Schiphol Group

Schiphol Group: 2005 net result up 19.9% at EUR 193 million — all business areas contribute

Persbericht / Press Release

Schiphol, 16 February 2006

- Net result, including capital gains on property, up 19.9% at EUR 193 million (2004: EUR 161 million).
- Excluding capital gains on property, net result up 17.1% at EUR 184 million (2004: EUR 157 million).
- Operating result up 17.4% at EUR 311 million (2004: EUR 265 million).
- EBITDA up 12.5% at EUR 478 million (2004: EUR 424 million).
- Earnings per share up 19.9% at EUR 1,126 (2004: EUR 939).
- Proposed dividend of EUR 323 (2004: EUR 271) per share.

Main business results

- 4.0% increase in passenger numbers at Amsterdam Airport Schiphol, Rotterdam Airport and Eindhoven Airport to 46.2 million, with Amsterdam Airport Schiphol handling 44.2 million passengers (+ 3.8%).
- Strong increase in the costs of security measures imposed by the government. These costs will be incorporated in future charges.
- See Buy Fly concession revenues up fractionally at EUR 3.72 (2004: EUR 3.71) per passenger.
- EUR 12 million capital gains on investment property (2004: EUR 5 million).
- International activities contribute EUR 9.2 million to net result (2004: 7.8 million).

Gerlach Cerfontaine, President & CEO of Schiphol Group commented:

'We can look back on a successful year for Schiphol Group. Operationally, commercially and financially we performed better than in 2004. In 2006 we shall be building on these good results and it is likely that we shall see revenues of over EUR 1 billion for the first time. We expect passenger numbers at Amsterdam Airport Schiphol, our main business, to increase to 46 million. We are preparing ourselves for the sale by the Dutch government of a minority interest in Schiphol Group, partially by means of a stock market flotation, partially with other shares being placed privately with institutional investors'.

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Key financial results*

in millions of euros unless otherwise stated	**2005**	2004	+/–
Net revenue	**948**	876	8.1%
Capital gains on investment property	**12**	5	144.1%
Operating result	**311**	265	17.4%
Result before tax	**277**	239	15.7%
Net result excluding investment property gains	**184**	157	17.1%
Net result (attributable to shareholders)	**193**	161	19.9%
Depreciation. amortisation and impairment	**167**	160	4.4%
Cash flow from operating activities	**300**	327	–8.3%
Ratios			
RONA after tax including investment property gains	**6.7%**	5.6%	
RONA after tax excluding investment property gains	**6.4%**	5.5%	
Interest coverage ratio	**9.1x**	10.3x	
ROE	**8.9%**	7.9%	
Interest-bearing debt / total assets	**25%**	28%	

** All figures for both 2004 and 2005 are based on IFRS*

Schiphol Group's net result (attributable to shareholders) in 2005 was up by EUR 32 million, or 19.9%, from EUR 161 million to EUR 193 million. An important factor behind this increase was higher capital gains on the property portfolio, which were up from EUR 5 million in 2004 to EUR 12 million. Excluding these gains, the net result in 2005 rose by 17.1%.

Profitability was also higher in 2005. The return on net assets (RONA) after tax was 6.7% compared with 5.6% in 2004. Excluding the capital gains on the investment property, the RONA in 2005 was 6.4% compared with 5.5% in 2004.

Net Revenue

Net revenue increased by 8.1% in 2005, from EUR 876 million to EUR 948 million.

The main source of income, namely airport charges, rose by 9.9%, from EUR 523 million to EUR 574 million, the increase being attributable to the growth in passenger numbers, in the number of air transport movements and the increased average maximum takeoff weight of aircraft as well as an increase in airport charges. Concession income rose from EUR 120 million to EUR 128 million and real estate letting income increased by 7.7%, from EUR 104 million to EUR 112 million.

Parking fee revenues increased by 9.5%, from EUR 69 million to EUR 76 million. Income from other activities, however, was down by 4.1%, from EUR 61 million to EUR 58 million, owing to lower income from services and from activities on behalf of third parties.

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Real estate results

The net capital gain on our real estate portfolio in 2005 amounted to EUR 12 million, compared with EUR 5 million gained in 2004. The increase was mainly due to the signing of new long-lease contracts in 2005 and the attributing of residual values to long-lease contracts expiring within a period of 20 years. A profit of EUR 10 million was posted on the sale of property in 2005 (EUR 17 million in 2004).

Operating expenses

Operating expenses rose by 3.9%, from EUR 634 million to EUR 659 million.

The main factor here was that outsourcing costs and other external charges were up by EUR 47 million, or 15.3%, from EUR 305 million to EUR 352 million, chiefly explained by a strong increase in security costs largely emanating from security measures imposed by the European Union and the Dutch government.

Employee benefits fell by 11.9%, from EUR 152 million to EUR 133 million. A large part of the reduction (EUR 15 million) was due to the release of an addition to various employee benefit provisions relating to the new Dutch health care system and a change in tax legislation relating to early retirement. The number of full-time equivalent employees also declined from 2,216 to 2,179, accounting for a reduction of EUR 2.4 million in employee benefits. Set against this was an increase in employee benefits of EUR 1.4 million as a result of the new Collective Labour Agreement which came into effect on 1 April 2005.

Depreciation and amortisation charges were up by 12.2%, from EUR 144 million to EUR 162 million. Impairment losses in 2005 amounted to EUR 5 million (2004: EUR 15 million). The other operating expenses in 2005 amounted to EUR 7 million (2004: EUR 18 million).

Operating result and net result

The operating result rose by 17.4% in 2005, from EUR 265 million to EUR 311 million. All the Schiphol Group business areas contributed to this performance.

Earnings before interest, tax and depreciation/amortisation (EBITDA) were up by 12.5%, from EUR 424 million to EUR 478 million.

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Aviation

The Aviation business area, which is responsible for planning, control and capacity management at Amsterdam Airport Schiphol, generated 60% of Schiphol Group revenues in 2005 and accounted for 32% of the operating result. The activities of this business area are regulated, which means that the government stipulates a maximum permitted return.

EUR millions	**2005**	2004	+/–
Net revenue	**573**	525	9.0%
EBITDA	**214**	197	8.8%
Operating result	**99**	97	2.5%
Average non-current assets	**1,675**	1,583	5.8%
RONA before tax	**5.9%**	6.1%	
RONA after tax	**4.1%**	4.0%	
Investments in intangible assets and property, plant and equipment	**187**	205	–8.7%

Amsterdam Airport Schiphol retained to its position as Europe's fourth-largest passenger airport and third-largest cargo airport in 2005, achieving passenger growth of 3.8% and cargo growth of 2.0%. The average size of aircraft was larger and they also operated nearer to full capacity, so that the number of air transport movements actually increased by 0.5%. The average maximum takeoff weight was up by 2.9% from 97.7 tonnes to 100.5 tonnes.

These volume factors had a significant impact on Aviation revenues. A 3.2% increase in take-off and landing charges and passenger service charges that took effect on 1 April 2005 as well as an increase in the airport security charge also lifted income. The security charge was increased on 1 April and again on 1 November 2005 by 4.2% and 8.3%, respectively, reflecting the strong increase in security costs. The income from the security charge in 2005 was in fact less than the sum of the security costs. The difference will be incorporated in future security charges. Security costs now account for 35% of total Aviation costs.

Costs per workload unit (WLU), the measure of efficiency used, rose 5.4% in 2005 compared with 2004, to EUR 8.04. One WLU is the equivalent of one passenger or 100 kg of cargo. The increase was entirely attributable to higher security costs and higher depreciation and amortisation charges. Without these two effects, Aviation costs would have been 8.1% lower than in 2004 and, at EUR 3.61, even slightly below the lowest level of recent years (EUR 3.62 in 2003).

Investment on the part of the Aviation business area at Amsterdam Airport Schiphol in 2005 totalled EUR 187 million, including the construction of Pier H and the associated apron (EUR 31.8 million) and the northern taxiway (EUR 18.8 million). Further investments were again made in baggage systems, security and fire safety.

Consumers

The Consumers business area, which is responsible for operating concessions (airport shops plus bars and food outlets), car parks and advertising plus e-business at Amsterdam Airport Schiphol, generated 21% of the Schiphol Group revenues in 2005 and accounted for 40% of the operating result. The business area is also active outside the Netherlands.

EUR millions	**2005**	2004	+/–
Net revenue	**195**	182	7.1%
EBITDA	**140**	120	15.7%
Operating result	**125**	106	17.9%
Average non-current assets	**209**	205	2.0%
RONA before tax	**59.6%**	51.6%	
RONA after tax	**40.8%**	33.8%	
Investments in intangible assets and property, plant and equipment	**16**	23	–28.3%

The operating result of the Consumers business area was up by EUR 19 million in 2005. Concession income from the See Buy Fly shops at Amsterdam Airport Schiphol rose by EUR 3.4 million (+4.4%) to EUR 81.4 million, this improvement being largely produced by the newly opened outlets (including several specialty shops) in Departure Lounge 1, more competitive product pricing and the 'Buy Bye' marketing campaign.

As a result, See Buy Fly concession income per passenger showed a fractional increase over the year, from EUR 3.71 to EUR 3.72. Spending began to pick up in the closing months of the year in particular. Income from the other concessions rose by EUR 2.3 million, partly as a result of the introduction of new catering concepts and new concessions, including a car lottery, and an increase in the number of banking outlets at the airport.

Car parking revenue increased as a result of a longer average stay and increases of 3.3% in long-stay parking charges and 2.5% in short-stay charges. As a result, parking revenues per passenger, excluding transfer passengers, rose by 4.2%, from EUR 2.61 in 2004 to EUR 2.72 in 2005.

Advertising income rose by 14.6% to EUR 10.6 million. The increase was largely attributable to making available new advertising space, for example on passenger bridges, making outdoor advertising more attractive. The take-up of both existing and new advertising space in the Amsterdam Airport Schiphol terminal also improved.

Investment on the part of the Consumers business area in 2005 totalled EUR 16 million, mainly in new shops in Departure Lounge 1, the renovation of which was completed in 2005.

Real Estate

The Real Estate business area, which is responsible for developing, managing and letting and investing in property at and in the vicinity of Amsterdam Airport Schiphol and other airports in the Netherlands and around the world, generated 12% of the Schiphol Group revenues and accounted for 25% of the operating result.

EUR millions	**2005**	2004	+/–
Net revenue	**116**	107	8.5%
Result on the sale of investment property	**10**	18	–42.1%
Capital gains on investment property	**11**	5	110.3%
EBITDA	**102**	92	11.2%
Operating result	**78**	65	20.6%
Average non-current assets	**1,157**	1,151	0.6%
RONA before tax	**6.8%**	5.7%	
RONA after tax	**4.6%**	3.7%	
RONA after tax, excluding capital gains but including share in results of associates/ interest income	**3.7%**	3.2%	
RONA after tax, including capital gains and including share in results of associates/ interest income	**4.3%**	3.5%	
Investments in intangible assets and property, plant and equipment	**50**	38	30.4%

The operating result of the Real Estate business area increased by EUR 13 million in 2005, owing to better results on the letting of space in the Amsterdam Airport Schiphol terminal, high occupancy levels with good tenants, indexation of rents and additional income from the provision of services. The increase was achieved despite the sale of investment property to ACRE Fund at the end of 2004 and in 2005. As Schiphol Group has a 50% interest in ACRE Fund, the transfers meant a halving of the related rental income.

The net capital gain on the real estate portfolio in 2005 amounted to EUR 11 million, compared with EUR 5 million gained in 2004.

A profit of EUR 10 million (EUR 17 million in 2004) was posted on the sale of property to ACRE Fund. The remaining 50% of the Schiphol Group head office (Schiphol Building) and several other properties were transferred to ACRE Fund.

The average occupancy level of the property at Amsterdam Airport Schiphol fell from 88.4% in 2004 to 86.1% in 2005. More than half of this drop was due to the sale of properties with better letting prospects to ACRE fund. Added to this, several dated buildings in the portfolio, for which a new use is being sought, had the effect of depressing the overall occupancy figure.

Investment on the part of the Real Estate business area in 2005 totalled EUR 50 million, of which EUR 36 million concerned the purchase of land.

Alliances & Participations

The Alliances & Participations business area is responsible for the management of Rotterdam Airport, Eindhoven Airport and Lelystad Airport as well as the investments in JFK IAT, which manages Terminal 4 at John F. Kennedy Airport in New York, in Brisbane Airport and in Dartagnan Biometric Solutions. The business area generated 7% of Schiphol Group's net revenues in 2005 and accounted for 3% of the operating result.

EUR millions	**2005**	2004	+/–
Net revenue	**64**	62	2.6%
Capital gains on investment property	**1**	0	
EBITDA	**22**	15	45.7%
Operating result	**9**	–3	
Average non-current assets	**162**	148	9.4%
RONA before tax	**5.3%**	–1.9%	
RONA after tax	**3.6%**	–1.2%	
RONA after tax, excluding capital gains but including share in results of associates/ interest income	**8.0%**	3.5%	
RONA after tax, including capital gains and including share in results of associates/ interest income	**8.4%**	3.3%	
Investments in intangible assets and property, plant and equipment	**24**	32	–26.3%

The operating result for Alliances & Participations increased by EUR 12 million in 2005.

The investments in New York and Brisbane are showing increasingly good results. Financial restructuring together with a new shareholders' agreement in Brisbane meant that this associate generated a contribution to Schiphol Group's net result amounting to EUR 7 million, which is presented in various balance sheet items. Traffic at Brisbane Airport also grew strongly. The same applies to Terminal 4 at JFK Airport, resulting in the payment of EUR 1.3 million in dividend from JFK IAT.

Income from airport charges at the regional airports was down, mainly on account of the effect of noise restrictions at Rotterdam Airport, which caused a drop in passenger numbers and air transport movements at this airport. The increase in passenger numbers and flights at Eindhoven Airport was not sufficient to make up for the decline.

Investment on the part of the Alliances & Participations business area totalled EUR 24 million in 2005. The most important project was the new terminal at Eindhoven Airport (EUR 18 million).

Schiphol Group investments and financing

The cash flow from operating activities amounted to EUR 300 million in 2005 (2004: EUR 327 million). The reason for the decline was that provisional corporate income tax assessments for the years 2004 and 2005, together totalling EUR 114 million, were received and paid in 2005.

The free cash flow of EUR 85 million plus the existing cash balances were sufficient to fund loan repayments and lease liabilities of EUR 84 million and dividend payments of EUR 46 million. The net amount of cash balances and bank overdrafts rose by EUR 26 million, from EUR 236 million to EUR 262 million.

Investments in property, plant and equipment during the year amounted to EUR 268 million compared with EUR 294 million in 2004. Offsetting these investments were proceeds from sales resulting from disposals totalling EUR 85 million, mainly associated with the sale of property to ACRE Fund.

The total amount of loans outstanding and lease liabilities as at year-end 2005 was EUR 993 million. In 2005, new loans totalling EUR 71.3 million were drawn down and repayments totalling EUR 84.3 million were made. The amount borrowed under the Euro Medium Term Note (EMTN) programme as at year-end 2005 was EUR 520.8 million. The average interest rate payable in 2005 fell from 4.87% to 4.85%.

Opening balance sheet for tax purposes

Schiphol Group has been subject to corporate income tax since 2002. However the opening balance sheet for tax purposes has not yet been finalised by the tax authorities. This is expected to take place in the course of 2006. This will result in a non-recurring item in the profit and loss account, which will be positive and may be material.

Dividend proposal

The Board of Management has proposed that a dividend of EUR 323 per share be paid to shareholders (2004: EUR 271).

Prospects

The Board of Management expects passenger numbers at Amsterdam Airport Schiphol to rise by 4.2% in 2006, or almost 2 million, to a total of around 46 million. Costs are expected to rise in 2006, partly because of new security measures imposed by the government at the end of 2005 at Amsterdam Airport Schiphol and an increase in depreciation charges.

The Board of Management nevertheless expects that the net result for 2006, excluding capital gains on property and the sale of property, to be on par with the 2005 net result.

Schiphol Group expects capital expenditure in 2006 to be around EUR 360 million, more than half of which will concern aviation facilities at Amsterdam Airport Schiphol. Financing expenses will consequently increase. Available cash resources, the forecast cash flow from operating activities and existing financing facilities will provide ample funding.

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Annual Report 2005

An electronic version of the Dutch 2005 Annual Report can be viewed as from the afternoon of 17 February 2006 on the corporate website www.schipholgroup.com. Printed versions of the Dutch Annual Report will be available by the end of March and can be obtained from investor_relations@schiphol.nl. The English version is expected to be posted on the corporate website by mid-March.

Information for the press:

Press conference 10:00 CET.

An analysts' call will be held at 13:30 CET. Interested financial analysts should contact Investor Relations by e-mailing investor_relations@schiphol.nl

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This is an English translation of the Dutch press release. In the event of any disparity between the Dutch original and this translation, the Dutch text will prevail.

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Consolidated balance sheet

(EUR * 1,000)

Assets

	31 December 2005		31 December 2004	
Non-current assets				
Intangible assets		17,865		5,952
Property, plant and equipment				
Assets used for operating activities	2,175,388		2,023,143	
Assets under construction or development	289,975		359,637	
Investment property	665,271		668,767	
		3,130,634		3,051,547
Financial assets				
Investments in associates	17,842		29,607	
Loans to associates	45,520		42,049	
Receivables from leases	20,015		22,856	
Derivatives	300		-	
Other financial assets	17,222		5,203	
		100,899		99,715
		3,249,398		3,157,214
Current assets				
Assets held for sale	25,277		25,269	
Trade debtors and other receivables	144,758		123,106	
Cash	261,942		250,488	
		431,977		398,863
		3,681,375		3,556,077

Consolidated balance sheet

(EUR * 1,000)

Shareholders equity and liabilities	31 December 2005		31 December 2004	
Share capital and reserves attributable to shareholders				
Issued share capital	77,712		77,712	
Retained profits	2,140,230		1,995,306	
Other reserves	4,710		- 1,474	
		2,222,652		2,071,544
Minority interests		22,658		20,962
Shareholders equity		2,245,310		2,092,506
Long-term liabilities				
Debt	775,252		769,574	
Lease liabilities	182,486		185,989	
Employee benefit provisions	54,944		72,456	
Deferred tax	18,915		32,253	
Other provisions	10,000		10,000	
Derivatives	48,231		-	
		1,089,828		1,070,272
Current liabilities				
Debt	28,359		80,229	
Lease liabilities	7,222		3,775	
Corporate income tax	91,240		121,430	
Trade creditors and other amounts owed	219,416		187,865	
		346,237		393,299
		3,681,375		3,556,077

Consolidated profit and loss account

(EUR * 1,000)

	2005		2004	
Net turnover		**947,567**		**876,326**
Sales of property	85,024		23,853	
Book value sales of property	74,828		6,230	
Result on sales of property	10,196		17,623	
Capital gains on of property	12,377		5,071	
Property-related results		**22,573**		**22,694**
Costs of outsourced work and other external charges	352,009		305,424	
Employee benefits	133,500		151,605	
Depreciation/amortisation	161,803		144,185	
Impairment	4,903		15,365	
Other operating expenses	6,938		17,548	
Total operating expenses		-/- **659,153**		-/- **634,127**
Operating result		**310,987**		**264,893**
Financing income and expense	- 38,004		- 25,024	
Other financial results	3,906		- 644	
Financial income and expenses		- **34,098**		- **25,668**
Share in results of associates		**1,777**		**1,717**
Result before tax		**278,666**		**240,943**
Tax		- **84,507**		- **79,970**
Result		**194,159**		**160,973**
Attributable to:				
Minority interests		**1,259**		**154**
Shareholders (net result)		**192,900**		**160,819**
Earnings per share (in EUR)		**1,126**		**939**
Diluted earnings per share (in EUR)		**1,126**		**939**

Consolidated Cash Flow Statement
(EUR * 1,000)

	2005		2004	
Cash flow from operating activities:				
Cash flow from operations		447,441		368,545
Corporate income tax paid (advance tax)	- 113,808		316	
Interest paid	- 48,234		- 49,886	
Interest received	9,974		7,023	
Dividend received	5,023		1,488	
		- 147,045		- 41,059
Cash flow from operating activities		**300,396**		**327,486**
Cash flow from investing activities:				
Additions to intangible assets	- 8,943		- 5,114	
Additions to property, plant and equipment	- 268,052		- 293,057	
Disposals	85,569		24,527	
Acquisitions subsidiaries and joint ventures	- 19,378		- 750	
Acquisition of investments in associates	-		- 262	
Share capital repayment in associates			2,290	
Minority contributions of share capital to subsidiaries	250		869	
Increase in long-term receivables	- 1,728		- 4,584	
Increase in long-term lease receivables	- 3,934		-	
Decrease in long-term lease receivables	902		-	
Cash flow from investing activities		**- 215,314**		**- 276,081**
Free cash flow		**85,082**		**51,405**
Cash flow from financing activities:				
Long-term loans drawn down	67,002		12,535	
Repayments on loans	- 80,264		- 56,238	
Dividend paid	- 46,511		- 41,112	
Increase in lease liabilities	4,303		9,455	
Decrease in lease liabilities	- 3,960		- 2,883	
Cash flow from financing activities		**- 59,430**		- 78,243
Net cash flow		**25,652**		**- 26,838**
Opening cash balance		236,204		262,717
Net cash flow		25,652		- 26,838
Exchange differences		4		325
Closing cash balance		**261,860**		**236,204**