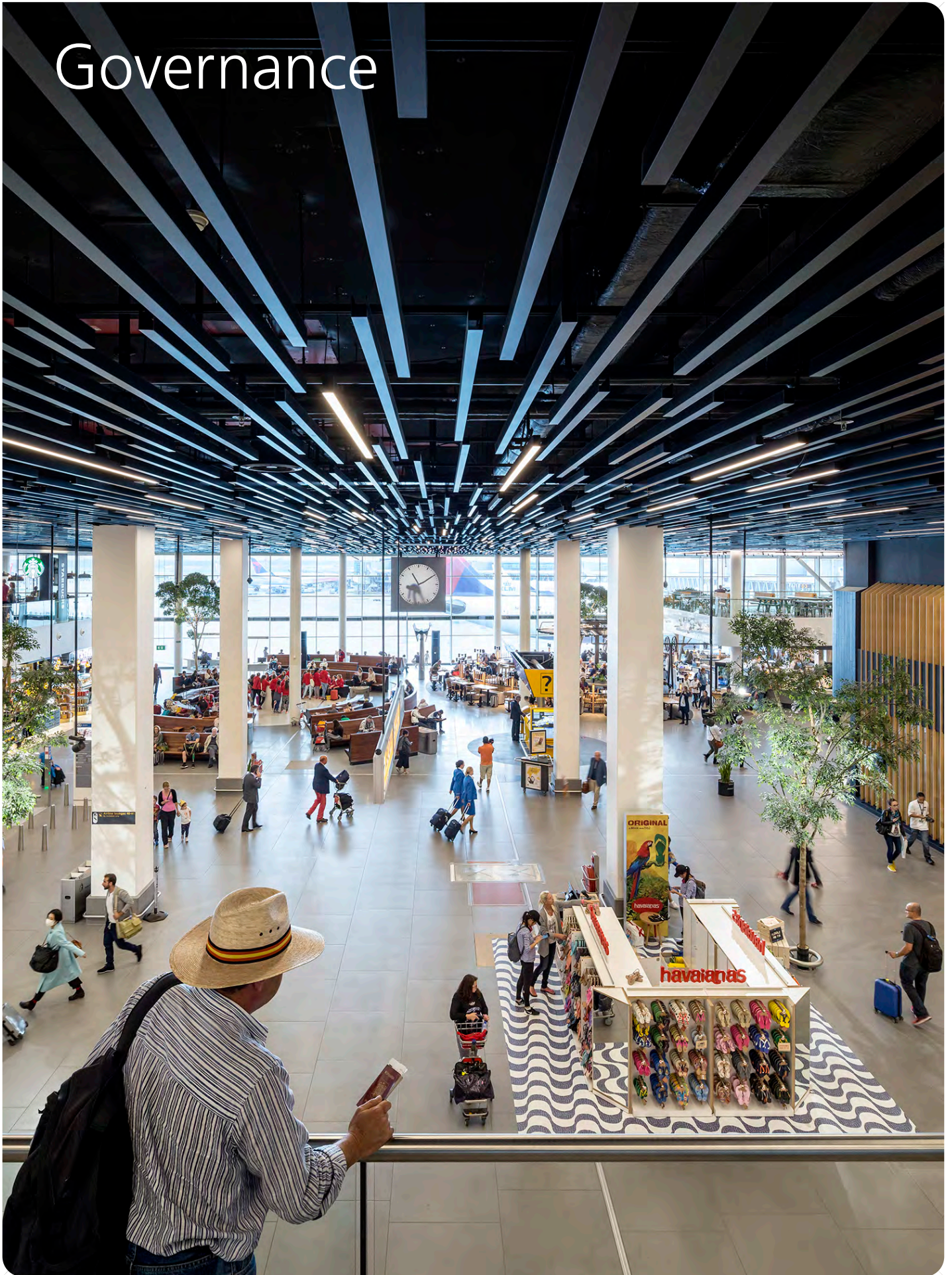
The most important financing ratios set out in our financing policy are the FFO/total debt and FFO/interest coverage ratio.

Funds from operations (FFO) is the cash flow from operating activities adjusted for operating capital. The FFO fell slightly from 482 million euros to 471 million euros in 2016.

The FFO/total debt ratio amounted to 22.8% in 2016 (2015: 22.0%). The FFO/interest coverage ratio in 2016 was 6.8x, a modest improvement over the 6.7x recorded in 2015. In addition to these two ratios, we apply the leverage ratio (ratio of interest-bearing debt to total equity plus interest-bearing debt). At the end of the financial year Schiphol Group's leverage ratio stood at 34.9% (2015: 37.0%).

This means that the financial ratios satisfy the minimum requirements from Schiphol Group's financing policy, which prescribes an FFO/total debt ratio of at least 20.0% and a leverage ratio of between 30.0% and 50.0%.

Governance



Report of the Supervisory Board

↓ Start of the Schiphol anniversary year during the New Year's reception



Annual Report

The Supervisory Board is pleased to present the annual report, which includes the financial statements for 2016. The annual report was compiled by the Management Board. KPMG Accountants N.V. have audited the financial statements and issued an unqualified audit opinion. For further details, see Other information under the Financial Statements section of this report. The Audit Committee has discussed the financial statements extensively with the Chief Financial Officer (CFO), her team and the external auditor. The Supervisory Board subsequently discussed the annual report with the Management Board in the presence of the external auditor. These discussions have convinced the Supervisory Board that this annual report meets all relevant regulations and fulfils all governance and transparency requirements and that it provides a sound basis for our Board's supervisory accountability.

The Supervisory Board approves the financial statements and concurs with the Management Board's proposal to distribute a dividend of 148.4 million euros on the issued share capital. After an addition to the revaluation reserve amounting to 58.1 million euros and a release from the other statutory reserves of 0.1 million euros, the remaining portion of 99.7 million euros will be added to the retained earnings.

The financial statements will be put before the General Meeting of Shareholders for adoption by the shareholders on 18 April 2017. The Supervisory Board proposes that the Management Board be granted discharge in respect of the management carried out, that the Supervisory Board be granted discharge for the supervision exercised and that the financial statements be adopted.

A. Supervision

The Supervisory Board monitors and advises the Management Board in setting and achieving the strategic objectives. In this report the Supervisory Board explains how it has fulfilled its monitoring role in the past year.

The Supervisory Board retrospectively views 2016, on the one hand, as the year in which the foundations were laid for the long-term growth of the airport, following the approval of the investment decision to develop a new pier and terminal. On the other hand, 2016 was the year in which the organisation was confronted with a surge in passenger numbers, and approached the limits of both the physical capacity of its current infrastructure and the maximum permitted number of air transport movements of 500,000 set for the year 2020. The Supervisory Board was closely involved in addressing the major challenges for the Management Board posed by the various capacity issues both in the air and on the ground. The Supervisory Board is aware that the Management Board operates in a complex stakeholder environment where interests must be carefully weighed. The Management Board continuously informs the Supervisory Board of the considerations made.

The 2016-2020 Strategic Plan and the 2016 Management Agenda, which is distilled from it, underpin the objectives of the Management Board and the supervision exercised by the Supervisory Board. The performance of Schiphol Group's Management Board is assessed on the basis on these objectives.

Other important developments in which the Supervisory Board was involved in 2015 are also discussed in this section.

Main points of attention

During an Extraordinary General Meeting of Shareholders in February, both the Supervisory Board and the Schiphol Group's shareholders granted approval for the construction of a new pier and terminal in Area A, and for the development of all the associated airside and landside infrastructure. Following the provisional approval of the decision to develop Area A in November 2015, the Supervisory Board members and the shareholders jointly sought a second opinion from an external party. The Supervisory Board commends the constructive manner in which the procedure was completed in cooperation with all parties. The outcome of the second opinion offered the Supervisory Board sufficient reassurance to endorse the proposed investment. The Supervisory Board supports the choice of the Management Board in assigning the development of Area A and a number of related projects to a separate programme organisation, and is delighted that the Management Board has been able to recruit an international leadership team with the experience required to ensure the successful implementation of the programme. The Supervisory Board considers it important that the main lessons learned from major projects implemented at the airport in the past be applied and continuously monitored throughout the project duration. It has been agreed with the Management Board that the Supervisory Board will receive twice-yearly progress updates on the programme. Two Supervisory Board members have been assigned to actively participate in monitoring the programme. They will be informed by the Management Board at least every two months.

The urgency of investment in new infrastructure again became apparent with the explosive growth in passenger numbers in 2016. The increase in passenger numbers at Amsterdam Airport Schiphol was substantially higher in 2016 than forecast. The Supervisory Board consulted with the Management Board on whether the surge in passenger numbers could have been foreseen at an earlier stage. Looking at the passenger forecasts which had been shared in the past few years in consultation with the airlines, as well as the projections made by economic experts, the Supervisory Board understands the Management Board's viewpoint. The low oil price, fierce competition (particularly between the low-cost airlines operating at Schiphol) and the anticipated capacity shortage until 2020 - which may have motivated certain airlines to request extra slots - were among the factors that contributed to the airport nearing the limit of 500,000 air transport movements.

The growth in passenger volume posed a large number of operational challenges to the organisation. An operational plan to address these challenges was drawn up and discussed with the Supervisory Board. The heightened pressure on Departure Hall 1, arising primarily from the growth in origin and destination passengers, led the Management Board to decide to build a temporary departure hall on top of Baggage Hall South. The Supervisory Board concurred with the corresponding proposal after the Management Board had prudently informed it of the control measures taken in relation to the costs and the planning schedule. The temporary departure hall is to be commissioned in April 2017.

The Supervisory Board discussed the development of the airport charges with the Management Board on several occasions. The airport charges have decreased by 23% in total over 2015-2017 because of the lower interest rate, higher growth in passenger numbers and various settlements. They are set to rise in the years ahead in view of the planned investments in the Area A development and other projects. The Management Board has always been transparent about this towards the various stakeholders. Despite the transparent communication, difficult discussions are expected in the years ahead. Nonetheless the Supervisory Board considers it important that the costs incurred should be factored in with a view to long-term financial solidity. Another concern is that the airport charges at Schiphol must remain competitive; based on current insights this will be the case. The Supervisory Board will continue to focus attention on cost developments as part of its monitoring activities.

Socio-economic commitment and responsibility

Schiphol's socio-economic task is to contribute to and ensure the continuity and quality of the airport and the development of its network as a key component of the Dutch economy. To perform this task effectively, it is essential to achieve the appropriate balance between the various stakeholder groups, even though in some cases their interests may differ considerably. The Management Board shared its various dilemmas in this area with the Supervisory Board. One such dilemma is the capacity declaration, which determines the available capacity for air transport movements at the airport twice a year. With the limit of 500,000 air transport movements approaching, different viewpoints arose on the level of available capacity. The position adopted by Schiphol Group in this discussion is that if there is no consensus, the airport is responsible for determining the available capacity, based on the principle that it should be made available to the entire sector as effectively as possible, but obviously within the agreed maximum of 500,000 air transport movements.

A further dilemma which the Management Board discussed with the Supervisory Board concerns selectivity. The targets agreed within the Alders Platform (now the Schiphol Local Community Council) regarding selective development of the airport have proved to be difficult to achieve in practice. Under the applicable competition law frameworks, the only control mechanism which Schiphol can actively apply is the development of its regional airports.

It is crucial to ensure that there is sufficient support for the growth and development of Amsterdam Airport Schiphol. Against this background, the Supervisory Board was regularly informed of the discussions held in the Schiphol Local Community Council, and especially those concerning the establishment of an agreement framework for the period beyond 2020 and the discussions being conducted with the government on this topic.

Strategic issues and projects

Evaluation of the alliance with Groupe ADP

The alliance between Royal Schiphol Group and Groupe ADP has existed for eight years. The Management Board is pleased with the synergies achieved and the learning effect for the organisation. An external evaluation was conducted, which not only corroborates the results achieved but also offers suggestions for further optimising the alliance. The Supervisory Board supported the Management Board in continuing the alliance under the current agreement. In 2017 discussions will be initiated on the potential extension of the existing agreement beyond 2020. A formal procedure will be preceded by a possible final decision on the extension of the agreement.

Evaluation of Departure Lounge 2

July 2016 marked the reopening of Departure Lounge 2 following major renovations. Where the Supervisory Board, in 2015, had focused particularly on the delay that had arisen in this project, in 2016 it focused on the evaluation of the total project. In retrospect, the project became complex because it was combined with the Non-Schengen Central Security project. The Supervisory Board discussed an update of the business case for the project. The initial results of Departure Lounge 2 are favourable.

Digital Airport Programme

Amsterdam Airport Schiphol aspires to be the 'leading digital airport' by 2019. In the Supervisory Board's opinion it is essential for Schiphol to undergo the envisaged digital transformation if it is to maintain its position as Europe's Preferred Airport. The Supervisory Board received information on the programme, which aims to enhance the digital experience for passengers and airlines, during a number of sessions including a special in-depth session. One of the programme's further objectives is for Schiphol to be the first airport to introduce an identity recognition system, 'the biometric backbone'. The Supervisory Board supports the programme wholeheartedly, including the Management Board's decision to appoint a Chief Digital Officer effective 1 January 2017 to strengthen the digital transformation process.

Progress on AssetWise! and external opinion

An external review of the implementation of the AssetWise! programme was held in 2016, and the results and conclusions were communicated to the Supervisory Board. Good progress has been made on the programme objectives, as is reflected in the clear division of tasks between the operations and asset management departments, the introduction of a cost expertise centre and application of the total cost of ownership as the basis for investment decisions. Recommendations were formulated for data management, culture aspects and the continuous monitoring of results achieved. The programme was completed to the Supervisory Board's satisfaction and further progress will be monitored.

Safety and security

The Supervisory Board closely monitors safety developments in the organisation. A programme aimed at raising safety awareness was initiated in 2016. Both the Management Board and the business area directors have personally undertaken activities to improve safety culture. A Safety Review Board was established, which

discusses safety within the group at the strategic level. In 2016, the Dutch Safety Board launched a special investigation into the safety of air traffic at and around Amsterdam Airport Schiphol. The Chair of the Supervisory Board was heard by the Dutch Safety Board within the context of this investigation. The investigation report is expected to be published in the spring of 2017.

Furthermore, the Supervisory Board paid special attention to the topic of security in 2016. This topic featured prominently during several Supervisory Board meetings, partly due to the increased terrorism threat level in the summer of 2016.

Corporate Responsibility

In monitoring the strategy pursued by Schiphol Group, the Supervisory Board has paid particular attention to Corporate Responsibility (CR). For the Supervisory Board, it is extremely important that concrete CR objectives are developed for the organisation, and particularly for the major projects that are due to be launched in the period ahead (such as Area A). The Supervisory Board was kept well informed of the various activities and is convinced that the right steps are being taken to further define and anchor CR as a key element of the strategic agenda. The Supervisory Board would encourage Schiphol Group to continue to set the tone as a socially responsible enterprise. The Supervisory Board wishes to express its appreciation for the excellent organisation and impact of the Airports Going Green congress, which was held at Schiphol, and the leading role assumed by the airport in formulating the Airports Sustainability Declaration.

Other topics

Amendments to the Articles of Association

On several occasions, the Supervisory Board and the Management Board discussed amendments to the Articles of Association that had been requested by the shareholders. Discussions were also held between a Supervisory Board delegation and the shareholders. The Supervisory Board carefully considered the company's interests and the shareholders' requests. It was determined that the shareholders' involvement in the company would increase considerably as a result of the amendments to the Articles of Association, particularly concerning investment thresholds and a duty to consult the shareholders on strategic issues. The Supervisory Board discussed with the shareholders that this form of increased involvement is, in its view, not in the interest of balanced governance. The shareholders indicated that they wished to maintain the proposed amendments. Consensus has since been reached on the draft text of the new Articles of Association, which will be submitted to the General Meeting of Shareholders for approval.

The Netherlands Authority for Consumers and Markets (ACM)

The Supervisory Board was updated on several occasions by Schiphol Group's lawyer, among others, on the status of the investigation initiated by ACM in 2013, which has a bearing on the Shared Vision Committee and the relationship with KLM. The investigation focuses on the question of whether any conduct within the context of this relationship qualifies as a violation of competition rules. The investigation is ongoing and it is not clear what the outcomes will be.

Integrity

A serious integrity incident occurred in the Real Estate department in 2016. The Supervisory Board was prudently notified and also involved, where relevant, in addressing the incident. The investigation into the incident, which was reported to the Fiscal Intelligence and Investigation Service (FIOD), is ongoing. Following an external investigation into the functioning of the controls in the Real Estate department, a number of recommendations were made, which have been implemented by Schiphol Group.

During the course of the year the Supervisory Board was updated on the integrity policy and the relevant communication and training.

Financial reporting

The Management Board provides monthly reports to the Supervisory Board in which the enterprise's actual financial results are compared to the 2016 budget, the latest estimate 2016 and the results of 2015. These reports were discussed by the Supervisory Board.

As soon as the Management Board became aware of the higher than expected growth in passenger numbers, it consulted with the Supervisory Board on the impact on the budget adopted in December 2015.

Other topics discussed included the development of operating costs, particularly the additional costs arising from the operational measures put in place to facilitate the increased passenger flows. The Supervisory Board also discussed the commercial costs and results, the development of profitability and the company's funding and cash flow position.

The shareholders approved the new dividend policy during the April 2016 General Meeting of Shareholders. The policy is based on a maximum dividend distribution of 60% of the net profit, adjusted for unrealised gains and losses on property and other items. This policy aims to ensure the continuity of the business by conducting a prospective test which examines whether Schiphol Group will be able to maintain its credit rating over a four-year period, and assesses the development of the financial ratios. In the Supervisory Board's opinion the future resilience of the enterprise will thus be ensured in a prudent manner.

The Supervisory Board also discussed the 2017-2020 Tactical Plan. The Board believes that the objectives for 2017 are extremely challenging. It concludes that Schiphol Group's financial position is sound, while observing that the business risks in a broad sense have increased.

The Supervisory Board observes that the credit ratings of Moody's and Standard & Poor's were upheld in 2016. These ratings are important in connection with the enterprise's future funding requirements. In 2016, the Supervisory Board approved the 2017 Funding Plan, which will enable the company to secure funding.

No conflicting interest

There were no transactions in 2016 involving conflicts of interest on the part of Management Board members, Supervisory Board members, shareholders or the external auditor that were of material significance to the company and/or the relevant parties.

Central Works Council (COR)

The Supervisory Board, the Management Board and the Central Works Council (COR) held discussions a number of times in 2016. Members of the Supervisory Board attended five consultative meetings between Management Board members and the COR. In her capacity as confidential adviser, Ms Scheltema held discussions with the COR. The Supervisory Board members experienced these meetings as constructive and informative. Important topics that were discussed in the presence of the Supervisory Board members concerned the development of Area A (investment, governance structure and collaboration with the current organisation), organisational changes in the Operations, IT and Schiphol Telematics departments, the considerable growth of Schiphol and the implications for capacity, workload and safety, and - lastly - integrity. The COR issued a positive opinion on the reappointment of Ms De Groot as CFO and Mr Nijhuis as President & CEO. Furthermore, the COR was involved in and supported the decision on the reappointment of Mr Wijn as a Supervisory Board member.

B. Quality Assurance

Members

At the end of 2016, the Supervisory Board had three female and five male members. The Management Board has two female members and two male members. In the period ahead, the Supervisory Board will continue to work with the Management Board to achieve as much diversity as possible, in all respects, among the seats of both bodies. Schiphol runs a development and leadership programme to ensure that both men and women can advance into senior management and executive positions. Further personal details on each member of the Supervisory Board can be found in the next section of this annual report.

In making new appointments, the Supervisory Board aims to safeguard the complementary expertise of its members, particularly in relation to the fields of knowledge that are relevant to Schiphol Group; these are listed in the Supervisory Board Profile (Appendix A to the Supervisory Board Regulations). The overview below indicates the fields of knowledge represented by each Supervisory Board member. The distribution of fields of knowledge as set out below will factor into the filling of any new vacancies that arise.

All members of the Supervisory Board are independent within the meaning of the Corporate Governance Code, with the exception of Mr Arkwright, who is Deputy CEO at Groupe ADP. Mr Wijn will serve as a member of the Management Board of ABN Amro Group N.V. until 1 May 2017 and therefore is not classified as independent. After 1 May, he will be deemed independent within the meaning of the Corporate Governance Code.

Mr Arkwright has French nationality, Mr Olsson has Swedish nationality and Ms Clare has British nationality. The other members have Dutch nationality.

Permanent education

As part of the permanent education programme, various topics were discussed with the Supervisory Board to provide its members with greater insight into the issues relevant to Schiphol Group, such as capacity and the capacity declaration procedure, safety and security at the airport and selectivity. At the Supervisory Board's annual Strategy Day, attention was devoted specifically to the topic of 'governance of state participations'. In addition, a session on the 'digitisation of the airport' was held for the Supervisory Board.

Evaluation

The Supervisory Board conducted a self-evaluation at the end of 2015, and discussed the results in early 2016. The evaluation proved useful in allowing the Supervisory Board to optimise its composition and role. Following the self-evaluation and the associated discussions among the Supervisory Board members, the Board organised a separate meeting, which almost all members attended. The discussions focused on the role and position of the Supervisory Board in connection with a number of important topics, including the digitisation of the airport and the development of the organisation. The Supervisory Board decided to have an external evaluation carried out in the first quarter of 2017.

Distribution of fields of knowledge among the members of the Supervisory Board

	L. Gunning - Schepers (Chair)	H. Hazewinkel (Vice-Chair)	E. Arkwright	C. Clarke
Year of birth and nationality	1951, Dutch	1949, Dutch	1974, French	1964, British
First appointed in	2014	2009	2016	2015

Fields of knowledge

1. EU / Globalisation			•	•
2. Aviation		•	•	
3. Real Estate		•	•	
4. Retail / e-Business				•
5. Finance / Accountancy / Risk Management		•	•	•
6. Corporate Responsibility	•			•
7. Marketing / Sales				•
8. Human Resource Management	•	•		
9. Politics and Schiphol's Social Climate	•			
10. Corporate Governance		•		
11. Expertise on Amsterdam and the Amsterdam region	•			

	R.J. van de Kraats	M. Olsson	M. Scheltema	J. Wijn
Year of birth and nationality	1960, Dutch	1957, Swedish	1954, Dutch	1969, Dutch
First appointed in	2015	2015	2010	2012

Fields of knowledge

1. EU / Globalisation	•	•	•	•
2. Aviation				
3. Real Estate		•		
4. Retail / e-Business		•		
5. Finance / Accountancy / Risk Management	•		•	•
6. Corporate Responsibility			•	
7. Marketing / Sales	•	•		•
8. Human Resource Management	•			
9. Politics and Schiphol's Social Climate				•
10. Corporate Governance	•	•	•	
11. Expertise on Amsterdam and the Amsterdam region				•

C. Other matters

Appointments and reappointments

On 1 April 2016, André van den Berg, previously director of Schiphol Real Estate B.V., succeeded Maarten de Groof as a Management Board member and Chief Commercial Officer. The Supervisory Board is delighted that Mr van den Berg, an internal candidate, has advanced to an executive position.

In February 2016 the Supervisory Board decided to appoint Els de Groot for a second, four-year term of office as a Management Board member and CFO effective 1 May 2016 in view of her excellent performance. At the time of her reappointment, Ms De Groot indicated that she might not stay for her full four-year term. In October 2016, Ms De Groot announced that she would step down as CFO of Royal Schiphol Group in the Spring of 2017. The Supervisory Board expresses its regret that Ms De Groot will be leaving the company per 1 June 2017, but respects her decision. She has made a significant contribution to the airport. The Selection and Appointments Committee is in the process of recruiting a new CFO.

The Supervisory Board carefully considered the reappointment of Jos Nijhuis, whose second term of office as President and CEO ended on 31 December 2016. In view of his good performance and the challenges facing Schiphol Group in the years ahead, the Supervisory Board has decided in June 2016 to reappoint Mr Nijhuis for a period of two years. This will ensure the stability of the Management Board for the years 2017 and 2018. In collaboration with the other Management Board members, Mr Nijhuis will focus on the development of the new pier and terminal, all the associated

landside facilities, the operational constraints arising from the surge in passenger numbers, the development of Lelystad Airport and preparations for the further growth of the airport beyond 2020. The Supervisory Board is delighted that Mr Nijhuis has made a commitment towards the enterprise for another two years.

The Works Council was advised of the proposed decisions to reappoint both Ms De Groot and Mr Nijhuis and issued a positive opinion.

Initially, Groupe ADP had nominated Patrick Jeantet to succeed Laurent Galazy, who announced in December 2015 that he wished to step down as a Supervisory Board member. During the General Meeting of Shareholders held in April 2016, Mr Jeantet was appointed to the Supervisory Board for a four-year term of office. However, he left Groupe ADP shortly afterwards and therefore stepped down from the Supervisory Board of Schiphol Group. Edward Arkwright was subsequently nominated as a Supervisory Board member by Groupe ADP and was appointed by the General Meeting of Shareholders in August 2016.

Joop Wijn was also reappointed during the General Meeting of Shareholders in April 2016 as a Supervisory Board member for a second term of office effective April 2016. Mr Wijn is a highly valued member of the Supervisory Board, in part due to his financial and political expertise and his contributions to the Audit Committee and the Selection and Appointments Committee.

The changes in Supervisory Board membership have led to changes in the composition of the committees in 2016 as shown in the table below.

	L. Gunning - Schepers (Chair)	H. Hazewinkel (Vice-Chair)	E. Arkwright	C. Clarke
Supervisory Board	•	•	•	•
Audit Committee			•	
Remuneration Committee		• ¹		
Selection & Appointments Committee	• ¹	•		
Public Affairs & Corporate Responsibility Committee	•			
	R.J. van de Kraats	M. Olsson	M. Scheltema	J. Wijn
The Supervisory Board	•	•	•	•
Audit Committee	• ¹		•	•
Remuneration Committee		•	•	
Selection & Appointments Committee				•
Public Affairs & Corporate Responsibility Committee		•	• ¹	

¹ Chair

Meetings

The Supervisory Board met ten times in 2016. The Management Board attended all of these meetings. Prior to its six regular meetings, the Supervisory Board held private consultations. The Supervisory Board also held one meeting without the presence of

the Management Board. The various subcommittees of the Supervisory Board held 17 meetings in total over the course of 2016. Please see the enclosed schedules for a full overview of the number of meetings per subcommittee and attendance of Supervisory Board members.

Attendance in 2016

Attendance	L. Gunning-Schepers	E. Arkwright	C. Clarke	H. Hazewinkel
Supervisory Board	10 of 10	2 of 4	9 of 10	10 of 10
Audit Committee	n/a	1 of 1	n/a	n/a
Remuneration Committee	n/a	n/a	n/a	4 of 4
Selection & Appointments Committee	7 of 7	n/a	5 of 7	6 of 7
Public Affairs & Corporate Responsibility Committee	3 of 3	n/a	n/a	n/a
Total	20	3	14	20

Attendance	R.J. van de Kraats	M. Olsson	M. Scheltema	J. Wijn
Supervisory Board	9 of 10	9 of 10	9 of 10	9 of 10
Audit Committee	3 of 3	n/a	3 of 3	3 of 3
Remuneration Committee	n/a	3 of 4	4 of 4	n/a
Selection & Appointments Committee	n/a	n/a	n/a	7 of 7
Public Affairs & Corporate Responsibility Committee	n/a	3 of 3	3 of 3	n/a
Total	12	15	19	19

In addition to these meetings, the Chair and the other members of the Supervisory Board discussed issues with the Management Board on numerous occasions. Various members of the Supervisory Board also had contacts on a number of occasions with the senior management of Schiphol Group and with stakeholders both within and outside Schiphol Group, including the shareholders.

The Supervisory Board wishes to express its gratitude to the Management Board and staff of Schiphol Group for their significant efforts during the airport's 2016 anniversary year, in which many made an additional contribution to cope with the surge in passenger numbers and to ensure successful centenary celebrations.

Schiphol, 16 February 2017

The Supervisory Board
 Louise Gunning-Schepers, Chair
 Herman Hazewinkel, Vice-Chair
 Edward Arkwright
 Caroline Clarke
 Robert Jan van de Kraats
 Mikael Olsson
 Margot Scheltema
 Joop Wijn

Meetings of the committees of the Supervisory Board

Audit Committee

The Audit Committee met three times in 2016. Messrs Galzy and Hazewinkel stepped down as Audit Committee members in 2016 and were succeeded by Ms Scheltema and Mr Arkwright. The Audit Committee spoke at great length with the CFO and the internal and external auditors about the financial statements, the annual report, the interim report, the associated press releases, the Management Letter, the annual report of regulated activities (Aviation, Security) and the internal and external audit plan.

In 2016, the Audit Committee looked specifically at the progress made and the results achieved in the area of information & IT security on the basis of the IT Security Roadmap for 2015-2017. During the course of the year, the Audit Committee devoted attention to the manner in which the management of Real Estate, Consumer Products & Services and the Capital Programme manage their activities and the associated reporting and other risks. In line with previous years, the Audit Committee focused on policy and its implementation with respect to insurance, taxes, risk management, pensions and financing. The Audit Committee was also involved in the extension of the audit engagement to the independent external auditor (KPMG Accountants N.V.) and in the appointment of the internal auditor.

Prior to every Audit Committee meeting, the chair held a separate discussion with the external auditor (KPMG Accountants N.V.). In addition, the scope and materiality of the audits and the risks identified featured regularly as topics during the meetings. After every meeting, the Audit Committee had final consultations with the external auditor, which were not attended by Management Board members.

Selection & Appointments Committee

The Selection & Appointments Committee met seven times over 2016. The proposals relating to the appointment of Mr Jeantet and the reappointment of Mr Wijn were discussed during the early months of 2016. The committee also discussed the reappointment of Ms De Groot and advised the Supervisory Board to proceed with her reappointment. Of course the Selection & Appointments Committee also devoted time to the reappointment of Mr Nijhuis and submitted a positive opinion to the Supervisory Board. Furthermore, the committee addressed the proposed appointment of Mr Arkwright, on the nomination of Groupe ADP. The committee maintained regular contact with both the Central Works Council and the shareholders in relation to all these appointments.

The Selection & Appointments Committee is engaged in the process of recruiting a new CFO with the assistance of an external adviser.

Remuneration Committee

The Remuneration Committee met four times in 2016. During 2015, the Remuneration Committee focused on defining the Management Board targets for 2016 and on the progress made in that regard. In early 2016, the committee discussed and evaluated the results achieved on the 2015 Management Board targets. Those results served as a guideline for determining the variable remuneration for the Management Board members for 2015. A further topic discussed was the adjustment of the remuneration policy for Management Board members, at the request of the shareholders. This topic was discussed with the State of the Netherlands and the Municipality of Amsterdam. The chair of the Remuneration Committee and the chair of the Supervisory Board jointly conducted the annual appraisal interviews with the Management Board members.

Public Affairs & Corporate Responsibility Committee

The Public Affairs & Corporate Responsibility Committee met three times in 2016. The committee discussed the external auditor's verification of Corporate Responsibility (CR) information in the integrated annual report and the progress made on the CR objectives set by the Management Board. The committee also devoted attention to safety culture at Schiphol Group, the developments relating to the Schiphol Local Community Council and the Environmental Impact Assessment, the public affairs strategy and the Schiphol Action Agenda.

Meetings	Number
Supervisory Board	10
Additional Supervisory Board meeting without the Management Board	1
Audit Committee	3
Remuneration Committee	4
Selection & Appointments Committee	7
Public Affairs & Corporate Responsibility Committee	3
Total	28



Supervisory Board



E. Arkwright

(b. 1974, French nationality)

First appointed in 2016
First term expires in 2020

- Deputy CEO, Development and Engineering, Groupe ADP
- Member of the Supervisory Board of TAV Airport
- Chair of Hub One
- Board Member of SDA
- Board Member of Relay@adp

J.G. Wijn

(b. 1969, Dutch nationality)

First appointed in 2012
Second term expires in 2020

- Member of the Managing Board of ABN AMRO Bank N.V. (until 1 May 2017)
- Member of the Supervisory Board of Koninklijke Jaarbeurs Utrecht B.V.
- Member of the Executive Board and Governing Board of the VNO-NCW Confederation of Netherlands Industry and Employers
- Member of the Supervisory Board of Stadsherstel Amsterdam
- Former Minister of Economic Affairs
- Former State Secretary of Finance
- Former State Secretary of Economic Affairs

M.A. Scheltema

(b. 1954, Dutch nationality)

First appointed in 2010
Second term expires in 2018

- Member of the Supervisory Board of De Nederlandsche Bank N.V.
- Member of the Supervisory Board of TNT Express N.V.
- Non-executive Director of Lonza Group Plc, Basel
- (Deputy) adviser to the Netherlands Enterprise Court at the Amsterdam Court of Appeal
- Member of the Supervisory Board of Warmtebedrijf Rotterdam
- Member of the Supervisory Board of World Press Photo
- Treasurer of Genootschap Onze Taal
- Chair of the Pension Funds Code Monitoring Committee
- Member of the Central Planning Committee
- Former CFO of Shell Nederland B.V.

H.J. Hazewinkel

(b. 1949, Dutch nationality)

Vice-Chair

First appointed in 2009
Second term expires in 2017

- Chair of the Supervisory Board of TKH Group N.V.
- Vice-Chair of the Supervisory Board of Koninklijke Boskalis Westminster N.V.
- Chair of the Supervisory Board of Sociaal Werkvoorzieningschap Centraal Overijssel - Soweco N.V.
- Chair of the Board of Stichting Continuïteit ASR Nederland
- Chair of Stichting Universiteitsfonds Twente
- Member of the Management Board of Stichting Administratiekantoor Slagheek
- Non-executive partner Quadrum Capital BV
- Former Chairman of the Board of VolkerWessels



Dr L.J. Gunning - Schepers

(b. 1951, Dutch nationality)

Chair

First appointed in 2014
First term expires in 2018

- Crown-appointed member of the Executive Board of the Netherlands Social and Economic Council
- Member of the Supervisory Board of Stichting VSB Fonds
- Member of the Management Board of Stichting VSB Vermogensfonds
- Member of the Supervisory Board of ONVZ
- Member of the Board of the Amsterdam University Fund
- Chair of the Board of Governors of the Prins Claus Chair
- Chair of the Scientific Advisory Board of the Aidsfonds
- Former CEO and dean of UvA-AMC
- Former Chair of the Executive Board of the University of Amsterdam

M. Olsson

(b. 1957, Swedish nationality)

First appointed in 2015
First term expires in 2019

- Vice-Chair of the Board of Directors of Volvo Car Corporation
- Non-executive Director of Tesco plc
- Member of the Supervisory Board of Ikano S.A.
- Member of the Board of Directors of Lindengruppen AB
- Former President & CEO of IKEA Group/Ingka Holding B.V.

C. Clarke

(b. 1964, British nationality)

First appointed in 2015
First term expires in 2019

- CEO of Philips ASEAN Pacific
- Former Senior Vice-President Europe & Africa of Sara Lee Household & Body Care

R.J. van de Kraats, RA (chartered accountant)

(b. 1960, Dutch nationality)

First appointed in 2015
First term expires in 2019

- CFO and Vice-Chair of the Management Board of Randstad Holding nv
- Non-Executive Director on the Board of Directors of OCI N.V.
- Member of the Corporate Governance Code Monitoring Committee
- Former CFO and Member of the Board of Management of NCM Holding N.V. (Atradius)

Management Board



A. van den Berg

(b. 1963, Dutch nationality)

Member of the Management Board and CCO

since 1 April 2016

First term expires on 31 March 2020

E.A. de Groot

(b. 1965, Dutch nationality)

Member of the Management Board and CFO

since 1 May 2012

Second term expires on 30 April 2020, departure announced effective 1 June 2017

- Member of the Supervisory Board of Beter Bed Holding N.V.
- Non-executive member of the Board of Directors of Groupe ADP
- Member of the Supervisory Board of Vitens N.V.

J.A. Nijhuis

(b. 1957, Dutch nationality)

President & CEO

since 1 January 2009

Third term expires on 31 December 2018

- Member of the Supervisory Board of SNS Bank N.V.
- Non-executive member of the Board of Directors of Groupe ADP
- Non-executive member of the Board of Directors of Brisbane Airport Corporation PTY Ltd
- Member of the ACI Europe Board and ACI World Governing Board
- Member of the Dutch National Opera and Ballet Board of Governors
- Member of the Amsterdam Economic Board
- Co-Chair of the Schiphol Security and Public Safety Platform
- Member of the Executive Board and Governing Board of the VNO-NCW
- Member of the Cyber Security Council
- Member of the Supervisory Board of Hotel Okura Amsterdam B.V.

B.I. Otto

(b. 1963, Dutch nationality)

Member of the Management Board and COO

since 1 September 2014

First term expires on 31 August 2018

- Member of the Supervisory Board of Eindhoven Airport N.V.
- Chair of the Schiphol Security and Public Safety Steering Group
- Chair of the Schiphol Safety Platform



Consumer Products & Services



Real Estate



Alliances & Participations



Aviation

M.M. de Groof (b. 1957, Dutch nationality) was a member of the Management Board and Chief Commercial Officer since 1 February 2008. His second term ended on 31 January 2016 and was extended to 1 April 2016, when he was succeeded by Mr A. van den Berg. In his capacity as Chief Commercial Officer, Mr De Groof focused on the Consumer Products & Services and Real Estate business areas. During the time he served for Schiphol Group he was a member of the Supervisory Board of Eindhoven Airport N.V. and, from August 2015, member of the Supervisory Board of Vesteda.

Corporate Governance

↓ Utrecht Holiday Fair: entrance in the Schiphol style



General

N.V. Luchthaven Schiphol (Schiphol Group) is a public limited liability company with a full two-tier board regime. The State of the Netherlands, the Municipality of Amsterdam, Groupe ADP and the Municipality of Rotterdam are joint shareholders. The governance structure is based on Book 2 of the Dutch Civil Code, the Corporate Governance Code, the company's Articles of Association and various internal regulations.

Management Board

The members of the Management Board of Schiphol Group share responsibility for the management of Schiphol Group and for the general state of affairs both within Schiphol Group and at its group companies. Each member has accepted responsibility for a particular area, as approved by the Supervisory Board.

Supervisory Board

The Supervisory Board of Schiphol Group consists of at least five and at most eight members and meets at least four times a year. Supervisory Board members are tasked with monitoring the Management Board of Schiphol Group and the general state of affairs. The Supervisory Board also advises the Management Board.

Committees of the Supervisory Board

The Supervisory Board has four subcommittees:

- The Audit Committee, whose tasks include monitoring the internal risk management and control systems, the annual and half-year financial reports, and financing. Matters relating to taxation, treasury policy, insurance and pensions also fall within this committee's portfolio.
- The Selection and Appointments Committee, which oversees procedures for the appointment of Supervisory Board and Management Board members, including drawing up selection criteria.
- The Remuneration Committee, which is responsible for the remuneration policy and the remuneration of members of the Management Board. It also prepares the Remuneration Report and, together with the chair of the Supervisory Board, carries out periodic performance assessments of the individual Management Board members and reports its findings to the Supervisory Board.
- The Public Affairs & Corporate Responsibility Committee, which has a dual task. On the one hand, it advises the Management Board and Supervisory Board on the communication strategy in the public domain (Public Affairs) while, on the other, it plays an important role in defining the socio-economic aspects of Schiphol Groups business.

Each of these committees is subject to a regulatory code, published on www.schiphol.nl under 'Investor Relations'. The committees meet independently and carry out preparatory work in a number of sub-areas for the Supervisory Board as a whole. The committees report on the outcome of their meetings in a Supervisory Board meeting. The Supervisory Board as a whole takes decisions based on these reports.

Corporate Governance Code

In 2004, Schiphol Group began applying the principles and best practice provisions of the Corporate Governance Code, wherever possible and/or appropriate. Schiphol Group has implemented these provisions in its Articles of Association and various internal regulations.

Since 2012, Schiphol has applied, in full, the Code's provisions regarding remuneration to all Management Board members. The employment contracts with each of the Management Board members contain a 'claw-back' clause and the possibility for the Supervisory Board to adjust the variable remuneration retrospectively in certain cases. In view of the recent publication of the new Corporate Governance Code, all of Schiphol Group's internal regulations and the 'comply or explain' overview are currently being updated. They are scheduled to be submitted to the Supervisory Board for approval in the first quarter of 2017.

Mr Arkwright joined the Supervisory Board in 2016. He is not classified as independent within the meaning of the 2008 Corporate Governance Code (provision III.2.1). Mr Wijn currently serves on the Management Board of ABN AMRO Bank, a business relation of Schiphol Group. With the appointment of Mr Wijn and Mr Arkwright as Supervisory Board members, Schiphol no longer applies the principle that no more than one member may be exempted from the independence requirement as defined in the Code. It has been agreed with Mr Wijn that he will not take part in discussions and decisions at ABN AMRO Bank which relate to Schiphol Group and vice versa. Schiphol Group is of the opinion that this sufficiently addresses the non-independence of Mr Wijn. With Mr Arkwright, too, it has been agreed that he will not take part in discussions and decisions at Schiphol Group which relate to Groupe ADP or be involved in other subjects that could potentially result in a conflict of interests. Mr Wijn is due to leave ABN AMRO Bank on 1 May 2017.

A detailed explanation of the above points, including a 'comply or explain' overview, has been published on www.schiphol.nl under 'Investor Relations'. The website also provides the internal regulations to which Schiphol Group is subject, including the Regulations governing Inside Information and the Holding of Securities and Securities Transactions, Reporting Misconduct and the rules governing the Supervisory Board, its committees and the Management Board.

Securities transactions

Even though Schiphol Group shares are not listed on a stock exchange, the company does have a limited set of Regulations governing Inside Information and the Holding of Securities and Securities Transactions. The company has issued bonds under the EMTN Programme.

Members of the Management Board and Supervisory Board must refrain from buying and selling these bonds and/or any shares in Groupe ADP and Air France-KLM. Mr Nijhuis and Ms De Groot both hold board positions at Groupe ADP. In that capacity, they are under an obligation to hold at least one share in the capital of Groupe ADP. The Company Secretary is the central officer referred to in the Regulations governing Inside Information and the Holding of Securities and Securities Transactions.

Schiphol, 16 February 2017

The Supervisory Board

The Management Board

Organisation of Corporate Responsibility and safety

Primary responsibility for CR rests with the President and CEO of Schiphol Group. The Management Board defines the CR vision and policy. Its members are assisted by the Public Affairs & Corporate Responsibility Committee of the Supervisory Board. The achievement of CR targets is one of the elements of the remuneration policy. The Management Board is responsible for the integrated annual report.

The COO acts as the airport manager. The main task of the airport manager is to ensure that national and European laws and regulations, in particular those relating to safety, security and the environment, are complied with. The laws and regulations that apply to the airport are often unique. On a number of points, Schiphol itself has implemented additional rules aimed at further improving the monitoring of order and safety on the airport grounds. These rules are known as the Schiphol Regulations. The airport manager exercises primary supervision of compliance with the Schiphol Regulations and can, to a limited extent, impose sanctions on people and companies in the event of non-compliance with these rules.

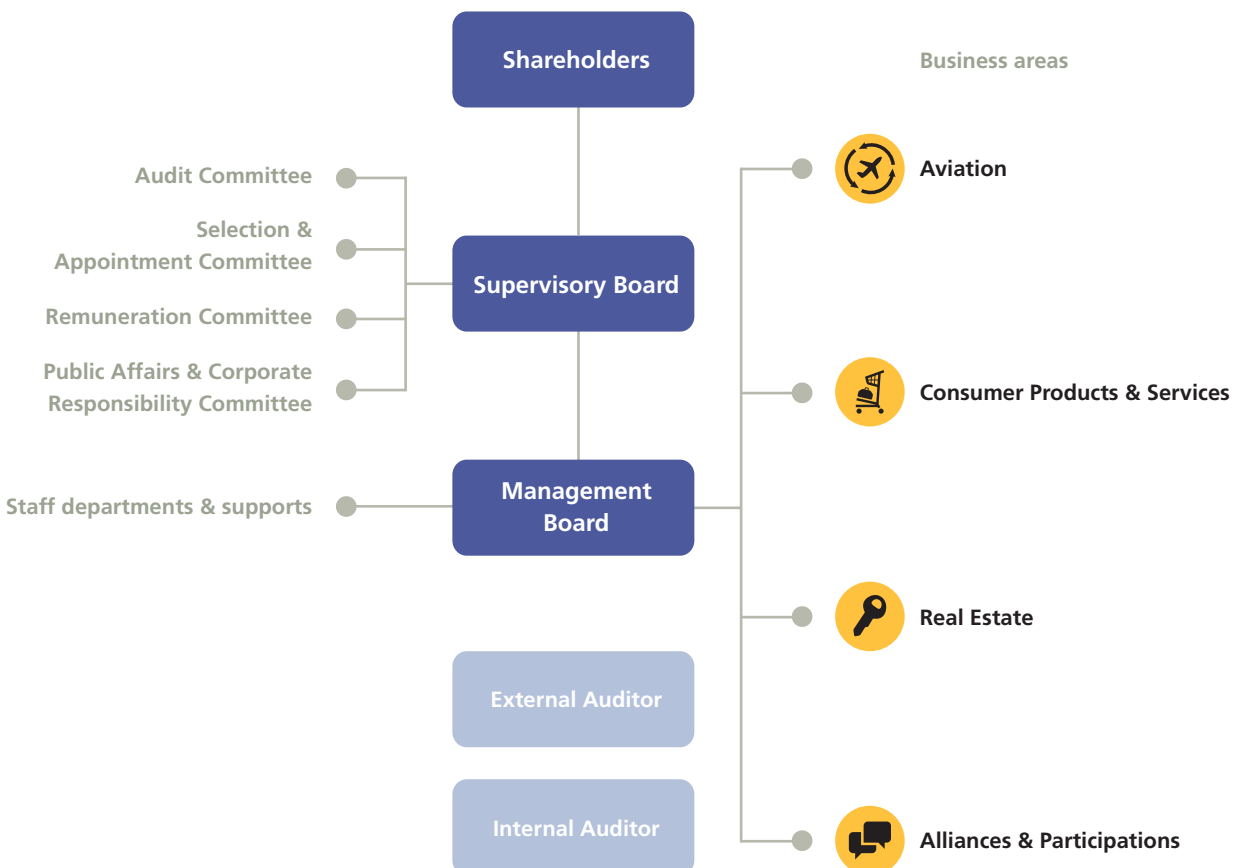
Sustainable Performance

The material topics of regional significance, accessibility, noise levels, CO₂ emissions, air quality, raw materials and residual flows, commissioning, supply chain responsibility and employment practices have been clustered in five socio-economic themes: climate-friendly aviation, sustainable employment, raw materials and waste flows, accessibility and local community, noise levels and air quality. Organisation-wide theme coordinators are linked to the themes to ensure that ambitions that transcend individual business areas are realised. Each quarter, the Management Board discusses the relevant CR developments, dilemmas and the report on the non-financial objectives.

In addition to its integration with strategy, CR is a fixed component in the investment documentation. In tendering procedures potential suppliers are asked to indicate what contributions they can make to the five themes. Workshops focusing on the five CR themes can also be arranged for projects.

The CR programme manager is responsible for the integration of Corporate Responsibility within Schiphol Group and is supported by external experts and controllers. They ensure that vision and focus are incorporated into the CR policy and advise on the CR ambition level. They make sure that Schiphol Group's activities are aligned

Corporate Governance Structure



with this vision. They encourage collaboration with stakeholders, ensure that awareness and activities are promoted within the organisation and work on integrating CR into the thinking and actions of Schiphol Group employees. This is achieved by promoting the conscious weighing of the interests of people, planet and profit both with regard to the choices for the future and in day-to-day operations.

The CR programme manager comes under the direct responsibility of the Corporate Development director, and reports directly to the CEO. This reporting structure is aimed at more effectively and more rapidly integrating CR into the strategic choices made.

The CR themes overarch the business areas. In 2016 the Energy Board and the Circular Economy Task Force were established to accelerate the pace of energy transition and the transition to the circular economy. This integrated approach guarantees optimum coordination between the various departments. The directors and senior management of the departments who have the most impact on these themes take part in these consultations.

Safe performance

The objectives, tasks, responsibilities, authorisations and working agreements relating to the control of safety and environmental risks are set out in the environmental management system, airside safety management system, terminal safety management system and health and safety management system.

The Safety Review Board, in which the COO and the directors of Schiphol are represented, was established in 2016. The aim of the Safety Review Board is to sharpen the focus on the strategic objective of creating safe performance at Amsterdam Airport Schiphol and to implement the European Aviation Safety Agency (EASA) requirements. Among other activities, the Safety Review Board focuses on managing the key safety risks at Schiphol, sharing safety dilemmas and monitoring the development of safety culture within Schiphol through the Schiphol4Safety programme.

Environmental and safety legislation

Schiphol monitors the compliance with environmental laws by the 350 companies covered by its environmental permit, in line with its licence to operate. With this system-based monitoring approach, Schiphol was the first company in the province of North-Holland to achieve the maximum level of performance designated by the Environment Agency for the Noordzeekanaal Area.

Continuous compliance with the European aviation safety rules laid down by EASA requires sustained attention. Moreover, as the competent authority, the Human Environment and Transport Inspectorate (ILT) of the Ministry of Infrastructure and the Environment monitors and tests compliance more intensively than in the past. EASA requires airports to take on a different role: Schiphol will assume greater responsibility for ensuring that the parties operating on airside comply with the applicable laws and regulations and with the further requirements imposed by the airport, and that they can provide demonstrable assurance accordingly. EASA requires an independent safety affairs office to be established for this purpose. In order to further implement this requirement, the Schiphol safety organisation was reviewed in 2016 and will be restructured in 2017.

	Material topic	Final responsibility	Challenges	Efforts to meet challenges included in ¹
	Regional significance	CEO	Maintain Mainport position Continue our intensive dialogue with stakeholders	Regional significance
	Network of destinations	CCO	Competition from other airports	Network of destinations
	Airport capacity	COO	Maintaining operations during renovations Development of Lelystad Airport	Airport capacity
	Accessibility	COO	Improve accessibility by road and rail	Accessibility
	Customer appreciation	CCO	Maintain and enhance quality perception (despite renovations)	Customer appreciation
	Noise	CEO	Transfer of Alders Platform agreements to Schiphol Local Community Council	Noise
	Safety & Security	COO	Development of HRO culture More stringent security requirements	Safety Security
	CO ₂ emissions	COO	Initiatives in the chain promoting innovation and sustainability Contribute to (further) development of biofuels	CO ₂ emissions
	Air quality	COO	Initiatives in the chain promoting innovation and sustainability Research/developments in fine and ultra-fine particles	Air quality
	Raw materials and residual flows	CCO	Business models must change	Raw materials and residual flows
	Commissioning	CFO	Effective and professional contracting practices under high pressure of time	Contracting practices
	Supply chain responsibility	CFO	Exerting influence across the entire chain	Supply chain responsibility
	Employment practices	CEO	Development of HPO culture Inclusive business practice	Employment practices
	Financial solidity	CFO	Maintain good credit ratings	Financial solidity

¹ This is not an exhaustive overview

Remuneration

↓ Schiphol's 100th anniversary: free coffee and newspapers for passengers



This remuneration report sets out the remuneration policy for the Schiphol Group Management Board and Supervisory Board in 2016.

The members of the Management Board of N.V. Luchthaven Schiphol are appointed by the Supervisory Board for a term of four years. They are eligible for reappointment for a further four-year term. All Management Board members are employed by N.V. Luchthaven Schiphol on the basis of a permanent employment contract.

In 2016, the Management Board was composed of the following persons:

	Position	Term	End of term
J.A. Nijhuis ¹	CEO	Third	31 December 2018
E.A. de Groot ²	CFO	Second	30 April 2020
B.I. Otto	COO	First	31 August 2018
M.M. de Groof ³	CCO	Third	31 March 2016
A. van den Berg ⁴	CCO	First	31 March 2020

1 Reappointed effective 1 January 2017.

2 Departure announced effective 1 June 2017.

3 Until 1 April 2016.

4 From 1 April 2016.

General

The remuneration policy pursued by Schiphol primarily aims to remunerate the Management Board members at a level and with a structure that will attract and retain qualified and capable directors (including those from within the organisation). The remuneration policy and, in particular, the variable remuneration is also intended to promote the achievement of Schiphol's objectives, as adopted each year by the Supervisory Board, based in part on the approved budget and the Management Agenda. In addition to the financial objectives, the strategic and public objectives of Schiphol as a major international airport constitute key performance indicators.

The remuneration policy meets the best-practice provisions on remuneration defined in the Corporate Governance Code. Since the majority of the shares in N.V. Luchthaven Schiphol are held by the State of the Netherlands, Schiphol's remuneration policy (for Board members who were newly appointed or reappointed) falls within the scope of the amended '2013 Government Participation Policy', including the April 2016 remuneration framework as applied by the Ministry of Finance in the revised remuneration policy for state shareholdings. The state shareholdings policy and the remuneration policy principles apply strict standards, for instance to variable remuneration. For example, the maximum variable remuneration may not exceed 20% of the annual salary and (as also stipulated by the Corporate Governance Code) it must be possible for the Supervisory Board to retroactively adjust the variable remuneration via a 'claw-back' scheme should the remuneration prove to have been awarded on the basis of incorrect information. In principle, with effect from 2017 employment contracts - with the exception of internal appointments - are concluded for a finite period of time, where possible. In the event the employment contract is terminated prior to the expiry date, Schiphol pays a maximum of one year's salary as a severance payment, unless the board member resigns voluntarily or the termination is the result of their actions. If a board member does not work during the notice period, any salary paid during this period will be deducted from the severance payment to be made. Any transitional allowance will be deemed to have been included in the severance payment. The schemes concerning adjustment of the variable remuneration and the severance payment apply to all board members, regardless of the year of appointment or reappointment.

Remuneration package structure

A summary of the employment arrangements and the amounts constituting the total remuneration of each Management Board member in 2016 are provided below. In 2016 Messrs Nijhuis and De Groof were still subject to the remuneration policy applicable at the time of their appointment (2008). Consequently, in 2016 they were subject to other contractual arrangements, which are specified in further detail below.

Fixed salary

In 2016 the fixed gross annual salary, including holiday allowance, of the Management Board members was as follows:

	Position	Fixed salary (EUR)
J.A. Nijhuis	CEO	397,120
E.A. de Groot	CFO	350,967
B.I. Otto	COO	350,967
M.M. de Groof ¹	CCO	77,551
A. van den Berg ²	CCO	263,225

¹ Pro rata until 1 April 2016.

² Pro rata from 1 April 2016.

With effect from 1 January 2017, Mr Nijhuis is subject to the remuneration policy adopted in 2014. This means that his fixed remuneration amounts to 412,902 euros as of 2017, excluding the indexation mentioned below, and that his pension contribution is brought in line with that of the other Management Board members. The fixed remuneration for the other board members is a maximum of 85% of that amount, i.e. a gross annual salary of 350,967 euros. The fixed remuneration of the Management Board members was not indexed in 2016, in contrast to the negotiated wages, which have been subject to a 1% indexation as of 1 April 2016. Effective 1 January 2017, the remuneration for Management Board members is indexed by that same percentage, resulting in a fixed remuneration of 417,031 euros for the CEO and 354,477 euros for the other Management Board members.

Variable remuneration

General

The remuneration structure also has a variable component. The variable remuneration is intended to increase the commitment of Management Board members to Schiphol's results and reward outstanding performance. The variable remuneration has a further goal of striking an ideal balance between financial performance and public interests.

According to the remuneration policy introduced in 2014, the maximum variable remuneration amounts to 20% of the total fixed income. The Supervisory Board determines the level of the variable remuneration, which depends on the extent to which the annually defined targets have been achieved. Those objectives are both substantive in nature (qualitative) and related to the financial results achieved (quantitative).

The Supervisory Board determines the annual variable remuneration on the basis of the following components:

1. The return on shareholders' equity in accordance with the budget for that year as approved by the Supervisory Board;
2. Qualitative objectives arising from the Management Agenda.

In figures this looks as follows:

Objective	STI percentage
Quantitative - Financial	6%
Qualitative - Personal/Team	14%
Total maximum	20%

1. Qualitative

The qualitative objectives (maximum 14%) are set each year and comprise both team-related and personal performance targets.

The team-related targets are derived from the Management Agenda approved by the Supervisory Board. Around 50-75% of the objectives in the Management Agenda relate to public interests, such as air quality, energy efficiency, CO₂ emissions, Mainport development, competitive position, sustainable employment, reliability and fire safety. The objectives formulated in the Management Agenda contribute to:

- The progress and achievement of the long-term strategic objectives of Schiphol Group;
- The public significance of Schiphol for the Netherlands.

The objectives as included in the Management Agenda comprise the team-related targets for the variable remuneration for the Management Board as a whole.

The extent to which the qualitative objectives are deemed to have been achieved and the way they are assessed is at the discretion of the Supervisory Board. However, as regards 2016 the Supervisory Board has decided to focus on team-related management objectives only. A Management Board member's personal performance will only be taken into account in the individual calculation of the (qualitative) variable remuneration if and when there is cause to do so.

2. Quantitative

The remaining 6% depends on the financial results. The degree to which the after-tax return on equity (ROE) approaches or exceeds the agreed objective determines the level of the variable remuneration for this component.

ROE (achievement percentage)	STI percentage
Less than 80%	0%
80% - 90%	2%
90% - 95%	3%
95% - 105%	4%
105% - 110%	5%
110% or more	6%

The targets set by the Supervisory Board in advance are assessed at the end of the first quarter of the reporting year in light of the latest transport figures and special developments, and adjusted where necessary. This is to ensure that the Supervisory Board's budgetary and other objectives remain as challenging and realistic as possible.

Non-standard arrangements

The variable remuneration methodology applied to Ms De Groot, Ms Otto and Mr Van den Berg, who joined the Management Board on 1 April 2016. Messrs Nijhuis and De Groof were still subject to the 2008 remuneration policy.

Mr Nijhuis voluntarily transferred to the new variable remuneration system in 2016. He is still entitled to a long-term bonus scheme, the long-term incentive (LTI), the maximum amount of which is 52.5% of the total fixed salary. The LTI is based on the multi-year plan approved by the Supervisory Board and on the Economic Profit (EP) target laid down in this plan. Payment of the LTI depends on the extent to which the cumulative EP has been achieved over a period of three financial years. If the cumulative EP exceeds the budgeted EP by more than 10%, the payment level may be raised to 52.5% of the total fixed salary. This can be summarised as follows:

LTI target	35%
Maximum swing percentage	17.5%
Total (including maximum swing)	52.5%

With effect from 1 January 2017, Mr Nijhuis is subject to the remuneration policy adopted in 2014. This means that his entitlement to LTI will lapse as of that date. The LTI entitlements over the years through 2016 will be paid to Mr Nijhuis in May 2017.

Mr De Groof's LTI entitlements were settled upon the expiry of his employment contract.

Claw-back

The variable remuneration is subject to a claw-back clause (Corporate Governance Code provision II.2.11) and the possibility for the Supervisory Board to adjust variable pay retrospectively in certain cases (Corporate Governance Code provision II.2.10).

Pension arrangements

Schiphol Group's pension plan, which is an average earnings scheme, is administered by Algemeen Burgerlijk Pensioenfonds (ABP). The premium, which ABP calculates each year, consists of an employer's share and an employee's share. The pension base used to calculate the premium is made up of fixed pay elements only. In contrast to the arrangements for other Schiphol Group staff, the variable portion of the income does not count towards the pension base for Management Board members.

The following non-standard pension agreements applied to Mr Nijhuis (until 31 December 2016) and to Mr De Groof (until 1 April 2016):

- a paid-up pension;

- a fixed allowance to be used for a life-course savings scheme. The level of the supplement was determined through an actuarial calculation based on the assumption that the retirement age was 62 and the fact that between the ages of 62 and 65 no pension accrual will take place during active employment with N.V. Luchthaven Schiphol.

Effective 1 January 2015, no pension is accrued for tax purposes for the portion of the pensionable income in excess of 101,519 euros. In conformity with general practice in the Netherlands, Schiphol has decided to compensate the employees concerned (including the Management Board members) for this erosion in their pension entitlements.

Other benefits

The secondary benefits comprise appropriate expense allowances, a company car and an allowance for a chauffeur, telephone costs and a home work station to be installed at Schiphol's expense. The company has also taken out personal accident insurance and directors' and officers' liability insurance on behalf of the Management Board members. No loans, advances or guarantees have been or will be granted to members of the Management Board. A restrictive policy applies with regard to other offices, whose acceptance requires the explicit approval of the Supervisory Board.

Remuneration ratios

The median gross total remuneration, including the variable remuneration and pension costs, for all Schiphol employees (excluding the CEO) amounted to 77,211 euros in 2016, based on the assumption that all employees work 40 hours a week. This means that the actual median is lower. This amount compared with the actual salary earned by Mr Nijhuis in 2016 (including the variable remuneration paid in 2016, total pension costs and the life-course savings allowance), amounting to 797,039 euros, equates to a remuneration ratio of 1:10.3.

From 1 January 2017, Mr Nijhuis is remunerated in accordance with the new remuneration policy. In 2017, the new remuneration ratio will initially reflect a one-off after-effect of that transition, due to the variable remuneration for 2016 to be paid in 2017 and the settlement of outstanding LTI agreements. The remuneration ratio is currently expected to decrease to 1:7.4 from 2018.

Retiring and new Board members

In 2016 Mr De Groof stepped down as a Management Board member, Mr Van den Berg succeeded him and the terms of office of Mr Nijhuis and Ms De Groot were extended by two and four years respectively.

On 24 June 2016, the Supervisory Board decided to reappoint Mr Nijhuis with effect from 1 January 2017 for a final two-year term of office. Following this period Mr Nijhuis will retire as a Board member and his employment contract will end without any severance payment being granted. This does not apply however in the event that the Supervisory Board unilaterally decides to terminate his

contract before 31 December 2018 or if the parties jointly arrive at the conclusion that an earlier end date is appropriate. In that case, Mr Nijhuis will be entitled to a contractual severance payment that is equal, at most, to his total fixed remuneration for one year. In any event, the severance payment will never exceed the fixed remuneration claims for the period from the end date until 1 January 2019. Furthermore, a period of paid leave, if applicable, will be deducted from this amount.

From the date of his reappointment, Mr Nijhuis will be subject to the remuneration policy in force since 2014 with a fixed remuneration of 412,902 euros and a maximum variable remuneration of 20%. He will therefore earn a total maximum gross salary of 495,482 euros. This remuneration level will be indexed by 1% from 1 January 2017, which means that the fixed salary will amount to 417,031 euros from that date and, including the variable remuneration, to a maximum of 500,437 euros. These amounts are exclusive of pension compensation for the part of the salary in excess of 101,519 euros.

On 19 October 2015, Ms De Groot announced that she would not complete her second term of office. She will step down with effect from 1 June 2017, which means that her employment contract will end on that date. In view of the fact that it was Ms De Groot's decision to resign, she is not entitled to a severance package.

Management Board Remuneration for 2016

Based on the financial results achieved in 2016, the after-tax return on equity amounted to 80%-90% of the target. This means that as regards the quantitative part of their variable remuneration, the Management Board members are entitled to 2% of their fixed salary.

With regard to the realisation of the qualitative targets, the Supervisory Board has issued a generally positive opinion, determining that most of the targets for 2016 have been achieved. The Supervisory Board wishes to express its appreciation for the way in which the Management Board is handling the increasing degree of complexity, which is due in part to the unexpectedly strong growth in passenger numbers. Despite the challenging circumstances, the management team has put in a very good performance. The airport has been able to retain its market position and keep the quality of its network at the desired level. In addition, Schiphol Group has demonstrated that it has the operational capability to accommodate both the flights offered and the increasing numbers of passengers. Significant progress has been made on several issues that are extremely important for Schiphol's future, including safety, information security and digitisation of the airport.

Remaining concerns are the failure to ensure timely completion of the 2030 Master Plan in 2016, falling revenues from retail, and the costs per passenger.

On the recommendation of the Remuneration Committee, the Supervisory Board has set the definitive score for the total package of qualitative targets at 11%. This means that the total variable remuneration for all members of the Management Board amounts to 13%.

On the recommendation of the Remuneration Committee, the Supervisory Board has set the swing factor for the CEO's long-term remuneration over 2014-2016 (LTI) at 1.5, based on the economic profit achieved in the reference period, in accordance with contractually agreed calculation principles. As agreed with Mr Nijhuis, the LTI over two-thirds of the 2015-2017 reference period, based on the same calculation principles, has also been set at 1.5. The LTI over one-third of the 2016-2018 reference period has been set at 1.25. The LTI over all reference periods mentioned above will be paid to Mr Nijhuis in May 2017. The other members of the Management Board do not have any LTI entitlements.

More detailed information on the the 2016 remuneration of the Management Board can be found under *Related parties (page 198)* in the notes to the financial statements.

Remuneration of the Supervisory Board

General

The remuneration of the Chair of the Supervisory Board amounts to 37,492 euros per annum, with effect from 1 January 2017. The ordinary members' remuneration is 24,652 euros per annum. All members of the Supervisory Board also receive an annual expense allowance of 1,643 euros. Members of a Supervisory Board committee are entitled to an additional fee. Each member of the Audit Committee receives 6,163 euros per annum, and each member of one of the other committees is entitled to 5,136 euros per annum.

Remuneration of the Supervisory Board for 2016

Information on the remuneration of the Supervisory Board for 2016 can be found under *'Related parties' in the notes to the consolidated financial statements*.

Schiphol, 16 February 2017

Risk management

↓ Airports Going Green Conference at Schiphol (Hilton Amsterdam Airport Schiphol) signing of the Airports Sustainability Declaration by 18 airports



As a result of its role as an important element of Dutch infrastructure and as a financially sound business, Royal Schiphol Group is subject to a range of strategic, operational, financial and compliance risks. Risk management is an integral part of our business processes supported by a uniform policy which has been developed to manage these risks.

Key developments in 2016

Although many of our most important risks remain unchanged in 2016, several developments, both internal and external, have led us to conclude that our risk profile has deteriorated slightly since the end of 2015.

The number of passengers continues to grow causing increased pressure on existing infrastructure and terminal capacity, leading to congestion in the terminal complex at peak times. Since the planned capacity expansion will not be completed for several years, investments in temporary measures are required to relieve congestion. An example is the construction of a temporary terminal building to provide extra terminal capacity until the new terminal and pier can be delivered.

In order to provide this much-needed capacity, Schiphol is undertaking its most ambitious investment programme to date which presents challenges in terms of managing the volume and complexity of projects as well as in the financing within current financing policy parameters.

Political uncertainty has increased with discussions taking place regarding growth after 2020, particularly since the Alders Agreement limit of 500,000 air transport movements will likely be reached well before 2020. The risks associated with this uncertainty become more significant in light of the major expansion programme we are undertaking. Policy changes affecting growth after 2020 or changes to the economic regulation can have a significant impact on the viability of the investments being made.

Information security and cybercrime continue to pose a significant threat. The incidence of cybercrime continues to grow as well as the sophistication of these attacks. The recent increase in terrorist activity in Europe also raises concerns regarding cybercrime by terrorists. These factors have led us to increase our estimation of the risk of the occurrence of an IT security event to 'large' (see 'Assessment of most important risks') despite the measures we have taken and continue to take to enhance IT security.

In 2016 we further developed our policies and organisation relating to the management of health, safety and environmental risks. An important aspect of this was the establishment of a central internal Safety Review Board (SRB) tasked with monitoring the overall health, safety and environmental performance at Schiphol, facilitating the realisation of our strategic goal to 'Create safe performance' at Amsterdam Airport Schiphol and fulfilling our obligations with regard to EASA. The SRB also monitors the development of the safety culture at Schiphol. Safety walks, introduced in 2016, contribute to the further development of our safety culture. During a safety walk, a business area director spends time on the work floor discussing safety issues with employees in an open informal dialogue.

Schiphol Group's most important risks and control measures were discussed by the Supervisory Board at its meeting in October 2016.

Framework for risk management

Taking risks is an integral part of business. By carefully balancing our objectives against the risks we are prepared to take, we strive to conduct business operations that are both sustainable and socially responsible. This approach will help us attain our strategic objectives.

Our policy is based on the following principles:

- The Management Board and management are responsible for developing and testing internal risk management and monitoring systems. These systems have been designed to identify significant risks, monitor the achievement of targets and ensure regulatory compliance;
- Effective risk management and internal monitoring systems will reduce the likelihood of errors, wrong decisions and unpleasant surprises due to unforeseen circumstances;
- Risk management has been integrated into line-management activities and into the planning and control cycle;
- in order to thrive, an enterprise must take risks. The Management Board is responsible for determining the limits of what is acceptable (referred to as 'risk appetite').

Our risk management and internal control system is based on the COSO ERM guideline and the Corporate Governance Code. The system identifies, analyses and monitors strategic, operational, financial and compliance-related risks.

Line managers are responsible for the implementation of risk management and report on their activities twice a year to their directors, who in turn report to the Risk & Compliance Committee, which comprises the members of the Management Board, the Finance & Control Director, the Sr Internal Audit Manager, Corporate Compliance Officer and Risk & Insurance Manager. These reports form the basis for the In Control Statement provided by the directors of the business and support units twice a year as well as being an important element underpinning the Letter of Representation provided semi-annually by each business and support unit director and controller to the Chief Financial Officer.

Risk management is a fixed aspect within our monthly planning and control cycle and is fully integrated in our strategic planning process (every three years with a five-year horizon) and tactical planning process (annually with a four-year horizon).

The Management Board reports on and accounts for the risk management and internal control system to the Supervisory Board.

We aim to reduce the likelihood of errors, wrong decisions and the impact of unpleasant surprises due to unforeseen circumstances as much as possible. However, there are no absolute guarantees, and we cannot exclude the possibility of being exposed to risks of which we are currently unaware, or which may not yet be considered important at this time. No risk management or internal control system can provide an absolute safeguard against failure to achieve corporate objectives, nor fully prevent any possible loss, fraud or breach of rules and regulations. To name one example, Schiphol Group is particularly susceptible to adverse weather conditions and other natural phenomena; we simply cannot prevent or influence these. We can, however, take measure to minimise the consequences.

In light of the above, we believe that the risk management and internal control systems in place provide a reasonable degree of assurance concerning financial reporting risks, and that the financial reporting does not contain any material misstatements.

The Management Board declares that, to the best of its knowledge:

- the financial statements give a true and fair view of the financial assets, liabilities, financial position and results of Schiphol Group as well as the combined consolidated enterprises;
- the annual report gives a true and fair view of the situation on the balance sheet date and of developments over the course of the financial year; and
- the principal risks facing Schiphol Group are described in this annual report.

Sensitivity analysis

Risk	Value	Baseline value for 2016	Change	Effect	Impact on	Assumptions
A, B	Number of passengers at Schiphol	64 million	+/- 1%	11.6 million euros	Total turnover	Impact on revenues from airport charges and retail and catering sales: based on the assumption of a stable OD/transfer passenger ratio and unchanged passenger spending and costs
A, B, H	Number of flights	478,864	1 day without flights	3.2 million euros	Total turnover	Based on average airport charges and passenger spending in the terminal
A, B, D	Revenue from airport charges	848 million euros	+/- 1%	8.5 million euros	Total turnover	
A, B	Average spending per passenger retail airside	13.65 euros	+/- 1%	1.0 million euros	Total turnover	Unchanged passenger numbers
D, E, H	Operating expenses	848 million euros	+/- 1%	8.5 million euros	Operating result	Baseline value is comprised of total operating expenses, not including depreciation and impairment losses
C	Net initial yield from offices and industrial buildings, not including land	1,370 million euros	-10% +10%	+123 million euros -101 million euros	Value of real estate	A 10% rise/decline (as at year-end 2016) in the net initial yield from real estate, applied to the value of the current real estate portfolio of 1,370 million euros

By gaining insight into our dependencies, we can better analyse the risks that can be transferred within the sectors in which we operate. This enables Schiphol Group to anticipate possible chain reactions at an early stage.

We do this in various ways, for example by integrating sensitivity analyses for key value drivers in our Tactical Plan for 2017-2020 and Strategic Plan for 2016-2020. This helps us to determine the impact of key risks.

The table below outlines the sensitivity level for Schiphol Group's key value drivers, specifying their most important risk factors.

Risk appetite

Risk Category	Risk appetite	Description
Strategic	moderate	Schiphol Group is prepared to take moderate risks to realise its ambitions. In doing so, we aim to strike a balance between our socio-economic role (low risk acceptance) and our commercial targets (higher risk acceptance).
Operational	very low	Schiphol Group focuses primarily on ensuring the continuity of aviation activities, regardless of circumstances. We aim to reduce the risks that threaten this continuity as much as possible. Our risk acceptance in this regard is therefore very low. In the area of safety and security, we do all we can to avoid risks that could put passengers, internal and external employees, visitors or local residents in danger.
Financial	low	We maintain a solid financial position in order to guarantee access to the financial markets. Schiphol is not prepared to take risks that could jeopardise its credit rating of at least 'A' (Standard & Poor's).
Compliance	zero	Schiphol Group strives to comply with all applicable laws and regulations, with a particular focus on safety and security, environmental, competition, tendering and privacy/information security laws.

The extent to which Royal Schiphol Group is prepared to take risks to achieve its objectives differs according to each objective and risk category. Risk limits are set out in various policy documents, handbooks and company regulations that define the specific limits and tolerances of the various operational activities.

and an estimate of the impact of the consequences on the achievement of our business objectives. The impact is based not just on the financial consequences but also on the impact on our reputation. We have plotted the ten most important risks, which are described below, in the risk matrix, following implementation of control measures.

Assessment of the most important risks

We use a risk matrix to assess and compare our risks, with the risks arranged based on an estimate of the likelihood of the risk arising





Increase



No change



Decrease

Strategic risks

A > Changes in demand for air transport



The risk

Schiphol Group's revenues depend to a large extent on the demand for air transport of passengers and cargo at its airports. Economic, geopolitical and demographic developments can result in unexpected fluctuations in passenger numbers and cargo volumes. Competition from other airport/airline combinations such as those in Turkey and the Middle East can also affect demand. We are particularly vulnerable to developments affecting our hub carrier. A structural decline in the number of passengers can affect the strength of our network of destinations. Our relatively fixed cost structure limits our flexibility to accommodate unexpected changes in demand.

How we manage the risk

The majority of the factors affecting demand are external and largely beyond our control. It is therefore essential that we maintain open communication lines with all our stakeholders and closely monitor external trends and developments to ensure that we are able to anticipate changes in demand and act accordingly. Our business planning process incorporates various demand scenarios to ensure robust business plans both in the long and the short term. Although a significant portion of our cost structure consists of fixed costs, we have optimised flexibility by outsourcing a large number of activities. A solid financial position and modular investment plans ensure that we have the flexibility to adapt to changing market dynamics.

B > Capacity development



The risk

As a result of long lead times and the complexity associated with capacity expansion, there is a significant risk that circumstances change during long development periods resulting in investments not being delivered at the right time or investments being delivered which are no longer the optimal solution. This risk has been particularly relevant these past few years as passenger numbers outstripped existing infrastructure capacity at peak times, while the delivery of additional capacity with the first phase of the Capital Programme was still several years off. As the first phase of the Capital Programme is implemented, there is a risk that the anticipated benefits of this investment are affected by unexpected circumstances in the coming years, such as structural changes in the number and types of passengers or political developments regarding Schiphol's future growth, with significant consequences for our financial position.

How we manage the risk

When faced with capacity bottlenecks, we take a holistic approach by examining not only solutions involving investments in additional assets, but also looking at process innovations to maximise the return on our assets. In this way we have been able to increase capacity in the terminal to accommodate the growing number of passengers. When large investments are nevertheless required, as is currently the case, we seek to minimise the risk of being surprised by changing circumstances by conducting a thorough in-depth and structured analysis covering all aspects of the project including input from stakeholders, using various long and short-term scenarios, before taking a final investment decision. By expanding capacity in a modular way, we are able to maximise flexibility should circumstances change unexpectedly.

C > Changes in consumer behaviour



The risk

Airport retail is facing significant competition from online and omni-channel retail concepts. Price transparency and new retail concepts are changing the way consumers make purchasing decisions and undermining the traditional advantages of airport retail. As a result, spend per passenger has been declining particularly in traditional airport retail outlets (liquor, tobacco, perfumes). Spend per passenger is also suffering from the increased congestion in the departure lounges.

Schiphol Group's parking business faces competition from various sources, including parking facilities in the vicinity of the airport and other forms of transport. This is particularly true at peak times when current car parking capacity is insufficient to meet demand and customers may be forced to seek alternatives. The congestion at peak times also affects the attractiveness of our parking products. Although in the coming years we expect demand for car parking to continue to increase, in the longer term there are a number of developments likely to affect mobility in the future, such as the trend towards car sharing and away from ownership and self-driving cars, which may significantly change demand for car parking.

How we manage the risk

The drop in spend per passenger will be mitigated by maintaining and improving our present retail model through optimisation of the product offering and the retail area per passenger in order to maximise spend potential. A number of projects are under way as part of the first phase of the Capital Programme to increase retail space and improve the retail offering. In addition we are investing in the development of new revenue models, for example through the introduction of innovative concepts or by seeking partners to develop omni-channel concepts.

In order to accommodate the growing demand for car parking and relieve congestion, the Capital Programme includes the addition and expansion of both central and remote parking facilities. We will continue to monitor mobility trends, analyse the impact on our business and investigate ways to participate in these trends, for example by entering into partnerships with new mobility players.

D > Developments in the real estate market



The risk

The value of our commercial real estate portfolio is affected by developments in national and regional real estate markets. Changing market conditions can affect occupancy levels, leading to lower rents and an increase in rental incentives which will lead to lower profits and fair value losses. This risk is particularly relevant to Schiphol as we have a high concentration of properties related to the aviation industry and a small number of very large tenants. Although in recent years the real estate market has continued its positive development overall, we are observing a dichotomy between top tier locations, such as Schiphol-Centre, which are performing very well, and second-tier locations, such as Schiphol-Southeast, where performance is lagging. Vacancy, even temporary, could have a significant impact on the return.

How we manage the risk

We closely monitor market conditions in the real estate markets and track potential prospects. By valuing our properties every six months and rotating these valuations among different appraisers, we ensure our property valuations are current and independently affirmed. Portfolio development will focus on maintaining the quality and attractiveness of top tier locations through renovations and upgrades. In order to manage development risk, minimum pre-sale requirements have been established which must be met before development can begin.

E > Political context



The risk

Political developments, policy changes and European and national legislation can have a significant effect on our business. Aviation activities at Amsterdam Airport Schiphol are subject to economic regulation. Changes to legislation or to our business model which are not reflected in the current regulation can affect our ability and/or flexibility to invest in capacity and quality, which could impact Schiphol's competitive and financial position. Regulation of the WACC leads to low returns on aviation activities, which could affect our ability to finance necessary investments. The political landscape is also an important aspect with regard to future growth of our airports, and of Amsterdam Airport Schiphol in particular. The current dialogue taking place with regard to growth after 2020 increases the uncertainty relating to future traffic developments, thereby potentially affecting the financial viability of the large investments we are now undertaking. In the past, changing legislation with regard to security led to significant operational adjustments and increases in security costs. The refugee crisis and recent terrorist attacks have again moved security and border controls up on the political agenda and may lead to new legislation regarding aviation security.

How we manage the risk

We actively manage this risk through participation in various consultative bodies and maintain an ongoing dialogue with our stakeholders, including various government bodies. We also closely monitor political and other decision-making processes and regulatory developments. In particular, we maintain close contact with the Dutch Authority for Consumers and Markets, which monitors the implementation of aviation charges and terms and conditions at Amsterdam Airport Schiphol. We take a modular approach to investment projects in order to maintain flexibility should unexpected changes in legislation occur.

F > IT infrastructure & information security



The risk

Our business operations are increasingly dependent on IT systems and applications, a trend which will only continue in the foreseeable future as we realise our ambition to expand our digital capabilities. This dependence coupled with inadequate security measures make us vulnerable to failures of critical systems, which can have a significant impact on our business and our reputation. In addition, we may become the target of unauthorised access by groups or individuals seeking to disrupt our operations, damage our reputation or cause harm to parties at the airport for personal or political gain.

How we manage the risk

A dedicated IT security team develops and implements information security policies, standards and baselines designed to ensure a resilient IT infrastructure. In 2015 we launched a three-year programme to bring our IT security up to the desired level. This programme is on track and significant progress has been made in improving the resilience of critical systems. To ensure our policies and standards are effective, critical systems undergo regular testing and audits. Should a disruption nevertheless occur, IT disaster recovery forms an integral part of our business continuity plans. We also closely monitor developments and trends with regard to cybersecurity and we actively stimulate cybersecurity awareness throughout the organisation.

G > Major projects



The risk

The realisation of the Capital Programme over the next several years involves the simultaneous realisation of multiple complex large-scale projects, in addition to the running business projects. Such an undertaking carries with it substantial project risks which could result in delays and budget overruns, or safety issues, which could affect our results and our reputation. The resources and capabilities required to manage these projects can place a significant burden on the organisation. The scope of the undertaking also carries the risk that original project objectives change or become obsolete, reducing the financial viability of the project.

How we manage the risk

In order to ensure that the Capital Programme has the necessary resources and expertise available to manage the complexity and scope of the projects, we have established a dedicated department with specialised expertise recruited from both within and outside the organisation, to develop and implement the programme. This ensures adequate resources for both running business investments, which will continue to be managed by our project management team, and Capital Programme projects. Project management uses Schiphol specific STAP methodology based on PRINCE2 and applies external benchmarks to facilitate professional management of all aspects of the project. In addition, we have established an internal cost expertise centre in order to professionalise this aspect of project management and procurement. By adopting a modular approach to investments we maximise our flexibility to adapt projects and programmes to changing circumstances.

H > International business



The risk

Schiphol participates in a number of international enterprises which provide us with opportunities and potential benefits, but also expose us to risks specific to the country in which the business is located as well as to the form in which we participate in the venture. Examples include differing tax and regulatory regimes, partnerships with local entities, and financing structures. These are risks we would not normally be exposed to domestically.

How we manage the risk

By participating through local subsidiaries we are able to limit the risk to those local subsidiaries. It is our policy to bring in competent local management to manage our participation in international ventures and to retain expert local advisers to advise us in all aspects of the local environment as it impacts our (contemplated) venture. By establishing relationships with local airport authorities we create channels for communication regarding local airport regulations. In the financial evaluation of potential ventures we pay particular attention to the use of financial instruments and valuation.

Operational risks

I > Operational aviation risks



The risk

Our most important operational risks can be described according to three categories:

A safety or security incident

at one of our airports can lead to disruption of airport operations or destruction of airport infrastructure and could have potentially serious consequences for passengers, nearby residents and companies operating at Schiphol and their employees. The current heightened levels of geopolitical tension in the world lead to an increased security risk as demonstrated by recent terrorist attacks at airports in Brussels, Istanbul and elsewhere.

Unexpected business interruptions

resulting from a variety of factors including weather events or natural phenomena, fire, explosion, pandemics, aircraft accidents, terrorist incidents, technical and systems failures and interruption of utility services can seriously affect airport operations, our results and prospects.

Dependence on third parties.

Our airports depend to a large extent on the efforts and resources of third parties such as air traffic control, border police, security companies, cleaning companies and maintenance companies. Industrial action, business interruption or unethical behaviour by any of these parties can damage our reputation and negatively affect results.

How we manage the risk

The most important health, safety and environment risks and control measures are monitored through a series of safety management systems such as the Terminal Safety Management System and the Airside Safety Management System. Risk owners report on these risks to our Safety Review Board, which is tasked with the overall monitoring of health, safety and environment risks. Airport safety is a team effort by all parties operating at the airport. To this end, we play a key role in the Airport Safety Platform in which parties operating at the airport participate to discuss and promote safety at the airport. We invest in safety and security innovations such as the security scan. Our security activities are subject to a programme of continuous random checks and regular audits both by internal auditors and government auditors to ensure that security processes are conducted in accordance with applicable regulations and procedures. Employees of companies operating in security restricted areas must undergo periodic safety and security training. In the event of a calamity we have extensive emergency plans and procedures, and we train our staff accordingly.

In order to manage our dependence on third parties, we maintain open lines of communication with all parties who play a role in our business processes and to the extent possible we have covenants and agreements in place with these parties. We screen parties which we contract ourselves and coordinate and manage these relationships in accordance with the terms of the agreement.

Compliance risks

J > Violations of laws and regulations, and integrity violations



The risk

The aviation business is highly regulated. The most important areas of legislation and regulation relate to noise, safety and security, the environment, competition, tendering and privacy/information security. Failure to comply with laws and regulations can damage our reputation and have negative financial and operational consequences.

How we manage the risk

Compliance is an integral part of risk management with an established compliance policy, compliance and risk management procedures, compliance management systems and reporting structures. Our code of conduct sets out company rules and guidelines relating to compliance and integrity. Our employees are regularly encouraged to take note of the subjects of integrity and compliance through the 'Mind your step' programme: we organise dilemma and e-learning sessions and stimulate an open dialogue on dilemmas using a variety of methods. Violations of the code of conduct can be reported in various ways, including anonymously or via an Integrity Hotline, and are investigated by the internal Integrity Committee. We have a sanctioning policy as part of the Schiphol Regulations that applies to all users of the airport. Twice a year, the Risk & Compliance Committee receives a report on compliance incidents that have occurred.

Socio-economic accountability



Reporting guidelines

Integrated annual reporting is a growing area of focus around the world. Schiphol Group was one of over 100 international participants in a pilot programme launched by the International Integrated Reporting Council, which was completed in 2014. Integrated thinking continues to develop within our company, a fact that is clearly visible in the evolution of our annual reporting since 2009. Legal and regulatory requirements for transparent socio-economic accountability are set to be tightened in 2017, and Schiphol embraces these changes.

This annual report was drawn up with due regard for the most relevant international guidelines and best practices, with the Global Reporting Initiative (GRI) G4 guideline taking centre stage. The *GRI reference table* has been appended, and shows where in this report information can be found about the indicators that are relevant to our business operations. The GRI sector supplement for airports has also been applied.

The Dutch Ministry of Finance has stipulated that state shareholdings must report in accordance with the GRI guidelines. With the application of G4, Schiphol not only satisfies this requirement but also meets its own targets in this respect. Furthermore, annual reports of state shareholdings are required to be included in a survey of the Transparency Benchmark study group. In 2016 this benchmark study, commissioned by the Ministry of Economic Affairs, was conducted by EY. We have been participating in this study since 2006. A total of 512 organisations submitted their 2015 annual reports for the Transparency Benchmark, in which Schiphol Group's report ranked second (seventh in 2015). According to the jury report, *'The airport is addressing a number of highly tangible dilemmas and also explains the stance of Schiphol itself. These dilemmas pertain to the position that the airport will occupy in the future. The jury applauds the accessible format and the way in which the report provides insight into the process of value creation. It is because of this that Schiphol received the innovation award last year'*.

PwC has conducted research on the extent to which organisations addressed the Sustainable Development Goals in their 2015 annual reports when there was no legal requirement for them to do so. Their study designated our annual report as 'SDG Inspirator for the Logistics Sector'.

Both results demonstrate that our business activities and our pursuit of an integrated way of thinking have not gone unnoticed. This recognition has encouraged us to continue our present approach to reporting and to further increase the sustainability of our business processes.

As a participant in the UN Global Compact, we have presented a progress report on the Global Compact's ten principles. This report is included in Global Compact Communication on Progress.

Scope of the report

Our socio-economic role is to maintain a multi-modal hub that connects the Netherlands with the rest of the world. Five themes underpin our strategy for accomplishing this: Top Connectivity, Excellent Visit Value, Competitive Marketplace, Development of the Group and Sustainable & Safe Performance. The strategy has remained the same and the associated Corporate Responsibility themes have also remained unchanged. We expect to be able to further develop this set of CR performance indicators in the future into a strategic tool that will allow us to measure the material aspects.

In this report, the following material topics are discussed as they relate to five Corporate Responsibility themes: Regional Significance, Accessibility, Noise, CO₂ Emissions, Air Quality, Raw Materials & Residual Flows, Responsible Contracting, Supply Chain Responsibility and Employment Practices (see *Corporate governance* - Organisation of Corporate Responsibility and safety).

The results with regard to our financial, operational and social performance are presented in a single annual report. Over 90% of our activities take place at Amsterdam Airport Schiphol. Our national and international subsidiaries and participations (airports and other activities) carry out their own initiatives, geared towards their local environment and consistent with Schiphol Group's vision. Where possible, the definitions and reporting manuals of Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport have been brought into line so as to enhance their comparability. Any remaining differences are explained in the section on performance indicators. Differences in definitions have only been maintained where this was necessary in order to avoid limited measurability. This was an instructive exercise that forced us to consider how we can raise CR to the next level as a group, with due regard for our mutual differences and the initiatives taken in our respective operations. The data reported in the annual report was collected and verified in a structured manner in order to safeguard its reliability. However, Schiphol Group acknowledges that some information may be based on assumptions.

In the 2016 Annual Report, Schiphol Group limits its reporting to the *results* achieved for the material themes. A new materiality analysis was carried out in 2016, in line with our policy to conduct such analyses every three years. The analysis was carried out using Datamaran, a 'big data' tool that can scan 50,000 reports (such as annual reports) at once and uses an algorithm to measure topics' frequency and percentage of use. Among the results was that all our peers report more and/or better on the topics of customer satisfaction, employee development and stakeholder involvement/stakeholder activism. Some airports report more and/or better on human rights and employee protection, changes in their workforce and investor relations. Read more about this in the section on *Material aspects for stakeholders*.

Scope

The topics in the *materiality matrix* relate to Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport alike. With the intended development of Lelystad Airport, these topics are expected to also play a role there as well. Lelystad Airport falls outside the scope of the matrix, with the exception of HR data, until it is put into operation for non-Mainport-related commercial passenger traffic.

The content of this annual report was derived from the materiality topics outlined in the materiality matrix. This helps us interpret the available information, so that we can clarify its impact and relevance to readers.

In the chain

All topics included in the *materiality matrix* are relevant to our airports and other parties in the *chain*. This annual report includes information on all material topics over which Schiphol Group has full control, with the exception of the network of destinations, airport capacity, accessibility, noise and safety. Performance reported in these areas also concerns our partners in the chain.

Developments in 2016

There were no acquisitions or disposals in 2016. Acquisitions are recognised in the consolidation of both financial and non-financial data from the date on which the company gains control. Disposals are removed from the company data from the actual date of the disposal. Deconsolidation takes place at the time control is lost through a sale.

In 2016, no special economic conditions or developments occurred within the sector or within the value chain that had any significant effect on the Corporate Responsibility policy pursued.

In addition to this report, information is also available online on the following websites: schiphol.nl and schiphol.nl/cr.

Drafting of the annual report

Schiphol Group begins drafting its annual report each autumn. Based on the internal materiality analysis and media check, the business controllers are charged with compiling draft texts or providing input for each material theme. A team of Schiphol Group employees and an external copywriter compile the text of the annual report. This text is discussed several times by the annual report committee, which consists of the CFO and representatives from Corporate Treasury, Corporate Legal, Corporate Development, Corporate Affairs, Group Control and the controllers of the various business areas. In December a well-advanced initial draft is submitted to the Management Board. Subsequently the review process by the external auditor commences. After the results adopted in January have been fed into the report, the texts and financial statements are submitted for approval to the Management Board and the Supervisory Board.

If you have any comments or questions about this report, please send an email to crhelpdesk@schiphol.nl.

External auditor

KPMG is Schiphol Group's independent external auditor. The auditor has been asked to provide a limited degree of assurance regarding the reliability of the Corporate Responsibility information presented in this report. The information relates to Schiphol Group's performance, excluding accessibility, noise levels and safety, which also involve supply chain partners. The auditor performed the audit in compliance with the Netherlands Institute of Chartered Accountants (NBA) Dutch Standard 3410N Assurance engagements relating to sustainability reports. The assurance report is included in this annual report.

Material topic	Performance indicator	2016		2015
		Result	Target	Result
CO ₂ emissions	CO ₂ emissions from group activities (kg CO ₂ /passenger)	1.56	1.79	1.65
Raw materials & residual flows	Separated operational waste	33.6%	38.9%	28.2%
Employment practices	Absenteeism due to illness	4.0%	3.6%	3.6%
Safety	Work-related accidents followed by absence	LTIF: 1.0 ¹ LTIF SNBV Fire Service: 8.4	LTIF: 3.0 LTIF Fire Service: 40.0	LTIF: 0.3 LTIF Fire Service: 27.1
Supply chain responsibility	Corporate Responsibility consultation during tenders	100%	100%	83%
Accessibility	Public transport to airport for O&D passengers ¹	42.4%	40.0%	40.4%
Safety	Bird strikes (number per 10,000 air transport movements)	6.7	<8.3	8.3
Safety	Runway incursions ²	54	<46	46

¹ Relates only to the Schiphol location

² Relates to Schiphol and Rotterdam The Hague Airport

Stakeholders

In delineating its strategy and business operations, Schiphol Group takes account not only of trends and developments but also of its numerous stakeholders and their often diverging interests. We communicate regularly and at various levels with stakeholders regarding a range of material topics. This enables us to understand their priorities and helps them keep abreast of what is happening at Schiphol Group.





















Schiphol Group is expected to be prompt and thorough in keeping its stakeholders informed of the wider social impacts of its work. This mutual dependence, mainly between sector parties, requires the airport to be a trustworthy partner with a long-term vision. We create trust by informing stakeholders and engaging in dialogue with them about our dilemmas. Sharing information enables us to inspire each other and offers concrete stepping stones to define our role.

We consult with our sector partners at operational and tactical level on a daily basis about efficient and safe operations. We regularly invite our stakeholders to visit our premises and share information about day-to-day activities, laws and regulations and current affairs, such as large-scale investments and renovation projects. Schiphol Group's Management Board is actively involved in these exchanges.

In addition to sector and business partners, influential businesses from other sectors are also involved in stakeholder consultations. Their unique expertise and insights help keep us on our toes. After all, Schiphol Group is concerned with more than just the financial bottom line: we feel connected to the surrounding community and fulfil an important socio-economic role. We seek collective solutions to societal issues and address any questions or advice arising in our discussions, wherever possible.

Schiphol Group is in close contact with political and governmental stakeholders at the local, regional, national and international levels. Among the topics discussed are current and future legislation and regulations, external factors that may influence our position or reputation, and actions that we or these stakeholders can take. Matters discussed in relation to Europe include joint EU negotiations on landing rights with countries outside the European Union, and we continue to promote topics such as Single European Sky and passenger rights through our participation in sector representative ACI Europe and other channels.

The table lists contact moments for consultation with our stakeholders. These consultations revolve around the stakeholders, many of whom are involved in multiple material themes. Consultation frequency ranges from several times a day to once a year, depending on the nature of the consultation, which may concern operational matters, for instance, or special situations. This overview is not exhaustive, nor is there any direct correlation between the last two columns in every case. The results achieved on each material theme are included in the section *Our results*. Further information about the materiality process is found in the section on *Material aspects for stakeholders*.

Stakeholder	Material topic	Consultation ¹	Impact on Schiphol policy ¹
 Travellers		<ul style="list-style-type: none"> • Continuous research • ASQ Benchmark • Customer Contact Center • Stakeholder dialogue on accessibility 	<ul style="list-style-type: none"> • Efforts to improve traveller perceptions incl. Drive-in Check-in, Smart parking, natural wayfinding, Seamless Flow, No-Q passport control
 Airlines		<ul style="list-style-type: none"> • Consultation process • Operational • Schiphol Consultation • Schiphol Community Council • Area A Stakeholder Dialogue 	<ul style="list-style-type: none"> • Selective growth of non-Mainport-related traffic at Eindhoven Airport and Lelystad Airport; 500,000 air transport movements
 Local residents		<ul style="list-style-type: none"> • Schiphol Community Council • Regional Alders Platform • Local Community Contact Centre Schiphol (Bas) • Schiphol Quality of Life Foundation 	<ul style="list-style-type: none"> • Expansion of noise monitoring points, reduction of ground noise • Partnership with De Lelystadse Boer to develop the airport environs as the Netherlands vegetable garden
 Sector partners		<ul style="list-style-type: none"> • Schiphol Safety Platform • Runway Safety Team • Netherlands Control Group for Bird Strikes (NRV) • Schiphol Security and Public Safety Platform 	<ul style="list-style-type: none"> • Initiator of the Airports Sustainability Declaration • Organisation of Schiphol Safety Platform to strengthen safe operations in conjunction with all chain partners
 Government		<ul style="list-style-type: none"> • Regional municipalities • Province of North-Holland • Ministry of Infrastructure and the Environment 	<ul style="list-style-type: none"> • New Environmental Standards and Enforcement System • Regulations to address taxi touts • Security measures
 Financial stakeholders		<ul style="list-style-type: none"> • General Meeting of Shareholders • Consultations with accounts 	<ul style="list-style-type: none"> • Focus on cost control • Creation of Cost Expertise Center
 Business partners		<ul style="list-style-type: none"> • Consultations with accounts • Tenants' consultation platform • OSO • Cooperation programme with NS, ProRail, Ministry of Infrastructure and the Environment • Safe Working for Main Contractors campaigns 	<ul style="list-style-type: none"> • Policy developed on airside electric charging for handling agents • Integrity added to supplier code • Light as a Service
 Employees		<ul style="list-style-type: none"> • Works Council • Schiphol Aviation College • Aviation Inclusive • Trade unions 	<ul style="list-style-type: none"> • HPO and HRO targets • Vitality programme for shift workers • Adaptation of working conditions in security filters
 Network and special interest organisations		<ul style="list-style-type: none"> • CR Stakeholder Committee • ORAM, Schiphol Governance Forum • SMASH • Amsterdam Collaboration Agenda • KLM • Schiphol • ACI ACA • Amsterdam Economic Board 	<ul style="list-style-type: none"> • Launch of tender for 100% sustainable electricity • Schiphol important player in developing sustainable mobility of the future • Further development of Zero Waste 2030 ambition
 Knowledge institutions		<ul style="list-style-type: none"> • Knowledge and Development Centre • Ellen MacArthur Foundation • Climate KIC 	<ul style="list-style-type: none"> • Adaptation of take-off and landing procedures - Zero Waste 2030 - Monetisation of investment decisions • Digital airport: personal and relevant

Performance indicators

Notes to performance indicators evaluated by external parties

Reporting frequency

The performance indicators of Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport are reported as components of existing periodic management information and are discussed by the Management Board with the relevant senior managers.

Period

The information presented here concerns the 2016 calendar year. For practical reasons, the indicator for CO₂ emissions from group activities is based on the operating year.

1. CO₂ emissions from airport activities

Amsterdam Airport Schiphol calculates and reports on CO₂ emissions on the basis of the Greenhouse Gas protocol. Scope 1 for emissions from our own activities and scope 2 for indirect emissions from purchased energy together account for 95% of all emissions. Energy efficiency and the number of degree days are critical success factors in this regard; they explain any deviations.

The emission factors are based on those applied by Stichting Klimaatvriendelijk Aanbesteden & Ondernemen (SKAO). Though the absolute CO₂ emissions figure is known, Schiphol aims to reduce CO₂ emissions per passenger relative to 1990 levels. The long-term target is 1.35 kg CO₂ per passenger by 2020. This has been the only figure used as a performance indicator since the 2015 reporting year. See the section on *CO₂ emissions* for more information about Schiphol Group's efforts to reduce them.

2. Separated operational waste

A waste processor collects waste at various locations at Schiphol. Agreements are in place with the waste processor as to how the waste is to be processed and recycled after collection.

The group aims to continue raising the recycling rate of its own operational waste. At Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport, the waste is therefore separated before it is delivered to the processors.

The scope of this performance indicator does not correspond entirely to the environmental permit. This is because some tenants are free to select their own waste collection company. As a result, our waste collector does not collect waste at all locations within the scope of the environmental permit.

Read more about our activities to become a zero waste airport in the section on *Raw materials and residual flows* *Raw materials & residual flows*.

3. Absenteeism due to illness

Schiphol Nederland B.V., Rotterdam The Hague Airport and Lelystad Airport calculate absenteeism due to illness by comparing the number of calendar days lost to illness with the number of available calendar days. Eindhoven Airport uses the net absenteeism rate, which is calculated by adjusting the absenteeism rate for partial reintegration, the FTE factor and safety net cases. The staff average is adjusted for the FTE factor. Further information on our employment policy is featured in the section on *Employment practices*.

4. Work-related accidents followed by absence

Schiphol Nederland B.V. SNBV, Rotterdam The Hague Airport and Eindhoven Airport register the Lost Time Injury Frequency (LTIF) to determine the number of work-related accidents followed by absence per million hours worked. SNBV distinguishes between fire service staff and all other Schiphol Nederland B.V. employees. We strive to obtain a 0 LTIF rate for Schiphol Nederland B.V., Rotterdam The Hague Airport and Eindhoven Airport and to achieve a downward trend at the fire service. Information on safe working practices is included in the section on *Safety*.

5. Corporate Responsibility consultation during tenders

In 2015, a performance indicator was created to monitor the degree to which Corporate Responsibility is included in European tendering processes. In 2015, Schiphol Group opted for an approach which involves the collection of information internally that is required to reach a sound decision in the selection and contract award phase. In 2016, Schiphol Group also provided transparency about the degree to which the recommendations received were actually considered in the tendering. Our policy on suppliers is featured in the section on *Supply chain responsibility*.

6. Public transport to airport for O&D passengers

Amsterdam Airport Schiphol strives to maintain the percentage of passengers travelling to the airport by public transport to board departing flights at at least 40%. The airport policy is aimed at raising the number of passengers parking at Schiphol (resulting in two transport movements per flight) relative to the number of passengers who are dropped off and picked up by someone else (resulting in four transport movements per flight). Throughout the year, an external market research agency conducts surveys to determine how passengers travel to the airport before boarding their flight. Read more about the importance of accessibility to airports and the various ways in which passengers travel to our airports in the section on *Accessibility*.

7. Bird strikes

Bird strikes are incidents in which dead birds or remains thereof are found on an aircraft or on a runway and in which it can reasonably be assumed that the strike occurred within the airport boundaries. Bird strikes include suspected bird strikes reported by Air Traffic Control the Netherlands (LVNL) or the pilot, an incident involving the remains of a bird being found on an aircraft following a report by a pilot or a ground mechanic, or an incident involving a report by a pilot or a ground mechanic where it can reasonably be assumed that

there was physical contact with the aircraft. The number of bird strikes is expressed per 10,000 air transport movements. Each airport has supplemented the definition above to suit its own requirements.

The following altitude restrictions apply for Amsterdam Airport Schiphol: an upper limit of 200 feet for aircraft during landing and an upper limit of 500 feet for aircraft during take-off. Each month, Amsterdam Airport Schiphol compares its registered number of bird strikes with that registered by KLM. The incidents registered by the two parties are discussed every quarter by the Schiphol Bird Strike Committee, which also discusses policy and the various bird dispersal resources and their effectiveness. The average bird strike figure was calculated by dividing the total number of bird strikes reported by KLM and the number of bird strikes reported by Amsterdam Airport Schiphol involving KLM aircraft and occurring within the relevant airspace zone by the number of KLM air transport movements. The resulting average figure is thus calculated on the basis of reports covering approximately 50% of the total number of air transport movements. This approach was applied in view of the fact that the reports provided by home carrier KLM pilots are more reliable than those provided by other airlines. When it comes to the registration of bird strikes, Schiphol largely depends on KLM, which in turn depends on its own pilots.

In the case of Rotterdam The Hague Airport, the registration of bird strikes only counts those reported by Rotterdam The Hague Airport, regardless of the airline involved. The registration of bird strikes at Eindhoven Airport covers the air transport movements of both military and civilian traffic.

We aim to achieve a downward trend in the long term. More information on airside safety and the decrease in the number of bird strikes recorded in 2016 is featured in the section on *Safety*.

8. Runway incursions

Air Traffic Control the Netherlands (LVNL), Amsterdam Airport Schiphol and Rotterdam The Hague Airport each register runway incursions. LVNL plays a leading role in this process. The airport reports on this performance indicator but relies on LVNL for compiling a complete notification and incident report.

Air traffic control at Eindhoven Airport falls under the responsibility of the Ministry of Defence and is therefore outside the jurisdiction of LVNL. The number of runway incursions at Eindhoven Airport covers both civilian and military traffic.

Due to the use of different systems, only Amsterdam Airport Schiphol and Rotterdam The Hague Airport are included in the report.

We aim to achieve a downward trend for this performance indicator. For more information on airside safety, see the section on *Safety*.

GRI table

GRI - G4 guidelines for sustainability reporting

Ref.	Description	Chapter	Information and reference	External assurance section
Strategy				
G4-1	Statement from most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	Message from the CEO		No
G4-2	Key effects, risks and opportunities	Trends and developments		No
Corporate profile				
G4-3	Name of the organisation	Financial Statements		Yes
G4-4	Primary products, and/or services	About us		No
G4-5	Location of organisation's headquarters		Evert van de Beekstraat 202, 1118 CP Schiphol	No
G4-6	Number of countries where the organisation operates	About us		No
G4-7	Nature of ownership and legal form	Corporate governance		No
G4-8	Markets served	About us		No
G4-9	Scale of the organisation	About us		No
G4-10	Workforce composition	Employment practices	FTEs per region & division: Business Areas: Aviation: 1,175 Consumer Products & Services: 95 Real Estate: 62 Operating Unit: ICT: 236 PLUS: 87 Staff: 254 Amsterdam Airport Schiphol total: 1,909 Entities: Lelystad Airport: 17 Eindhoven Airport: 59 Rotterdam - The Hague Airport: 97 Type of employment contract not available	Yes
G4-11	Percentage of employees covered by CLAs		94.1%	Yes
G4-12	Value chain description	Our position in the value chain		No
G4-13	Significant changes during the reporting period: size, structure, ownership, chain	Socio-economic accountability		Yes
G4-14	Precautionary principle	Risk management	See also: http://www.schiphol.nl/nl/jij-en-schiphol/pagina/een-duurzame-toekomst	No
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives		Global Compact, 'Inclusive Employers' programme, Multi-Year Agreement, Diversity Charter, 'Aviation Inclusive' collaboration project, 'Netherlands as Circular Hotspot', Ellen MacArthur Foundation participation	No
G4-16	Membership of associations and/or national or international interest organisations	Supervisory Board Management Board Stakeholders	Industry association Airports Council International, Amsterdam Economic Board	No No Yes
Material topics				
G4-17	Entities included in the consolidated financial statements	Financial Statements		Yes
G4-18	Process for defining report content and scope	Material aspects for stakeholders Socio-economic accountability		Yes
G4-19	Overview of material topics to determine report content and scope	Material aspects for stakeholders Socio-economic accountability		Yes
G4-20	Topic boundary within the organisation for each material subject	Material aspects for stakeholders Socio-economic accountability		Yes
G4-21	Topic boundary outside the organisation for each material subject	Material aspects for stakeholders Socio-economic accountability Value creation		Yes Yes No

Ref.	Description	Chapter	Information and reference	External assurance section
G4-22	Re-statements of information provided in previous annual reports	Socio-economic accountability		Yes
G4-23	Significant changes in scope relative to the previous reporting period	Socio-economic accountability	In 2016, where possible the definitions of the CR KPIs and reporting manuals of Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport were brought into line so as to enhance their comparability. Any remaining differences are explained in the section on performance indicators.	Yes
Stakeholder involvement				
G4-24	List of stakeholder groups engaged by the organisation	Material aspects for stakeholders Corporate governance		Yes No
G4-25	Basis for identifying and selecting stakeholders with whom to engage	Material aspects for stakeholders		Yes
G4-26	Approach taken to engaging stakeholders	Material aspects for stakeholders		Yes
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	Material aspects for stakeholders		Yes
Reporting details				
G4-28	Reporting period	Socio-economic accountability	01-01-2016 - 31-12-2016	Yes
G4-29	Date of most recent previous report (if any)	8-3-2017	www.schiphol.nl/nl/schiphol-group/pagina/jaarverslagen/	Yes
G4-30	Reporting cycle		Annual	Yes
G4-31	Contact information		www.schiphol.nl/nl/schiphol-group/pagina/in	Yes
G4-32	GRI table of contents	Socio-economic accountability	GRI G4 Core	Yes
G4-33	Assurance report	Socio-economic accountability		Yes
Governance				
G4-34	Organisational governance structure	Supervisory Board report Corporate governance Supervisory Board Management Board		No
G4-35	Process for delegating responsibility for economic, environmental and social aspects to the highest governing body and executive management	Corporate governance		No
G4-36	Manager responsible for economic, environmental and social aspects and whether they report to the highest governing body	Corporate governance		No
G4-38	Composition of highest governing body	Supervisory Board Management Board		No
G4-39	Task of the Chair of the highest governing body	Corporate governance		No
G4-47	Frequency of highest governance body's review of economic, environmental and social risks and opportunities	Corporate governance		No
G4-48	Most senior committee or individual that reviews and approves the sustainability report	Corporate governance		No
G4-51	Remuneration policy for the highest governing body	Remuneration		No
G4-52	Procedure for determining remuneration	Remuneration		No
Ethics and integrity				
G4-56	Organisational values, principles, standards and codes of conduct	Our organisation Employment practices	The CLA features codes of conduct on undesirable behaviour, use of email and contact with external parties. In addition, the company applies anti-fraud regulations and a whistleblower scheme.	No Yes
Material topics				
Financial solidity				
	Management approach	Material aspects for stakeholders Financial performance Corporate Governance		Yes No No
G4-EC1	Direct economic values	Financial Statements		yes
G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit	Financial performance	We invested 303 million euros in 2016. A substantial portion of this is invested in improving, maintaining and optimally	No

Ref.	Description	Chapter	Information and reference	External assurance section
G4-EC8	Insight into and description of significant indirect economic consequences, including their scale.	Financial performance	<p>deploying the airport-related infrastructure. The long-term investments contribute to the quality, accessibility and development of the airport. Additionally, regular substantial investments have been made to improve parking facilities and airport-related real estate such as hotels, offices and cargo buildings.</p> <p>The investments result in a substantial boost to economic activity and an increase in employment at and around the airport, particularly in the areas of construction and installation. The facilities built attract other companies to the airport which project their own economic influence on the surrounding area. The aviation sector offers direct or indirect employment to 290,000 people. Altogether, this represents a total added monetary value of around 26 billion euros (Boston Consulting Group and McKinsey, 2011).</p>	No
Network of destinations				
	Management approach	Material aspects for stakeholders Network of destinations Corporate governance		Yes No No
AO1	Number of passengers handled over the course of one year, categorised according to international and domestic flights and O&D and transfer passengers, including transit-direct passengers.	Network of destinations	<p>Amsterdam Airport Schiphol Passengers (incl. transit-direct): 63,625,534 European: 45,136,406 Intercontinental: 18,489,128 OD passengers (total): 39,497,377 European O&D: 30,850,655 OD Intercontinental: 8,646,722</p> <p>Transfer (total): 24,036,333 European transfer: 14,270,865 Intercontinental transfer: 9,765,468 Transit-direct passengers: 39,319</p>	No
AO2	Number of air transport movements over the course of one year, categorised into day and night-time flights, and commercial, non-commercial, cargo and military flights	Network of destinations	<p>Amsterdam Airport Schiphol Air transport movements (total): 478,864 Cargo flights (commercial): 17,817 Passenger flights (commercial): 461,047 General aviation (non-commercial): 17,392 Night-time flights (total): 21,849</p>	No
AO3	Cargo volume	Network of destinations	Amsterdam Airport Schiphol: 1,662,281,910 kg	No
Airport capacity				
	Management approach	Material aspects for stakeholders Airport capacity Corporate Governance		Yes No No
Accessibility				
	Management approach	Material aspects for stakeholders Accessibility Corporate governance		Yes Yes No
G4EN30	Significant environmental impact of transporting products and other goods and materials used for the organisation's operations, and for transporting members of the workforce	Accessibility CO ₂ emissions Air quality		Yes Yes Yes
CO₂ emissions				
	Management approach	Material aspects for stakeholders CO ₂ emissions Corporate Governance		Yes Yes No
G4EN6	Saving energy	CO ₂ emissions		Yes
G4EN15	Greenhouse gas emissions - scope 1	CO ₂ emissions Socio-economic accountability		Yes
G4EN16	Greenhouse gas emissions - scope 2	CO ₂ emissions Socio-economic accountability		Yes
Air quality				
	Management approach	Material aspects for stakeholders Air quality Corporate governance	We apply leading performance indicators such as the installation of Fixed Electrical Ground Power (FEGP) at the aircraft stands and electrification of our vehicle fleet.	Yes Yes No
AO5	Air quality composition	Air quality	Air quality is monitored by the government through the National Air Quality Cooperation Programme. We do not apply other lagging indicators, because the causal link between regional activities and air quality is not always one to one.	Yes

Ref.	Description	Chapter	Information and reference	External assurance section
Raw materials and residual flows				
	Management approach	Material aspects for stakeholders Air quality Raw materials & residual flows Corporate governance		Yes Yes No
G4EN23	Total weight of waste by type	Raw materials and residual flows Socio-economic accountability	Percentage of waste separated for processing; other information not material	Yes
Commissioning				
	Management approach	Commissioning Corporate governance		
	No indicator yet		Commissioning is monitored qualitatively	
Supply chain responsibility				
	Management approach	Material aspects for stakeholders Supply chain responsibility Corporate governance		Yes Yes No
G4EN32	Percentage of new suppliers in tenders that were screened using environmental criteria	Supply chain responsibility		Yes
Employment practices				
	Management approach	Material aspects for stakeholders Employment practices Corporate governance		Yes Yes No
G4LA1	Number of new employees and staff turnover	Employment practices		Yes
Safety				
	Management approach	Material aspects for stakeholders Safety Corporate governance		Yes Yes No
AO9	Number of animals involved in wildlife strikes per 10,000 air transport movements	Safety Socio-economic accountability	Bird strikes are material	Yes
G4LA6	Lost Time Injury Frequency (LTIF)	Safety Socio-economic accountability	Lost Time Injury Frequency and absenteeism are material	Yes
Noise				
	Management approach	Material aspects for stakeholders Noise Corporate governance		Yes Yes No
AO7	Number of people living in noise-affected areas	Noise	In the 2016 Usage Forecast, it was anticipated that 180,000 people would experience severe noise disturbance at levels of 48 dB(A) Lden or higher. Ultimately, the actual number was 138,500. The usage forecast for 2016 is also available online.	Yes
Regional significance				
	Management approach	Material aspects for stakeholders Regional significance Corporate governance		Yes No No
G4SO1	Percentage of activities that affect the local community	Regional significance	100%	No
G4SO2	Operational activities with a significant (potentially) negative impact on the local environment	Regional significance Noise	The airport surrounds are especially likely to encounter noise disturbance See also: www.bezoekbas.nl	No Yes
AO8	(Estimated) number of people to be voluntarily or involuntarily relocated in connection with the development or expansion of an airport	Regional significance	Expansion of the airport in 2016 did not require any relocations	No
Customer appreciation				
	Management approach	Material aspects for stakeholders Customer appreciation Corporate governance		Yes No No
G4PR5	Customer satisfaction	Customer appreciation		No

Global Compact

Global Compact principles

Included in

Human rights

1. Schiphol supports and respects human rights	Codes of conduct Procurement regulations Integrity Committee
2. Schiphol is certain that it does not partake in any activity that violates human rights	Codes of conduct Procurement regulations Integrity Committee

Working conditions

3. Schiphol promotes the freedom of association of employees and their right to collective bargaining	Employees are free to unite in associations. Schiphol makes an annual payment to the trade unions as a contribution and to help cover training costs. Furthermore, employees who are active on behalf of a trade union and/or the Works Council receive a certain amount of free time to conduct these activities.
4. Schiphol eliminates all forms of forced labour	Type of work, working conditions and working times are set out in the CLA Procurement regulations
5. Schiphol eliminates child labour	Schiphol does not conclude employment agreements with people under the age of 18 Procurement regulations
6. Schiphol eliminates discrimination based on profession	Equal remuneration for men and women Code of Conduct on Undesirable Behaviour Integrity Committee Procurement regulations

Environment

7. Schiphol focuses on environmental challenges as a precautionary measure	Climate-friendly aviation Accessibility Raw materials and residual flows Community, noise and air quality theGROUNDS ACI ACA benchmark Climate KIC SIM Innovative Mainport Alliance Knowledge and Development Center (KDC) Procurement regulations
8. Schiphol takes initiatives to enhance responsibility for the environment	Climate-friendly aviation Accessibility Raw materials and residual flows Environment, noise and air quality theGROUNDS ACI ACA benchmark Climate KIC SIM Innovative Mainport Alliance Knowledge and Development Center (KDC) Schiphol Quality of Life Foundation (Stichting Leefomgeving Schiphol) Local Community Contact Centre (Bas) Procurement regulations
9. Schiphol promotes the development and introduction of environmentally friendly technologies	Climate-friendly aviation Accessibility Raw materials and residual flows Environment, noise and air quality theGROUNDS ACI ACA benchmark Climate KIC SIM Innovative Mainport Alliance Knowledge and Development Center (KDC)

Anticorruption

10. Schiphol combats all forms of corruption, including bribery and extortion	Code of conduct Internal reporting regulations Procurement regulations Integrity Committee
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Assurance report of the independent auditor

To: the readers of the Annual Report 2016 of N.V. Luchthaven Schiphol

Our conclusion

We have reviewed the socio-economic reporting as included in the Annual Report 2016 of N.V. Luchthaven Schiphol (hereafter: 'Schiphol Group') based at Schiphol, the Netherlands. The sections involved are: Material aspects for stakeholders, Accessibility, Security, Contributions to education by airports and airport-based businesses (part of section on Regional significance), Employment practices, Sustainable & Safe Performance and Socio-economic accountability (hereafter described as: 'the socio-economic reporting'); these sections are referred to as 'Assured by KPMG'.

Based on our review, nothing has come to our attention to indicate that the socio-economic reporting is not presented, in all material respects, in accordance with the GRI Sustainability Reporting Guidelines version G4 and the internally developed criteria as described in the section Socio-economic accountability of the Annual Report 2016.

In the socio-economic reporting, forward-looking information such as ambitions, strategy, plans, expectations and estimates are presented. Inherently, this information is uncertain and may deviate from the true outcomes in the future. We do not provide assurance on the assumptions or feasibility of forward-looking information in the socio-economic reporting.

Basis for our conclusion

We have performed our review on the socio-economic reporting in accordance with Dutch law, including Dutch Standard 3810N: "Assurance engagements relating to sustainability reports".

This review engagement is aimed to obtain limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the socio-economic reporting' below.

We are independent of Schiphol Group in accordance with the Dutch Regulation on independence of professional accountants ('*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*') and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Dutch Code of Ethics ('*Verordening gedrags- en beroepsregels accountants*').

We believe that the review evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Report on the information about socio-economic topics included in other parts of the Annual Report 2016

In addition to the socio-economic reporting and our assurance report thereon, the Annual Report 2016 contains other information about socio-economic topics. Based on the following procedures performed, we conclude that the information about socio-economic topics included in other parts of the Annual Report 2016 is consistent with the socio-economic reporting and does not contain material misstatements.



We have read the other parts of Annual Report 2016. Based on our knowledge and understanding obtained through our review of the socio-economic reporting, we have considered whether the information about socio-economic topics included in other parts of the Annual Report 2016 contains material misstatements. The scope of these procedures is substantially less than our review procedures in respect of the socio-economic reporting.

Responsibilities of the Management Board and the Supervisory Board for the socio-economic reporting

The Management Board of Schiphol Group is responsible for the preparation of the socio-economic reporting in accordance with the GRI Sustainability Reporting Guidelines version G4 and the internally developed criteria as described in the section Socio-economic accountability.

The Management Board is also responsible for such internal control as it determines is necessary to enable the preparation of the socio-economic reporting that is free from material misstatement, whether due to fraud or error. The Supervisory Board is responsible for overseeing Schiphol Group's reporting process.

Our responsibilities for the review of the socio-economic reporting

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

A review is aimed to obtain a limited level of assurance. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than a reasonable assurance engagement (audit engagement). The level of assurance obtained in review engagements is therefore substantially less than the level of assurance obtained in an audit engagement.

We apply the Regulations for Audit Firms Regarding Assurance Engagements (*'Nadere voorschriften accountantskantoren ter zake van assurance-opdrachten'*) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sections. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our main procedures consisted of:

- Performing an analysis of the external environment, obtaining an understanding of relevant socio-economic trends and issues, and of the organisation's business;
- Evaluating the appropriateness of the internal reporting criteria and its consistent application, including the evaluation of the reasonableness of management's estimates;
- Evaluating the design and implementation of the reporting systems and processes related to the information for the socio-economic reporting;
- Conducting interviews with management and relevant staff responsible for strategy, policy and reporting related to the socio-economic themes;
- Conducting interviews with relevant staff responsible for providing the information in the socio-economic reporting, carrying out internal control procedures on the data and consolidating the data for the socio-economic reporting;



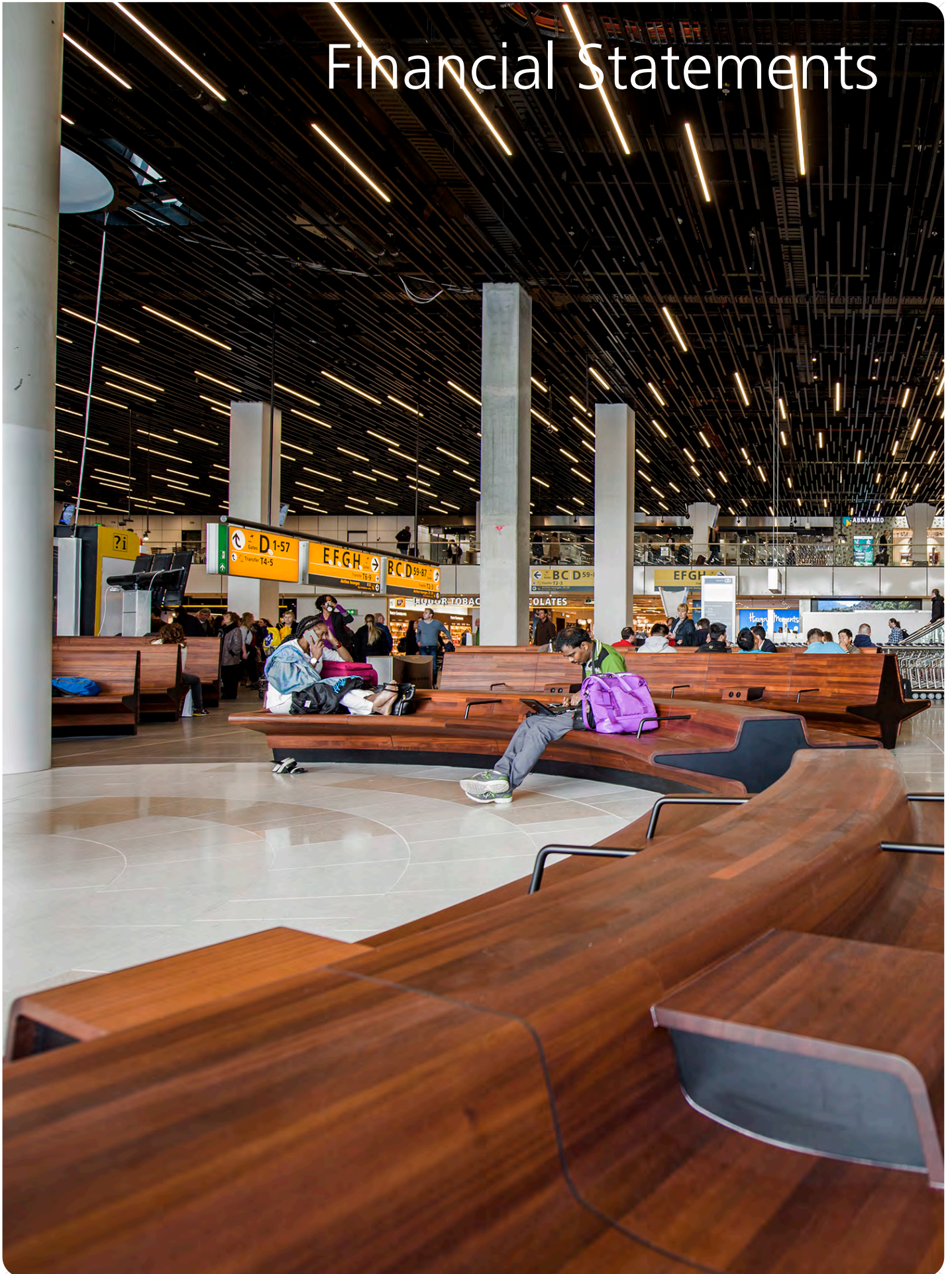
- Site visits to Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport to review the source data and the design and implementation of internal controls and validation procedures at local level;
- An analytical review of the data and trends submitted for consolidation at corporate level;
- Reviewing relevant data and evaluating internal and external documentation, based on limited sampling, to assess the accuracy of the information in the socio-economic reporting.

Amstelveen, 16 February 2017
KPMG Accountants N.V.

E. Eeftink RA

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Financial Statements



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Consolidated statement of income for the year ended 31 December 2016

(in thousands of euros)	Note	2016	2015
Revenue	1	1,434,675	1,423,152
Other income and results from investment property	2	71,390	66,687
Other income	3	-	49,847
Other income and results from investment property		71,390	116,534
Cost of outsourced work and other external costs	4	660,531	616,233
Employee benefits	5	184,523	184,695
Depreciation, amortisation and impairment	6	238,115	230,305
Other operating expenses	7	2,579	3,507
Total operating expenses		1,085,748	1,034,740
Operating profit		420,317	504,946
Financial income		8,931	9,936
Financial expenses		-99,536	-98,490
Financial income and expenses	29	-90,605	-88,554
Share of profit of associates and joint ventures	13	67,485	60,474
Profit before tax		397,197	476,866
Income tax expense	12	-85,962	-98,510
Profit for the year		311,235	378,356
Attributable to:			
Non-controlling interests		4,979	4,193
Shareholders (net result)		306,256	374,163
Earnings per share (in euros)		1,645	2,010

Consolidated statement of comprehensive income for the year ended 31 December 2016

(in thousands of euros)	Note	2016	2015
Profit for the year		311,235	378,356
Foreign operations - foreign currency translation differences	21	4,286	3,310
Changes in fair value on hedge transactions	21	19,629	16,675
Share of OCI of associates after taxes	13, 21	-943	1,141
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods:		22,972	21,126
Remeasurements of defined benefit liability	21	-970	963
Share of OCI of associates after taxes	13, 21	-800	1,280
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods:		-1,770	2,243
Other comprehensive income for the year		21,202	23,369
Total comprehensive income for the year		332,437	401,725
Attributable to:			
Non-controlling interests		4,979	4,193
Shareholders (net result)		327,458	397,532

Consolidated statement of financial position as at 31 December 2016

(in thousands of euros)	Note	31 December 2016	31 December 2015
Non-current assets			
Intangible assets	8	80,274	78,623
Assets used for operating activities	9	2,828,246	2,802,499
Assets under construction or development	10	244,419	211,425
Investment property	11	1,453,482	1,377,161
Deferred tax assets	12	165,219	193,330
Investments in associates and joint ventures	13	895,345	857,814
Loans to associates	14	74,200	66,596
Other non-current receivables	15	76,875	55,310
		5,818,060	5,642,758
Current assets			
Trade and other receivables	17	224,476	223,519
Current income tax assets	12	6,179	3,293
Cash and cash equivalents	18	238,691	394,045
Assets held for sale	16	138,956	135,486
		608,302	756,343
		6,426,362	6,399,101

(in thousands of euros)	Note	31 December 2016	31 December 2015
Equity			
Issued share capital	19	84,511	84,511
Share premium	19	362,811	362,811
Retained profits	20	3,438,838	3,319,818
Other reserves	21	-62,930	-83,032
Equity attributable to owners of the Company		3,823,230	3,684,108
Non-controlling interests	22	36,357	31,601
Total equity		3,859,587	3,715,709
Non-current liabilities			
Borrowings	23	2,010,773	1,847,520
Employee benefits	24	39,655	38,446
Other provisions	25	17,679	17,399
Deferred tax liabilities	12	22,924	22,666
Other non-current liabilities	26	138,671	147,526
		2,229,702	2,073,557
Current liabilities			
Borrowings	23	4,927	283,909
Current income tax liabilities	12	423	383
Trade and other payables	27	324,971	313,725
Liabilities held for sale	16	6,752	11,818
		337,073	609,835
		6,426,362	6,399,101

Consolidated statement of changes in equity

(in thousands of euros)

Attributable to shareholders

	Note	Issued share capital	Share Premium	Retained profits	Other reserves	Non-controlling interests	Total
Balance at 1 January 2015		84,511	362,811	3,084,111	- 106,401	27,631	3,452,663
Profit for the year		-	-	374,163	-	4,193	378,356
Other comprehensive income for the year	21	-	-	-	23,369	-	23,369
Comprehensive income for the year		-	-	374,163	23,369	4,193	401,725
Payments of dividends	20	-	-	- 138,456	-	- 223	- 138,679
Balance at 31 December 2015		84,511	362,811	3,319,818	- 83,032	31,601	3,715,709
Profit for the year		-	-	306,256	-	4,979	311,235
Other comprehensive income for the year	21	-	-	-	21,202	-	21,202
Comprehensive income for the year		-	-	306,256	21,202	4,979	332,437
Payments of dividends	20	-	-	- 187,236	-	- 223	- 187,459
Other	13	-	-	-	- 1,100	-	- 1,100
Balance at 31 December 2016		84,511	362,811	3,438,838	- 62,930	36,357	3,859,587
					dividend for 2015, paid in 2016	dividend for 2014, paid in 2015	
Dividend attributable to shareholders (in euros)					187,236,000	138,456,138	
Average number of shares in issue during the year					186,147	186,147	
Dividend per share (in euros)					1,006	744	

Consolidated statement of cash flow for 2016

(in thousands of euros)	Note	2016	2015
Result for the year		311,235	378,356
Income tax expense recognised in profit or loss	12	85,962	98,510
Share of profit of associates and joint ventures	13	- 67,485	- 60,474
Financial income and expenses	29	90,605	88,554
		109,082	126,590
Operating result		420,317	504,946
Adjustments for:			
Depreciation and amortisation expenses	6	236,520	222,796
Impairment loss	6, 8, 9	1,595	7,510
Result on disposal of investment property	2	- 423	- 92
Result on disposal of joint ventures	3	-	- 49,847
(Gain) or loss on changes in fair value of investment property	2	- 70,967	- 66,595
Other non-cash changes in other receivables and liabilities		- 391	- 4,503
Result on disposal of property, plant and equipment		- 207	- 181
Change in other provisions and employee benefits		1,489	- 1,276
		167,616	107,812
Operating result after adjustments		587,933	612,757
Movements in working capital		- 32,389	25,970
Cash flow from operations		555,544	638,727
Cash flow from operating activities			
Income taxes paid		- 64,966	- 79,270
Interest paid		- 82,435	- 78,800
Interest received		1,580	1,438
Dividends received		28,472	25,646
Cash flow from operating activities		438,195	507,741
Cash flow from investing activities			
Payments for intangible assets	8	- 13,766	- 13,021
Payments for property, plant and equipment	10, 11	- 289,579	- 425,623
Proceeds from disposals of property, plant and equipment		416	181
Proceeds on disposal of subsidiaries	3	-	29,226
Share capital contributions to associates	13	1,379	- 1,523
Repayment on other loans		183	134
Cash flow from investing activities		- 301,367	- 410,626
Free cash flow		136,828	97,115

(in thousands of euros)	Note	2016	2015
Cash flow from financing activities			
Proceeds from borrowings	23	153,200	316,803
Repayment of borrowings	23	- 288,227	- 17,105
Settlement derivative financial instruments		- 343	- 4,167
Dividend paid	20	- 187,459	- 138,679
Proceeds from other non-current liabilities		1,941	1,821
Other non-current liabilities paid		- 54	-
Finance lease instalments paid		- 2,457	- 1,717
Cash flow from financing activities		- 323,399	156,956
Net cash flow			
		- 186,571	254,071
Cash and cash equivalents at beginning of the year	18	437,308	183,253
Net cash flow		- 186,571	254,071
Exchange and translation differences		30	- 16
Cash and cash equivalents at the end of the year		250,767	437,308
Cash from continuing operations	18	238,691	394,045
Cash equivalents presented as other receivables	17	-	40,000
Cash held for sale	16	12,076	3,263
		250,767	437,308

Notes to the consolidated financial statements

General information

N.V. Luchthaven Schiphol is a public limited liability company (two-tier status company) with its registered office in the Municipality of Haarlemmermeer at Evert van de Beekstraat 202, 1118 CP, Schiphol, Netherlands. N.V. Luchthaven Schiphol trades under the name of Schiphol Group.

Schiphol Group is an airport business with Amsterdam Airport Schiphol as its main airport. The airports of the group, and in particular Amsterdam Airport Schiphol, create value for the Dutch economy and for society at large. Central to how Schiphol Group conducts its business are the core values of reliability, efficiency, hospitality, inspiration and sustainability.

Schiphol Group's mission is Connecting the Netherlands; optimally connecting the country with the rest of the world so as to contribute to prosperity and well-being in the Netherlands and elsewhere. Amsterdam Airport Schiphol strives to be and remain Europe's Preferred Airport. We aim to serve travellers, airlines and handlers as efficiently as possible, with a well-positioned airport and modern facilities.

On 16 February 2017 the Supervisory Board authorised the financial statements for issue as prepared by the Management Board. The Management Board will submit the financial statements for adoption by the General Meeting of Shareholders to be held on 18 April 2017.

This document is a translation of the Dutch original. In the event of any discrepancies between the English and the Dutch text, the latter will prevail.

Accounting policies

Schiphol Group's accounting policies on consolidation, measurement of assets and liabilities and determination of results are set out below. These policies are in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and are applied consistently to all the information presented. The applicable statutory provisions on annual reporting as included in Part 9, Book 2 of the Dutch Civil Code have also been applied consistently. Schiphol Group applies the historical cost convention for measurement, except for investment properties and derivative financial instruments, which are recognised at fair value through profit or loss.

New and amended standards that are mandatory with effect from 2016

Schiphol Group has applied the following new standards, amended standards or interpretations that will have an impact on the disclosures and financial data in these financial statements and are mandatorily effective for an accounting period that begins on 1 January 2016:

- Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation (effective as of 1 January 2016);
- IAS 1 Disclosures initiative (effective as of 1 January 2016);
- Annual improvements to IFRS 2012-2014 cycle (effective as of 1 January 2016).

Schiphol Group has not voluntarily applied any other new standards, amended standards or interpretations in advance that will have an impact on the disclosures and financial data in these financial statements.

New standards and amended standards that are mandatory with effect from 2017 or later

Schiphol Group has not voluntarily applied in advance new or amended standards or interpretations that will not be mandatory until the 2017 financial year or later. Schiphol Group is currently examining the consequences of the new standards and interpretations and amendments to existing standards listed below, which will be mandatory as from the 2017 financial year or later (as stated). The European Union has adopted the following new standards and amendments:

- Amendments to IAS 7, Disclosures initiative (effective as of 1 January 2017)
- Amendments to IAS 12, Recognition of deferred tax assets for unrealised losses (effective as of 1 January 2017)
- IFRS 9, Financial Instruments will replace most of IAS 39 as per 1 January 2018 and contains new requirements for the recognition and measurement, impairment and hedge accounting of financial instruments. This new standard contains revised requirements for the recognition and measurement of financial assets, whereby the classification of the financial assets will be based on the business model of Schiphol Group. Furthermore, IFRS 9 contains a new impairment model that requires an expected credit loss model, as opposed to an incurred credit loss model. In general, the application of the expected credit loss model will result in earlier recognition of credit losses for financial assets. The amendments to the measurement of financial liabilities will in general have no impact on Schiphol Group and the same applies for the new general hedge accounting requirements. Schiphol Group expects that the impact of IFRS 9 will be minimal given its generally simple hedging instruments. Schiphol Group has started an implementation project that will be finalised in 2017. Schiphol Group expects that the standard will be retrospectively applied as per 1 January 2018.
- IFRS 15, Revenue from contracts with customers will supersede the current revenue recognition guidance including IAS 18, Revenue and IAS 11, Construction contracts and the related interpretations as per January 2018. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The disclosure requirements as part of IFRS 15 are more extensive compared to the current standards. The assessment of Schiphol Group is that the impact of the new standard will be minimal for Schiphol Group's major revenue flows and that it will, in general, only impact the disclosure requirements. As part of an implementation project that Schiphol Group started in 2016, all contracts will be assessed based on the requirements of the new standard. This implementation project will be finalised in 2017. Schiphol Group expects to apply the standard retrospectively as per 1 January 2018.

- Amendments to IFRS 2, Classification and measurement of share-based payment transactions (effective as of 1 January 2018);
- IFRS 16, Leases (effective as of 1 January 2019 and not yet endorsed by the European Union).

Intangible assets

Intangible assets include the cost of goodwill, contract-related assets and software. Goodwill arising on the acquisition of subsidiaries is recognised under intangible assets. Goodwill arising on the acquisition of associates and joint ventures is recognised as part of the carrying amount of the associate and joint ventures, using the equity method. The initial carrying amount of goodwill is subsequently reduced by accumulated impairment losses. Goodwill is not amortised. Goodwill is allocated to the relevant cash-generating unit (subsidiary, joint venture or associate). This allocation is explained in detail in the note on intangible assets.

Contract-related assets concern the interest in JFKIAT acquired upon the acquisition of activities from third parties. These contracts are measured at fair value on the acquisition date less accumulated amortisation and impairment. Contracts are amortised over the remaining contract period.

Software includes software licences and internally developed ICT applications. Internally developed software is capitalised at the cost of internal and external hours spent on the development and implementation phases of ICT projects as recorded on the time sheets. Time spent in the proposal and definition phases is not capitalised. Software is amortised on a straight-line basis over its useful life.

See note 8. *Intangible assets* for a more detailed numerical explanation.

Assets used for operating activities

In accordance with IAS 16 Property, Plant and Equipment, assets used for operating activities include runways, taxiways, aprons, car parks, roads, buildings, installations and other assets. These assets are measured at historical cost less grants received, straight-line depreciation and impairments. Subsequent expenditure is capitalised to the carrying amount of these assets if it is probable that Schiphol Group will derive future economic benefits from them and the amount can be measured reliably.

Assets used for operating activities, with the exception of land, are depreciated on a straight-line basis over the useful life of the asset, which depends on its nature and components. Depreciation

methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The net result on the disposal of assets used for operating activities is recognised in the income statement as other income.

Costs of day-to-day maintenance are recognised in the income statement and cost of planned major maintenance is capitalised.

See note 9. *Assets used for operating activities* for a more detailed explanation.

Assets under construction or development

All capital expenditure is initially recognised as assets under construction or development, if it is probable that the Group will derive future economic benefits from them and the amount can be measured reliably. There are three categories of these assets:

- (a) software under development presented under *Intangible assets*;
- (b) assets under construction or development for operating activities presented under *Assets under construction or development*;
- (c) assets under construction or development for investment property presented under *Investment property*.

Software under development (category a) is measured at historical cost. Software under development is not amortised.

Assets under construction or development for operating activities (category b) are measured at historical cost including:

- borrowing costs during construction of all capital projects, i.e. interest payable to third parties on borrowings attributable to the project;
- time charged at cost to capital projects by Schiphol Group employees during the construction stage.

Assets under construction or development for future operating activities are not depreciated except for impairments. The same applies to assets under construction or development as future investment property (category c) for as long as the fair value can be measured reliably. After that, these assets are recognised at fair value through profit or loss under 'other income and results from investment property'.

When the assets of category a are ready for use, they are transferred at historical cost to 'assets used for operating activities', which is also when the straight-line depreciation at the expense of the income statement commences. Assets of category b are transferred on completion to 'investment property' at fair value. See the accounting policies for these items for the way in which investment property is subsequently recognised.

See notes 8, 10 and 11 for a more detailed numerical explanation.

Investment property

Investment property is measured at fair value in accordance with IAS 40, Investment Property. This also applies to investment property included in the assets under construction or development, provided

that the fair value can be measured reliably at that time. If this is not possible, the property is measured at historical cost. On completion, the property is transferred at fair value to 'investment property'. Any difference between the fair value and the historical cost is recognised in the income statement under 'other income and results from investment property'.

Property purchased is initially measured at cost. Cost incurred after initial recognition is capitalised if it can be measured reliably and it is probable that future economic benefits will flow to Schiphol Group. Other expenditures are recognised immediately in the income statement.

All properties in the portfolio are appraised at least once a year by independent valuers. The fair value of investment property as presented in the balance sheet includes lease incentives. Gross rental revenues from operating leases are recognised on a straight-line basis over the period of the lease. Rent holidays, discounts on rent and other lease incentives are recognised as an integral part of the gross rental revenues. Service charges relate to the costs of energy, concierges and maintenance which may be charged to the tenant under the lease. The part of the service charged to property investments which have not been let is recognised in the income statement. These costs and cost charges are not presented separately in the income statement.

Land within the investment property portfolio is measured at fair value. Land is appraised based on internal valuations and by independent external valuers. A different part of the land positions is appraised by independent external valuers each year. The market value of long-leased land is calculated by discounting the value of the future annual ground rents and the residual value under the contracts concerned (DCF method).

Fair value gains and losses on investment property are recognised in the statement of income in the year in which they arise. Gains or losses realised on disposal of assets, i.e. differences between carrying amount and net selling price, are recognised in the income statement. Investment property is not depreciated.

See note 11. *Investment property* for a more detailed numerical explanation.

Depreciation and amortisation

Intangible assets and assets used for operating activities are amortised and depreciated on a straight-line basis according to the schedule below. Goodwill is not amortised or depreciated on investment property, assets under construction or land.

Intangible assets

Contract-related assets	33 years
ICT development	3-5 years
Software licences	3-5 years

Assets used for operating activities

Runways and taxiways	15-60 years
Aprons	30-60 years
Paved areas, roads etc.:	
- Car parks	30 years
- Roads	30 years
- Tunnels and viaducts	40 years
- Drainage systems	40 years
Buildings	20-60 years
Installations	5-30 years
Other assets	5-20 years

See note 6. *Depreciation, amortisation and impairment expenses* for a more detailed explanation.

Impairments

The Group reviews the carrying amounts of non-current assets to determine whether there is any indication of impairment. If any such indication exists, then the non-current assets recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount is the greater of an asset's net realisable value and its value in use. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Value in use is based on the present value of the estimated future cash flows from continuing use of an asset and from its disposal at the end of its useful life.

These tests are performed at cash-generating unit level, with Aviation and Consumer Products & Services treated as a single separate cash-generating unit. If the carrying amount exceeds the recoverable amount, the difference is recognised as an impairment loss in the statement of income and the carrying amount of the asset is reduced to the recoverable amount. Where applicable, the straight-line depreciation over the remaining useful life of the asset concerned is adjusted accordingly. If circumstances indicate the need to reverse an impairment loss, the carrying amount of the asset is increased to the recoverable amount. Impairment losses on goodwill purchased on the acquisition of subsidiaries and joint ventures are not reversed. An annual impairment test is carried out to identify any changes or events that could lead to an impairment of the goodwill.

See note 6. *Depreciation, amortisation and impairment expenses* for a more detailed explanation.

Investments in subsidiaries and joint ventures

(a) General

Where necessary, the accounting policies of subsidiaries, associates and joint arrangements are adjusted to be in line with the Schiphol Group accounting policies.

See note 13. *Investments in associates and joint ventures* for a more detailed numerical explanation.

(b) Subsidiaries

The financial information of N.V. Luchthaven Schiphol and its subsidiaries is fully consolidated. Subsidiaries are those companies that are controlled by N.V. Luchthaven Schiphol. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The other shareholders' share in consolidated equity and results is presented in the balance sheet as non-controlling interests (part of equity) and in the income statement as profit after income tax attributable to non-controlling interests. The results of subsidiaries acquired are consolidated from the date on which control commences. The financial information relating to subsidiaries disposed continues to be included up to the date on which control ceases. In the event the company loses control of a subsidiary while retaining a financial interest, all assets and liabilities are deconsolidated and the remaining interest is initially recognised at fair value. The remaining difference is recognised in the income statement.

(c) Associates

An associate is an entity over which the company has significant influence. Investments in associates are recognised using the equity method, meaning that the investment is initially recognised at cost and subsequently adjusted for the company's post-acquisition share in the change in the associate's net assets. The carrying amount of these investments in associates includes goodwill. The company's share in the results of associates over which it has significant influence is recognised in the statement of income (share in results of associates). Cumulative movements in the net assets of associates are recognised in proportion to Schiphol Group's interest as investments in associates. The company ceases to recognise its share in the results of an associate in the income statement and its share in the net asset value of that associate immediately if this would lead to the carrying amount of the investment becoming negative and if the company has not entered into any commitments or made payments on behalf of the associate. Investments in associates are measured as other financial interests from the date on which the company ceases to have significant influence or control.

(d) Joint arrangements

The financial data of entities that qualify as a joint arrangement are recognised as either joint ventures or joint operations, depending on the statutory and contractual rights and obligations of each individual investor. All existing contractual agreements qualify as joint ventures. Joint ventures are entities over which Schiphol Group and one or more other investors have joint control, and are accounted for using the equity method.

(e) Acquisition of subsidiaries, associates and joint arrangements

An acquisition of a subsidiary, an associate or a joint arrangement is accounted for according to the purchase method, under which the cost of such an acquisition is the sum of the fair values of the assets and liabilities transferred by the acquirer on the acquisition date, the liabilities incurred by the acquirer to former owners of the

acquiree and the equity interests issued by the acquirer. For acquisitions of associates and joint ventures this also includes the related transaction costs. The identifiable assets, liabilities and contingent liabilities acquired are initially measured at their fair value at the acquisition date. The excess of the cost of the acquisition over the company's interest in the net fair value of the acquired assets and liabilities is recognised as goodwill in the consolidated financial statements under intangible assets (in the case of subsidiaries) or as part of the carrying amount in the case of associates and joint ventures. If the net fair value exceeds cost, the difference is recognised immediately in the income statement. Costs relating to an acquisition of a subsidiary are recognised directly in the income statement.

If the acquisition is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the income statement.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if it directly disposed the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(f) Eliminations

Transactions between the company and its subsidiaries, associates and joint arrangements are eliminated, in the case of joint arrangements and associates in proportion to the company's interest in those entities, along with any unrealised gains and assets and liabilities arising. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Loans to associates

Loans to associates recognised under non-current receivables are initially measured at cost, being the fair value of the loans less transaction costs, and subsequently measured at amortised cost, with differences between the redemption value and the carrying amount being amortised over the remaining term to maturity using the effective interest method.

See note 14. *Loans to associates* for a more detailed explanation.

Other non-current receivables

In the case of prepaid ground leases, the amount paid to buy out the leasehold is measured as a lease asset in the balance sheet and recognised as an expense in the statement of income periodically over the lease term.

See note 15. *Other non-current receivables* for a more detailed explanation.

Financial instruments, including derivative financial instruments

The company classifies financial instruments in the following categories: loans and receivables, fair value through profit or loss and assets held for sale. The company uses derivative financial instruments to hedge the risk of changes in future cash flows connected with periodic interest payments and repayments or funding resulting from movements in market interest rates and exchange rates. In addition, the company uses derivative financial instruments to a limited extent to hedge exchange rate risks incurred on received dividends. The instruments used to hedge these risks are interest rate swaps and currency swaps.

Derivative financial instruments are initially recognised at fair value on the date when the derivative contract is concluded and then at fair value at each reporting date. The method for recognition of the result depends on whether hedge accounting is applied and if so, on whether the hedging relationship is effective. A hedging relationship is effective if the actual effectiveness is within a bandwidth of 80% and 125%. If the hedging relationship is effective, hedge accounting is applied to those derivatives. In such cases the effective portion of fair value changes on derivative financial instruments is recognised in the hedge reserve, which is part of the equity. The non-effective part is recognised in the result. The cumulative amounts recognised in equity are recycled to the result in the same period in which the hedged transaction is recognised in the result.

At the inception of a hedge, the hedging relationship is formally documented. The effectiveness of hedging transactions is measured periodically to determine whether the hedge has been effective over the preceding period and whether it is probable that it will be effective over the period ahead.

If a hedging instrument expires, is sold or ends, is exercised or ceases to satisfy the hedge accounting criteria, hedge accounting is discontinued immediately. The fair value gains and losses accumulated up to that date continue to be carried in the hedging transactions reserve for as long as the initially hedged transaction is considered to be likely to occur, and are subsequently recognised in the statement of income simultaneously with the realisation of the hedged cash flow. If the initially hedged transaction is no longer deemed likely to occur, the gain or loss is recognised in the hedging reserve via the overall result in the statement of income.

See note 29. *Management of financial risks and financial instruments* for a more detailed explanation.

Inventories

Inventories are measured at the lower of cost and net realisable value. The lower net realisable value is determined by an individual assessment of the inventories. Cost includes the purchasing costs of the product. The net realisable value is based on the expected selling price less selling costs to be incurred.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairments. In view of the generally short period to maturity, the fair value and amortised costs of these items tend to be virtually identical to the face value.

See note 17. *Trade and other receivables* for a more detailed explanation.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Bank overdrafts are included in the short-term payables. Cash and cash equivalents are measured at fair value, which is normally the nominal value.

See note 18. *Cash and cash equivalents* for a more detailed explanation.

Assets and liabilities held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

The sale is highly likely if, on the reporting date, management has committed to detailed sales plans, is actively looking for a buyer and has set a reasonable selling price and the sale is highly likely to occur within a year.

Such assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale the non-current assets will no longer be depreciated.

See note 16. *Assets and liabilities held for sale* for a more detailed explanation.

Shareholders' equity

(a) Issued share capital

The issued share capital is the amount paid up on the shares issued, up to their nominal value.

See note 19. *Issued share capital* for a more detailed explanation.

(b) Share premium reserve

The share premium reserve is the amount paid up on the shares issued in excess of their nominal value.

(c) Retained earnings

Retained earnings are the net results (i.e. that part of the result attributable to shareholders) accumulated in previous years minus distributed dividends.

See note 20. *Retained profits* for a more detailed numerical explanation.

(d) Other reserves

Other reserves are the foreign exchange differences reserve, the hedging transactions reserve, the other comprehensive income for associates reserve and the reserve for actuarial gains and losses.

The policies on the hedging transactions reserve are disclosed in 'derivative financial instruments'. The policies on the exchange differences reserve are disclosed under (c) in the policy on 'foreign currency'.

See note 21. *Other reserves* for a more detailed explanation.

Borrowings

This item relates to bonds, private placements and amounts owed to credit institutions. Borrowings are initially measured at fair value less transaction costs, and subsequently measured at amortised cost, with differences between the redemption value and carrying amount being amortised over the remaining term to maturity using the effective interest method.

Borrowings expected to be repaid within a year of the reporting date are presented as current liabilities.

See note 23. *Borrowings* for a more detailed explanation.

Employee benefits

There are four categories of employee benefits:

- (a) short-term employee benefits;
- (b) post-employment benefits;
- (c) other long-term employee benefits;
- (d) termination benefits.

These categories are explained below, along with descriptions of the Schiphol Group employee benefits falling under them.

(a) Short-term employee benefits

Short-term employee benefits are benefits payable within a year of the end of the year in which the employee rendered the service. Within Schiphol Group, this category includes wages and salaries (including holiday pay) and fixed and variable allowances, social security contributions, paid sick leave, profit sharing and variable short-term remuneration. The costs of these employee benefits are recognised in the income statement when the service is rendered or the rights to benefits are accrued (e.g. holiday pay).

(b) Post-employment benefits

These are employee benefits that may be due after completion of employment. They include pensions and other retirement benefits, job-related early retirement benefits, payment of healthcare insurance costs for pensioners and supplementary disability benefits. Schiphol Group's pension plan is administered by Algemeen Burgerlijk Pensioenfonds (ABP). The pension plan is regarded as a group scheme involving more than one employer that qualifies as a defined-contribution plan because:

- the members bear the actuarial and investment risks practically in full;
- the affiliated employers have no supplementary obligation to make additional contributions in the event of a deficit at ABP,

nor are they entitled to any surpluses in addition to paying the premium set by ABP;

- each year the premium is set by the ABP board on the basis of its own file date, with due regard for the prescribed parameters and requirements.

Accordingly, in measuring the obligations arising from the pension plan, Schiphol Group merely recognises the pension contributions payable as an expense in the income statement.

The other provisions for employee benefits covering job-related early retirement benefit, payment of healthcare insurance costs for pensioners and supplementary disability benefits are calculated according to actuarial principles and accounted for using the method described in 1, 2 and 3 below. In these cases, a net asset or liability is recognised in the balance sheet, comprising:

1. the present value of the defined-benefit obligation at the reporting date, measured using the projected unit credit method, under which the present value of the pension obligation for each member is determined on the basis of the number of active years of service prior to the reporting date, the estimated salary level at the expected date of retirement and the market interest rate;
2. less any past service cost not yet recognised. If, owing to changes in the pension plans, the expected obligation based on future salary levels with respect to prior years of service (past service costs) increase, the amount of the increase is recognised in full in the period in which the rights are granted;
3. less the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

(c) Other long-term employee benefits

These are employee benefits which do not fall wholly due within a year of the end of the period in which the employees render the related service. At Schiphol Group, this includes long-term variable remuneration for the members of the Management Board and senior executives in charge of corporate staff departments and the business areas, supplementary income for employees in receipt of disability benefits, long-service awards, sustainable employment budget and paid sabbatical leave.

The long-term variable remuneration is performance-related remuneration which is conditional on the recipient having satisfied certain performance criteria (economic profit) cumulatively over a period of three years (the reference period) from the time of award of the variable remuneration. Payment is only made if the executive is still employed by the company at the end of that period. If the contract of employment is ended by agreement, the award is made on a pro rata basis. An estimate is made of the variable remuneration payable at the end of the three-year period at each year-end. A proportionate part is charged each year to the result for the relevant year during the reference period.

The expected costs of income supplements for employees in receipt of disability benefits are recognised in full in the statement of income from the date on which an employee is declared disabled. A provision for paid sabbatical leave entitlements is recognised in

the balance sheet. The costs are recognised in the year in which the associated sabbatical entitlement was granted.

The liabilities with respect to long-service awards and under other long-term employee benefits are measured at present value.

(d) Termination benefits

These are employee benefits payable as a result of either a decision by Schiphol Group to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. Benefits under the scheme supplementing the statutory amount of unemployment benefit are another example of termination benefits. The costs are recognised in full in the income statement as soon as such a decision is made.

Benefits are recognised at the present value of the obligation.

See note 24. *Employee benefits* for a more detailed explanation.

Other provisions

Provisions are determined by discounting the expected future cash flow that reflects current market assessments and of which the amount is reliably determined.

See note 25. *Other provisions* for a more detailed explanation.

Other non-current liabilities

In the case of surrendered ground rents, the amount paid to buy out the leasehold is included as a lease liability in the balance sheet and recognised as income in the income statement in equal instalments over the lease term. This is a deferred liability arising from Schiphol Group being a lessor.

See note 26. *Other non-current liabilities* for a more detailed explanation.

Leases

(a) Classification

Assets where the company or one of its subsidiaries has beneficial ownership under a lease contract are classified as finance leases. The company, or a subsidiary, has beneficial ownership if substantially all the risks and rewards incidental to ownership are transferred to it. Leases where beneficial ownership of the asset remains with third parties are classified as operating leases. Whether a lease is a finance lease or an operating lease depends on the economic reality (substance of the transaction rather than the form of the contract).

(b) Schiphol Group as lessee in a finance lease

These assets are measured as either assets used for operating activities or investment property. The borrowings associated with such lease contracts are accounted for as lease liabilities. The related assets and liabilities are initially measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. The assets are depreciated, using a method consistent with that used for identical

assets owned by the company. The depreciation period may be shorter if the lease term is shorter, if it cannot be extended and if ownership will not be obtained. The lease payments are divided between the finance charge and the reduction of the outstanding liability to present a periodic effective rate of interest on the remaining balance.

(c) Schiphol Group as lessee in an operating lease

As regards leases where beneficial ownership is held by a third party, only the lease payments are recognised in equal instalments, allowing for lease incentives, as expenses in the income statement.

(d) Schiphol Group as lessor in a finance lease

Assets that qualify as a finance lease are measured in the balance sheet as a lease receivable at the present value of the minimum lease payments receivable at the inception of the lease. The lease payments receivable are apportioned between the finance income and the reduction of the outstanding receivable so as to present a periodic effective rate of interest on the remaining balance.

(e) Schiphol Group as lessor in an operating lease

Assets that qualify as an operating lease are recognised in the balance sheet and measured according to the type of asset. The lease payments receivable under such leases are recognised as income in equal instalments, allowing for lease incentives, in the income statement.

Trade and other payables

The trade and other payables are initially measured at fair value and subsequently measured at amortised cost. In view of the generally short period to maturity, the fair value and amortised costs of these items tend to be virtually identical to the nominal value.

Liabilities from municipal taxes such as certain types of property taxes are measured at the obligating event.

See note 27. *Trade and other payables* for a more detailed explanation.

Revenue recognition

Many of Schiphol Group's activities generate revenue that qualifies as revenue from the provision of services (airport charges, concession fees, rents and leases and parking charges). This revenue is recognised in proportion to the service supplied at the reporting date, provided that the result can be reliably estimated. Revenue is measured at the fair value of the fees received or to be received. Revenue from retail sales is generated by the sales of goods and is recognised when these transactions take place.

The charges are regulated on the basis of the mandatory annual consultation of users by the operator concerning the proposed charges and conditions for the forthcoming tariff year. In submitting its proposal, the operator provides the users with a statement of the level of service to be provided as measured by the indicators stipulated in the Amsterdam Airport Schiphol Operation Decree. The charges for all of the airport activities should be transparent. This also applies to the revenue from activities that are directly associated with the aviation activities at the airport which are factored into the

charges. For this purpose, the operator is required to keep separate accounts for the airport activities, including subaccounts for the costs of security relating to passengers and their baggage and the revenue generated by security charges. For the income and expenses of these activities, the operator has implemented an industry-standard allocation system that is proportionate and comprehensive. Surpluses and deficits eligible for settlement under the Aviation Act are not presented as assets or liabilities, but are settled in future airport charge rates.

Total revenue represents the income from the services provided less discounts and tax (VAT and excise duty). Revenue equals total revenue less the revenue from intra-group transactions.

See note 1. *Revenue* for a more detailed explanation.

Financial income and expenses

Interest income and expense is recognised on a basis that takes into account the effective yield on the loans granted or liabilities. Royalties are recognised on an accrual basis. Dividends are recognised when Schiphol Group's right to receive payment is established.

See note 29. *Management of financial risks and financial instruments* for a more detailed explanation.

Income tax

Income tax on the result represents income tax payable and recoverable and deferred tax for the reporting period. These are computed on the basis of applicable tax rates and laws. Income taxes include all taxes based on taxable profits and losses including non-deductible taxes payable by subsidiaries, associates or joint ventures.

Income taxes are recognised in the income statement unless they relate to items credited or charged directly to equity or total revenue, in which case the tax is charged or credited directly to equity or total revenue.

Current tax payable or recoverable in respect of the reporting period is the tax that is expected to be paid on the taxable profit for the reporting period and adjustments to the tax payable for prior periods.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amount of assets and liabilities according to tax rules and the accounting policies used in preparing these financial statements.

Deferred tax assets, including those arising from tax loss carry-forwards, are recognised if it is probable that there will be sufficient future taxable profits against which tax losses can be set off, allowing the assets to be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates, joint ventures and contract-related intangible assets unless Schiphol Group is able to control the timing of the reversal of the temporary

difference and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax liabilities are recognised for:

1. temporary differences resulting from transactions that do not qualify as a takeover and do not influence the result for reporting purposes and for tax purposes at the time of the transaction; and
2. the initial recognition of goodwill.

The carrying amounts of deferred tax assets and liabilities are calculated at the tax rates expected to be applicable to the period in which an asset is realised or a liability is settled, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are netted if they relate to the same fiscal unity and the company at the head of this fiscal unity has a legally enforceable right to do so.

See note 12. *Income tax in the financial statements* for a more detailed explanation.

Foreign currency

(a) Functional currency and presentation currency

The primary economic environment of Schiphol Group is the Netherlands and so the euro is both its functional currency and presentation currency. Financial information is presented in thousands of euros except where otherwise stated.

(b) Transactions, assets and liabilities

Transactions (capital expenditure, income and expenses) denominated in foreign currencies are accounted for at the exchange rate on the transaction date. Monetary assets and liabilities (receivables, payables and cash and cash equivalents) in foreign currencies are translated at the exchange rate on the reporting date. Exchange differences arising on translation and settlement of these items are recognised in the statement of income under financial income and expenses, with the exception of exchange differences on financial instruments in foreign currencies against which derivative financial instruments are held with the object of hedging exchange risks on future cash flows. Exchange differences on these financial instruments are recognised directly in comprehensive income provided the hedge is determined to be highly effective. The ineffective portion is recognised in the income statement under financial income and expenses.

(c) Subsidiaries

Income and expenses denominated in foreign currencies are translated at the exchange rate on the transaction date, which in practice is usually approximated using an average exchange rate. Assets and liabilities are translated at the rate on the reporting date. Goodwill and changes in fair value arising on the acquisition of investments in associates are treated as assets and liabilities of the entity concerned and are similarly translated at the rate on the reporting date. Exchange differences arising on the translation of balance sheets and income statements of subsidiaries, joint ventures and associates outside the euro zone are recognised directly in equity under the exchange differences reserve. On disposal of subsidiaries, joint ventures and associates outside the euro zone, the

accumulated translation differences initially recognised in the exchange differences reserve are recognised in the income statement as part of the result on disposal.

Segment information

An operating segment is a clearly identifiable part of a company that engages in business activities with associated revenues, costs and operating results, and about which separate financial information is available that is regularly reviewed by the Management Board in order to assess the performance of the segment and make decisions about the resources to be allocated to it. Schiphol Group identifies fourteen operating segments, which have been combined into nine segments for reporting purposes in view of the size and characteristics of the operating segments. Group overhead costs are allocated to the segments largely on the basis of their relative share in the direct costs of Schiphol Group.

See *Segment information* for a more detailed explanation.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents within the cash flow statement consist of cash and deposits freely available.

Cash flows from short-term credit facilities are classified as cash flows from financing activities. Cash flows arising from foreign currencies are translated at an estimated average rate. Differences will be separately disclosed. Income tax, interest received and interest paid and dividends received are classified as cash flows from operating activities. Paid dividends are classified as cash flows from financing activities.

The acquisition of a group company or subsidiary is classified as cash flows from investing activities for the part that relates to a cash payment. Available cash and cash equivalents within the acquired company or subsidiary are eliminated. This also applies in the case of the sale of a group company.

Non-cash transactions are not included in the cash flow statement. Payments of lease instalments of a financial lease contract are classified as cash flows from financing activities as regards the part relating to redemption and as cash flows from operating activities as regards the part relating to interest.

See the *Consolidated statement of cash flow for 2016* for a more detailed explanation.

Critical judgements and estimates

The assumptions and estimates made in the financial statements often concern expected future developments. Since the actual developments may deviate from the assumptions used, the actual outcomes may significantly deviate from the current measurements of a number of items in the financial statements. As a result, the assumptions and estimates used may significantly influence Schiphol Group's equity and results. Assumptions and estimates used are tested periodically and adjusted where necessary. To a significant degree, these assumptions and estimates are based on past experience and on Schiphol Group's management's best

estimate of specific circumstances which – in the management's view – apply in the given context. This section discusses the principal areas where the measurement of items is strongly influenced by the assumptions and estimates used.

Useful life, residual value and impairment of property, plant and equipment

The carrying value of property, plant and equipment is calculated on the basis of estimates of depreciation periods derived from the expected technical and useful life of the asset concerned, and residual values. The expected technical and useful life of the asset concerned and its estimated residual value may change under the influence of technological developments, market circumstances and changes in the use of the asset. These factors may also give rise to the need to recognise an impairment on assets.

Determining the fair value of investment property and land positions

The fair value of buildings and land recognised under investment property is appraised each year by independent external valuers and on the basis of internal valuations. A different part of the land positions is appraised by independent external valuers each year. The best evidence of fair value are current prices in an active market for similar investment property. In the absence of such information, Schiphol Group determines the amount within a range of reasonable fair value estimates. The underlying assumptions of these estimates are explained in more detail in *Investment property*.

Impairment of goodwill and non-current assets

Goodwill is not amortised, but an annual impairment test is carried out to identify if there are any changes or events that could lead to an impairment of the goodwill. Other assets are tested in the case of any events or changes that call for an impairment test.

Capitalisation and allocation of costs to specific assets

All capital expenditures are initially recognised under assets under construction if they can be expected to generate future economic benefits. A distinction is made between operating activities and investment property. Operating activities can be subdivided into the following categories:

- Runways, taxiways and aprons
- Paved areas and roads
- Buildings
- Installations
- Other non-current assets

Taxes

When preparing the financial statements, Schiphol Group makes every effort to assess all relevant tax risks and process up-to-date tax position details in the financial statements to the best of its ability. Evolving insights, for example following final tax assessments for prior years, can result in additional tax burdens or benefits, and new tax risks may arise. In the valuation of deferred tax assets, particularly those concerning differences between the values of property, plant and equipment for reporting and tax purposes in the financial statements, assumptions are made regarding the extent to which and the period within which such assets can be realised. This is done, for instance, on the basis of business plans. In addition, when

preparing the financial statements assumptions are made regarding temporary and permanent differences between the values for reporting and tax purposes. The actual situation may deviate from the assumptions used to determine deferred tax positions, due for instance to diverging insights and changes in tax laws and regulations. See *Income tax in the financial statements* for a more detailed explanation.

The management programme for these tax risks (also known as the 'tax control framework') is part of Schiphol Group's overall risk management programme. This programme serves to identify tax risks and monitor internal control with the aim of mitigating the tax risks. Schiphol Group has also developed and implemented a tax planning framework. Tax risk management is facilitated by the central control department (Group Control) and is part of approved Management Board policy. This policy is based on Schiphol Group's aim to be a trustworthy taxpayer through the application of professional tax compliance procedures.

Claims and disputes

Schiphol Group is the subject of various claims and disputes, which are part of its business operations. The Schiphol Group management assesses the claims and court cases instituted against it on the basis of facts and seeks legal advice when required. Furthermore Schiphol is also involved in disputes as claiming party. In both cases this involves subjective elements and projected outcomes. However, it is not possible to obtain certainty about the final outcome and any negotiations on claims and disputes. For a more detailed explanation see *Contingent assets and liabilities*.

Changes in the scope of consolidation

2015 - disposal of controlling interest in SAR B.V.

On 30 April 2015 Schiphol Group sold 60% of its interest in Schiphol Airport Retail B.V. (SAR) to Gebr. Heinemann SE & Co. KG. Schiphol Group and Gebr. Heinemann established a joint venture for the retail operations of liquor, tobacco and confectionery in the shopping area behind security filters at Amsterdam Airport Schiphol. Heinemann holds 60% and Schiphol Group holds 40% of the shares. Due to

the sale Schiphol Group lost its controlling interest. As of 30 April 2015 all assets and liabilities, as well as the results of SAR, were no longer consolidated.

As a consequence of the sale Schiphol Group realised a positive result of 50 million euros, which was included in other income. The consideration received amounts to 34 million euros. The positive result consists of the initial recognition of the 40% joint venture at fair value and the result on the sale of 60%.

(in millions of euros)

30 April 2015

Intangible assets	57
Assets used for operating activities	1,349
Inventories	7,300
Cash and cash equivalents	4,330
Trade and other receivables	3,138
Assets held for sale	16,174
Provisions	157
Trade and other payables	9,937
Liabilities held for sale	10,094
Net assets and liabilities held for sale	6,080
Consideration received in cash	33,556
Cash and cash equivalents disposed	-4,330
Net cash inflow	29,226
Other income	
Consideration received in cash (60% interest)	33,556
Initial recognition of joint venture Schiphol Airport Retail B.V. (40% interest)	22,371
Disposed net assets and liabilities adjusted for intercompany assets and liabilities	-6,080
Total income on disposal of controlling interest	49,847

Segment information

Schiphol Group has identified fourteen operating segments, which have been combined into nine reporting segments for reporting purposes.

The Aviation business area operates at Amsterdam Airport Schiphol and provides services and facilities to airlines, passengers and handling agents. The Aviation business area is subdivided into two segments: Aviation and Security. Aviation generates most of its revenue from airport charges (charges related to aircraft and passengers) and concession fees (paid by oil companies for the provision of aircraft refuelling services). The source of revenue for Security consists of airport charges (security-related charges).

The activities of the Consumer Products & Services business area consist of granting and managing concessions for shops and food service outlets (Concessions segment, generating revenue from concessions and leasing retail locations), operating car parks (Parking segment, generating revenue from parking charges) and shops and marketing advertising opportunities at Amsterdam Airport Schiphol (Other segment, generating revenue from retail sales and leasing advertising space respectively).

The Real Estate business area, which is also a segment, develops, manages, operates and invests in property at and around domestic and foreign airports. The major part of the portfolio, comprising both airport buildings and commercial properties, is located at and around Amsterdam Airport Schiphol. Sources of revenue include income from developing and leasing out land and buildings. The business area also makes a major contribution to Schiphol Group results with other income from property (sales, fair value gains or losses on property and granting land leases).

The Alliances & Participations business area comprises the Domestic Airports, Foreign Airports and Other Subsidiaries segments. Airport charges and parking charges are the main sources of revenue of the regional airports (Rotterdam The Hague, Eindhoven and Lelystad). The airports abroad contribute to the Group result through their results, performance fees and dividends as accounted for in share in results, through intellectual property fees and through the interest paid on loans. This includes stakes in Groupe ADP and Brisbane Airport Corporation Holdings Ltd. The stake in JFK IAT Member LLC is recognised as a contract-related asset and contributes to the Group result through performance fees that are recognised as part of other activities. Schiphol Telematics provides telecommunication services at and around the airport. Utilities generates revenue from the transmission of electricity and gas and from the supply of water.

Information relating to alliances specifically associated with a particular business area is presented under the segments of that business area. The information relating to other alliances is presented under the reporting segments of the Alliances & Participations business area.

The Management Board and Corporate Treasury review liabilities and financial income and expenditure at group level rather than segment level. Transactions between the segments have been consistently conducted at arm's length over the years.

Since Schiphol Group's current activities are concentrated almost entirely in the Netherlands (approximately 99% of consolidated revenue in 2016), there is no geographical segmentation. Around 34% of revenue relates to one external customer and is generated primarily in the Aviation and Security segments.

2016

(in thousands of euros)	Aviation	Consumer Products & Services	Real Estate	Alliances & Participations	Total
Airport charges	787.671	-	-	60.163	847.834
Concessions	15.476	163.539	1.409	6.724	187.148
Rent and leases	94	16.868	168.743	3.905	189.610
Parking fees	-	96.927	4.174	16.820	117.921
Retail sales	-	-	-	2.645	2.645
Other activities	25.069	28.539	31.662	90.710	175.980
Total revenue	828.310	305.873	205.988	180.967	1.521.138
Intercompany revenue	- 1.177	- 2.149	- 33.109	- 50.028	- 86.463
Revenue	827.133	303.724	172.879	130.939	1.434.675
Other income and results from investment property	-	-	71.149	241	71.390
Depreciation and amortisation	- 176.040	- 27.077	- 18.635	- 14.768	- 236.520
Impairment	-	-	- 1.595	-	- 1.595
Operating profit	37.466	197.404	147.678	37.769	420.317
Share of profit of associates ¹	917	407	- 1.719	73.972	73.577
Total assets	2.574.608	387.057	2.227.232	1.237.465	6.426.362
Total non-current assets (excl. income tax)	2.314.840	348.005	1.877.542	1.112.454	5.652.841
Investments in associates and other financial interests	3.203	21.993	97.891	772.258	895.345
Capital expenditure ²	197.044	24.955	12.482	68.864	303.345

¹ The share in results of associates includes the share in results of associates presented as such in the profit and loss account and the share of interest income presented as part of financial income and expenses that is attributable to investments in- and receivables on associates.

² These capital expenditures includes assets under construction for operating activities, investment properties and intangible fixed assets.

2015

(in thousands of euros)	Aviation	Consumer Products & Services	Real Estate	Alliances & Participations	Total
Airport charges	810.028	-	-	58.652	868.680
Concessions	13.680	155.411	1.613	6.021	176.725
Rent and leases	96	15.741	159.049	3.888	178.774
Parking fees	-	89.975	4.104	16.129	110.208
Retail sales	-	25.733	-	3.199	28.932
Other activities	20.448	27.081	7.816	98.899	154.244
Total revenue	844.252	313.941	172.582	186.788	1.517.563
Intercompany revenue	- 1.306	- 11.149	- 25.125	- 56.831	- 94.411
Revenue	842.946	302.792	147.457	129.957	1.423.152
Other income and results from investment property	-	49.847	66.368	319	116.534
Depreciation and amortisation	- 161.392	- 23.874	- 18.750	- 18.780	- 222.796
Impairment	-	-	- 6.660	- 850	- 7.510
Operating profit	104.113	238.252	128.605	33.976	504.946
Share of profit of associates ¹	1.150	- 724	3.513	62.880	66.819
Total assets	2.526.166	407.923	2.321.642	1.143.370	6.399.101
Total non-current assets (excl. income tax)	2.200.613	355.353	1.897.775	995.687	5.449.428
Investments in associates and other financial interests	3.685	21.585	106.769	725.775	857.814
Capital expenditure ²	131.879	65.300	212.071	29.394	438.644

¹ The share in results of associates includes the share in results of associates presented as such in the profit and loss account and the share of interest income presented as part of financial income and expenses that is attributable to investments in- and receivables on associates.

² These capital expenditures includes assets under construction for operating activities, investment properties and intangible fixed assets.

Aviation

(in thousands of euros)	Aviation		Security		Total	
	2016	2015	2016	2015	2016	2015
Airport charges	502.130	516.512	285.541	293.516	787.671	810.028
Concessions	15.476	13.680	-	-	15.476	13.680
Rent and leases	91	95	3	1	94	96
Other activities	23.547	18.931	1.522	1.517	25.069	20.448
Total revenue	541.244	549.218	287.066	295.034	828.310	844.252
Intercompany revenue	-792	-941	-385	-365	-1.177	-1.306
Revenue	540.452	548.277	286.681	294.669	827.133	842.946
Depreciation and amortisation	-135.031	-124.473	-41.009	-36.919	-176.040	-161.392
Operating profit	38.338	83.857	-872	20.256	37.466	104.113
Share of profit of associates ¹	917	1.150	-	-	917	1.150
Total assets	2.178.627	2.170.622	395.981	355.544	2.574.608	2.526.166
Total non-current assets (excl. income tax)	1.958.812	1.890.889	356.028	309.724	2.314.840	2.200.613
Investments in associates and other financial interests	3.203	3.685	-	-	3.203	3.685
Capital expenditure	159.553	81.660	37.491	50.219	197.044	131.879

¹ The share in results of associates includes the share in results of associates presented as such in the profit and loss account and the share of interest income and dividends presented as part of financial income and expenses that is attributable to investments in associates, lease receivables and other financial interests.

Consumer Products & Services

(in thousands of euros)	Concessions		Parking		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Concessions	158.123	150.713	5.416	4.698	-	-	163.539	155.411
Rent and leases	16.381	15.234	487	507	-	-	16.868	15.741
Parking fees	-	-	96.954	89.975	-27	-	96.927	89.975
Retail sales	-	-	-	-	-	25.733	-	25.733
Other activities	751	340	2.006	1.937	25.782	24.804	28.539	27.081
Total revenue	175.255	166.287	104.863	97.117	25.755	50.537	305.873	313.941
Intercompany revenue	-390	-9.358	-1.452	-1.265	-307	-526	-2.149	-11.149
Revenue	174.865	156.929	103.411	95.852	25.448	50.011	303.724	302.792
Other income and results from investment property	-	-	-	-	-	49.847	-	49.847
Depreciation and amortisation	-13.072	-10.661	-11.427	-10.367	-2.578	-2.846	-27.077	-23.874
Operating profit	130.726	125.785	56.516	55.893	10.162	56.574	197.404	238.252
Share of profit of associates ¹	407	-724	-	-	-	-	407	-724
Total assets	180.841	213.882	188.471	176.404	17.745	17.637	387.057	407.923
Total non-current assets (excl. income tax)	162.595	186.318	169.455	153.671	15.955	15.364	348.005	355.353
Investments in associates and other financial interests	21.993	21.585	-	-	-	-	21.993	21.585
Capital expenditure	-7.077 ²	54.645	26.403	5.125	5.629	5.530	24.955	65.300

¹ The share in results of associates includes the share in results of associates presented as such in the profit and loss account and the share of interest income and dividends presented as part of financial income and expenses that is attributable to investments in associates, lease receivables and other financial interests.

² The capital expenditure for Lounge 2 are allocated to other reporting segments (mainly Aviation) at completion.

Real Estate

(in thousands of euros)	2016	2015
Concessions	1.409	1.613
Rent and leases	168.743	159.049
Parking fees	4.174	4.104
Other activities	31.662	7.816
Total revenue	205.988	172.582
Intercompany revenue	-33.109	-25.125
Revenue	172.879	147.457
Other income and results from investment property	71.149	66.368
Depreciation and amortisation	-18.635	-18.750
Impairment	-1.595	-6.660
Operating profit	147.678	128.605
Share of profit of associates ¹	-1.719	3.513
Total assets	2.227.232	2.321.642
Total non-current assets (excl. income tax)	1.877.542	1.897.775
Investments in associates and other financial interests	97.891	106.769
Capital expenditure	12.482	212.071

¹ The share in results of associates includes the share in results of associates presented as such in the profit and loss account and the share of interest income and dividends presented as part of financial income and expenses that is attributable to investments in associates, lease receivables and other financial interests.

Alliances & Participations

(in thousands of euros)	International airports		Domestic airports		Other subsidiaries		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Airport charges	-	-	60.163	58.652	-	-	60.163	58.652
Concessions	-	-	6.724	6.021	-	-	6.724	6.021
Rent and leases	-	-	3.900	3.888	5	-	3.905	3.888
Parking fees	-	-	16.820	16.129	-	-	16.820	16.129
Retail sales	-	-	2.645	3.199	-	-	2.645	3.199
Other activities	12.812	13.430	5.010	4.297	72.888 ¹	81.172	90.710	98.899
Total revenue	12.812	13.430	95.262	92.186	72.893	81.172	180.967	186.788
Intercompany revenue	-2	-48	-1.338	-1.487	-48.688	-55.296	-50.028	-56.831
Revenue	12.810	13.382	93.924	90.699	24.205	25.876	130.939	129.957
Other income and results from investment property	-	-	241	319	-	-	241	319
Depreciation and amortisation	-1.390	-1.372	-8.234	-7.723	-5.144	-9.685	-14.768	-18.780
Impairment	-	-	-	-	-	-850	-	-850
Operating profit	10.062	11.217	16.281	17.590	11.426	5.169	37.769	33.976
Share of profit of associates ²	73.699	62.714	-	-	273	166	73.972	62.880
Total assets	989.249	955.344	187.942	138.723	60.274	49.303	1.237.465	1.143.370
Total non-current assets (excl. income tax)	889.282	832.226	168.979	120.511	54.193	42.950	1.112.454	995.687
Investments in associates and other financial interests	770.000	724.287	-	-	2.258	1.488	772.258	725.775
Capital expenditure	1.261	4.337	53.596	14.415	14.007	10.642	68.864	29.394

¹ The other activities include revenues from Utilities (supply of gas, electricity and water) and telecommunication services.

² The share in results of associates includes the share in results of associates presented as such in the profit and loss account and the share of interest income and dividends presented as part of financial income and expenses that is attributable to investments in associates, lease receivables and other financial interests.

Notes to the consolidated statement of income

1. Revenue

Airport charges

The activities of the Aviation business area (at Amsterdam Airport Schiphol) are regulated. This means that the annual process of setting the airport charge rates is subject to supervision by the Dutch Authority for Consumers and Markets (ACM) and that the aviation industry must be consulted as part of this process. When setting the aviation charges, the Aviation business area's profitability is also capped at an average weighted cost of capital for regulated assets; both must be determined in compliance with the Aviation Act.

Settlement

Under the Aviation Act, Schiphol Group must settle surpluses and deficits from specified income and expenses with the industry. In principle, a settlement will take place after the respective financial year and preparation of the financial statements of the Aviation and Security reporting segments, in accordance with the Aviation Act and the applicable new airport charge rates. In accordance with the accounting policies, surpluses and deficits eligible for settlement in the airport charge rates are not yet presented as assets and liabilities in the balance sheet. This procedure does not apply to the airport charges of Rotterdam, Eindhoven and Lelystad airports, which are accounted for in the Domestic Airports reporting segment.

There was a surplus for the 2015 financial year of 33.9 million euros for the Aviation segment and 21.3 million euros for the Security segment. This (net) surplus of 55.2 million euros will be included in the charges as from 1 April 2017. For the 2016 financial year a surplus of 52 million euros is expected, which will be included in the charges in force from 1 April 2018.

(in thousands of euros)	2016	2015
Passenger service charges	341,090	339,829
Security service charges	311,967	320,708
Aircraft-related fees	189,468	201,886
Aircraft parking fees	5,309	6,257
Total airport charges	847,834	868,680

Concessions

Schiphol Group's Concessions reporting segment, which is part of the Consumer Products & Services business area, has 88 concession contracts (2015: 98) for a range of commercial activities at Amsterdam Airport Schiphol.

A concession grants the holder non-exclusive rights to operate and manage a commercial activity in a specific location designated by Schiphol Group. The concession charges are calculated on a percentage scale of the sales generated by the concession holder. A separate contract is entered into with concession holders for the space, for which a fixed rent is payable. The concessions have an average duration of three to five years. At the reporting date, about 52% of the concessions had a remaining term of less than three years (2015: about 61%), about 27% had a remaining term between three and five years (2015: about 28%) and about 21% had a remaining term of more than five years (2015: about 11%).

Revenue of 15.5 million euros from concessions included in the Aviation segment (13.7 million euros in 2015) and 5.4 million euros in the Parking segment (4.7 million euros in 2015) relates to concession agreements for the third-party supply of aviation fuel and car rental services on the airport.

(in thousands of euros)	2016	2015
Shops Retail Airside	103,957	93,355
Food and beverage	38,844	32,601
Oil companies	15,270	13,458
Shops Plaza	7,414	7,438
Other	21,659	21,262
Intercompany revenue	4	8,611
Total concessions	187,148	176,725

Rent and leases

(in thousands of euros)	2016	2015
Investment property: buildings, including service charges	85,446	84,036
Operating property, including service charges	41,423	43,503
Investment property: land	30,384	27,769
Intercompany revenue	32,357	23,467
Total rent and leases	189,610	178,775

Occupancy in the Real Estate segment was 88.7% as at 31 December 2016 (88.8% as at 31 December 2015).

Approximately 14% of the leases (measured by income from rent and leases) expire within one year (14% in 2015), 55% between one and five years (45% in 2015) and 31% after more than five years (41% in 2015). Property management expenses divided into occupied and unoccupied buildings can be analysed as follows:

(in thousands of euros)	2016	2015
Occupied buildings	39,474	37,334
Unoccupied buildings	5,648	4,922
Total property management expenses	45,122	42,256

If buildings are partially leased, the property management expenses have been apportioned based on floor area.

Parking fees

(in thousands of euros)	2016	2015
Short-stay parking	50,473	48,738
Long-stay parking	28,393	23,496
Business parking	20,150	19,831
	99,016	92,065
Parking at other locations	16,820	16,129
Intercompany revenue	2,085	2,014
Total parking fees	117,921	110,208

Parking revenues at other locations relate to Rotterdam The Hague, Eindhoven and Lelystad airports and are included in the Domestic Airports segment.

Retail sales

Retail sales generated 2.6 million euros in 2016, which was realised by Rotterdam The Hague Airport. In 2015 retail sales generated 28.9 million euros, of which 25.7 million euros was realised by revenue from liquor, tobacco and chocolate sales at Amsterdam Airport Schiphol. The decrease in retail sales is caused by the sale of Schiphol's controlling interest on 30 April 2015 to Gebr. Heinemann SE & Co. KG. Schiphol and Heinemann collaborate in a joint venture for the retail operations of liquor, tobacco and chocolate in the shopping area behind security filters at Amsterdam Airport Schiphol.

The related cost of sales of 0.8 million euros (13.5 million euros in 2015) is included in the operating expenses in 'Outsourcing and other external costs'.

Other activities

(in thousands of euros)	2016	2015
Hotel activities	28,911	2,293
Services and activities on behalf of third parties	22,874	21,716
Advertising	17,592	16,750
Electricity, gas and water	6,139	6,417
Other operating income	47,783	46,090
Intercompany revenue	52,681	60,978
Total other activities	175,980	154,244

In 2016, hotel activities generated 28.9 million euros of revenue, of which 26.1 million euros was realised by the new Hilton hotel that opened in December 2015. The revenue related cost of these activities of 19.0 million euros is included in the operating expenses in 'Outsourcing and other external costs'.

2. Other income and results from investment property

(in thousands of euros)	2016	2015
Gain/ (loss) on disposal of property	423	92
Result on sale of property	423	92
New long leases granted	1,646	1,662
Gain/ (loss) on changes in fair value of land	3,030	8,850
Gain/ (loss) on changes in fair value of buildings	66,291	56,083
Total fair value gains and losses	70,967	66,595
Total other revenues from investment property	71,390	66,687

Fair value gains and losses

The gains from granting new ground leases were connected with the change in measurement of leasehold land from historical cost to fair value upon release. The market value is calculated by discounting the value of the future annual ground rents and the residual value under the contracts concerned (DCF method), using a discount rate based on the interest rate on Dutch government bonds plus a risk premium.

The fair value of all the investment properties is assessed each year and is adjusted when necessary. This assessment takes into account the lease incentives granted. The resulting adjustments to fair value are included in market value adjustments for land and buildings. The assumptions applied in determining the market value are explained in note 11. *Investment property*.

The fair value adjustment to buildings was 66.3 million euros in 2016. This is attributable to positive market developments and lower vacancy rates regarding logistics property and offices at prime locations.

3. Other income

The other income in 2015 included the one-off effect from the sale of SAR of 49.8 million euros. In 2016 a similar transaction did not occur.

See the section on *Changes in the scope of consolidation* for more details.

4. Outsourcing and other external costs

(in thousands of euros)	2016	2015
Security	178,823	182,670
Other subcontracted activities	114,843	107,651
Maintenance	102,406	101,838
Hired temporary staff	56,008	31,795
Cleaning	33,786	34,651
Commercial expenses	28,051	23,951
Insurance and government levies	21,289	21,594
Energy and water	19,198	19,613
Hotel activities	18,990	1,149
Advisory and audit fees	17,601	17,425
Costs related to investments	12,907	14,662
Cost of retail sales	795	13,521
Other expenses (such as general expenses, rents and leasing)	55,834	45,713
Total cost of outsourced work and other external costs	660,531	616,233

Auditor's fees

(in thousands of euros)	2016	2015
Audit of the financial statements	697	662
Other audit services	609	531
Tax advisory	-	-
Other non-audit services	-	-
Total auditor's fees	1,306	1,193

The auditor's fees concerned activities carried out at Schiphol Group and the consolidated group companies by the audit firm as referred to in Section 1(1) of the Audit Firms Supervision Act and represent the fees charged by the entire network of which the audit firm is part. The fees of KPMG Accountants N.V. amounted to 1.2 million euros (2015: 1.1 million euros) while the activities performed by other members of the KPMG network amounted to 0.1 million euros (2015: 0.1 million euros).

5. Employee benefits expense

(in thousands of euros)	2016	2015
Short-term employee benefits	147,711	147,014
Post-retirement benefits	18,323	21,917
Other long-term employee benefits	3,808	3,553
Termination benefits	1,023	1,665
Other staff costs	13,658	10,546
Total employee benefits	184,523	184,695

(in thousands of euros)

Short-term employee benefits

	2016	2015
Salaries	145,075	144,522
Social charges	14,619	14,205
Internal hours capitalised	-11,983	-11,713
Total	147,711	147,014

Post-retirement benefits

	2016	2015
Pension charges (defined contribution plans)	19,446	19,098
Early retirement benefits	-1,123	2,819
Total	18,323	21,917

Other long-term employee benefits

	2016	2015
Jubilee benefits	804	-167
Long-term management bonuses	753	1,180
Other employee benefits	2,251	2,540
Total	3,808	3,553

The average number of employees at N.V. Luchthaven Schiphol and its subsidiaries on a full-time equivalent basis was 2,063 (2015: 2,000).

The internal hours capitalised relate to time spent by employees in the development phases of investment projects. Other staff costs include training costs and travel expenses. The costs of post-employment benefits, other long-term employee benefits and redundancy payments are explained in more detail in note 24. *Employee benefits expense*. For an explanation of the remuneration of Supervisory and Management Board members under Section 2:383c of the Dutch Civil Code, reference is made to the section entitled *Related Party Disclosures*.

6. Depreciation, amortisation and impairment expenses

(in thousands of euros)	2016	2015
Contract-related assets	1,380	1,365
ICT development	6,396	5,464
Software licences	5,573	4,672
Intangible assets	13,349	11,501
Runways, taxiways and aprons	24,753	22,588
Paved areas and roads	11,557	12,789
Buildings	52,851	41,633
Installations	101,422	101,449
Other assets	32,295	27,872
Assets used for operating activities	222,878	206,331
Depreciation and amortisation in relation to disposals	293	4,964
Impairments	1,595	7,509
Total depreciation, amortisation and impairments	238,115	230,305

See note 8. *Intangible assets* for information on the amortisation of contract-related assets and note 9. *Assets used for operating activities* and 11. *Investment property* for information on impairments.

7. Other operating expenses

Other operating expenses in 2015 included 2.2 million euros in relation to the pre-opening costs for the newly built Hilton Hotel.

The revenue related cost of the hotel activities in 2016 are included in the operating expenses in 'Outsourcing and other external costs'.

Notes to the statement of financial position

8. Intangible assets

(in thousands of euros)	Goodwill	Contract-related assets	ICT development	Software licences	Software under development	Total
Carrying amount as at 1 January 2015	849	36,262	15,775	12,806	8,507	74,199
Movements in 2015						
Additions	-	-	-	-	13,021	13,021
Completions	-	-	5,654	3,617	- 9,271	-
Amortisation	-	- 1,365	- 5,463	- 4,673	-	- 11,501
Impairment	- 849	-	-	-	-	- 849
Reclassification	-	-	- 74	- 506	-	- 580
Disposals	-	-	2	- 2	-	-
Exchange differences	-	4,333	-	-	-	4,333
Total movements in the year	- 849	2,968	119	- 1,564	3,750	4,424
Analysis as at 31 December 2015						
Cost	849	46,036	71,471	44,489	12,571	175,416
Accumulated amortisation and impairment	- 849	- 6,806	- 55,577	- 33,247	- 314	- 96,793
Carrying amount as at 31 December 2015	-	39,230	15,894	11,242	12,257	78,623
Movements in 2016						
Additions	-	-	-	-	13,766	13,766
Completions	-	-	10,300	7,686	- 17,986	-
Amortisation	-	- 1,380	- 6,396	- 5,573	-	- 13,349
Exchange differences	-	1,234	-	-	-	1,234
Total movements in the year	-	- 146	3,904	2,113	- 4,220	1,651
Analysis as at 31 December 2016						
Cost	849	47,270	81,771	52,175	8,351	190,416
Accumulated amortisation and impairment	- 849	- 8,186	- 61,973	- 38,820	- 314	- 110,142
Carrying amount as at 31 December 2016	-	39,084	19,798	13,355	8,037	80,274

9. Assets used for operating activities

(in thousands of euros)	Runways, taxiways and aprons	Paved areas, roads etc.	Buildings	Installations	Other assets	Total
Carrying amount as at 1 January 2015	360,734	458,939	815,777	769,755	93,564	2,498,769
Movements in 2015						
Completions	20,805	24,220	304,823	227,408	95,574	672,830
Depreciation	- 22,588	- 12,789	- 41,633	- 101,448	- 27,873	- 206,331
Changes in the consolidation	-	4	7	3	233	247
Disposals	- 49	- 183	- 354	- 3,163	- 1,214	- 4,963
Reclassification	-	- 27,931	-	85	- 2,044	- 29,890
Costprice adjustment	-	-	- 3,265	-	-	- 3,265
Reclassified as assets held for sale	-	- 11,320	- 65,423	- 30,939	- 17,216	- 124,898
Total movements in the year	- 1,832	- 27,999	194,155	91,946	47,460	303,730
Analysis as at 31 December 2015						
Cost	751,266	646,230	1,670,955	2,216,546	502,527	5,787,524
Accumulated depreciation and impairment	- 392,364	- 215,290	- 661,023	- 1,354,845	- 361,503	- 2,985,025
Carrying amount as at 31 December 2015	358,902	430,940	1,009,932	861,701	141,024	2,802,499
Movements in 2016						
Completions	21,421	32,408	57,790	93,245	38,827	243,691
Depreciation	- 24,753	- 11,557	- 52,851	- 101,422	- 32,295	- 222,878
Impairment	-	-	- 685	-	-	- 685
Disposals	-	-	-	- 32	- 215	- 247
Acquisitions	-	-	-	-	531	531
Disposals	4	- 490	- 539	- 1,649	2,381	- 293
Reclassification	-	- 2,273	10,058	- 11,073	9,989	6,701
Reclassified as assets held for sale	-	- 3,023	2,244	162	- 456	- 1,073
Total movements in the year	- 3,328	15,065	16,017	- 20,769	18,762	25,747
Analysis as at 31 December 2016						
Cost	772,691	672,852	1,740,508	2,297,199	553,584	6,036,834
Accumulated depreciation and impairment	- 417,117	- 226,847	- 714,559	- 1,456,267	- 393,798	- 3,208,588
Carrying amount as at 31 December 2016	355,574	446,005	1,025,949	840,932	159,786	2,828,246
During the year, the following projects were completed:						
Redevelopment Lounge 2	-	-	11,966	15,886	17,220	45,072
Parking garage P3	-	-	14,925	1,617	1,387	17,929
Major maintenance Buitenveldertbaan	13,335	2,102	-	1,172	373	16,982
Land at Lelystad Airport	-	14,014	-	-	-	14,014
Other	8,086	16,292	30,899	74,570	19,847	149,694
Total completions	21,421	32,408	57,790	93,245	38,827	243,691

During the year, two buildings were transferred from investment property to assets used for operating activities because of a change in use of these properties.

10. Assets under construction or development

(in thousands of euros)	Assets under construction for operating activities
Carrying amount as at 1 January 2015	456,224
Movements in 2015	
Capital expenditure	406,860
Capitalised construction period borrowing cost	5,650
Completed assets	- 672,830
Reclassification	15,521
Total movements in the year	- 244,799
Carrying amount as at 31 December 2015	211,425
Movements in 2016	
Capital expenditure	279,115
Capitalised construction period borrowing cost	383
Completed assets	- 243,691
Reclassification	- 2,541
Reclassified as assets held for sale	- 272
Total movements in the year	32,994
Carrying amount as at 31 December 2016	244,419
Capital expenditures relate to the following projects:	
Major maintenance	28,057
Central security Non Schengen	24,256
Major maintenance Buitenveldertbaan	17,214
Redevelopment Lounge 2	16,623
Temporary Terminal	14,550
Land at Lelystad Airport	14,014
Parking garage P3	7,591
Gate proces innovation	7,528
Area A	6,834
Other	142,448
Total capital expenditures in the year	279,115

The capitalisation of construction period interest is calculated by applying a percentage rate determined quarterly according based on the leverage ratio. In 2016, the rate varied between 1.98% and 2.09% on an annual basis reflecting that ratio.

11. Investment property

(in thousands of euros)	Buildings	Land	Assets under construction	Total
Carrying amount as at 1 January 2015	850,545	350,062	82,795	1,283,402
Movements in 2015				
Capital expenditure	-	-	18,763	18,763
Capitalised construction borrowing cost	-	-	18	18
Completions	4,827	- 1,307	- 3,520	-
Fair value gains and losses	56,083	10,512	-	66,595
Impairments	-	-	- 6,660	- 6,660
Reclassification	1,126	22,306	- 9,064	14,368
Other	271	-	404	675
Total movements in the year	62,307	31,511	- 59	93,759
Carrying amount as at 31 December 2015	912,852	381,573	82,736	1,377,161
Movements in 2016				
Capital expenditure	-	-	10,464	10,464
Capitalised construction borrowing cost	-	-	25	25
Completions	11,733	2,915	- 14,648	-
Fair value gains and losses	66,291	3,176	1,500	70,967
Impairments	-	-	- 910	- 910
Reclassification	- 8,330	-	4,170	- 4,160
Reclassified as assets held for sale	-	-	- 65	- 65
Total movements in the year	69,694	6,091	536	76,321
Carrying amount as at 31 December 2016	982,546	387,664	83,272	1,453,482
Measured at				
Cost model	-	-	77,172	77,172
Fair value model	982,546	387,664	6,100	1,376,310

Investment property under construction

Assets under construction for the development of investment properties mainly consist of land positions held for future investment property development or land with undetermined future use (operational or commercial development). The plans for development are subjected to annual changes and are therefore inadequate to determine the fair value on a continuing basis. This category is therefore measured in accordance with the cost model.

The impairment of 0.9 million euros in 2016 relates to an impairment on land positions at Rotterdam The Hague Airport. In 2015 the impairment was related to an impairment on land positions at Schiphol-East of 3.6 million euros and Nieuwe Meer for 3.1 million euros.

Buildings and land positions

Investment properties consist of buildings and land. All properties are measured at fair value. The fair value is based on the market value (costs payable by the buyer, so adjusted for purchase costs, such as transfer tax), that is, the estimated amount for which

investment property can be sold on the valuation date between a buyer and a seller willing to do business in an objective, arm's length transaction preceded by proper negotiations in which the parties were well informed. The calculation of the cash flows, which is a factor in determining the fair value at which investment property is stated in the balance sheet, takes into account the lease incentives given.

As at 31 December 2016, 100% of the buildings and 25% of land is appraised by independent external valuers. The remaining fair value of land is based on internal valuations with reference to externally validated input variables.

Buildings includes an amount of 120 million euros (31 December 2015: 107 million euros) in respect of the fair value of assets (The Base) where the company has the risks and rewards incidental to ownership but no legal title (finance lease). Land includes land leased under long-lease contracts.

Details of the result on property sales and fair value gains and losses on investment property can be found in note 2. *Other income and results from investment property.*

All investment property classifies as a level 3 valuation. In October 2015 the Dutch Register of Real Estate Valuers (Nederlands Register Vastgoed Taxateurs (NRVT)) was established, with the task to increase and maintain the quality of valuers. The AFM regards the NRVT as the new market standard for valuers to comply with. These standards are based on IFRS and international valuation guidelines. All our valuers are NVRT members. The valuation method is described in more detail below.

Valuation method for buildings

The valuation method used is a combination of the net initial yield (NIY) method and the discounted cash flow method (DCF). The NIY method uses a net market rent which is capitalised with a NIY and is adjusted for all elements that differ from the market assumptions. The NIY is determined on the basis of comparable market transactions supplemented with market and object-specific knowledge. Deviating assumptions include contractual rent, vacancy information, deferred maintenance and rent holidays. The DCF method estimated net cash flows are discounted at a risk-adjusted discount rate which includes specific object and location assumptions.

	Average effective contractual rental income per m ²		Average market rent per m ²		Average net initial yield	
	2016	2015	2016	2015	2016	2015
Schiphol-Centre						
Offices	279	291	287	321	5.35%	5.96%
Business premises	n/a	n/a	n/a	n/a	n/a	n/a
Schiphol-North/East						
Offices	127	137	153	160	7.76%	8.04%
Business premises	115	118	101	98	6.80%	7.20%
Schiphol-Southeast						
Offices	119	112	167	167	10.00%	9.38%
Business premises	128	130	111	112	6.58%	6.36%
Schiphol-South						
Offices	158	157	156	156	6.75%	7.00%
Business premises	98	100	100	100	6.49%	6.79%
Rotterdam The Hague Airport						
Offices	192	163	180	166	7.06%	7.82%
Business premises	85	49	92	82	7.04%	7.21%

Significant assumptions for buildings

The significant assumptions used in the valuation model comprise:

- inflation development between 1.4% and 1.9%;
- average market rent development between 0.0% and 1.5%;
- average period of vacancy of 11 months;
- average rent holiday of 8.3 months;
- and a net initial yield between 4.6% and 10.0%.

Relationship between significant unobservable input and fair value determination

The estimated fair value will increase or decrease to the extent that the expected market rent growth is higher (lower), the periods of vacancy are longer (shorter), the occupancy rate is lower (higher), the rent holidays are shorter (longer) and the NIY is higher (lower).

Valuation method for land

For land positions that generate revenues through ground rent, the valuation technique used is the DCF method. The estimated net cash flows are discounted with a risk-adjusted rate plus risk surcharges.

Land positions that are leased out for long periods and whose instalments are prepaid are measured at the prepaid instalment minus an annual redemption. The annual redemption is equal to the total instalment divided by the lease period plus the discounted value of the estimated instalment for the next lease period.

Significant assumptions used in the valuation model are:

Land

	2016	2015
Inflation rate	0.10% - 1.90%	0.60% - 1.90%
Discount rate	6.50% - 7.75%	6.75% - 8.25%

12. Income tax in the financial statements

This note contains further details on all the items of the financial statements with regard to income tax. This tax can be divided into income tax recognised in the statement of income, deferred taxes

recognised in the statement of financial position, current tax positions in the statement of financial position and income tax recognised in equity.

Reconciliation of effective tax rate

(in thousands of euros)

	2016		2015	
Profit before tax	397,197		476,866	
Income tax calculated at the domestic tax rate	99,299	25.0%	119,217	25.0%
Share of profit of associates	- 16,871	-4.2%	- 15,118	-3.2%
Share of profits of associates in limited partnerships that are not independently taxable	713	0.2%	972	0.2%
Participation exemption on disposal of subsidiaries	-	0.0%	- 12,462	-2.6%
Participation exemption on RPS dividend	- 759	-0.2%	-	0.0%
Different rate for foreign subsidiaries / associates	1,723	0.4%	1,765	0.4%
Tax losses for which no deferred tax asset has been recognised	1,782	0.4%	1,838	0.4%
Change in recognised temporary differences	-	0.0%	2,199	0.5%
Tax gain previous years	19	0.0%	182	0.0%
Other	56	0.0%	- 83	0.0%
Income tax expense in income statement (effective)	85,962	21.6%	98,510	20.7%

The effective income tax rate in 2016 of 21.6% is 0.9% higher than the 2015 effective income tax rate of 20.7%. Both are lower than the domestic income tax rate of 25%. The lower tax burden in both years is mainly attributable to the application of the participation exemption to the results of associates. In addition, the one-off effect of the sale of SAR in 2015 for 50 million euros is exempted and reduced the tax burden. Without the participation exemptions the tax burden for 2016 amounted to 26% (2015: 26%).

The tax burden is increased due to non-offsettable income tax on impairment losses of 7 million euros (2015: 8 million euros) which originated in Italian companies, among others. The amount in offsettable losses for which no deferred tax asset is recognised is 35 million euros (2015: 28 million euros).

Income tax in the statement of income

(in thousands of euros)

	2016	2015
Current income tax		
Income tax current year	68,719	79,103
Adjustment for prior years	20	182
Total current income tax	68,739	79,285
Deferred income tax		
Origination and reversal of temporary differences	17,223	19,225
Total deferred income tax	17,223	19,225
Total income tax	85,962	98,510

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	396,836		7,489		- 7,128		397,197	
Income tax calculated at the nominal rate	99,209	25.0%	3,437	45.9%	- 2,238	31.4%	100,408	25.3%
Results of associates	- 16,158	-4.1%	-	0.0%	-	0.0%	- 16,158	-4.1%
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-	0.0%	2,238	-31.4%	2,238	0.6%
Tax results from previous years	-	0.0%	548	7.3%	-	0.0%	548	0.1%
Other	- 1,074	-0.3%	-	0.0%	-	0.0%	- 1,074	-0.3%
Income tax expense in profit or loss (effective)	81,977	20.7%	3,985	53.2%	-	0.0%	85,962	21.6%

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	475,709		8,459		- 7,302		476,866	
Income tax calculated at the nominal rate	118,927	25.0%	3,880	45.9%	- 2,293	31.4%	120,515	25.3%
Results of associates	- 14,146	-3.0%	-	0.0%	-	0.0%	- 14,146	-3.0%
Participation exemption on disposal of subsidiaries	- 12,462	-2.6%	-	0.0%	-	0.0%	- 12,462	-2.6%
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-	0.0%	2,293	-31.4%	2,293	0.5%
Change in recognised temporary differences	-	0.0%	2,199	26.0%	-	0.0%	2,199	0.5%
Tax results from previous years	182	0.0%	-	0.0%	-	0.0%	182	0.0%
Other	473	0.1%	- 544	-6.4%	-	0.0%	- 71	0.0%
Income tax expense in profit or loss (effective)	92,975	19.5%	5,535	65.4%	-	0.0%	98,510	20.7%

Deferred tax in the statement of financial position

The following differences in valuation for tax and reporting purposes can be distinguished:

- Assets used for operating activities and assets under construction are measured at cost both for reporting purposes and for tax purposes. The balance sheet for tax purposes equates the cost with the market value as at 1 January 2002, whereas the balance sheet for reporting purposes equates the cost with the (lower) historical cost.
- For tax purposes, the depreciation of both commercial buildings and operational buildings is limited to the so-called base value. The base value is 50% of the WOZ value (i.e., the value under the Valuation of Immovable Property Act) of operational buildings and 100% of the WOZ value of commercial buildings.
- Property investments are depreciated for tax purposes (with a residual value of 25%) but not for reporting purposes.
- Borrowings in foreign currencies are measured at the closing rates on the balance sheet date for reporting purposes and at cost at the rate applicable at the time of borrowing for tax purposes.
- The valuation of employee benefits is different for tax purposes and reporting purposes because of differences in the actuarial assumptions applied.
- Property investments and derivative financial instruments are measured at fair value for reporting purposes and at cost for tax purposes.
- The valuation of the contractual interest in JFK IAT is different for tax purposes (measured at cost) and reporting purposes (revalued at the time of expansion).

Deferred tax assets and liabilities are recognised in respect of all these differences.

Under IAS 12, Income Taxes, a deferred tax asset must be recognised if it is probable that sufficient taxable profit will be available against which the deductible temporary difference can be utilised. However, it is impossible to estimate the moment when the deferred tax assets relating to certain operating assets (83.3 million euros) will be realised because the difference in the values for reporting and tax purposes will be realised only in the event of a sale (resulting in a lower profit for tax purposes and a lower income tax liability), impairment (resulting in higher costs for tax purposes and a lower income tax liability) or termination of the aviation activities (resulting in higher costs for tax purposes because compensation will only be obtained up to the carrying amount for reporting purposes). Schiphol Group is not authorised to sell the land for operating activities, forecasts of future cash flows do not suggest that impairment losses will be necessary and it is unlikely that the activities will be terminated.

Deferred tax assets and liabilities are netted if they relate to the same fiscal unity and the company at the head of this fiscal unity has a legally enforceable right to do so.

(in thousands of euros)	2016	2015
Deferred tax assets (fiscal unity)		
Assets used for operating activities	155,791	147,660
Assets under construction or development	66,486	55,876
Derivative financial instruments and borrowings	20,857	25,013
Employee benefits	4,766	5,709
Investment property	-83,042	-41,278
	164,858	192,980
Deferred tax assets (outside fiscal unity)		
Investment property	361	350
Deferred tax liabilities (outside fiscal unity)		
Contract-related assets	-20,393	-20,789
Investment property	-230	-315
Derivative financial instruments and borrowings	-2,301	-1,562
	-22,924	-22,666
Total deferred tax	142,295	170,664
Non-current (settlement is not expected)	83,274	83,274
Non-current (expected to be recovered or settled after more than 1 year)	58,890	84,868
Current (expected to be recovered or settled within 1 year)	131	2,522
	142,295	170,664

The movements in the deferred tax assets and deferred tax liabilities during the year were as follows:

(in thousands of euros)	Assets used for operating activities	Assets under construction or development	Investment property	Derivative financial instruments	Employee benefits	Contract-related assets	Total
Carrying amount as at 1 January 2015	134,861	70,357	- 22,004	8,906	5,610	- 16,065	181,665
Movements in 2015							
Deferred tax recognised in the income statement	-	1,665	- 18,516	- 52	467	- 2,789	- 19,225
Deferred tax recognised in equity	-	-	-	- 6,245	- 321	-	- 6,566
Reclassification	11,826	- 16,146	- 724	20,843	- 47	-	15,752
Asset held for sale	973	-	-	-	-	-	973
Other movements	-	-	-	-	-	- 1,935	- 1,935
Total movements in the year	12,799	- 14,481	- 19,240	14,546	99	- 4,724	- 11,001
Carrying amount as at 31 December 2015	147,660	55,876	- 41,244	23,452	5,709	- 20,789	170,664
Movements in 2016							
Deferred tax recognised in the income statement	-	-	- 18,482	486	- 313	1,086	- 17,223
Deferred tax recognised in equity	-	-	-	- 5,397	323	-	- 5,074
Reclassification	9,572	10,610	- 23,185	15	- 953	-	- 3,941
Assets held for sale	- 1,441	-	-	-	-	-	- 1,441
Other movements	-	-	-	-	-	- 690	- 690
Total movements in the year	8,131	10,610	- 41,667	- 4,896	- 943	396	- 28,369
Carrying amount as at 31 December 2016	155,791	66,486	- 82,911	18,556	4,766	- 20,393	142,295

In 2015 a reclassification was made between investment property and assets used for operating activities. For fiscal purposes this reclassification is also recorded in the final tax declaration 2015, as such the categories of deferred taxes are adjusted as well.

Income tax recognised in equity

The tax effects of the movements in equity, via comprehensive income, are as follows:

(in thousands of euros)	Before tax	Deferred tax	After tax
Exchange differences	4,286	-	4,286
Changes in fair value on hedge transactions	25,026	-5,397	19,629
Remeasurements of defined benefit liability	-1,293	323	-970
Share in other comprehensive income of associates	-2,843	-	-2,843
Total unrealised 2016	25,176	-5,074	20,102
Exchange differences	3,310	-	3,310
Changes in fair value on hedge transactions	22,920	-6,245	16,675
Remeasurements of defined benefit liability	1,284	-321	963
Share in other comprehensive income of associates	2,421	-	2,421
Total unrealised 2015	29,935	-6,566	23,369

Current income tax positions

(in thousands of euros)	2016	2015
Income tax receivable		
Fiscal unity	5,928	3,293
Dutch subsidiaries outside the fiscal unity	251	-
Total income tax receivable	6,179	3,293
Income tax liability		
Dutch subsidiaries outside the fiscal unity	-423	-253
Income tax in foreign jurisdictions	-	-130
Total income tax liability	-423	-383
Total income tax	5,756	2,910

The income tax liability is calculated on the profit for reporting purposes, allowing for permanent differences between the profit as calculated for reporting purposes and for tax purposes. The income tax liability on fair value gains and losses which are not processed immediately in the income tax return is recognised in deferred tax assets and liabilities. Of the income tax receivable recognised in the balance sheet at 31 December 2016 with regard to the fiscal unity, an amount of 1.3 million euros relates to 2016 and 3.6 million euros to 2015. The 2015 income tax return for the N.V. Luchthaven Schiphol fiscal unity has been discussed with the tax inspector and recognised accordingly in these financial statements. Final tax assessments have been imposed and settled for the tax years prior to 2015. The foreign income tax payable relates to local American taxes.

Differences between the income tax paid according to the cash flow statement and the income tax recognised in the statement of income concern additions to and withdrawals from deferred tax assets and liabilities, estimation differences between taxable amounts in provisional and final tax assessments and settlements in respect of previous years.

13. Investments in associates and joint ventures

(in thousands of euros)

	2016	2015
Investments in associates	826,237	784,001
Investments in joint ventures	69,108	73,813
Balance 31 December	895,345	857,814

Associates

(in thousands of euros)

	2016	2015
Carrying amount as at 1 January	784,001	748,238

Movements in the year

Result for the year	71,877	58,454
Dividends	- 26,633	- 24,815
Capital contributions (repayments)	- 1,983	214
Share of OCI	- 1,743	2,420
Direct equity movement	- 1,100	-
Exchange differences	1,818	- 510
Total movements in the year	42,236	35,763

Carrying amount as at 31 December	826,237	784,001
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The most material associates comprise::

		2016	2015
Groupe ADP	Paris	8%	8%
Brisbane Airport Corporation Holdings Ltd. (BACH)	Brisbane	18.72%	18.72%

Schiphol Group has significant influence over both Groupe ADP and BACH, even though its indirect interest is smaller than 20%. In Brisbane, this influence is expressed in the form of rights to appoint members of the Board of Directors, rights to block key strategic and financial decisions and cooperative and exchange arrangements. Where Groupe ADP is concerned, the parties hold shares in each other, both the CEO and the CFO of Schiphol Group are members of the Board of Directors, Groupe ADP has a representative on Schiphol Group's Supervisory Board and a long-term cooperation agreement is in place providing for cooperation in various areas. Below is a breakdown of the assets and liabilities, as well as a reconciliation with the recognition in Schiphol Group's financial statements. The accounting policies applied are based on Schiphol Group's accounting policies, or figures have been adjusted where necessary.

Summarised financial information in respect of each of the Group's material associates is set out below.

Associates (in millions of euros)	Groupe ADP		Brisbane Airport ¹	
	2016	2015 ²	2016	2015
Income statement				
Revenues	2,947	2,935	429	407
Interest income and expenses	115	106	80	88
Depreciation, amortisation and impairments	479	458	67	67
Income tax	202	258	51	46
Result from continuing operations	438	433	168	152
Other comprehensive income	-4	30	- 64	- 30
Financial position				
Fixed assets	8,106	7,977	2,981	2,776
Current assets	819	713	45	47
Cash and cash equivalents	1,657	1,734	22	23
Non-current liabilities	5,060	5,252	2,647	2,405
Current liabilities	1,241	1,064	80	173
Equity	4,291	4,132	321	268
Group's share % of equity	343	330	60	50
Goodwill	244	244	34	34
Other adjustments	65	57	9	9
Carrying amount as at 31 December	652	631	103	93

¹ Based on the financial statements as of June 30, 2016

² Restated figures 2015

The carrying amount of the associates at 31 December 2016 includes 244 million euros of goodwill relating to Groupe ADP and 34 million euros relating to Brisbane Airports Corporation Ltd.

The share in the results of associates in 2016 includes a contribution of 24.6 million euros from Brisbane Airports Corporation Ltd. (2015: a contribution of 20.2 million euros). The 2016 result is primarily affected by the positive development of 4.9 million euros in investment property and by 1.6 million euros in the derivatives

portfolio (in 2015 the result was affected by developments in the derivatives portfolio of 1.4 million euros). Brisbane Airports Corporation Ltd. has a significant derivatives portfolio relating to the funding of the investment of an additional runway. There are no early settlements or early payment obligations for these derivatives. Brisbane Airports Corporation Ltd. applies hedge accounting to these derivative positions.

Groupe ADP's contribution to Schiphol Group's financial result for 2016 was an income of 42.8 million euros (income of 36.3 million euros in 2015). The other adjustments relate primarily to the differences in the accounting policies in respect of property. The fair value of Groupe ADP, derived from the market price of the share at 31 December 2016 is 10.1 billion euros (31 December 2015: 10.6 billion euros). Schiphol Group's share in this is 806 million euros (31 December 2015: 849 million euros).

Schiphol Group is not directly liable for other material obligations of associates.

Joint Ventures

(in thousands of euros)	2016	2015
Carrying amount as at 1 January	73,813	48,684
Movements in the year		
Result for the year	- 4,392	2,021
Dividends	- 1,839	- 831
Acquisition of Schiphol Airport Retail B.V.	-	22,370
Capital contributions	354	1,309
Exchange differences	1,172	-
Other	-	260
Total movements in the year	- 4,705	25,129
Carrying amount as at 31 December	69,108	73,813

In 2015 Schiphol Group acquired a 40% interest in Schiphol Airport Retail B.V. (SAR) for 22.4 million euros. As a result of the subsequent loss of control of its subsidiary, SAR qualifies as a joint venture and is accounted for using the equity method. For more detailed information see *Changes in the scope of consolidation*. Schiphol Group entered into a concession agreement with SAR for a period of ten years. After this period the concession for operating these shops will return to Schiphol. The revenues from this concession agreement amount to 29.4 million euros in 2016 (21.1 million euros in 2015).

The outstanding loans to associates and joint ventures as at 31 December 2016 amount to 82.7 million euros. A complete list of associates and joint ventures has been filed with the Amsterdam Chamber of Commerce.

Schiphol Group owns a 25% interest in the land development company Schiphol Area Development Company N.V. (SADC), whose object is to develop business locations and support infrastructure projects around Amsterdam Airport Schiphol. SADC owns 33.33% interests in GEM A4 Zone West C.V. and 80% in GEM

Badhoevedorp Zuid C.V. Apart from these indirect interest of 8.33% and 20%, Schiphol Group owns in both C.V.s direct interests of 33.33% and 20% respectively.

Furthermore, there are no separate material joint ventures.

14. Loans to associates

(in thousands of euros)	2016	2015
Carrying amount as at 1 January	66,596	60,511
Movements in the year		
Accrued interest	6,092	6,146
Exchange differences hedging transactions	3,491	1,816
Other exchange differences	- 1,979	- 1,877
Total movements in the year	7,604	6,085
Carrying amount as at 31 December	74,200	66,596

The loans to associates relate exclusively to the Redeemable Preference Shares (RPS) in Brisbane Airport Corporation Holdings Ltd held by Schiphol Group. The issued debt of Brisbane Airport Corporation Holdings Ltd is rated BBB.

The RPS carry entitlement to a cumulative dividend. The maturity date of this loan is formally 30 June 2022. Under the contractual terms the Redeemable Preference Shares of AUD 108 million (74 million euros including accumulated dividend) are classified as a long-term loan to an associate and the dividend on these shares is treated as financial income. In 2015 and 2016 Schiphol Group did not receive any proceeds on this loan. It is expected that Schiphol Group will receive dividend in 2017.

The currency risk relating to the nominal value of this long-term loan and the accrued interest is hedged by annual forward transactions which hedge the Australian dollar position against euros. All hedging transactions are accounted for as cash flow hedges while the exchange differences relating to part of the loan and the accrued interest that is not hedged and the period between the successive annual forward transactions are recognised in the income statement. The exchange differences as part of the hedging transaction are recognised in the reserve for hedging transactions through other comprehensive income.

The fair value of the loans to associates at 31 December 2016 is 77 million euros (AUD 112 million) and the effective interest rate is 10%. The fair value is estimated by discounting the future contractual cash flows at current market interest rates available to the borrower for similar financial instruments.

15. Other non-current receivables

(in thousands of euros)	2016	2015
Derivatives	38,706	13,895
Lease incentives	20,386	22,906
Loans to associates	7,880	8,782
Prepayments on fixed assets	6,196	5,460
Purchased long leases	2,961	3,384
Loans to third parties	746	883
Total other non-current receivables	76,875	55,310
Loans to associates	2016	2015
(in thousands of euros)		
Carrying amount as at 1 January	8,782	9,491
Redemptions	-902	-709
Total movements in the year	-902	-709
Carrying amount as at 31 December	7,880	8,782

The current portion of the loans to associates, amounting to 0.6 million euros (31 December 2015: 0.6 million euros), is presented under current assets. The loans to associates include a loan of 5.1 million euros to SRE Altai, which is a joint venture with Groupe ADP involving collaboration in the area of property development. The maturity date of the loan is 31 December 2024 and no securities have been granted. The remaining loans to associates were provided to Villa Carmen B.V. for 3.4 million euros. The maturity date of the loan is 31 July 2018 and no securities have been provided.

Purchased long leases are the rent instalments which Schiphol Group paid in advance in respect of land acquired on a long lease.

Lease incentives are the cost of benefits which Schiphol Group granted tenants at the start of their lease. These are charged to the income statement over the term of the underlying contracts. The existence of lease incentives is taken into account in establishing the cash flows underlying the determination of the fair value of property.

For information of derivatives, see note 29. *Management of financial risks and financial instruments*.

16. Assets and liabilities held for sale

In December 2015, management committed to a plan to sell the hotel activities of Schiphol Hotel Holding B.V. including the related assets and liabilities. These activities are part of the Real Estate segment included in the Real Estate business area. Management has the intention to sell all of the shares in the entity at a short notice. Management intends to finalise this transaction in 2017 when the necessary repairs on the facade are completed.

(in thousands of euros)	2016	2015
Assets used for operating activities	126,307	124,898
Deferred taxes	468	-
Cash and cash equivalents	12,076	3,263
Trade and other receivables	105	7,325
Assets held for sale	138,956	135,486
Deferred tax liability	-	973
Trade and other payables	6,752	10,845
Liabilities held for sale	6,752	11,818

The assets and liabilities held for sale are measured at carrying value, because the fair value less costs to sell is not lower than this carrying value.

17. Trade and other receivables

(in thousands of euros)	2016	2015
Trade receivables	87,246	92,247
Accrued income	42,640	37,291
Prepaid tangible fixed assets	32,130	-
Value-added tax	15,145	12,497
Prepayments	12,056	11,855
Lease incentives	5,704	5,179
Inventories	2,159	2,319
Receivable from associates	35	82
Cash equivalents	-	40,000
Other receivables	27,361	22,049
Total trade and other receivables	224,476	223,519

As in the previous year, other receivables include an amount of 19.0 million euros which Schiphol Group paid to Chipshol, for which additional guarantees have been granted.

18. Cash and cash equivalents

Cash and cash equivalents amounted to 238.7 million euros at 31 December 2016 (31 December 2015: 394.0 million euros), including deposits of 155 million euros with original maturities of between one and four months (31 December 2015: 160 million euros). The average interest rate on these deposits as at 31 December 2016 is -0.08% (31 December 2015: 0.09%). Cash and cash equivalents are freely available.

19. Issued share capital

The authorised share capital as at 31 December 2016 is 142,960,968 euros divided into 300,000 class A shares and 14,892 class B shares, with a nominal value of 454 euros each. 171,255 of the class A shares and 14,892 of the class B shares have been issued.

The class A and class B shares carry the same rights, except for the right to amend the Articles of Association. An amendment to the Articles of Association can only be adopted at a General Meeting of Shareholders at which all the class A shares in issue are represented, by a majority of at least four/fifths of all the votes cast. The General

Meeting of Shareholders may resolve to withdraw all the class B shares in issue by an absolute majority of the votes cast.

The shareholders' interests are as follows:

	(number)	(in EUR 1,000)	(in %)
Shareholder:			
State of the Netherlands	129,880	58,966	69.77%
Municipality of Amsterdam	37,276	16,923	20.03%
Groupe ADP	14,892	6,761	8.00%
Municipality of Rotterdam	4,099	1,861	2.20%
Total	186,147	84,511	100%

There were no changes in the issued share capital in 2016.

20. Retained profits

On a resolution proposed by the Management Board and approved by the Supervisory Board, the General Meeting of Shareholders voted to declare a dividend of 187.2 million euros over 2015. This amount was deducted from retained earnings when paid in 2016. The dividend for 2014, which amounted to 138.5 million euros, was paid out and deducted from retained earnings in 2015.

Since the net result for 2016 was added to the retained earnings, the retained earnings as at 31 December 2016 include the proposed dividend distribution for 2016, as detailed under *Shareholders' equity*. The proposed dividend is 148 million euros, or 797 euro per share.

21. Other reserves

(in thousands of euros)	Exchange differences reserve	Hedge reserve	Share in OCI of associates	Actuarial gains and losses	Total
Carrying amount as at 1 January 2015	10,605	- 93,307	- 16,355	- 7,344	- 106,401
Movements in 2015					
Exchange differences	3,310	-	-	-	3,310
Currency and interest hedge JPY loan payable					
Exchange differences on hedged borrowings	-	- 15,628	-	-	- 15,628
Deferred tax on fair value changes on hedged borrowings	-	3,907	-	-	3,907
Fair value movements on derivatives	-	31,174	-	-	31,174
Deferred tax on fair value movements on derivatives	-	- 7,794	-	-	- 7,794
Hedging of cash flow interest-rate risk					
Recycling of cash flow hedges to profit and loss	-	9,725	-	-	9,725
Deferred tax on recycling of cash flow hedges	-	- 2,358	-	-	- 2,358
Currency hedge AUD loan receivable					
Exchange differences on hedged loans to associates	-	1,816	-	-	1,816
Settlement of hedge transactions	-	- 4,167	-	-	- 4,167
Other comprehensive income associates	-	-	2,421	-	2,421
Actuarial gains and revaluations	-	-	-	1,284	1,284
Tax effect on actuarial results	-	-	-	- 321	- 321
Total movements in the year	3,310	16,675	2,421	963	23,369
Balance as at 31 December 2015	13,915	- 76,632	- 13,934	- 6,381	- 83,032
Movements in 2016					
Exchange differences	4,286	-	-	-	4,286
Currency and interest hedge JPY loan payable					
Exchange differences on hedged borrowings	-	- 9,514	-	-	- 9,514
Deferred tax on fair value changes on hedged borrowings	-	2,378	-	-	2,378
Fair value movements on derivatives	-	24,779	-	-	24,779
Deferred tax on fair value movements on derivatives	-	- 6,203	-	-	- 6,203
Hedging of cash flow interest-rate risk					
Recycling of cash flow hedges to profit and loss	-	9,725	-	-	9,725
Deferred tax on recycling of cash flow hedges	-	- 2,358	-	-	- 2,358
Currency hedge AUD loan receivable					
Exchange differences on hedged loans to associates	-	3,491	-	-	3,491
Fair value movement derivative	-	- 3,798	-	-	- 3,798
Deferred tax on fair value movements	-	786	-	-	786
Settlement of hedge transactions	-	343	-	-	343
Other comprehensive income associates	-	-	- 1,743	-	- 1,743
Equity movement associates	-	-	- 1,100	-	- 1,100
Actuarial gains and revaluations	-	-	-	- 1,293	- 1,293
Tax effect on actuarial results	-	-	-	323	323
Total movements in the year	4,286	19,629	- 2,843	- 970	20,102
Balance as at 31 December 2016	18,201	- 57,003	- 16,777	- 7,351	- 62,930

Exchange differences reserve

The exchange differences reserve recognises exchange differences arising on the translation of the net investments in subsidiaries, joint ventures and associates outside the euro zone.

Hedging transactions reserve

This reserve recognises movements in the fair value of derivative financial instruments used in cash flow hedges, net of deferred tax assets and liabilities. It also includes the differences arising on the translation of loans at closing rates. In both cases, recognition in the hedging transactions reserve requires that the hedge is determined

to be highly effective. Further information on the restrictions on the distribution of reserves can be found in note 32. *Shareholders' equity* in the company balance sheet. The tax effects of the movements in equity, via other comprehensive income, are explained in note 12. *Income tax in the financial statements* in the financial statements.

In the hedging reserve the following hedging instruments and relationships are recognised. The impact on the income statement is stated in the table below.

(in thousands of euros)	Total 2016	Reclassification to profit or loss in next periods			
		< 1 year	> 1 year > 1 and < 5 years	> 5 years	
Forward Starting Rate Swap - refinancing 2013/2014	48,620	7,077	41,543	28,307	13,236
Lehman derivative - settlement 2008	6,275	291	5,984	1,163	4,821
Exchange difference on hedged JPY loan	31,981	-	31,981	-	31,981
CCIRS derivative hedge Yen loan	-29,029	-	-29,029	-	-29,029
AUD derivative	-914	-914	-	-	-
Other	70	70	-	-	-
Total	57,003	6,524	50,479	29,470	21,009

(in thousands of euros)	Total 2015	Reclassification to profit or loss in next periods			
		< 1 year	> 1 year > 1 and < 5 years	> 5 years	
Forward Starting Rate Swap - refinancing 2013/2014	55,694	7,077	48,617	28,307	20,310
Lehman derivative - settlement 2008	6,566	291	6,275	1,163	5,112
Exchange difference on hedged JPY loan	24,846	-	24,846	-	24,846
CCIRS derivative hedge Yen loan	-10,421	-	-10,421	-	-10,421
AUD derivative	-124	-124	-	-	-
Other	71	71	-	-	-
Total	76,632	7,315	69,317	29,470	39,847

22. Non-controlling interests

Non-controlling interests at 31 December 2016 represent the shares of third parties in the net assets of group company Eindhoven Airport N.V. An abridged balance sheet for this company is presented under *Subsidiaries*.

23. Borrowings

(in thousands of euros)	Carrying amount		Fair value		Year of maturity	Interest rate
	2016	2015	2016	2015		
EMTN programme	1,267,868	1,249,739	1,470,597	1,415,395	2018-2038	1.12%-5.16%
European Investment Bank	500,500	509,500	576,496	563,305	2024-2031	2.12%-3.95%
KfW IPEX-bank	99,734	99,697	114,696	110,727	2024	2.80%
Schuldschein	60,666	194,501	71,320	215,136	2019	5.50%-5.75%
Namenschuldverschreibung	24,760	24,720	32,647	32,306	2023	5.07%
Other borrowings	62,172	53,272	62,090	53,272		
Total	2,015,700	2,131,429	2,327,846	2,390,141		

(in thousands of euros)	Face value	Carrying amount		Fair value		Year of maturity	Interest rate	Currency
		2016	2015	2016	2015			
XS0621167732	438,447	422,899	419,311	518,753	517,788	2021	4.43%	EUR
XS1301052202	300,000	298,073	297,857	327,903	303,573	2026	2.00%	EUR
XS0378569247	20,000,000	162,406	152,881	209,116	173,742	2038	3.16%	JPY
XS1437013870	150,000	149,715	-	145,878	-	2028	1.12%	EUR
XS0459442710	85,000	84,952	84,935	97,147	100,088	2019	4.97%	EUR
XS0459479399	50,000	49,943	49,922	57,104	58,820	2019	4.94%	EUR
XS0983151282	40,000	39,941	39,934	46,907	45,211	2025	3.08%	EUR
XS0167622454	30,000	29,990	29,983	33,079	34,427	2018	5.16%	EUR
XS0997565436	30,000	29,949	29,944	34,710	33,448	2025	2.94%	EUR
XS0495479555	50,000	-	49,988	-	52,232	2016	4.46%	EUR
XS0459479472	15,000	-	14,993	-	15,642	2016	4.28%	EUR
XS1050663506	80,000	-	79,991	-	80,424	2016	0.67%	EUR
EMTN programme		1,267,868	1,249,739	1,470,597	1,415,395			

The fair value is estimated by discounting the future contractual cash flows at current market interest rates available to the borrower for similar financial instruments. For loans that are actively traded in a public market the quoted prices are used to calculate the fair value.

Schiphol Group has a Euro Medium Term Note (EMTN) programme, making it possible at present to raise funds of up to 2.0 billion euros as required, provided the prospectus is updated annually. The prospectus was updated in 2016. The covenants of the EMTN programme provision that a 'change of control' in combination with a 'downgrade below investment grade' triggers early redemption. There was no obligation to do so in 2016.

In 2015 Schiphol substituted the EMTN programme from Schiphol Nederland B.V. to N.V. Luchthaven Schiphol.

At year-end 2016, borrowings under the programme totalled 1,268 million euros (31 December 2015: 1,250 million euros). During the year, one so-called private placement was effected under the EMTN programme for 150 million euros with a maturity period of 12 years.

In addition to the existing EMTN programme, Schiphol Group has a Euro-Commercial Paper (ECP) programme with a limit of 750 million euros. On 31 December 2016, no short-term loans were outstanding under this programme.

Schiphol Group has issued Schuldschein notes (fixed-interest loans with terms of 7 and 10 years) with a nominal value of 61 million euros. In principle, the Schuldschein documentation includes the same covenants as the EMTN programme.

Schiphol Group obtained two facilities from the European Investment Bank for a total of 550 million euros, which has now been drawn in full (and of which 49.5 million euros has since been repaid). Schiphol Group could be obliged to redeem the loan early if (in addition to the usual circumstances) other loans are repaid early or equity declines below 30% of total assets. Additional security will be demanded if the credit rating drops to is BBB or lower (S&P) or to Baa2 or lower (Moody's). The loan agreement also contains a 'change of control' clause.

Schiphol Group also entered into an agreement with KfW IPEX-Bank for a facility of 100 million euros, which is fully drawn at year end.

Borrowings under the EMTN programme, the ECP programme, the EIB facility and the KfW facility are not subordinate to other liabilities and are eligible for voluntary early redemption.

In 2015, Schiphol Group obtained access to a 300 million euro syndicated and committed facility with a term to June 2020. Schiphol Group also has access to a bilateral committed facility of 100 million euros agreed with Bank Nederlandse Gemeenten

that was extended to 1 January 2020 in 2016, and two bilateral uncommitted facilities of 75 million euros each. During a short period in 2016 Schiphol made use of these facilities to set off the effects of a lower liquidity position as a result of seasonality. These facilities have since been redeemed. In 2016 Eindhoven Airport obtained for a facility for 26 million euros, of which 22.5 million euros had been drawn as at 31 December 2016.

Of the total loans, an amount of 162.4 million euros has been drawn in Japanese yen (JPY 20 billion). In line with the financial risk management policy, a combined cross-currency swap has been contracted on the JPY loan to hedge the exchange rate risks relating to this loan. In principle, the transactions concerned correspond to all relevant characteristics of the respective loans, such as maturity. The remaining terms of the borrowings as at 31 December 2016 are as follows:

(in thousands of euros)	Total	<= 1 year	> 1 year > 1 year and <= 5 years	> 5 years	
EMTN programma	1,267,868	- 3,902	1,271,770	590,338	681,432
European Investment Bank	500,500	9,000	491,500	36,000	455,500
KfW IPEX-bank	99,734	- 38	99,772	- 150	99,922
Schuldschein	60,666	- 157	60,823	60,823	-
Namensschuldverschreibung	24,760	24	24,736	- 217	24,953
Other borrowings	62,172	-	62,172	22,500	39,672
Total borrowings	2,015,700	4,927	2,010,773	709,294	1,301,479

The movements in borrowings during the year were as follows:

(in thousands of euros)	Borrowings > 1 year	Borrowings <= 1 year	Total
Carrying amount as at 1 January 2015	1,800,360	4,957	1,805,317
Movements in 2015			
New borrowings	316,803	-	316,803
Fair value movement	6,069	-	6,069
Transferred to current liabilities	- 291,340	291,340	-
Repayments	-	- 17,106	- 17,106
Exchange differences	15,628	-	15,628
Other movements	-	4,718	4,718
Total movements in the year	47,160	278,952	326,112
Carrying amount as at 31 December 2015	1,847,520	283,909	2,131,429
Movements in 2016			
New borrowings	153,200	-	153,200
Fair value movement	5,418	-	5,418
Transferred to current liabilities	- 4,879	4,879	-
Repayments	-	- 288,227	- 288,227
Exchange differences	9,514	-	9,514
Other movements	-	4,366	4,366
Total movements in the year	163,253	- 278,982	- 115,729
Carrying amount as at 31 December 2016	2,010,773	4,927	2,015,700

and amount, and hedge the positions with respect to the euro and/or fixed interest rates. All hedging transactions are accounted for as cash flow hedges.

The current portion of borrowings at 31 December 2016 of 4.9 million euros (31 December 2015: 283.9 million euros) is recognised under current liabilities.

In 2016 Schiphol Group met the agreed covenants included in the various contracts.

The average interest rate of outstanding borrowings in 2016 amounts to 4.7% (2015: 5.0%).

24. Employee benefits

(in thousands of euros)	Post-employment benefits	Other long-term employee benefits	Termination benefits	Total
Carrying amount as at 31 December 2016				
Liability defined contribution	23,668	14,468	1,519	39,655
Fair value of plan assets	-	-	-	-
Liability in the balance sheet	23,668	14,468	1,519	39,655
Carrying amount as at 31 December 2015				
Liability defined contribution	22,720	13,586	2,140	38,446
Fair value of plan assets	-	-	-	-
Liability in the balance sheet	22,720	13,586	2,140	38,446

Post-employment benefits consist of pension plans, job-related early retirement benefits, payment of healthcare insurance costs for pensioners and supplementary disability benefits. Other long-term employee benefits consist of long-service awards, long-term variable pay, paid sabbatical leave and disability benefit supplements. Termination benefits consist of redundancy pay and unemployment benefit supplements.

Schiphol Group's pension plan is administered by Algemeen Burgerlijk Pensioenfonds (ABP). Based on the formal terms of the pension scheme, it qualifies as a defined-contribution plan. Schiphol Group recognises the pension contributions payable to ABP as an expense in the income statement. Further information on this point can be found under *Accounting policies*.

The ABP pension regulations do not contain any provisions on additional contributions to the fund and/or withdrawals from it in respect of Schiphol Group's share in surpluses or deficits of the pension fund. Consequently, any surpluses and deficits will only result in changes in the amount of the contributions payable by Schiphol Group in the future and these will depend on the actual and expected financial position of the pension fund as reflected in the funding ratio. The expected contribution payment for 2017 is 18.3 million euros. ABP's funding ratio was 96.6% as at 31 December 2016.

Effective from 2014, the abolition of the life-course savings scheme resulted in the job-related early retirement scheme being turned into

a more flexible scheme allowing for the possibility of working past retirement age. The effects of this on the job-related early retirement scheme are limited.

Given the minimal impact, a significant variance in the balance position as a result of other assumptions is unlikely.

The movements in post-employment benefit liabilities during the year were as follows:

(in thousands of euros)	2016	2015
Carrying amount as at 1 January	22,720	24,310
Total net benefit expense for the year	1,295	1,403
Benefits paid during the year	- 1,460	- 1,700
Actuarial changes presented in other comprehensive income	1,293	- 1,284
Other movements	- 180	- 9
Total movements in the year	948	- 1,590
Carrying amount as at 31 December	23,668	22,720

Actuarial assumptions and estimates

	31 December 2016	31 December 2015
Discount rate	1.50%	1.80%
Return on plan assets	1.50%	1.50%
Inflation	1.50%	1.50%
General salary increase	1.50%	1.50%
Life expectancy	Forecast table 2016 with adjustment factors geared to the company's average salary level	Forecast table 2014 with adjustment factors geared to the company's average salary level
Individual pay rises, depending on age	3.00% (to age 39), 2.00% (to age 49), 1.00% (to age 59), 0.00% (to age 65)	3.00% (to age 39), 2.00% (to age 49), 1.00% (to age 59), 0.00% (to age 65)
Age difference	Men 3 years older than female partners	Men 3 years older than female partners
Incapacity risk	In and outflow of WIA, based on 2006 to 2011	In and outflow of WIA, based on 2006 to 2011
Termination probability, depending on age	4.20% (age 25) to 0.10% (age 60)	4.20% (age 25) to 0.10% (age 60)
Continued service probability (job-related early retirement scheme)	100%	100%

25. Other provisions

(in thousands of euros)	2016	2015
Carrying amount as at 1 January	17,399	17,484
Withdrawals during the year	-	- 58
Addition for claims	280	-
Release to the income statement	-	- 27
Total movements in the year	280	- 85
Carrying amount as at 31 December	17,679	17,399

Schiphol Group faces liabilities in connection with certain other claims and disputes. The overall provision of 10.0 million euros recognised for these claims and disputes was unchanged in 2016. The most significant claims concern the consequences of the ban on the development of the Groenenberg site in place from 19 February 2003 to 28 June 2007. Proceedings against Chipshol about the consequences of the imposition and lifting of the ban on development of the Groenenberg site are still ongoing. It is not clear when the Amsterdam Court of Appeal will deliver a final judgement.

Given the above, the Management Board assumes that there is no indication to revise their assessment of the provision against Chipshol. The Management Board does not expect that the remaining amount of compensation which eventually has to be paid to Chipshol will exceed the provision regarding the Groenenberg site. Further disclosures regarding the Chipsol receivable are included in note *Trade and other receivables*

The 7.7 million euro provision for onerous contracts relates to an onerous contract regarding a future obligation to contribute land at a fixed price to a common land bank.

26. Other non-current liabilities

(in thousands of euros)	2016	2015
Purchased long leases	85,797	85,773
Lease liabilities	49,223	51,358
Unrealised profit on contribution in kind Schiphol Logistics Park C.V.	2,280	3,303
Other movements	1,371	7,092
Total other non-current liabilities	138,671	147,526

Long leases received in advance are rent instalments which Schiphol Group has received in advance on land leases to third parties. This item is recognised through profit or loss over the term of the underlying contracts.

Lease liabilities include the lease of office building The Base with ABP, which runs for 40 years with options to cancel after 25 years and 30 years. If the lease is cancelled before the end of the 40-year period, Schiphol Group will be liable to pay a lump sum and penalty interest, with the premises becoming the property of Schiphol Group. The rent is increased annually in line with the consumer price index. The leasehold of the land on which The Base stands has been granted to ABP for the duration of the lease.

(in thousands of euros)	The Base	Vehicles	Total
Liability < 1 year	1,519	495	2,014
Liability 1 year and < 5 years	7,197	4,339	11,536
Liability > 5 years	37,687	-	37,687
Carrying amount of financial lease liabilities	46,403	4,834	51,237

In 2006, Schiphol Real Estate B.V. contributed land to Schiphol Logistics Park C.V. and acquired a 38% interest in this company. The difference between the fair value of the site at the time of its contribution of 23.7 million euros and its total historical cost of 11.7 million euros is 12.0 million euros. In accordance with the accounting policies, 38% of this profit, representing Schiphol Real Estate B.V.'s share in Schiphol Logistics Park C.V., or 4.6 million euros, should be treated as unrealised. Of this profit, 2.3 million euros was realised when a part of the land was sold.

27. Trade and other payables

(in thousands of euros)	2016	2015
Trade payables	111,252	107,911
Accruals	86,352	109,221
Deferred income	47,958	47,380
Interest payable	31,816	37,825
Cash collateral JPMorgan	29,527	-
Payable in respect of wage tax and social security contributions	6,580	2,185
Derivatives	3,798	654
Lease liabilities	2,014	2,336
Payable in respect of pensions	1,902	-
Purchased long leases	1,843	1,804
Other payables	1,929	4,410
Total trade and other payables	324,971	313,725

Further details of the derivative financial instruments can be found in note 29. *Management of financial risks and financial instruments.*

28. Contingent assets and liabilities

Contamination by extinguishing foam

In July 2008, the Rijnland Water Board collected contaminated extinguishing foam released during an incident at a KLM hangar in Schiphol-Southeast and stored it in reservoirs made available by Schiphol. The Water Board had been granted a permit for this by the province of North-Holland. Although the contaminated extinguishing foam was removed and decontaminated in 2009, it was later discovered that the soil and groundwater around the reservoirs had also been contaminated. As the owner of the land concerned, Schiphol Group suffered damage as a result. The Water Board removed the sludge from the reservoirs in 2011, as a result of which no further contamination could take place through that sludge. Monitoring has shown that the screen is effective. In 2015 it was concluded that a final solution was not yet realized since a standardization and remediation technique is missing. KLM, Schiphol and Rhineland took control measures around the reservoirs aimed at preventing the further spread of PFOS. The control measure is related to the construction of a concrete wall around the contaminated area. Since the wall is watertight, rain and seepage have to be drained off. This required the construction of a filter installation in order to be able to pump, filter and transport the water out of the ground into the adjacent ditch.

KLM, Schiphol and Rhineland each finance a third of the costs of the control measures that have been taken without anyone acknowledging their responsibility of the suffered damage. The watercourses at Schiphol that were contaminated during this incident have been cleaned up within the framework of the regular dredging programme. The additional costs incurred on top of the regular dredging programme for the transport and processing of the contaminated material have been charged to KLM. Evides, a water decontamination company, is taking measures in consultation with the municipality of Haarlemmermeer to deal with the technical facilities, soil and groundwater that were also contaminated by this incident. Evides contacted Schiphol Group and KLM to discuss further action to manage the contamination. Consultations with the competent authorities were started at the end of 2013 with the aim to check the plan against laws and regulations. To protect the quality of the surface water in the ditch next to the waste water purification plant, the Water Board instructed Evides, KLM and Schiphol Group to take measures in 2014/2015. Currently, the effects are assessed by Schiphol Group. The financial impact of a possible settlement of this incident is unclear at the moment given the current circumstances.

Covenant on local environmental quality in the medium term

The arrangements to be made under this covenant concern area-specific projects (improvement of the quality of the local environment in particular areas) and individual measures (mitigation in individual cases of noise-related distress). Schiphol Group provided 10 million euros for the first tranche in 2006. A second tranche was committed in the Alders recommendations of October 2013 in connection with which Schiphol Group is again making 10 million euros available.

Based on experiences in the first phase, the financing parties being the Municipality North-Holland, Ministry of Infrastructure and the Environment have mutually agreed in what way and based on what programmes the quality of life in the surrounding areas could be enhanced most effectively. This is formalized in a policy and the policy is discussed with and agreed by the Local Community Council. In 2016 the policy is executed in detail by the Schiphol Local Community Council. The Schiphol Local Community Council is an independent foundation that is incorporated in 2008 by the financing parties and is responsible for the implementation of the programmes in line with the objectives of the covenants. The implementation of the programme for the second tranche started by the end of 2016.

Schiphol Group's contribution in the second tranche will again focus primarily on the most distressing cases, but contributions to area-specific projects in the most affected nearby areas are not excluded in advance.

Reduction of groundnoise

The parties to the Alders platform agreed to reduce groundnoise levels by 10dB. At this stage a reduction of 7dB has been realised. Schiphol Group will implement sound ribbs to reduce the groundnoise by 1dB. The total reduction will then be 8dB. To achieve the remaining 2dB, Schiphol Group will acquire land from the Municipality of Haarlemmermeer for 2.5 million euros. The total cost of the implementation of the sound ribbs is estimated to amount to 3.8 million euros. Schiphol and the Municipality of Haarlemmermeer expect that the additional reduction of 2dB can be realised with aircraft innovations by the airlines. In that event, the purchase of the land and the implementation of the sound ribbs are conditional.

Investigation ACM

In May 2015, the Netherlands Authority for Consumers and Markets (ACM) published policies regarding consultation and the determination of conditions for the use of Schiphol. Schiphol informed the ACM that, as per 3 June 2015 (opening Central Security Non-Schengen), the so-called bus@gate procedure was introduced for the handling of incoming flights for non-EUR destinations. This new procedure has necessitated a change in the allocation rules for aircraft stands. Changes in allocation keys are subject to consultation in accordance with ACM policies. Due to the inflexibility of the policies, Schiphol was not in the position to submit this change for consultation in accordance with the prescribed rules before the introduction on 3 June 2015. In June 2016 the ACM issued a report against Schiphol on the possible breach of the Aviation Act. In October 2016 a hearing occurred and it is expected that the ACM will publish its judgement at the of March 2017. Schiphol submitted its revised allocation rules for aircraft stands for consultation, with a positive outcome. No complaints were filed.

Shared vision

In 2013 the Netherlands Authority for Consumers and Markets (ACM) launched an investigation in response to the 'shared vision' process that Schiphol Group conducted with KLM and the Dutch Government. The investigation focuses on the question of whether certain actions in the relationship between Schiphol Group and KLM

Commitments arising from long-term contracts

(in thousands of euros)	Total 2016	< 1 year	> 1 year and < 5 years	> 5 years
Commitments relating to:				
Security, maintenance and cleaning	740,306	245,335	482,016	12,955
Development Lelystad Aiport	51,881	35,695	6,134	10,052
Development Capital Programme	18,399	17,790	609	-
Development Eindhoven Airport	12,908	12,908	-	-
Electricity and gas	5,402	5,402	-	-
Rents and leases (operating lease)	3,185	1,327	1,858	-
Other capital projects	38,776	38,776	-	-
Total	870,857	357,233	490,617	23,007

(in thousands of euros)	Total 2015	< 1 year	> 1 year and < 5 years	> 5 years
Commitments relating to:				
Security, maintenance and cleaning	906,526	246,605	647,702	12,219
Development A-Area	38,600	32,130	6,470	-
Development Lelystad Aiport	25,268	3,000	-	22,268
Electricity and gas	6,782	6,782	-	-
Rents and leases (operating lease)	3,213	1,593	1,620	-
Other capital projects	49,667	49,667	-	-
Total	1,030,056	339,777	655,792	34,487

constitute a violation of the competition rules. The investigation is still ongoing and the outcome is unclear.

Schiphol Area Development Company N.V. (SADC)

Schiphol Group participates directly, and indirectly through the collaborative venture Schiphol Area Development Company N.V. (SADC), in land holdings in the vicinity of Amsterdam Airport Schiphol. SADC's objective is to develop business locations and supporting infrastructure projects around the airport.

One of these land holdings concerns the A4 Zone West area. Schiphol Group has the future obligation to contribute 16.7 million euros as a limited partner's contribution, to be increased by financing and acquisition costs, to fund the contribution of land to GEM A4 Zone West C.V. by the Municipality of Haarlemmermeer.

Other contingent assets and liabilities

A bank guarantee amounting to 2.3 million euros relating to payment commitments in connection with the 'Storage in Underground Tanks' order has been granted to the province of North-Holland.

Various other claims against N.V. Luchthaven Schiphol and/or its subsidiaries have been filed, and there are disputes which still have to be settled. All claims and disputes are being contested and the company has taken legal advice on them. However, as it is impossible to predict the outcomes with any certainty, it is not yet clear whether any of the cases will result in actual liabilities for the company and/or its group companies. Accordingly, no provisions have been recognised in the balance sheet in respect of these claims and disputes.

The company has also brought claims against third parties and has disputes pending in which it is the claimant. Since it is not yet clear whether these cases will be resolved in the company's favour, no related receivables have been recognised in the balance sheet. The aforementioned claims arose in 2016 in connection with large construction projects.

29. Management of financial risks and financial instruments

Financial income and expenses

The table below contains a breakdown of financial income and expenses. Capitalised construction interest is interest charges incurred during the construction phase of large investment projects.

(in thousands of euros)	2016	2015
Interest and other financial income		
Receivables from associates	6,092	6,146
Exchange differences receivables from associates	1,290	1,816
Interest on tax due	1,038	1,193
Cash and cash equivalents	400	278
Exchange differences on cash and cash equivalents	29	-
Exchange differences on other assets and liabilities	-	195
Other	82	309
	8,931	9,937
Interest and other financial expenses		
Borrowings	-76,911	-79,885
Derivatives	-11,580	-11,473
Fair value movement loans	-5,418	-6,069
Lease liabilities	-3,882	-4,068
Exchange differences on loans to associates	-1,979	-1,877
Capitalised borrowing costs	407	5,668
Exchange differences on cash and cash equivalents	-	-15
Other	-173	-772
	-99,536	-98,491
Total financial income and expenses	-90,605	-88,554

Exchange differences on loans to associates concern the Redeemable Preference Shares of Brisbane Airport Corporation Holdings Ltd held by Schiphol Group. The terms and conditions require repayment of the nominal value to the shareholders within a period of ten years and therefore the shares are not considered to be part of the net investment in the associate. Consequently, exchange differences should be accounted for in the income statement rather than in the exchange differences reserve. The currency risk relating to this long-term receivable is hedged by annual forward transactions which hedge the Australian dollar position against the euro. The hedge transactions are recognised as a cash flow hedge while the associated exchange differences are recognised in the reserve for hedging transactions. The other exchange differences are recognised in the income statement.

Financial risk factors

Due to the nature of its activities, Schiphol Group faces a variety of risks including market risk, counterparty risk and liquidity risk. The financial risk management programme (which is part of Schiphol Group's overall risk management programme) focuses on the unpredictability of the financial markets and on minimising any adverse effects this may have on Schiphol Group's financial results.

Schiphol Group uses derivative financial instruments to hedge certain risks. Financial risk management is carried out by the central treasury department (Corporate Treasury) and is part of approved Management Board policy. In addition to drawing up written guidelines for financial risk management, the Management Board determines the policy for specific key areas such as currency risk, interest-rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of temporary liquidity surpluses. The contracts relating to derivative financial instruments are shown in the table on the next page.

Market risk

Market risk comprises three types of risk: currency risk, price risk and interest-rate risk.

(a) Currency risk

Currency risk arises if future business transactions, assets and liabilities recognised in the balance sheet and net investments in activities outside the euro zone are expressed in a currency other than Schiphol Group's functional currency (the euro) and so the euro is both its functional currency and presentation currency. Schiphol Group operates internationally and faces currency risks on several currency positions, in particular in Japanese yen (borrowings) and US and Australian dollars (net investments in activities outside the euro zone).

Schiphol Group manages the currency risk on borrowings by using forward and swap contracts. The financial risk management policy is that virtually all expected cash flows are hedged. As at 31 December 2016, 8.1% of group financing had been drawn in foreign currency (one loan with a carrying amount of 162.4 million euros (JPY 20 billion nominal value)) compared with 7.2% of total borrowings (one loan with a carrying amount of 152.9 million euros and a nominal amount of JPY 20 billion) a year earlier. In accordance with the policy, this position is fully hedged by means of currency swaps. A movement in the exchange rate will not affect the results relating to these borrowings. The effect on equity is temporary (only for the duration of the hedging transaction) and amounts to 7.1 million euros negative in 2016 (after deferred tax).

Schiphol Group has a number of strategic investments in activities outside the euro zone and of these the net investments recognised in the balance sheet under 'associates', 'loans to associates' and 'contract-related assets' are affected by a translation risk. In accordance with the policy, the currency position relating to Schiphol Group's net investments in activities outside the euro zone, totalling 231 million euros as at 31 December 2016 (204 million euros as at 31 December 2015), is not hedged, with the exception of the Redeemable Preference Shares which Schiphol Group owns in Brisbane Airport Corporation Holdings Ltd.

Type	Counterparty	Interest rate	Currency	Notional amount (x1000)	Maturity date	Fair value in thousands of euros	
						31 December 2016	31 December 2015
Currency swap	JPMorgan	3.16%	JPY	20,000,000	2038	38,706	13,895
Forward	JPMorgan	n/a	AUD	99,000	2017	- 3,798	- 654
						34,908	13,241
Recognised in the balance sheet under:							
Non-current assets						38,706	13,895
Current liabilities						- 3,798	- 654
						34,908	13,241

The currency risk on this receivable and the accrued dividend, which had a carrying amount of 74.2 million euros as at 31 December 2016 (66.6 million euros as at 31 December 2015), is largely hedged with forward exchange transactions. Consequently, a movement in the exchange rate will have only a minor effect on the results relating to this receivable. Exchange differences on the unhedged position relating to investments in associates are recognised in the exchange difference reserve and do not directly affect the result. The effect on equity in 2016 is 4.3 million euros, which leads to an increase in the exchange difference reserve from 13.9 million euros as at 31 December 2015 to 18.3 million euros as at 31 December 2016.

Schiphol Group's risk in respect of the cross-currency swap is mitigated by a cash collateral agreement with JPMorgan, which results in a maximum net position for both parties that depends on the parties' credit rating. If the credit rating of either party is reduced, the maximum net position for that party will also decrease. Under the cash collateral agreement, the difference between the market value of the swap and the applicable maximum net position is paid weekly through the bank.

As at 31 December 2016, the maximum net position of both parties amounted to 10 million euros (10 million euros as at 31 December 2015) while the market value of the swap was approximately 38.7 million euros positive (13.9 million euros as at 31 December 2015) at Schiphol Group's. As at 31 December 2016, Schiphol Group had an obligation of 29.5 million euros to JPMorgan (as at 31 December 2015 there was no obligation). If the EUR/JPY exchange rate decreases by 10%, Schiphol Group will receive 31 million euros from JPMorgan. If the exchange rate rises by 10%, Schiphol Group is required to deposit 25 million euros of collateral.

The interest rates shown against the various currency, interest-rate and cross-currency swaps are the fixed rates at which interest is payable to the counterparty, for which interest at the variable (or fixed) rate that Schiphol Group in turn has to pay on the loans concerned is receivable from the counterparty.

(b) Price risk

Price risk is the risk of fluctuations in the value of assets and liabilities as a result of changes in market prices. Schiphol Group is affected mainly by the price risk on property investments which it recognises at fair value. This fair value is influenced by supply and demand and movements in interest rates and the rate of inflation. An average increase of 10% in the net initial yield (NIY) on offices and commercial buildings demanded by property investors would

reduce the value of those properties by a total of approximately 101 million euros. A 10% decrease of the NIY will lead to an increase of approximately 123 million euros. Under the accounting policy, in that situation profitability before tax would fall by the same amount.

Schiphol Group purchases electricity and gas for its own use by Aviation on forward contracts.

(c) Interest-rate risk

Interest-rate risk is divided into a fair value interest-rate risk and a cash flow interest-rate risk.

Fair value interest-rate risk

Fair value interest-rate risk is the risk of fluctuations in the value of a financial instrument as a result of movements in the market interest rate. Schiphol Group has no significant financial assets that attract a cash flow interest-rate risk but is affected by fair value interest-rate risk on its fixed-interest borrowings. If market interest rates fell by an average of 0.5%, this would lead to an increase of 57 million euros (2.4%) in the fair value of borrowings. An average increase of 0.5% in market interest rates would lead to a fall of 53 million euros (2.3%) in the fair value of borrowings. Schiphol Group's policy is to draw at least 50% of borrowings at fixed interest rates, if necessary by using derivatives. As at 31 December 2016, 100% of borrowings were fixed-interest, excluding subsidiaries and associates (As at 31 December 2015: 96%).

Cash flow interest-rate risk

The cash flow interest-rate risk is the risk of fluctuations in the future cash flows of a financial instrument as a result of movements in market interest rates. Except for cash and cash equivalents, Schiphol Group has no significant financial assets that attract a cash flow interest-rate risk. If the average interest received on deposits had been 0.5% lower during 2016 (and had therefore been -0.5%), the interest income relating to deposits would have been 0.7 million euros lower (2015: 0.1 million euros).

In addition, Schiphol Group runs a cash flow interest-rate risk in respect of group financing at a variable interest rate. This position is limited by Schiphol Group's policy of not drawing more than 50% of the funds borrowed at a variable interest rate (and at least 50% at a fixed interest rate), if necessary by using derivatives. As at 31 December 2016, the figure for variable-interest borrowings was 0% (31 December 2015: 4%).

The cash flow interest-rate risk is managed by using interest-rate swaps, under which a variable interest rate can be changed into a fixed interest rate, and interest rate caps, which limit any increase in interest rates. As part of an interest rate swap, Schiphol Group agrees with a counterparty to effect swaps, at predetermined times, of the difference between a fixed contract rate and a variable interest rate. This difference is calculated on the basis of the agreed underlying principal sum. If the average variable interest rate had been 1% higher during 2016, the interest expense effect relating to group financing would have been 0.6 million euros higher (2015: 0.8 million euros).

Counterparty risk

Counterparty risk is the risk that one party to a financial instrument fails to fulfil its obligations, causing the other party to suffer a financial loss. Schiphol Group's counterparties in derivative financial instruments and liquidity transactions are restricted to financial institutions with high creditworthiness (a minimum S&P credit rating of A) and the net position for each counterparty may not exceed 150.0 million euros. The maximum net position as at 31 December 2016 was 150 million euros (150 million euros as at 31 December 2015).

At 31 December 2016, trade receivables was 87.2 million euros (31 December 2015: 92.2 million euros), after a provision for doubtful debts of 3.4 million euros (2.8 million euros as at 31 December 2015) and including 3.1 million euros in security deposits received (31 December 2015: 2.8 million euros). The provision covers all receivables owed by debtors that are in bankruptcy or have applied for a moratorium on payments, receivables older than one year and larger receivables younger than one year which are expected to be uncollectable.

An amount of 6.7 million euros that is part of the 87.2 million euros trade receivables (before deduction of the provision for doubtful debts of 3.4 million euros and security deposits received of 3.1 million euros) was past due but not provided for. The debtors concerned have no default history and the payments were received in January 2017.

Parties using services from Schiphol Group are first assessed for creditworthiness. Depending on the outcome of this assessment, they may be required to provide security in the form of a bank guarantee or deposit to limit the credit risk. As at 31 December 2016, Schiphol Group holds 50.7 million euros in bank guarantees and security deposits (31 December 2015: 41.7 million euros). Koninklijke Luchtvaartmaatschappij N.V. (KLM) has an individual balance in excess of 10.0 million euros.

The movements in the provision for bad debts and ageing analysis are as follows:

(in millions of euros)	2016	2015
Carrying amount as at 1 January	2.8	3.3
Redemption	- 0.3	- 0.6
Withdrawal during the year	0.9	0.1
Carrying amount as at 31 December	3.4	2.8
Ageing analysis		
Less than 60 days	88.3	92.6
Older than 60 days	2.8	2.8
Older than 360 days	1.2	1.2
Bankruptcies	1.4	1.2
	93.7	97.8
Provision for bad debt	- 3.4	- 2.8
Security deposits received	- 3.1	- 2.8
Total trade receivables	87.2	92.2

Liquidity risk

Liquidity risk is the risk that Schiphol Group will have difficulty in raising the funding required to honour its commitments in the short term. Careful liquidity risk management means that Schiphol Group maintains sufficient liquid resources and has access to sufficient funding in the form of promised (and preferably committed) credit facilities and the EMTN programme. The financing policy is also aimed at reducing the refinancing risk. See note 23. *Borrowings* for further information on the margin and facilities. In connection with liquidity risk, Corporate Treasury manages the cash pool through which several of the subsidiaries' bank balances are managed and netted for optimum balance management.

All the items below are shown at the amounts at which they are recognised in the balance sheet and with a remaining maturity based on the date of redemption or settlement agreed with the counterparty. Schiphol Group's policy is that no more than 25% of liabilities may have a term of less than one year. As at 31 December 2016, this figure was 0% (31 December 2015: 13.3%).

The remaining term of the net liabilities relating to financial instruments and the composition of the expected cash flows are as follows:

(in thousands of euros)	Total 2016	Contractual cash flows	<= 1 year	> 1 year	> 1 year but <= 5 years	> 5 years
Borrowings	2,015,700	1,992,470	9,000	1,983,470	762,970	1,220,500
Trade payables	111,252	111,252	111,252	-	-	-
Finance lease liabilities	51,237	51,237	2,014	49,223	11,536	37,687
Interest payable	31,816	31,816	31,816	-	-	-
Derivative financial instruments	3,798	3,798	3,798	-	-	-
Total	2,213,803	2,190,573	157,880	2,032,693	774,506	1,258,187

(in thousands of euros)	Total 2015	Contractual cash flows	<= 1 year	> 1 year	> 1 year but <= 5 years	> 5 years
Borrowings	2,131,429	2,115,936	283,909	1,847,520	264,553	1,582,967
Trade payables	107,911	107,911	107,911	-	-	-
Finance lease liabilities	53,694	53,694	2,336	51,358	11,687	39,671
Interest payable	37,825	37,825	37,825	-	-	-
Derivative financial instruments	654	654	654	-	-	-
Total	2,331,513	2,316,019	432,635	1,898,878	276,240	1,622,638

Financial instruments can be classified, according to the measurement policy applied, as follows:

(in thousands of euros)	Level ¹	Total 2016	Amortised cost	Fair value through equity	Fair value through profit and loss	Fair value disclosure
Borrowings	2	1,975,677	1,975,677	-	-	2,287,823
Borrowings	3	40,023	-	-	40,023	-
Finance lease liabilities	2	51,237	51,237	-	-	51,237
Derivative financial instruments	2	3,798	-	3,798	-	-
Trade payables	n/a	111,252	-	-	111,252	111,252
Interest payable	n/a	31,816	-	-	31,816	31,816
Liabilities		2,213,803	2,026,914	3,798	183,091	2,482,128
Loans to associates	2	-74,200	-74,200	-	-	-77,000
Other loans	2	-746	-746	-	-	-746
Derivative financial instruments	2	-38,706	-	-38,706	-	-
Loans to associates	2	-7,880	-7,880	-	-	-7,880
Trade receivables	n/a	-87,246	-	-	-87,246	-87,246
Cash and cash equivalents	n/a	-238,691	-	-	-238,691	-238,691
Assets		-447,469	-82,826	-38,706	-325,937	-411,563
Total		1,766,334	1,944,088	-34,908	-142,846	2,070,565

¹ If a financial instrument is not measured at fair value the level of fair hierarchy, used to determine the fair value disclosure, is disclosed.

(in thousands of euros)	Level ¹	Total 2015	Amortised cost	Fair value through equity	Fair value through profit and loss	Fair value disclosure
Borrowings	2	2,096,824	2,096,824	-	-	2,355,537
Borrowings	3	34,604	-	-	34,604	-
Finance lease liabilities	2	53,694	53,694	-	-	53,694
Derivative financial instruments	2	654	-	654	-	-
Trade payables	n/a	107,911	-	-	107,911	107,911
Interest payable	n/a	37,825	-	-	37,825	37,825
Liabilities		2,331,512	2,150,518	654	180,340	2,554,966
Loans to associates	2	-66,596	-66,596	-	-	-70,000
Other loans	2	-883	-883	-	-	-883
Loans to associates	2	-13,895	-	-13,895	-	-
Derivative financial instruments	2	-8,782	-8,782	-	-	-8,782
Trade receivables	n/a	-92,247	-	-	-92,247	-92,247
Cash and cash equivalents	n/a	-394,045	-	-	-394,045	-394,045
Assets		-576,448	-76,261	-13,895	-486,293	-565,957
Total		1,755,064	2,074,257	-13,241	-305,952	1,989,009

1 If a financial instrument is not measured at fair value the level of fair hierarchy, used to determine the fair value disclosure, is disclosed.

The tables above present the financial instruments measured at fair value by the method used. Measurement is undertaken for each reporting period.

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted prices for similar assets and liabilities in active markets or information based on or supported by observable market inputs;
- Level 3: Unobservable inputs used to determine the fair value of an asset or liability.

There have been no transfers between Level 1 and Level 2 measurements. Level 2 measurements are determined using various methods and assumptions based on market conditions on the reporting date. The fair value of these financial instruments is determined on the basis of the present value of the projected future cash flows converted into euros at the relevant exchange rates and the market interest rate applicable to Schiphol Group on the reporting date.

The Level 3 measurement is a profit sharing loan based on fair values of a specific real estate portfolio. The cash flows are determined on the basis of the expected value on the expiration date. The expected value is based on the valuation of external appraisers. For more information see Investment property. Due to the positive movement in the fair values of the specific real estate portfolio the profit sharing loan will show a similar move in the opposite direction.

The nominal value is assumed to approximate the fair value of loans to associates, trade receivables, cash and cash equivalents and trade payables.

For information purposes, the fair value of financial assets and liabilities is estimated by discounting future contractual cash flows at the market interest rate applicable to Schiphol Group for comparable financial instruments at that time.

Capital management

Schiphol Group's long-term capital strategy and dividend policy are geared towards improving shareholder value, facilitating sustainable long-term growth and preserving an appropriate financial structure and sound creditworthiness. With its current shareholder base (public-sector shareholders), Schiphol Group only has access to the debt market and maintains a continued focus on further optimising its capital structure and cost of capital.

Schiphol Group uses certain financial ratios, including cash flow-based metrics, to capture the dynamics of capital structure, dividend policy and cash flow generation and monitors its capital structure in line with credit rating agencies and comparable best practises. In this context, key financial ratios employed include:

- Funds From Operations (FFO) Interest Cover: the FFO plus interest charges divided by the interest charges.
- Leverage: interest-bearing debt divided by equity plus the interest-bearing debt.
- Funds From Operations (FFO)/Total Debt: the FFO divided by the total debt.

Funds From Operations

(in thousands of euros)	2016	2015
Operating result	420,317	504,946
Depreciation and amortisation	236,520	222,796
Impairment	1,595	7,510
Proceeds from disposals of property, plant and equipment	- 207	- 181
Result from the sale of joint venture	-	- 49,847
Other income, from property	- 71,390	- 66,687
Other non-cash changes in other receivables and liabilities	- 391	- 4,504
Change in other provisions and employee benefits	1,489	- 1,276
Income tax paid	- 64,966	- 79,270
Interest paid	- 82,435	- 78,800
Interest received	1,580	1,438
Dividend received	28,472	25,646
Funds From Operations	470,584	481,771

'Funds From Operations' is calculated specifically for the purpose of determining the financial ratios and differs from the cash flow from operations calculated in the consolidated cash flow statement in accordance with the reporting policies, in the *Consolidated statement of cash flow for 2016*. FFO is the cash flow from operating activities adjusted for operating capital. In 2016 FFO decreases from 482 million euros to 471 million euros.

(in thousands of euros)	2016	2015
Borrowings	2,010,773	1,847,520
Lease liabilities	49,223	51,358
Non-current liabilities	2,059,996	1,898,878
Borrowings	4,927	283,909
Lease liabilities	2,014	2,336
Current liabilities	6,941	286,245
Total debt	2,066,937	2,185,123

For capital management purposes, debt consists of non-current and current liabilities as shown under 'Total debt'. For capital management purposes, equity is equal to equity in the consolidated balance sheet. At 31 December 2016, equity was 3,860 million euros (3,716 million euros at 31 December 2015).

The FFO/total debt ratio and leverage at 31 December were:

	2016	2015
FFO / Total debt	22.8%	22.0%
Leverage	34.9%	37.0%
Leverage	6.8x	6.7x

The FFO interest coverage ratio is calculated by dividing the FFO plus the interest charges relating to borrowings and lease liabilities,

amounting to 80.8 million euros in 2016 (83.9 million euros in 2015), by those interest charges. The FFO interest coverage ratio for 2016 was 6.8x (compared with 6.7x for 2015). The ratios at 31 December 2016 are consistent with Schiphol Group's policy of maintaining at least a single A- credit rating (S&P).

Related Party Disclosures

Related parties

Related parties	Nature of relationship and transactions	Relevant disclosure
Management Board	Management Board remuneration	Remuneration for Management Board members
Supervisory Board	Supervisory Board remuneration	Remuneration for members of the Supervisory Board
Schiphol Airport Retail B.V.	Concession income	Investments in associates and joint ventures
ABP	Pension contributions	Employee benefits expense
Groupe ADP	Associate / dividends	Investments in associates and joint ventures
Brisbane Airport Corporation Holdings Ltd.	Associate / dividends and interest on RPS	Investments in associates and joint ventures and Loans to associates
Ministry of Finance	Shareholder/ distribution of dividends	Retained profits

There are a number of subsidiaries and joint ventures in which Schiphol Group holds an interest which results in either significant influence but no decisive control or exercising joint operational and policy control. These subsidiaries and joint ventures are designated as related parties.

The material related parties are included in the table above.

Operation of the airport

In its legislative capacity, the government (State of the Netherlands) is responsible for the legislation governing the operation of Amsterdam Airport Schiphol, which is provided for indefinitely in law in Chapter 8, Part 4 of the Aviation Act and other legislation.

Sections 8.7 and 8.17 of the Aviation Act impose constraints on the development and use of Amsterdam Airport Schiphol. The Airport Traffic Decree lays down rules for airport use and stipulates limits for noise levels, air pollution and risks to public safety. The Airport Planning Decree defines the airport zone and the restrictions governing the use of the airport and the surrounding area. The Aviation (Supervision) Regulations define the rules concerning safety on the airport grounds.

There are two lines of supervision of the operation of Amsterdam Airport Schiphol.

One line of supervision concerns preventing abuse, by the operator, of its position of economic strength. The body responsible for this supervision is the ACM. The supervision relates to the charges and conditions fixed by the operator pursuant to Section 8.25d of the Aviation Act to be met by the airport users in the subsequent year. The charges are regulated on the basis of a mandatory annual consultation of users by the operator concerning the proposed charges and conditions for the subsequent year. When making its proposal, the operator provides the users with a statement of the level of service to be provided as measured by the indicators stipulated in the Amsterdam Airport Schiphol Operation Decree.

The other line of supervision involves the Ministry of Infrastructure and the Environment and relates to the operation of Amsterdam Airport Schiphol, for which a licence has been granted pursuant to Section 8.25 of the Aviation Act. The operator reports to the minister on the operation of the airport at least once every three years, with special reference to capital expenditure that is important to the development of the airport. The ability to foster the Mainport status of the airport, to the extent that the operator is able to influence that status, is particularly dependent on the development of the airport infrastructure in the medium and long term.

Remuneration for members of the Supervisory Board

(x EUR 1)	Remuneration	Committees				Total 2016
		Audit	Remuneration	Selection and Appointments	Public Affairs and CR	
L.J. Gunning-Schepers	37,399	-	-	5,123	5,123	47,645
H.J. Hazewinkel	24,591	3,066	5,123	5,123	-	37,903
E. Arkwright ¹	-	-	-	-	-	-
C. Clarke	24,591	-	-	5,123	-	29,714
P. Jeantet ²	-	-	-	-	-	-
R.J. van de Kraats	24,591	6,148	-	-	-	30,739
A.B.M. Olsson	24,591	-	5,123	-	5,123	34,837
M.A. Scheltema	24,591	3,082	5,123	-	5,123	37,919
J.G. Wijn	24,591	6,148	-	5,123	-	35,862
Total	184,945	18,444	15,369	20,492	15,369	254,619

¹ from 25 August 2016

² till 1 June 2016

(x EUR 1)	Remuneration	Committees				Total 2015
		Audit	Remuneration	Selection and Appointments	Public Affairs and CR	
L.J. Gunning-Schepers	26,582	-	-	5,000	5,000	36,582
H.J. Hazewinkel	30,519	6,000	5,000	3,640	-	45,159
C. Clarke	17,473	-	-	3,640	-	21,113
L. Galzy	-	-	-	-	-	-
R.J. van de Kraats	18,000	4,500	-	-	-	22,500
A.B.M. Olsson	17,473	-	3,640	-	3,640	24,753
M.A. Scheltema	24,000	-	5,000	-	5,000	34,000
J.G. Wijn	24,000	4,368	-	5,000	1,360	34,728

Resigned on 8 April 2015

A. Ruys	9,927	-	-	1,360	-	11,287
F.J.G.M. Cremers	6,527	1,632	-	1,360	-	9,519
J.G.B. Brouwer	6,527	1,632	1,360	-	-	9,519
Total	181,028	18,132	15,000	20,000	15,000	249,160

All members of the Supervisory Board also receive an annual expense fee of 1,639 euros on top of the remuneration for Supervisory Board members referred to above. Messrs Jeantet, Arkwright and Galzy stated that they did not wish to receive any remuneration and expense fee in connection with their membership of the Supervisory Board and its committees. No shares, share options, loans, advances or guarantees have been or will be granted to members of the Supervisory Board.

Remuneration for Management Board members

(x EUR 1)	Salary	Short-term incentives	Long-term incentives	Pension costs	Pension costs (supplementary)	Other payments	Total 2016
J.A. Nijhuis	397,120	51,626	263,657	27,686	110,940	11,597	862,626
A. van den Berg ¹	263,225	34,219	-	15,800	29,840	8,698	351,782
M.M. de Groof ²	77,551	27,143	58,126	6,116	22,860	2,899	194,695
E.A. de Groot	350,967	45,626	-	20,662	36,245	11,597	465,097
B.I. Otto	350,967	45,626	-	20,715	38,565	11,597	467,470
Total	1,439,830	204,240	321,783	90,979	238,450	46,388	2,341,670

1 from 1 April 2016

2 till 1 April 2016

(x EUR 1)	Salary	Short-term incentives	Long-term incentives	Pension costs	Pension costs (supplementary)	Other payments	Total 2015
J.A. Nijhuis	395,461	59,319	203,732	29,707	107,253	13,153	808,625
M.M. de Groof	308,909	101,940	158,141	26,994	88,983	337,725 ¹	1,022,692
E.A. de Groot	349,500	52,425	-	22,593	34,399	13,153	472,070
B.I. Otto	349,500	38,445	-	22,593	36,622	13,153	460,313
Total	1,403,370	252,129	361,873	101,887	267,257	377,184	2,763,700

1 The other payments include a termination fee which will be paid at the end of the employment in April 2016.

The remuneration of Management Board members is disclosed in accordance with Section 2:383c of the Dutch Civil Code. Periodic remuneration comprises the total of gross salary and holiday pay.

Based on the assessment by the Supervisory Board of the extent to which the targets were achieved, the following short-term incentives have been charged to the result for 2016. Ms De Groot, Ms Otto and Mr Van den Berg are all covered by the new remuneration policy. The short-term incentive is determined to be 13% of Ms De Groot, Ms Otto, and Mr Van den Berg of their fixed salary. The short-term incentive for Mr Nijhuis is also set at 13% of his fixed salary. Just as in 2015, Mr Nijhuis voluntarily renounced part of the short-term incentive to which he was entitled. As such the short-term incentive of Mr Nijhuis is in line with the short-term incentive of the other Board members.

In addition, till 2016 Mr Nijhuis is eligible for a variable pay scheme relating to the operating results over a longer period (long-term incentives) as included in the old remuneration policy. The LTI is measured over a reference period of three years and has an on-target payment level of 35% of the fixed salary.

Based on the assessment of the Supervisory Board's of the development of Economic Profit the accrued long-term incentives rights till 2016 will be paid in 2017:

- LTI 2014 (reference period 2014-2016) with a swing factor of 1.5;
- two third of the LTI 2015 (reference period 2015-2017) with a swing factor of 1.5;
- one third of the LTI 2016 (reference period 2016-2018) with a swing factor of 1.25.

The abovementioned settlement leads to a one off increase of the LTI in 2016. With effect from 2017 Mr Nijhuis will be rewarded based on the remuneration policy as approved in 2014. In addition to the LTI scheme and the pension contribution is brought in line with this policy.

The abovementioned accrued LTI are presented under the current assets.

The other payments concern allowances for representation expenses and the employer's share of social security contributions. Part of the other compensation of Mr De Groof in 2015 includes a termination fee in the amount of 324,452 euros.

For further details, please read the *Management Board Remuneration for 2016* section in the annual report.

Subsidiaries

	Registered in	Direct / indirect interest in %
Schiphol Nederland B.V.	Schiphol	100.00
Schiphol Australia Pty Ltd	Schiphol	100.00
Schiphol North America Holding Inc.	Delaware	100.00
Eindhoven Airport N.V.	Eindhoven	51.00
N.V. Luchthaven Lelystad	Lelystad	100.00
Luchthaven Lelystad Vastgoed B.V.	Lelystad	100.00
Schiphol USA Inc.	New York	100.00
Rotterdam Airport B.V.	Rotterdam	100.00
Rotterdam Airport Holding B.V.	Rotterdam	100.00
Rotterdam Airport Vastgoed B.V.	Rotterdam	100.00
Schiphol International B.V.	Schiphol	100.00
Schiphol Real Estate B.V.	Schiphol	100.00
Airport Real Estate Management B.V.	Schiphol	100.00
Avioport Srl	Lonate Pozzolo	100.00
Schiphol Telematics B.V.	Schiphol	100.00

The subsidiaries are consolidated. The full list has been registered with the Chamber of Commerce.

The balance sheet for the minority interest in Eindhoven Airport N.V. exclusive of the interests of Schiphol Group is presented below.

(in thousands of euros)	2016	2015
Assets		
Non-current assets	45,463	38,973
Current assets	5,781	6,046
	51,244	45,019
Equity and liabilities		
Total equity	36,340	31,584
Non-current liabilities	11,231	9,397
Current liabilities	3,673	4,038
	51,244	45,019

The income statement for this company:

(in thousands of euros)	2016	2015
Revenue	25,525	23,700
Other income and results from investment property	60	- 86
	25,585	23,614
Total operating expenses	18,849	17,577
Operating profit	6,736	6,037
Financial income and expenses	- 139	- 453
Profit before tax	6,597	5,584
Corporate income tax	1,619	1,391
Profit for the year	4,978	4,193

Events after the balance sheet date

There are no events after the balance sheet date.

Company income statement for 2016

(in thousands of euros)	note	2016	2015
Revenue		-	-
Cost of outsourced work and other external costs		25	14
Employee benefits expense		2,228	2,417
Other operating expenses		343	142
Total operating expenses		2,596	2,573
Operating profit		-2,596	-2,573
Financial income		11	24
Financial expenses		-49,728	-8,711
Financial income and expenses		-49,717	-8,687
Share of profit of associates and joint ventures	30	42,835	36,336
Share of profit of subsidiaries	30	302,656	346,272
Profit before tax		293,178	371,348
Income tax expense		13,078	2,815
Result attributable to shareholders (net result)		306,256	374,163

Company balance sheet as at 31 December 2016

Assets (in thousands of euros)	Note	31 December 2016	31 December 2015
Non-current assets			
Investments in subsidiaries	30	3,501,614	3,188,929
Investments in associates	30	652,098	631,325
Derivatives		38,706	13,895
Deferred tax assets		10,660	8,282
		4,203,078	3,842,431
Current assets			
Receivables	31	1,215,230	1,064,133
Income tax receivable	31	13,078	2,815
Cash and cash equivalents		783	188,471
		1,229,091	1,255,419
		5,432,169	5,097,850
Equity and liabilities (in thousands of euros)			
Shareholders' equity			
Issued share capital		84,511	84,511
Share premium		362,811	362,811
Retained profits		2,624,848	2,497,008
Other reserves		- 62,930	- 83,032
Revaluation reserve		481,202	424,809
Other statutory reserves		26,532	23,838
Net result of the year		306,256	374,163
	32	3,823,230	3,684,108
Non-current liabilities			
Deferred tax liabilities		9,676	3,474
Employee benefits		341	602
Loans and borrowings - EMTN programme	23	1,267,868	1,108,640
		1,277,885	1,112,716
Current liabilities			
	34	331,054	301,026
		5,432,169	5,097,850

Notes to the company financial statements

General

Basis of preparation

The company financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code, exercising the option in Section 2:362(8) of the Dutch Civil Code to apply the same accounting policies for the company.

The accounting policies for the company financial statements are the same as those for the consolidated financial statements. Where no specific policies are mentioned, see the accounting policies for the consolidated financial statements. N.V. Luchthaven Schiphol is registered at the chamber of commerce with the number 34029174.

Accounting policies

Subsidiaries

Companies over which Schiphol Group is able to exercise control or which Schiphol Group effectively manages are stated at net asset value determined by measuring the assets, provisions and liabilities and results according to the policies applied in preparing the consolidated financial statements. If the share of losses attributable to Schiphol Group exceeds the carrying amount of a subsidiary, losses over and above that amount are not recognised unless Schiphol Group has given guarantees to the entity concerned or other commitments have been entered into or payments have been made on behalf of that entity. In that case, a provision is made for the consequent liabilities. Results on transactions with subsidiaries are eliminated in proportion to the interest in the entities concerned, except where the results arise on transactions with third parties. Losses are not eliminated if there are indications of impairment of the assets concerned.

Elements of equity

Various statutory reserves are maintained in the company balance sheet and form part of the retained profits in the consolidated balance sheet. These reserves restrict the ability to distribute the equity. They are the reserve for property revaluations and the reserves for intangible assets and for investments in associates. The latter two reserves have been combined under other statutory reserves.

The revaluation reserve (Section 2:390(1) of the Dutch Civil Code) is maintained for unrealised fair value gains on individual items of investment property (land and buildings) held by companies forming part of Schiphol Group. Additions to this reserve are made through the profit appropriation, after allowing for corporate income tax. On the sale of investment property, the amount of the revaluation reserve for the property in question is transferred to other reserves.

The reserve for intangible assets (Section 2:365(2) of the Dutch Civil Code) is maintained in connection with research and development costs (software) capitalised by companies forming part of Schiphol Group. The reserve for investments in associates (Section 2:389(6) of the Dutch Civil Code) is formed for the share in the positive results of the entities concerned and in fair value gains recognised directly in equity. Amounts are not recognised in respect of entities whose cumulative results are not positive. The reserve is reduced by the amount of dividend distributions, fair value losses recognised directly in equity and any distributions which Schiphol Group would be able to effect without restriction.

Equity in the consolidated balance sheet includes an exchange differences reserve, an other financial interests reserve and a hedging transactions reserve. These reserves (recognised collectively in the company financial statements under the heading of 'Other reserves of Schiphol Group') are also presented as part of company equity since they similarly restrict the ability to distribute the reserves.

Notes to the company balance sheet and income statement

Where the notes to the company balance sheet and income statement are not materially different from the notes to the consolidated balance sheet and income statement, they have not been repeated. See the notes to the consolidated balance sheet and income statement for the items concerned.

30. Non-current assets

(in thousands of euros)	Subsidiaries	Associates	Total
Carrying amount as at 1 January 2015	2,807,211	617,500	3,424,711
Movements in 2015			
Result for the year	346,272	36,336	382,608
Dividend	-	- 24,859	- 24,859
Other movements	35,446	2,348	37,794
Total movements in the year	381,718	13,825	395,543
Carrying amount as at 31 December 2015	3,188,929	631,325	3,820,254
Movements in 2016			
Result for the year	302,656	42,835	345,491
Dividend	-	- 20,662	- 20,662
Other movements	10,029	- 1,400	8,629
Total movements in the year	312,685	20,773	333,458
Carrying amount as at 31 December 2016	3,501,614	652,098	4,153,712

Subsidiaries are the wholly-owned subsidiaries of Schiphol Nederland B.V. or Schiphol International B.V., with the exception of Eindhoven Airport N.V. Section 2:403 of the Dutch Civil Code applies to Schiphol Nederland B.V. Associates are the 8% interest of N.V. Luchthaven Schiphol in Groupe ADP.

31. Current assets

Cash and cash equivalents are freely available. Receivables, cash and cash equivalents are included at fair value, which is usually face value.

(in thousands of euros)	2016	2015
Income tax receivable	13,078	2,815
Group Companies	1,215,147	1,063,991
Other receivables	83	142
	1,228,308	1,066,948

32. Shareholders' equity

(in thousands of euros)	Issued share capital	Share premium	Retained profits	Other reserves	Revaluation reserve	Other statutory reserves	Net Result Financial Year	Total
Carrying amount as at 1 January 2015	84,511	362,811	2,379,826	- 106,401	417,483	14,907	271,895	3,425,032
Movements in 2015								
Appropriation of result for previous year	-	-	133,954	-	4,542	- 5,057	- 133,439	-
Reclassification	-	-	- 16,772	-	2,784	13,988	-	-
Distribution of dividend	-	-	-	-	-	-	- 138,456	- 138,456
Exchange differences	-	-	-	3,310	-	-	-	3,310
Movements in hedge reserve	-	-	-	16,675	-	-	-	16,675
Net result	-	-	-	-	-	-	374,163	374,163
Other comprehensive income from associates	-	-	-	2,421	-	-	-	2,421
Actuarial gains and revaluations after taxation	-	-	-	963	-	-	-	963
Total movements in the year	-	-	117,182	23,369	7,326	8,931	102,268	259,076
Balance as at 31 December 2015	84,511	362,811	2,497,008	- 83,032	424,809	23,838	374,163	3,684,108
Movements in 2016								
Appropriation of result for previous year	-	-	127,840	-	56,393	2,694	- 186,927	-
Distribution of dividend	-	-	-	-	-	-	- 187,236	- 187,236
Exchange differences	-	-	-	4,286	-	-	-	4,286
Movements in hedge reserve	-	-	-	19,629	-	-	-	19,629
Net result	-	-	-	-	-	-	306,256	306,256
Other	-	-	-	- 1,100	-	-	-	- 1,100
Other comprehensive income from associates	-	-	-	- 1,743	-	-	-	- 1,743
Actuarial gains and revaluations after taxation	-	-	-	- 970	-	-	-	- 970
Total movements in the year	-	-	127,840	20,102	56,393	2,694	- 67,907	139,122
Balance as at 31 December 2016	84,511	362,811	2,624,848	- 62,930	481,202	26,532	306,256	3,823,230

The other statutory reserves comprise the reserve for intangible assets and the reserve for investments in associates.

(in thousands of euros)

Result attributable to shareholders	306,256
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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 revaluation reserve (fair value gains and losses on property recognised in the profit and loss account, after adjustment for fair value losses below cost and after deduction of corporate income tax)	- 58,132
Addition to the statutory reserve (sum of the results of associates, less dividend distributions, and investments in research and development less amortisation)	- 74
Dividend distribution	- 148,438
Addition to retained profits	99,612

33. Employee benefits

The liabilities for employee benefits relate to the Management Board of N.V. Luchthaven Schiphol and concern the net liabilities in respect of the long-term incentives. See the notes on employee benefits in the consolidated financial statements for further details.

34. Current liabilities

(in thousands of euros)	2016	2015
Group companies	309,962	140,011
Borrowings	-	141,099
Accruals	20,631	19,916
Other liabilities	461	-
	331,054	301,026

See note 4. *Outsourcing and other external costs* to the consolidated financial statements for a breakdown of auditor's fees.

Schiphol, 16 February 2017

Supervisory Board

L.J. Gunning-Schepers, chair

H.J. Hazewinkel, vice-chair

E. Arkwright

C. Clarke

R.J. van de Kraats

A.B.M. Olsson

M.A. Scheltema

J.G. Wijn

For the company financial statements for 2016:

Management Board

J.A. Nijhuis

President & Chief Executive Officer

A. van den Berg

Chief Commercial Officer

E.A. de Groot

Chief Financial Officer

B.I. Otto

Chief Operations Officer

Other Information

Proposed 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 Dutch Civil Code, the profit according to the financial statements prepared by the Management Board shall be added to the reserves unless the General Meeting of Shareholders resolves to make profit distributions according to a proposal by the Management Board approved by the Supervisory Board.
2. The General Meeting of Shareholders shall decide the appropriation of the amounts thus reserved according to a proposal by the Management Board approved by the Supervisory Board.



Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of N.V. Luchthaven Schiphol

Report on the financial statements 2016 included in the annual report

Our opinion

In our opinion:

- the consolidated financial statements included in this annual report give a true and fair view of the financial position of N.V. Luchthaven Schiphol as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the company financial statements included in this annual report give a true and fair view of the financial position of N.V. Luchthaven Schiphol as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2016 of N.V. Luchthaven Schiphol, Schiphol, as set out on pages 135 to 206. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of income, comprehensive income, changes in equity and cash flow for 2016 and the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise the company balance sheet as at 31 December 2016, the company income statement for 2016 and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of this report.

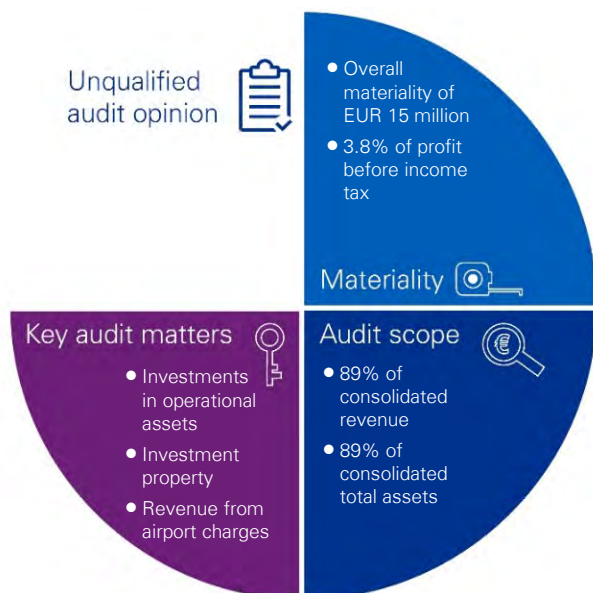
We are independent of N.V. Luchthaven Schiphol in accordance with the Dutch Regulation on independence of professional accountants ('*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*') and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Dutch Code of Ethics ('*Verordening gedrags- en beroepsregels accountants*').

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Audit approach

Summary



Materiality

Based on our professional judgment we determined materiality for the financial statements as a whole at EUR 15 million (2015: EUR 15 million). Materiality is determined with reference to profit before income tax of which it represents 3.8%. Although profit before income tax has decreased compared to 2015, we have not decreased the overall materiality as an absolute number. This is based on our consideration that prior year's profit before income tax includes items which are not necessarily representative of the activity level of the entity, such as the profit with respect to the sale of Schiphol Airport Retail. We have also considered misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.8 million (2015: EUR 0.8 million), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds. We have not reported any uncorrected misstatements in excess of EUR 0.8 million.

Scope of the group audit

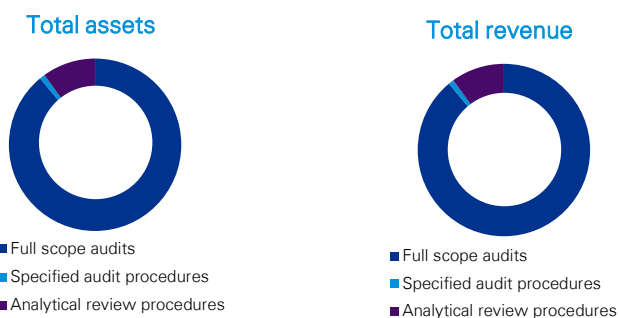
N.V. Luchthaven Schiphol is head of a group of entities with activities in the Business Areas Aviation, Real Estate, Consumer Products & Services and Alliances & Participations. The financial information of this group is included in the financial statements of N.V. Luchthaven Schiphol.

The group audit was mainly focused on the activities located at Amsterdam Airport Schiphol, including Aviation, Real Estate and Consumer Products & Services.

Audit procedures with respect to a number of foreign activities in the Business Area Alliances & Participations were performed by local auditors. This includes procedures related to investments in and results from the equity accounted associates Groupe ADP and Brisbane Airport. We have evaluated the outcome of their procedures, based on, amongst others, a site visit and a review of the findings that were reported to us, for which we specifically asked through instructions prepared for this purpose. For other group entities, including the activities at Terminal 4 of JFK IAT, the central audit team performed specified audit procedures. Our approach described above resulted in a coverage of 89 per cent of total revenue and 89 per cent of total assets.



By performing the procedures mentioned above at group entities, together with analytical review procedures for activities located outside Amsterdam Airport Schiphol, we have obtained sufficient and appropriate audit evidence to provide an opinion on the consolidated financial statements.



Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments in operational assets – appropriateness of capitalisation

Description

Investments in operational assets are a key audit matter due to the distinction between capital expenditure and operating expenses: operating expenses are an immediate charge to the statement of income, while capital expenditure is capitalised and depreciated over the useful life of the asset.

Assets used for operating activities (assets in use) and Assets under construction for operating activities together comprise 48% of total consolidated assets. Schiphol is investing in operational capacity and quality through large-scale renovations and investments. As disclosed on page 168 of the financial statements, EUR 279 million in capital expenditure was capitalised in 2016 as part of Assets under construction for operating activities.

Our response

We have performed audit procedures aimed at the design, implementation and operating effectiveness of internal controls within the purchase and investment process. In addition, we have performed a high-level evaluation of internal controls within the tender process. For Assets under construction for operating activities, we tested the accuracy of new investments and appropriateness of capitalisation through sampling of capitalised expenditure with associated goods received and invoices. For transfers from assets under construction to assets in use, we evaluated the design, implementation and operating effectiveness of internal controls with respect to internally approved delivery protocols. For assets taken into use, we have tested the accuracy of depreciation rates used based on specific item testing.

We performed audit procedures that enabled us to rely on application controls embedded in relevant IT systems, such as the approval of invoices for capital expenditure and automated matching of invoices with purchase orders and goods received (the so-called “three-way-match”).



Investment property is valued at fair value, supported amongst others by valuation reports of independent valuers

Description

Valuation of investment property is a key audit matter due to the amount of investment property and the extent of estimation uncertainty.



Investment property is measured at fair value and comprises 23% of total consolidated assets. The result from revaluation of investment property amounts to EUR 71 million positive. The valuation of investment property is complex and involves using significant management judgement. This also applies to independent valuers which Schiphol has engaged for this purpose, as disclosed on page 169 of the financial statements. Valuations significantly depend on estimates and assumptions with respect to the determination of future cash flows, such as market rent, vacancy rates, interest rates and maintenance, as disclosed on page 170 of the financial statements. For valuation of land, next to engaging external valuers, Schiphol also uses an internally developed valuation model.

Our response

We have examined the design, implementation and operating effectiveness of internal controls within the valuations process. We have evaluated the objectivity, independence and professional competence of external valuers engaged by Schiphol. We have examined the engagement between Schiphol and the external valuers to ensure that valuations meet the criteria as included in EU-IFRS. Furthermore, we have audited the accuracy and completeness of information provided by Schiphol to the valuers. We have evaluated and analysed the valuation reports provided by the external valuers. We have involved our own valuation specialists to assess the appropriateness of the valuation models and key assumptions used. In addition, we have evaluated the methodology and proper working of the internal valuation model used for the valuation of land.



Revenue from airport charges partly based on data from third parties

Description

Revenue from airport charges is a key audit matter because of the amount of such revenue, and the use of information obtained from third parties.



Revenue from airport charges amounts to 59% of total revenue as included in the consolidated statement of income. A breakdown of this revenue is included on page 156 of the financial statements. In addition, it is noted that the tariff-setting of airport charges for Amsterdam Airport Schiphol is regulated.

Next to accuracy, completeness of revenue recognised from airport charges is important in our audit. In order to determine airport charges, including passenger-related fees, Schiphol is partly dependent on information from third parties. In particular, this includes registrations of passenger numbers and their composition where the distinction between OD- and transfer passengers affects the tariff to be used.



Our response

We have examined the design, implementation and operating effectiveness of internal controls related to the reliability of registrations of passenger numbers and their composition, as obtained from third parties.



In addition, we have performed analytical procedures with respect to revenue from airport charges, amongst others by performing a trend analysis on the amount of passenger-related fees per period. We have also analysed the relationship between revenue from airport charges and other activities for which the amount of revenue correlates with passenger numbers, such as parking fees and revenue from concessions that are partly variable based on retail sales.

We relied on certain application controls embedded in IT systems, such as the link between the billing system and the operational airport system in which all flights and relevant flight data are included. This ensures that all flights are being invoiced to airlines.

We have also tested the proper cut-off of revenue from airport charges, in particular for flights occurred prior to the balance sheet date but invoiced after year-end due to invoicing at fixed points in time.

Finally, we have used data analytics to determine that revenue from airport charges, via accounts receivable, leads to cash receipts. For accounts receivable at the balance sheet date, we have assessed this based on subsequent cash receipts.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Report by the Management Board, which contains the Message from the CEO of N.V. Luchthaven Schiphol (hereafter also: Schiphol) (page 7 up to and including 9), facts and figures (page 12 and 13), the strategy (page 24 up to and including 39), the results of Schiphol (page 40 up to and including 87), and the report about governance, which includes the report from the Supervisory Board and information on remuneration (page 88 up to and including 119);
- other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code (page 206);
- Information on socio-economic accountability (page 120 up to and including 131).

Based on the below procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report by the Management Board, in accordance with Part 9 of Book 2 of the Netherlands Civil Code and other Information pursuant to Part 9 of Book 2 of the Netherlands Civil Code



Report on other legal and regulatory requirements

Engagement

We were appointed as auditor of N.V. Luchthaven Schiphol for the audit of the 2014, 2015 and 2016 financial statements in the Extraordinary General Meeting of Shareholders on 10 February 2014. We have been the external auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during the audit.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA)
https://www.nba.nl/Documents/Tools%20Vaktechniek/Standaardpassages/Standaardpassage_nieuwe_controletekst_oob_variant_%20Engels.docx

Amstelveen, 16 February 2017
KPMG Accountants N.V.

E. Eeftink RA

Historical summary

(in millions of euros, unless otherwise indicated)

	2016	2015	2014	2013 ¹	2012
Profit and loss account					
Revenue	1,435	1,423	1,438	1,364	1,353
Other income and results from investment property	71	117	35	3	- 13
Total operating revenue	1,506	1,540	1,473	1,367	1,340
Total operating expenses before depreciation, amortisation and impairment	- 848	- 804	- 838	- 796	- 806
EBITDA	658	735	635	571	534
Depreciation, amortisation and impairment	- 238	- 230	- 232	- 266	- 238
Operating result	420	505	403	305	296
Financial income and expenses	- 91	- 89	- 86	- 90	- 88
Taxation, share in operating result of associates and minority interests	- 18	- 38	- 43	15	- 12
Result on ordinary activities after tax	311	378	274	230	196
Minority interests	5	4	2	3	- 2
Net result	306	374	272	227	198
Balance sheet					
Non-current assets	5,818	5,643	5,412	4,929	5,108
Current assets	608	756	418	772	681
Total assets	6,426	6,399	5,830	5,701	5,789
Equity	3,860	3,716	3,453	3,309	3,203
Provisions	57	56	57	46	44
Non-current liabilities	2,172	2,017	1,986	1,576	1,980
Current liabilities	337	610	334	770	562
Total equity and liabilities	6,426	6,399	5,830	5,701	5,789
Operating cash flow²	438	508	508	462	399
Ratios					
Operating result as % of revenue	29.3	35.5	28.0	22.4	21.9
Return on average equity in % (ROE)	8.2	10.4	8.0	7.0	6.2
Return on Net Assets in % ³	9.5	11.1	8.8	7.8	7.4
Return on Average Capital Employed in % ⁴	8.2	10.1	8.4	7.2	7.4
FFO/Total debt in % ⁵	22.8	22.0	26.5	26.0	24.5
FFO interest coverage ratio ⁶	6.8	6.7	6.4	5.8	5.6
Leverage ⁷	34.9	37.0	35.0	36.2	37.8
Figures per share					
Earnings per share	1,645	2,010	1,461	1,222	1,068
Operating cash flow per share	2,354	2,728	2,730	2,446	2,143
Dividend per share	797	1,006	744	726	582
Personnel					
Average effective full-time equivalent employees	2,063	2,000	2,039	2,058	2,087

2011	2010	2009	2008	2007
1,278	1,180	1,154	1,154	1,146
-	22	- 40	22	114
1,278	1,202	1,114	1,176	1,260
- 766	- 719	- 731	- 709	- 666
512	483	383	467	594
- 208	- 186	- 196	- 172	- 175
304	297	187	295	419
- 91	- 115	- 91	- 54	- 35
- 15	- 10	37	- 54	- 68
198	172	133	187	316
3	3	-	-	-
195	169	133	187	316
5,106	5,000	4,798	4,754	3,945
681	506	729	655	342
5,787	5,506	5,527	5,409	4,287
3,175	3,109	2,975	2,887	2,957
51	65	69	50	54
1,980	1,762	2,061	1,747	914
581	570	422	725	362
5,787	5,506	5,527	5,409	4,287
387	351	327	421	313
23.8	25.1	16.2	25.5	36.6
6.2	5.6	4.5	6.4	11.1
7.4	7.9	4.9	7.5	12.3
7.5	7.3	4.5	7.3	11.7
18.5	17.0	18.5	19.3	34.3
4.5	3.8	4.4	6.5	7.7
37.9	37.2	40.5	38.6	23.5
1,045	908	710	1,083	1,844
2,081	1,883	1,756	2,439	1,830
524	409	347	371	543
2,115	2,328	2,496	2,506	2,459

1 Comparative figures before 2012 have not been restated due to adoption of IFRS 11

2 For analysis see the cash flow statement

3 As from 2006: Operating result + result and interest associates / average non-current assets less deferred taxes.

4 As from 2006: Operating result + result and interest associates / average of equity and interest-bearing debt

5 As from 2006: see calculation FFO / Total debt and FFO/ Interest coverage in the note on Financial Risk Management

6 As from 2006: see calculation FFO / Total debt and FFO/ Interest coverage in the note on Financial Risk Management Up to and including 2005: Funds from operating activities adjusted for working capital plus interest income / interest costs

7 As from 2004: Interest-bearing debt / equity plus interest-bearing debt in %

Glossary

ACI

Airports Council International – international sector association of airports

ACM

Dutch Authority for Consumers and Markets; supervises the establishment of aviation charges and conditions at Amsterdam Airport Schiphol

Air transport movements

Commercial air transport movements (not carried out by the military, police etc.)

Airport Carbon Accreditation

Benchmark for the ACI sector association. This benchmark helps provide insight into airports' efforts to reduce CO₂ emissions

Airport charges

Aircraft, passenger and security-related charges

Airport traffic ruling

The section of the Dutch Aviation Act (Wet luchtvaart) that governs the use of Amsterdam Airport Schiphol

AirportCity concept

An integrated development concept for aviation and non-aviation activities offering businesses and users a full spectrum of services and facilities. The AirportCity concept comprises the activities of the business areas of Aviation, Consumer Products & Services and Real Estate

Airside

Area where aircraft take off, land and taxi, and where ground handling activities are carried out on aircraft

Airside retail

The shops in the area behind security control, which is only accessible to travellers at Schiphol

Alders Platform

Consultative body for the aviation sector and regional partners, chaired by former Minister and former Queen's Commissioner Hans Alders

AREB Fonds

A real estate fund at the Schiphol location wholly owned by Schiphol Real Estate

Aviation Act (Wet luchtvaart) governing the operation of Amsterdam Airport Schiphol

Legislation laying down the terms of the operating licence and the sector-specific supervision of charges and conditions for using Amsterdam Airport Schiphol; in force since July 2006

Aviation Act (Wet luchtvaart) governing the organisation and use of Amsterdam Airport Schiphol

Legislation laying down standards for noise, air quality, odour and safety at Amsterdam Airport Schiphol; in force since February 2003

Aviation Policy Document

Vision of developments in, and the growth of, aviation in the Netherlands, published by the Dutch government

BAS

The Local Community Contact Centre (BAS) is the information and complaints centre to which local residents can address their questions and complaints concerning air traffic at Amsterdam Airport Schiphol. BAS is a joint initiative of Air Traffic Control the Netherlands (LVNL) and Amsterdam Airport Schiphol

Bird strike

Bird strikes are incidents in which dead birds or bird remains are found on an aircraft or a runway and in which it can reasonably be assumed that the strike occurred within the airport boundaries

BREEAM

BREEAM (Building Research Establishment Environmental Assessment Method) certification is awarded by the Dutch Green Building Council

Business area

A functional cluster of activities within the Schiphol Group organisation

Capital Programme

Programme set up to ensure the effective management of large-scale and complex investment projects at Amsterdam Airport Schiphol

Catchment area

Area from which passengers travel to and from Amsterdam Airport Schiphol by road or rail

Comprehensive testing

The comprehensive fire-safety testing, under operating conditions, of fire alarm equipment, air treatment plants, baggage systems, lift control equipment, shutters and evacuation systems in the terminal

Concession income

Income from activities for which a concession (i.e., a licence to conduct specific activities) has been granted, usually in the form of a percentage of revenue

Corporate Responsibility (CR)

Conducting business with respect for people, the environment and the local community

CR-conscious supplier

A supplier who is able to produce a recent Corporate Responsibility policy document, an (integrated) Corporate Responsibility Report, an ISO 14001 or equivalent specific certificate for a product or product group and an EMAS certificate

CROS

The Schiphol Regional Consultative Committee (Commissie Regionaal Overleg luchthaven Schiphol); a discussion platform connecting the aviation sector and the region

DAP

Digital Airport Programme: a programme for innovative IT and digital initiatives at Schiphol

EASA

European Aviation Safety Agency

Economic profit

RONA (after tax) minus the WACC, multiplied by average fixed assets

Eindhoven Airport Implementation Platform

Stakeholder consultation about the growth of Eindhoven Airport, chaired by former State Secretary Pieter van Geel

Enforcement point

A calculation point to which a maximum permissible noise load applies as set by the central government

Environmental permit

Operating licence enabling the airport to carry out activities under the environmental conditions set out in the permit

Euro Medium Term Note (EMTN)

An umbrella programme under which investment-grade entities can issue unsecured certificates of debt ('notes')

FFO

FFO – funds from operations – is the cash flow from operating activities before changes in working capital

Fixed Electrical Ground Power

Power supply for on-board aircraft systems on the apron (airside) to replace a GPU

FTE

Full-time equivalent; a full-time job

Full-freighter

An aircraft that transports cargo only

General Aviation

The international designation for private and business flights using aircraft for no more than 20 passengers

Global Compact

A United Nations initiative in which the participating companies commit to ten ethical and environmental principles

GRI

Global Reporting Initiative – worldwide guidelines for Corporate Responsibility reporting

Ground handling

The activities required for the arrival and departure of aircraft, passengers and cargo. This includes passenger check-in, loading and unloading baggage and cargo, aircraft cleaning and catering

Ground noise

Ground noise is low-frequency noise producing vibrations that can cause nuisance. It is perceived differently from 'regular' noise, and is more often felt than heard. Low-frequency noise is produced by aircraft taking off on the runway

Home carrier

Main network carrier at a hub airport

HPO

High Performance Organisation: an organisation that outperforms comparable organisations (financially) over a prolonged period of time

Hub

A central airport where continental and intercontinental flights are available

Hudson's ladder

A well-known theory from safety studies to describe safety culture. Employees and the organisation are increasingly informed and aware of safety issues as they advance from step 1 to step 5

ICAO

International Civil Aviation Organization, an agency of the United Nations. ICAO makes international agreements concerning safety, environmental aspects, efficiency and the continuity of the aviation sector

IFRS

International Financial Reporting Standards: a set of internationally formulated and acknowledged accounting principles applied by Schiphol Group

Industrial accident

An undesirable, sudden work-related event causing almost immediate damage to an employee's health. Absenteeism due to an industrial accident takes effect when the employee does not report for work on the day or shift after the accident

IR-rate

Irregularity Rate; the percentage of bags that do not arrive at their destination at the same time as the passenger

Ke

Unit costs: a measure used to express noise impact

Landside

The landside (publicly accessible) area of the airport or airport grounds

LEED

LEED stands for 'Leadership in Energy and Environmental Design'. It is a voluntary hallmark based on BREEAM. At Schiphol-East, the TransPort building has been awarded the highest certificate for sustainability, Platinum LEED

Lettable floor area

Number of lettable square metres (LFA)

Lost Time Injury Frequency (LTIF)

Work-related accidents that resulted in absenteeism, per million of hours worked

Low-cost carrier

An airline that typically offers relatively cheap tickets in combination with the option for passengers to pay extra for certain additional services

Mainport

A mainport is a hub of interlinked air, road and rail connections that plays a major role within, and contributes significantly to the development of a region and the national economy

Master Plan

Directional plan which, in accordance with our ambition to be Europe's Preferred Airport, lays down the spatial development of the airport infrastructure and translates that development into an investment programme in response to demand for capacity and quality, socio-economic developments and trends in the aviation industry

Material aspect

An aspect is material if it reflects the significant economic, social or environmental impact of the organisation or if it substantially influences stakeholder decisions

MTOW

Maximum Take-Off Weight of an aircraft upon which take-off and landing charges are based

NAPD2

NADP (Noise Abatement Departure Procedure). NAPD2 is a take-off procedure under which departing aircraft begin their ascent at a higher speed and with retracted flaps, resulting in lower fuel consumption and with a beneficial effect on emissions

Net Promotor Score

A simple yet powerful instrument for measuring customer satisfaction, in which respondents are asked to indicate the extent to which they would recommend a company, product or service to others

Night-time procedure

Period of the night (from 23:00 to 7:00) during which the use of runways is restricted and incoming aircraft must use silent approaches while departing flights must make use of special night routes

O/D passengers

Origin and destination passengers using Schiphol as their airport of departure or arrival

Operating year

The period that runs from 1 November to 31 October inclusive

Operational waste

A collective term for all types of waste, except building and demolition waste, waste products and water from de-icing activities. Regular waste includes glass, paper, organic waste and mown grass

Passenger service charge

A rate charged to each departing passenger for the use of airport facilities

ROE

Return on Equity; after-tax result (payable to shareholders) divided by average equity capital

RONA

Return on Net Assets; operating results divided by the average fixed assets, less deferred tax assets and receivables on derivatives older than one year

Royal Netherlands Marechaussee

The Royal Netherlands Marechaussee is responsible for passport control, border control and protecting civil aviation against attacks and hijacks. It is also responsible for issues such as human trafficking

Runway incursion

A runway incursion is an incident on a runway involving an aircraft, vehicle or person not authorised to be there at that time (ICAO)

Schengen countries

Countries in Europe that have agreed to allow unrestricted cross-border movement of people and goods (named after the town in Luxembourg where this treaty was signed)

Schiphol Local Community Council

The Schiphol Local Community Council is a platform for stakeholders to come together to address issues relating to the development of Schiphol and the surrounding area. These stakeholders include government, residents, the aviation sector and sector organisations

Schiphol Perception Monitor

A survey conducted every two months into the perception and appreciation of Schiphol among departing and arriving passengers, and among visitors of Schiphol Plaza

Schiphol Safety Platform (VpS)

Parties in the aviation sector work together in the Schiphol Safety Platform to guarantee and further improve aviation safety at Schiphol. All the parties that play a role in the aviation process at Schiphol are represented in the Schiphol Safety Platform. In its capacity as airport manager, Amsterdam Airport Schiphol chairs the platform and is responsible for programme management

Schiphol worker

An employee of one of the businesses operating at Amsterdam Airport Schiphol

Security scan

The security scan uses millimetre wave technology. Millimetre waves are harmless and do not pass through the body; instead, they bounce off the surface of the body and any objects. The scan shows the objects that a person is carrying

Security service charge

Charge that departing passengers pay in connection with security measures

See Buy Fly

The shops where traditional tax-free items such as perfume, cosmetics, beverages and tobacco are sold

SkyTeam

Worldwide alliance of airlines grouped around Air France-KLM and Delta Airlines

Slot coordinator

Government-appointed person tasked with allocating available slots (licences to take off and land at specific times) in accordance with international regulations

Socio-economic theme

Schiphol Group embraces five Corporate Responsibility themes which it implements at the strategic level. They are: climate-friendly aviation, noise and the local community, sustainable employment, raw materials & residual flows, accessibility & local community, noise and air quality

Top-level positions in the organisation

All positions from scale 14 and above that exercise a certain degree of influence on strategy development, policy and/or decision-making in connection with our core activities

Transfer passenger

A passenger who changes planes at an airport

Transit direct passenger

A passenger who arrives at an airport and continues his or her journey on the same plane

Visit costs

The total costs an airline pays for calling at the airport

WACC

Weighted Average Cost of Capital as based on the capital asset pricing model (CAPM)

Work Load Unit (WLU)

A term used to measure production; equal to 1 passenger or 100 kg of cargo

