



# annual report 2017

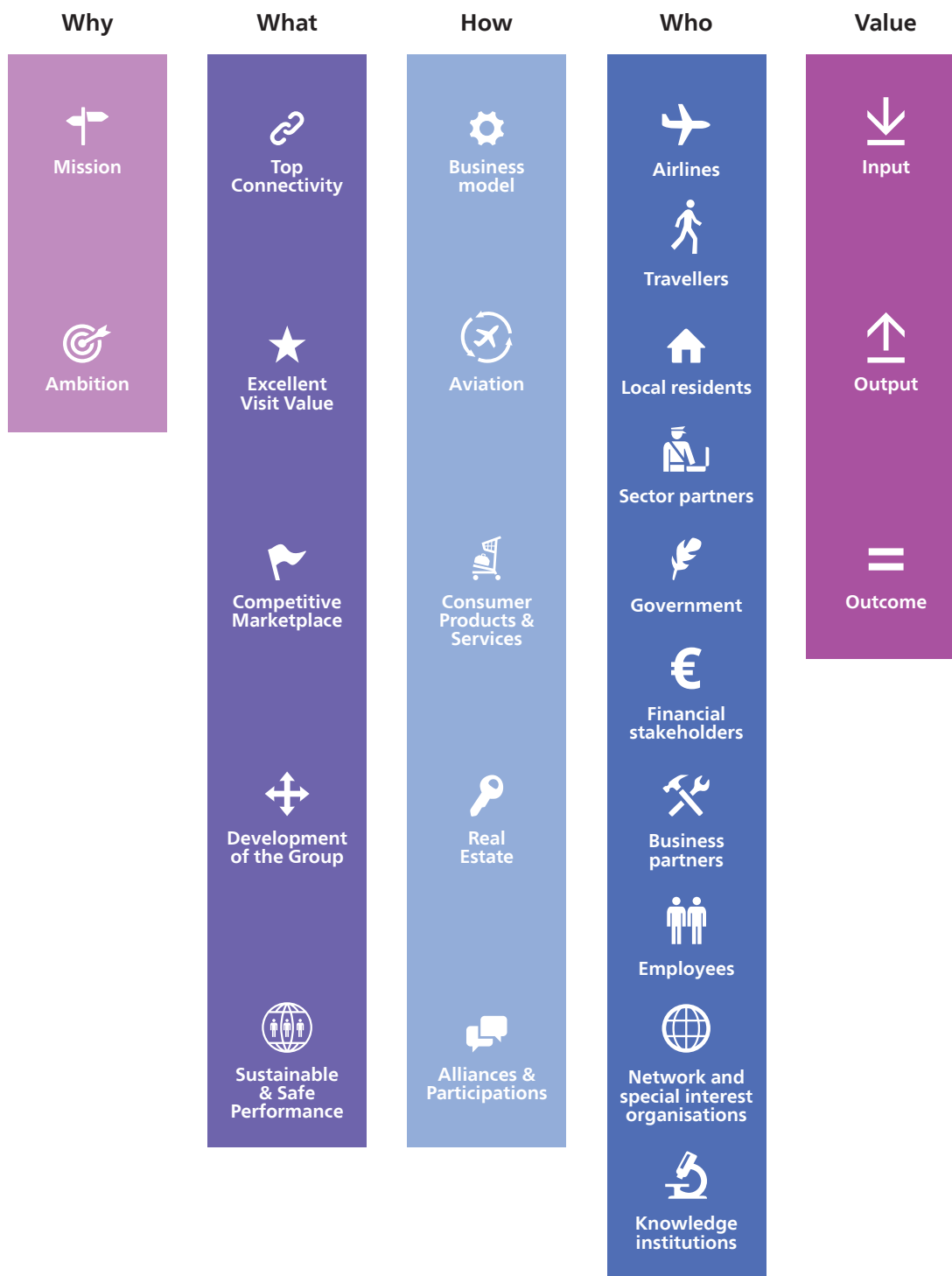
Royal Schiphol Group



# Value creation model

## 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.



## Value

### Input

We deploy valuable resources

### Business model

to enable our business model

## Who



### Airlines



### Travellers



### Local residents

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



### 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 service providers
- Construction and installation companies



### Employees



### Network and special interest organisations



### Knowledge institutions



### Generated capital

- High-quality facilities and infrastructure
- Attractive real estate
- Varied range of parking products



### Natural capital

- Energy
- Raw materials
- Water
- Land holdings



### Human capital

- Trained and highly motivated own employees
- Employees of business and sector partners



### Social and relational capital

- Local support base
- Good relationships with sector partners, business partners and suppliers



### Intellectual capital

- Knowledge and expertise
- Innovation
- Strong brands and concepts



### Financial capital

- Solid financial position
- High creditworthiness

## Why



### Mission

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



### Ambition

To develop Amsterdam Airport Schiphol into **Europe's Preferred Airport** for travellers, airlines and logistics service providers alike.

## How

In order to achieve our mission effectively and efficiently, we have clustered our core activities around four business areas:



### Aviation

Providing services and offering/ managing infrastructure



### Consumer Products and Services

Creating products and services for travellers



### Real Estate

Developing and managing real estate at and around the Schiphol airports



### Alliances & Participations

Operating the regional airports and developing international activities

**↑ Output**

to focus on results

**≡ Outcome**

that create value for our stakeholders and the local community.

**Impact**

This means we have an impact on society:

**What**



**We facilitate Top Connectivity**

- 326 destinations
- 496,748 air transport movements
- 68.5 million passengers
- 1.75 million tonnes of cargo at Schiphol
- 42.9% accessibility of Schiphol by public transport

**The best connections**

The strength of Mainport Schiphol lies in its network of destinations. It is this intricate network that makes Schiphol Europe's best direct connected airport. We strive to expand the network by adding destinations that support the Mainport. We have maximised the use of existing capacity in and around the terminal and we are creating new infrastructure.



**We offer Excellent Visit Value**

- Competitive airport charges: #9 in the SEO Benchmark
- NPS score: 31
- Spend per passenger: EUR 18.03
- Outlets at Schiphol: 369

**An attractive airport**

We fulfil our ambition to make Schiphol Europe's Preferred Airport by ensuring top quality in our processes, facilities and commercial offering. Digitisation plays a prominent role in this regard. In all our decisions, we take account of the interests of our customers, airlines and travellers in particular, with a central focus on creating a pleasant and memorable experience.



**We realise a Competitive Marketplace**

- 89.6% real estate occupancy rate
- 1.5 billion euros real estate
- 13.7% market share for cargo

**A prime location**

We are developing Schiphol into a location which stands for quality in work and accommodation, with excellent accessibility and convenient parking options. A key reason why international businesses establish themselves here is the proximity to the airport. We are continuously upgrading the working environment by offering flexible lease concepts and facilities.



**We strengthen the Development of the Group**

- HPO score: on track for Level 4
- Internal job mobility: 21.7%
- 30.5% women\*
- 4.3% absenteeism\*
- A+ rating (S&P)
- Return on Equity: 7.2%\*

**A strong group**

We strengthen synergies within the group. We coordinate our large investment projects in an integrated manner. We implement organisational improvements as we develop into a High Performance Organisation. We are actively committed to promoting inclusive business practices. We are seeking to expand our international activities, particularly with airports of strategic relevance for the Mainport. We pursue a solid and future-oriented financial policy.



**We create Sustainable and Safe performance**

- LTIF: 0.9\*
- 40.7% waste separated\*
- 4.61% energy efficiency
- Bird strikes: 5.6\*
- Runway incursions: 53\*

**Sustainability and safety as basic conditions**

Sustainability and safety are the basic conditions for everything we do. Our top priority is to ensure a healthy and safe environment for Schiphol workers, travellers and local residents. To us, sustainability means we maintain our focus on long-term developments and seek to create lasting value. To that end, staying in continuous dialogue with our stakeholders is crucial.

\* Concerns Schiphol Group



We contribute to the gross domestic product of the Netherlands by creating inclusive employment at and around our airports, as well as indirect employment thanks to the economic activity generated by those airports.



We invest in a resilient infrastructure. We pursue a proactive approach in our relationship with sector partners with a view to making the aviation industry more sustainable.



We contribute to a healthy and pleasant environment for residents and workers by promoting clean mobility and reducing emissions of fine and ultra-fine particles, in collaboration with our partners.



We contribute to circular solutions through the efficient use of raw materials and resources and actively collaborate to promote circular processes at the airport.



We contribute to reducing the impact on climate change by using renewable energy and fuels. In addition, we are able to adapt our infrastructure in response to changing weather conditions.



Collaboration with partners through channels such as the Airports Sustainability Declaration strengthens our contribution to the SDGs.





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# Message from the CEO

Schiphol connects the Netherlands to 326 destinations worldwide, making us Europe's 'best direct connected airport'. We are working hard to prepare for the future so that we can accommodate the increasing flow of passengers. At the beginning of April we opened a temporary departure hall, and in the autumn made room for the construction of a new pier and terminal. Perform today, Create tomorrow. Today's challenges go hand-in-hand with tomorrow's investments.



## Congestion is the new normal

2017 was a year of excitement and of progress for Royal Schiphol Group. It was our busiest year ever with 68.5 million passengers at Schiphol. The record number signified an increase of nearly 8% compared with last year. On Monday, 31 July 2017, we welcomed more than 234,400 passengers, making it our busiest day ever. Whilst during previous summer holiday periods there were only a few peak days with more than 200,000 passengers, in summer 2017 there were only a few days when passenger numbers dipped *below* 200,000.

Congestion is the new normal at Schiphol. Extra capacity is urgently needed if we are to meet growing demand. The temporary departure hall, built to enable us to accommodate the growing number of passengers within the Schengen area,

was completed in record time. However, things went badly wrong during the May holidays when we were unable to ensure that each passenger reached the gate on time. For three days, the picture at Schiphol was one of long queues, full baggage carousels and legitimate public concerns. We were quick to address the problems.

I'm happy to say that this was yet another illustration of how we all pull together at such moments. I believe compliments are due first and foremost to our colleagues and our business partners. They did sterling work in facing our peak times head-on. We came through our busiest-ever summer holiday period safely and successfully, and that's a good thing because the pressures will not be letting up.



## Investing in capacity and quality

The lessons from the May holidays were addressed exceptionally quickly. Where possible we are deploying additional staff. We have devised new, practical solutions such as 'small bags only', and are refining existing applications, including digital passport control through the NoQ gates. In addition to the physical applications, digital innovations and data offer an increasing number of high-quality solutions that will enable us to provide passengers, business partners and ourselves with more online information on waiting times and wayfinding, for example.

We are also making good progress on investments for the longer term. Perform today, Create tomorrow. We are building tomorrow's Schiphol today to ensure that we can maintain our capacity and quality levels, since we want to continue to offer a good product, at a competitive price, during this turbulent period.

We are on schedule with development of the pier and terminal; to make room, we removed several roads and demolished multi-storey car park P2 and part of KLM Cargo Building 1. This required new parking alternatives and different traffic routes at Schiphol. These were necessary if we want to be ready to receive the first aircraft at the new pier at the end of 2019. In 2023 our new terminal will be ready to welcome its first passengers. The schedule is tight, but we really need that extra capacity landside and airside.

## Safety first

Safety has top priority in everything we do, and we will never make any concessions on this point. In April 2017, the Dutch Safety Board published the *Safety of Air Traffic at Amsterdam Airport Schiphol* report. In it, the Safety Board finds that Schiphol is compliant with all safety levels under national and international regulations. Schiphol is a safe airport where we work round the clock to provide our passengers with a safe and carefree flight. The Dutch Safety Board made a number of recommendations to the airport, the aviation sector and the government to ensure that Schiphol continues to operate safely in the future. We have set to work on those recommendations with our partners,

commissioning the creation of a Schiphol-wide Integral Safety Management System (ISMS). The purpose of the ISMS is to identify, monitor, analyse and mitigate safety risks that affect more than one partner in the chain. The results are then linked to the existing individual Safety Management Systems. It is precisely because of this close collaboration that we will continue to be the safe airport we are now in the future as well.

## Environmental impact assessment

Schiphol seeks to develop in a sustainable way and in harmony with the local community. To that end, we recalculated our environmental impact in accordance with the new European noise model (Doc29). The results of the environmental impact assessment (MER) are relevant to embed the New Environmental Standards and Enforcement System into Dutch law. The MER will be the factual basis for further discussions with local community representatives, including local residents, administrators, the sector and the business community. The MER provides valuable starting points which the sector can use to ensure that it develops in a smart and sustainable way in line with the coalition agreement.

## Approaching the limit

An economic upswing and inexpensive air fares have made air travel a commodity. Air travel is accessible to everyone, and everyone wants to fly. As surveys show, a staggering 94% of Dutch citizens say they have at one time used Schiphol's services. Demand is greater than ever leading to scarcity of capacity. With 497,000 air transport movements in 2017 - a rise of 3.7% - we have nearly reached the limit of 500,000. We agreed to this limit with the local community until the end of 2020, and we intend to stick to it. However, given current demand for air travel, this means we must urgently find alternatives.

## Lelystad Airport has to open

The Alders Agreement provides for Lelystad to take over a sizeable portion of leisure flights from Schiphol, mostly non-Mainport-related flights to destinations around the Mediterranean. Under the permit issued by the Ministry of Infrastructure and the Environment, construction of the new runway at Lelystad Airport started in early 2017. The infrastructure will be ready in 2018, and the first flights will be able to land and depart from Lelystad a year later.

This development is urgently needed if we are to implement the selectivity policy. Once Lelystad Airport takes over a portion of non-Mainport-related air traffic, the scarce capacity at Schiphol can be devoted more effectively to Mainport-related traffic, that is to destinations that make the greatest contribution to prosperity and well-being in the Netherlands. We should not allow any further delays in the developments at Lelystad. And although, of course, due diligence is paramount, Lelystad Airport really does need to open.

## Discussion

The development of Lelystad Airport, and the necessary reorganisation of airspace in particular, have provoked discussion and resistance. There is uncertainty about flight routes and the environmental impact assessment. The local community is sounding the alarm about the expected noise disturbance. These developments have a wider significance, and reflect concerns which we as a sector must take seriously. We need to find appropriate solutions. Politicians are being called to account and must address these concerns. This is part of a trend that continued in 2017: political and public sentiment around aviation is changing. Scarcely a year after our big centennial celebration, the festive mood seems to have turned. Has the Netherlands fallen out of love with aviation?

First of all, the magic seems to have disappeared. The love affair with aviation seems to be ebbing away, leaving us with a paradox. Though more and more people want to fly, aircraft themselves are, increasingly, seen as a nuisance: they pass overhead too frequently, make too much noise and produce too many emissions. At the same

time, it appears that more and more people want to live and work near an airport.

The second issue is that the perception of Schiphol as a driver of the Dutch economy is eroding. Together with all of the airlines and all of the companies at and around the airport, we continue to make a substantial contribution to the economy, particularly in terms of business climate, employment and trade. Added to that is the fact that we live in a globalising world where international connections are becoming ever more important. But do these economic interests give us carte blanche to grow at all costs? Clearly, the answer is no. More than ever, we have to balance the benefits very carefully against the costs.

The third issue is flagging trust within the aviation industry, owing to a lack of alignment and outdated agreements. The consensus model that until recently served us so well in relations with our neighbours and industry partners needs a reset.

## Sustainability, clarity and decisiveness

Together with the aviation sector, Schiphol intends to address the issues we flagged in 2017. We are joining forces to promote sustainability, clarity and decisiveness.

*Sustainability* is the key word for our future. The benefits of air travel are increasingly being weighed against the costs. The sector needs to become more sustainable. With developments in the zero waste airport, the use of green energy generated by Dutch wind farms and our sustainable new construction plans, we seem to be on the right track. But there is also a lot more to be done. That includes daring to consider alternative forms of transport where that benefits the environment, such as high-speed train connections instead of short European flights.

*Clarity.* We need to create clarity and to re-establish consensus within the sector. We need to reach workable agreements with the government on sustainable development, selectivity and air space. We also have to create greater clarity for local communities regarding sensitive subjects like noise and the

environmental impact assessment. In addition, we need to be crystal clear about the airport's economic and societal value, demonstrating Schiphol's vital contribution to prosperity and well-being in the Netherlands. *Connecting to compete and to complete.*

*Decisiveness.* We have to act on the clear sustainable agreements that have been made. Working with the aviation industry as a whole and with the airport's local neighbours will help to build political leverage. It is up to us to make aviation a less complicated issue for the new government. By pointing the way, we can help create the incentive for political action and, most crucially, for a new aviation policy document that sets out clear parameters for sustainable development and targeted action.

## Successful collaboration

Royal Schiphol Group succeeds through collaboration. By that we mean not only the internal collaboration between Amsterdam Airport Schiphol, Rotterdam The Hague Airport, Lelystad Airport and Eindhoven Airport, but also, in particular, collaboration with external parties and airports throughout the world. Our international partnerships are essential if we are to maintain optimum links between the Netherlands and the rest of the world. They are also a means of strengthening Royal Schiphol Group's position on the global stage. Our stakes in Groupe ADP, Brisbane Airport Corporation, activities such as the management of JFK International Airport's Terminal 4 in New York and our strategic partnership with Incheon Airport in Korea enrich our strategic insights. These global connections ensure synergy and knowledge exchange, and contribute significantly to our results.

Collaboration enables us to fulfil our socio-economic role and bolster the strength of our hub. We would therefore like to thank our partners, our neighbours, local authorities and the national government. Novel partnerships in the digital area have put Schiphol on the international map. However, alongside the good news stories, there are also some issues regarding border control capacity and accessibility. For instance, the structural understaffing of the Royal Netherlands Marechaussee is a persistent source of concern. And investments in accessibility are

required to enable us to accommodate the growing flow of passengers. Collaboration on these issues is vital if we are to achieve our targets for smart and sustainable development.

## The next phase

On 20 October 2017, I announced that I will be stepping down as CEO of Royal Schiphol Group. This is a natural time for me to go, since the new government's coalition agreement is in place and the pledges made by KLM and Schiphol in response to the ACM survey have eliminated competition risks. This was my last year with the greatest company in the Netherlands: Schiphol. In principle, I will be handing over the baton on 31 March 2018. I will be available during the second quarter to ensure a smooth transfer of duties. It will be up to the new CEO to chart our course for the years ahead and to implement the new government's aviation plans, together with the sector.

Royal Schiphol Group is ready to take forward the opportunities and challenges the future has to offer. I have great faith in the organisation and, above all, in the professional and passionate people who work for us. Uniting with our partners to work on a sustainable, clear and decisive aviation sector will ensure that aviation continues to hold a special place in the heart of the Netherlands.

Jos Nijhuis

President & CEO of Royal Schiphol Group

# Key events in 2017

## First quarter

### 1 January

Schiphol begins fund-raising for Amref Flying Doctors as part of a three-year partnership to support medical training in Africa.

### 2 January

Start of construction of the new pier, requiring redesign of the apron and (in autumn 2017) partial demolition of KLM Cargo 1.

### 9 January

Start of construction of the new runway at Lelystad Airport.



### 7 February

Schiphol and KLM launch facial recognition pilot project for boarding passengers.



### 22 February

Completion of new baggage hall at Eindhoven Airport.

### 9 March

Schiphol signs alliance to promote the circular economy in the province of North-Holland.

### 14 March

TUIfly is the first airline to sign the Airports Sustainability Declaration.

### 18 March

Start of major maintenance work on Runway 06-24. On 8 and 9 April over one thousand local residents visit to tour the work site.



## Second quarter

### 3 April

Outgoing Minister for the Environment Sharon Dijksma opens temporary Departure Hall 1A to support operations until completion of the new pier. The materials used to build the temporary hall are 100% reusable.



### 6 April

Dutch Safety Board report concludes that Schiphol is in compliance with all safety levels under national and international regulations with regard to its current operations. However, the aviation sector will have to make a joint effort over the next few years to ensure aviation remains safe in the future.

### 10 April

A9 motorway rerouted to circumvent Badhoevedorp. The rerouting, co-financed by Schiphol, boosts regional accessibility and quality of life.

### 1 May

Jabine van der Meijs succeeds Els de Groot as Chief Financial Officer. De Groot served as Royal Schiphol Group CFO for more than five years.

### 3 May

Operational capacity in the terminal is overstretched at peak times during the first days of the May holiday period. Additional measures reduce queuing at security control.

### 17 May

The Transportation Security Administration (TSA), Delta Air Lines and JFKIAT open new automated security lanes in Terminal 4 at John F. Kennedy Airport, the fifth airport in the United States to have these lanes.

### 27 May

Part of the car park under construction at Eindhoven Airport collapses due to a technical error. Fortunately, no one is injured.

## Third quarter

### 13 June

Publication of Connectivity Report 2017 by Airports Council International, ranking Schiphol the best European airport for direct connectivity and second worldwide for hub connectivity.

### 28 June

Lelystad Airport signs letter of intent with regional authorities to create a sustainable water chain for energy and raw materials around the new airport's grounds.

### 30 June

Lelystad Airport, the province of Flevoland and the municipality of Lelystad establish the Airport Fund.

### 1 July

Schiphol introduces 'small bags only' security lanes, speeding security checks for travellers with no or only small-size bags.

### 11 July

Groupe ADP, Incheon Airport and Schiphol Group renew their strategic partnership, the Leading Airport Alliance, until 1 January 2022.

### 15 July

Rotterdam The Hague Airport opens the new bus and taxi square and the plaza in front of the terminal. Just before summer the renovated main apron also became operational.



### 31 July

Schiphol records its busiest day ever, serving over 234,000 passengers. In July and August combined, Schiphol welcomes 13.5 million travellers.

### 15 August

Schiphol Group enters into a 15-year agreement with Eneco. As from 2018, all of the group's airports will run on 100% Dutch wind power.

### 7 September

Official reopening of Holland Boulevard, also featuring the new satellite of the Rijksmuseum Amsterdam.



### 12 September

KAAN Architecten wins tender to design the new terminal. Completion is slated for 2023.

## Fourth quarter

### 1 October

Start of demolition of multi-storey car park P2 to make way for the new pier and terminal. Parking routes and signage are changed accordingly.



### 11 October

New environmental impact assessment confirms development potential for Schiphol. Former Ministry of Infrastructure and the Environment investigates the reliability of the calculations.

### 12 October

The Schiphol Aviation Community (former Schiphol Aviation College) celebrates its tenth anniversary.

### 16 October

Former Infrastructure and Environment Ministry decides to review environmental impact assessment calculations for Lelystad Airport.

### 23 October

Groundbreaking for The BASE D, a new office building offering 6,000 m<sup>2</sup> lettable floor area and a 120-space car park.

### 9 November

Schiphol, Rotterdam and Lelystad place a joint order for new fire fighting vehicles. The first vehicles are scheduled for delivery in late 2018.

### 12 November

At the Airports Going Green Conference in Dallas, Eindhoven Airport and Rotterdam The Hague Airport sign the Airports Sustainability Declaration. The Chicago Department of Aviation presents Jos Nijhuis with an award for leadership in pursuit of sustainability.

### 17 November

Schiphol opens new morgue. The building construction is 100% circular and holds a BREEAM rating of 'Outstanding'.

### 27 November

Schiphol launches a pilot project enabling travellers to reserve a security control time slot online.

### 1 December

Publication of the national Bos Atlas of Safety, with a section zooming in on safety and security at Schiphol.

### 5 December

BAM wins tender for construction of the access road to the new terminal and installation of cabling and pipelines. The project will involve laying and rerouting a record number of cables and pipes at Schiphol.

### 10-11 December

Wintry weather disrupts traffic across the Netherlands. Hundreds of flights are cancelled at Schiphol; operations at regional airports are also affected.



### 13 December

Schiphol Group sells its shares in Schiphol Hotel Holding B.V., effectively selling its 100% stake in the Hilton.

### 19 December

A new aircraft apron, built from reusable concrete slabs and accommodating seven narrow-body aircraft, is taken into operation at Schiphol-East.



# about us

## Facts and figures



**326**  
direct destinations from Schiphol



**76**  
million passengers



**496,748**  
air transport movements at Schiphol



**68.5**  
million passengers at Schiphol



**1.75**  
million tonnes of cargo at Schiphol



**36.9%**  
transfer passengers at Schiphol



**369**  
outlets at Schiphol



**18.03**  
€ spend per passenger on airside at Schiphol



**1.5**  
billion € real estate



**6.7**  
billion € total assets



**89.6%**  
real estate occupancy rate



**0.9**  
Lost Time Injury Frequency (LTIF)



**1.43**  
kg CO<sub>2</sub> per passenger



**4.61%**  
energy efficiency



**42.9%**  
public transport passengers at Schiphol



**40.7%**  
waste separated



**30.5%**  
female employees



**4.3%**  
absenteeism

EBITDA

**42.7%**

ROE

**7.2%**



# Key figures

EUR million unless stated otherwise	2017	2016	%
<b>Results</b>			
Revenue	<b>1,458</b>	1,423	2.4
Other income and results from investment property	<b>42</b>	71	-40.5
Other income	<b>38</b>	-	100.0
Operating expenses (excluding depreciation, amortisation and impairment)	<b>916</b>	836	9.5
EBITDA <sup>1</sup>	<b>622</b>	658	-5.5
Depreciation and amortisation	<b>264</b>	237	11.5
Impairment	<b>-</b>	2	-100.0
<b>Operating result</b>	<b>359</b>	420	-14.7
Financial income and expenses	<b>-86</b>	-91	-5.5
Share in results of associates	<b>73</b>	67	7.8
Result before tax	<b>346</b>	397	-12.9
Corporate income tax	<b>-60</b>	-86	-29.9
Result after tax	<b>286</b>	311	-8.3
<b>Net result</b>	<b>280</b>	306	-8.7
<b>Total equity</b>	<b>3,978</b>	3,860	3.1
Investments in intangible assets and property, plant & equipment	<b>490</b>	303	61.5
Cash flow from operating activities	<b>267</b>	438	-39.0
Proposed dividend	<b>150</b>	148	1.2
<b>Ratios</b>			
RONA after tax <sup>2</sup>	<b>6.1%</b>	7.1%	
Return on equity (ROE) <sup>3</sup>	<b>7.2%</b>	8.2%	
Leverage <sup>4</sup>	<b>35.2%</b>	34.9%	
FFO / total debt <sup>5</sup>	<b>21.6%</b>	22.8%	
FFO interest coverage ratio <sup>6</sup>	<b>6.9</b>	6.8	
Earnings per share (in 1,000 EUR) <sup>7</sup>	<b>1,503</b>	1,645	
Dividend per share (in 1,000 EUR)	<b>807</b>	797	
<b>Business volume (in numbers)</b>			
Air transport movements <sup>8</sup>	<b>547,604</b>	527,285	3.9
Passenger movements (x 1,000) <sup>8</sup>	<b>75,902</b>	70,001	8.4
Cargo (x 1,000 tonnes) <sup>8</sup>	<b>1,752</b>	1,662	5.4
Workforce in full-time equivalents	<b>2,180</b>	2,063	5.7

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

Royal Schiphol Group is an airport company with an important socio-economic task. Airports in the group create value for society and for the economy. By connecting the Netherlands to the rest of the world as effectively as possible we contribute to prosperity and well-being in the Netherlands and elsewhere.



Amsterdam Airport Schiphol is the main gateway that connects the Netherlands to the rest of the world. Though the operation of this hub airport is one of our principal activities, the 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 airports abroad that strengthen our position, including the airports of Groupe ADP, in which we have an 8% cross-participation. Schiphol Group has an interest in Brisbane Airport and is involved in the activities of JFKIAT at JFK International Airport's Terminal 4 in New York. The group is also engaged in strategic collaboration with Incheon Airport. International activities account for a significant part of Schiphol Group's results. We

conduct our domestic and international operations in a balanced manner, and in doing so reflect 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 quality. By joining forces with our sector and business partners, government authorities and the local community, we can achieve our ambition to further develop Mainport Schiphol as a multi-modal hub and secure Amsterdam Airport Schiphol's position as Europe's Preferred Airport – the first choice of travellers, airlines and logistics service providers.

Over the years, Amsterdam Airport Schiphol has grown into one of the best connected hub airports in Europe, with 326 direct destinations. In 2017 the number of travellers served by

## Schiphol Group



Schiphol grew by 7.7% to almost 68.5 million. Schiphol has Europe's best network of direct destinations and frequencies, and in hub connectivity ranks second worldwide. Cargo volumes increased by 5.4% to a record 1.75 million tonnes. Schiphol is an important marketplace, with the airport site accommodating some 500 companies that together employ around 65,000 people.

To maintain our position and continue fulfilling our socio-economic role, we are investing in infrastructure and facilities at our airports. 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%).

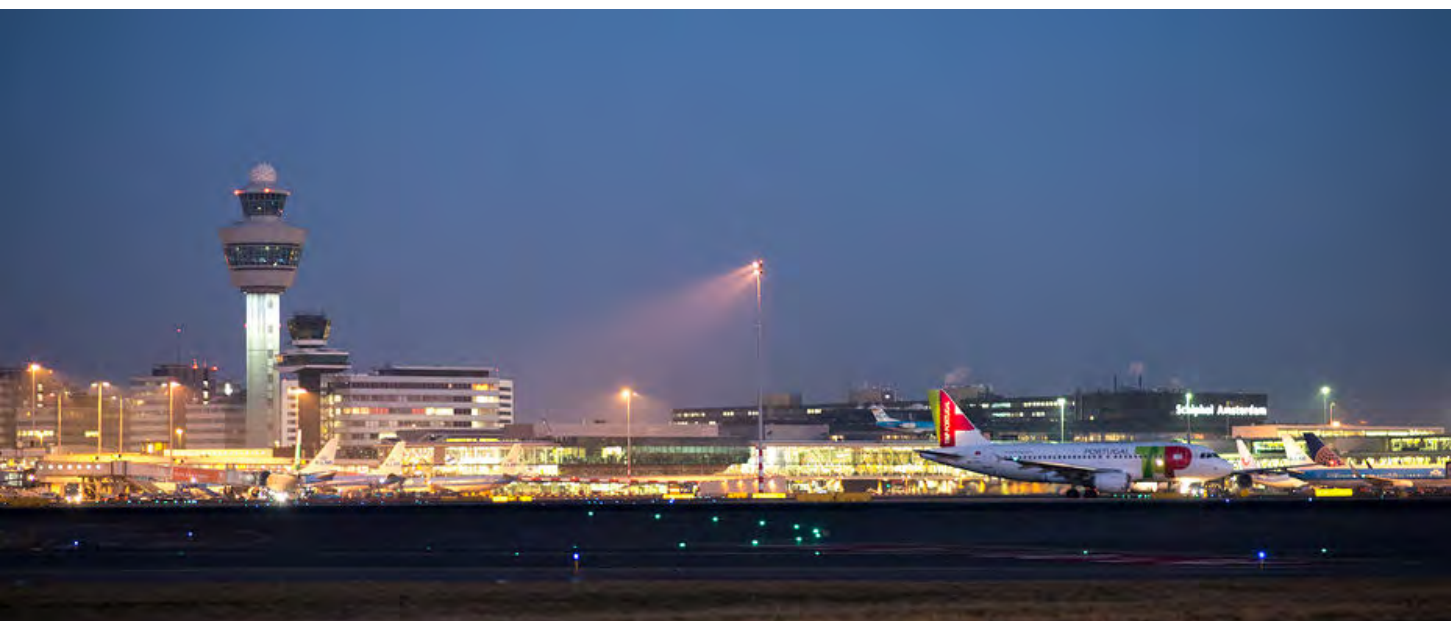
## A specific role for each airport

By expanding airport infrastructure Schiphol Group continues to invest in its hub and Mainport functions. Schiphol's hub function is indispensable for the economic and social development of the Netherlands, and this role looks set to grow in importance in the years ahead.

Lelystad Airport will become an important overflow airport for a portion of the leisure traffic currently operating from Schiphol. The regional airports of Rotterdam and Eindhoven will also develop increasingly differentiated roles. Eindhoven Airport will focus on leisure and business travel in the Brainport region, with permission to grow by 15,000 air transport movements to a total of 43,000 until the year 2020. Rotterdam The Hague Airport meanwhile caters to the European business travel market in the Rijnmond region, and also serves leisure destinations.

## Our activities

In order to achieve our mission of Connecting the Netherlands efficiently and effectively, we have clustered our core activities around four business areas: Aviation, Consumer Products & Services, Real Estate and Alliances & Participations. This organisational model is one of the keys to Royal Schiphol Group's success.



### Our business model

Schiphol Group is an airport company that operates airports based on a management model which enables the group to benefit from the expertise of sector and business partners in the value chain, thus both promoting flexibility and offering economies of scale. We participate in various partnerships for the joint development of innovative concepts and solutions, as well as, where possible, in joint procurement initiatives.

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. As part of its efforts to stand out from competitors, Schiphol continues to develop a wide range of commercial activities. Our AirportCity concept is anchored in three of our

business areas: Aviation, Consumer Products & Services, and Real Estate. Our fourth business area, Alliances & Participations, focuses on the group's regional airports and international activities.

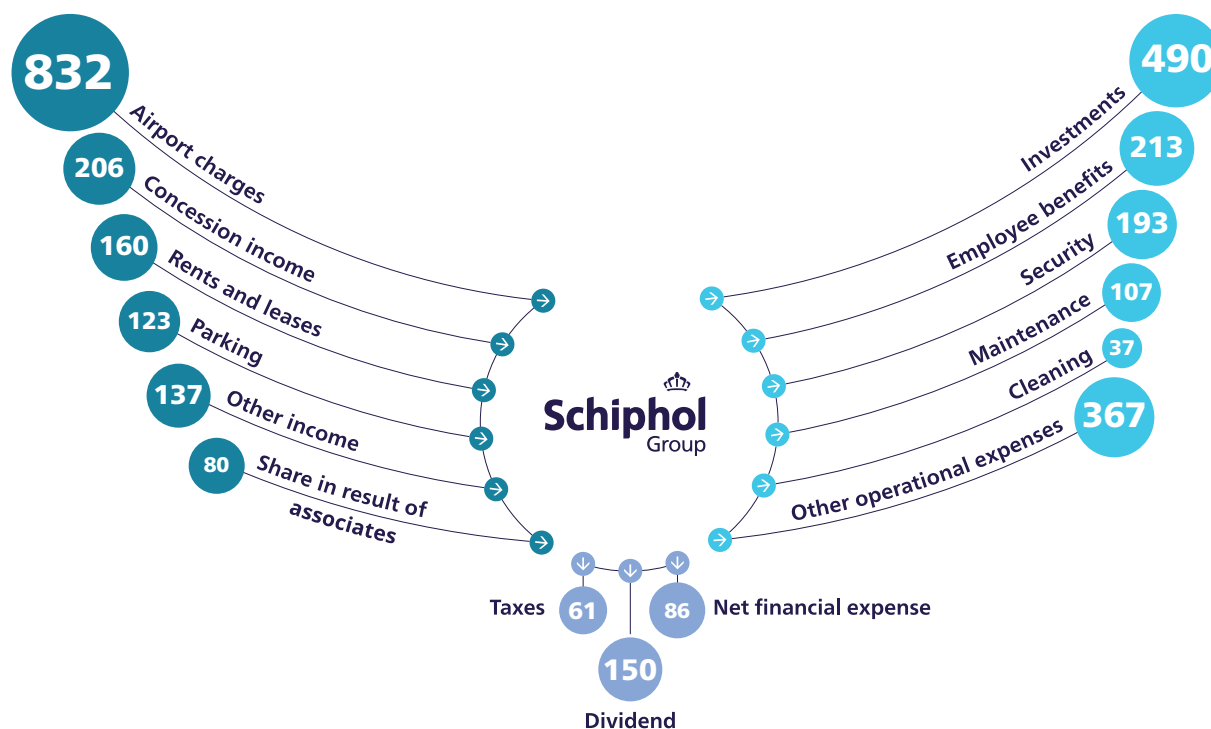
### Regulation

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 amounts 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

## Business model

(x EUR million)



airlines, are periodically determined in accordance with legal provisions in the Dutch Aviation Act.

On 1 July 2017 the new Aviation Act governing the operation of Amsterdam Airport Schiphol took effect. One of the most important changes under this new law is that charges will no longer be fixed annually, but every three years. This change will take effect for the 2019-2021 period. Another change is the introduction of a mandatory contribution from non-aviation activities to aviation activities, the level of which is determined by Schiphol's shareholders.

The return on aviation activities has been capped at the regulated average weighted cost of capital (WACC) determined for this three-year period, on which the ten-year interest rate on Dutch 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. In 2017 the WACC was 2.2%.

Non-aviation activities at Schiphol are not regulated. This includes all activities in the areas of retail, catering, leases, media, real estate development and parking charges. It also includes our international activities.

The operation of our regional airports remains unregulated as long as they do not exceed five million passengers per annum. Eindhoven Airport has reached this limit, meaning that its aviation activities will be regulated with effect from 2019.

## Aviation

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

### Key figures

EUR million	2017	2016	%
Total revenue	<b>816</b>	822	-0.6
Operating expenses	<b>666</b>	608	9.6
Depreciation	<b>189</b>	176	7.2
EBITDA	<b>150</b>	214	-29.8
Operating result	<b>-39</b>	37	>-100
Average fixed assets	<b>2,365</b>	2,300	2.8

EUR million	Aviation			Security		
	2017	2016	%	2017	2016	%
Total revenue	<b>523</b>	535	-2.1	<b>293</b>	287	2.1
Operating expenses	<b>389</b>	361	7.7	<b>277</b>	247	12.3
Depreciation	<b>147</b>	135	8.7	<b>42</b>	41	2.4
EBITDA	<b>134</b>	173	-22.7	<b>16</b>	40	-60.5
<b>Operating result</b>	<b>-13</b>	38	>-100	<b>-26</b>	-1	>-100

### Key performance indicators

#### Number of scheduled destinations

Passengers and cargo



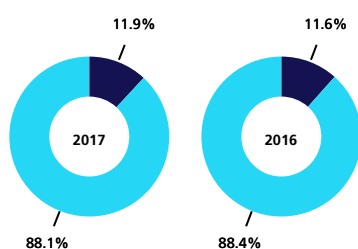
#### IR rate for baggage handling

(% of baggage delayed)



#### Schiphol market share in passenger volumes

Top 10 European airports (in %)



#### Punctuality of arrivals

(in %)



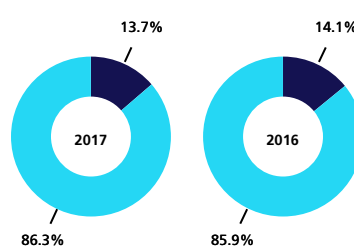
#### Punctuality of departures

(in %)



#### Schiphol market share in cargo

Top 10 European airports (in %)



## Consumer Products & Services

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.

### Key figures

EUR million	2017	2016	%
Total revenue	<b>331</b>	306	8.2
Operating expenses	<b>85</b>	81	4.4
Depreciation	<b>30</b>	27	9.9
EBITDA	<b>246</b>	224	9.6
Operating result	<b>216</b>	197	9.6
Average fixed assets	<b>359</b>	348	3.1

EUR million	2017	2016	%
Concessions	<b>181</b>	164	10.8
Parking fees	<b>102</b>	97	5.7
Rents and leases	<b>17</b>	17	2.0
Advertising	<b>17</b>	17	3.0
Other revenues	<b>13</b>	12	9.7
<b>Total revenue</b>	<b>331</b>	306	8.2

### Key performance indicators

#### Airside retail spend per passenger

Per departing passenger (in EUR)



#### Airside catering spend per passenger

Per departing passenger (in EUR)



#### Parking revenue

Per departing passenger (in EUR)



#### Concession income

Per departing passenger (in EUR)



## Real Estate

The Real Estate business area develops and manages real estate at and around the airport. The central task of this business area is to ensure that the airport area provides attractive business locations and a pleasant environment. We offer first-class real estate such as office buildings, logistics buildings and leased premises in the terminal.

### Key figures

EUR million	2017	2016	%
Total revenue	<b>207</b>	206	0.6
Other income and results from investment property	<b>68</b>	71	-4.7
Operating expenses	<b>112</b>	109	2.7
Depreciation	<b>25</b>	19	31.6
Impairment	-	2	-100.0
EBITDA	<b>163</b>	168	-3.0
Operating result	<b>138</b>	148	-6.4
Average fixed assets	<b>1,972</b>	1,980	-0.4

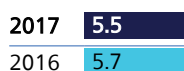
  

EUR million	2017	2016	%
Investment property: buildings, including service charges	<b>83</b>	72	14.5
Investment property: land	<b>29</b>	30	-3.6
Operating property, including service costs	<b>50</b>	41	19.6
Other	<b>46</b>	62	-26.4
<b>Total revenue</b>	<b>207</b>	206	0.6

### Key performance indicators

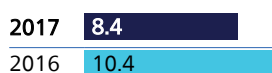
#### Direct return on offices<sup>1</sup>

(in %)



#### Indirect return on offices<sup>1</sup>

(in %)



#### Total return on offices<sup>1</sup>

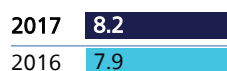
(in %)



<sup>1</sup> 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 property<sup>1</sup>

(in %)



#### Indirect return on industrial property<sup>1</sup>

(in %)



#### Total return on industrial property<sup>1</sup>

(in %)



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

#### Occupancy rate

(in %)





## Alliances & Participations

The Alliances & Participations business area focuses on the operation of regional airports and the development of international business activities. We also invest in real estate and in the creation of an attractive range of shops, hotels and restaurants at our regional airports. In addition, we export our AirportCity concept and operational expertise to airports abroad, thereby generating income and gaining new insights to reinvest in Mainport Schiphol.

### Key figures

EUR million	2017	2016	%
Total revenue	<b>184</b>	176	4.3
Operating expenses	<b>133</b>	124	7.3
Depreciation	<b>21</b>	15	39.8
EBITDA	<b>64</b>	53	20.9
Operating result	<b>43</b>	38	13.5
Share in result of associates including interest	<b>78</b>	74	5.0
Average fixed assets	<b>1,156</b>	1,054	9.7

EUR million	International airports		Domestic airports		Other participations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	<b>13</b>	13	<b>100</b>	91	<b>71</b>	73	<b>184</b>	176
Operating result	<b>22</b>	10	<b>16</b>	16	<b>5</b>	11	<b>43</b>	38
Share in result of associates including interest	<b>77</b>	74	-	-	<b>1</b>	-	<b>78</b>	74
	-	-	-	-	-	-	-	-
<b>Total result</b>	<b>98</b>	84	<b>16</b>	16	<b>6</b>	12	<b>121</b>	111
Average asset base	<b>901</b>	861	<b>201</b>	145	<b>54</b>	48	<b>1,156</b>	1,054

### Key performance indicators

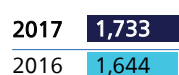
#### Eindhoven Airport

Number of passengers (x 1,000)



#### Rotterdam The Hague Airport

Number of passengers (x 1,000)



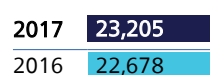
#### Paris Charles de Gaulle and Paris Orly (France)

Number of passengers (x 1,000)



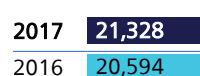
#### Brisbane Airport (Australia)

Number of passengers (x 1,000)



#### JFK IAT, New York (USA)

Number of passengers (x 1,000)



# Our position in the value chain

It is our socio-economic task to provide high-quality aviation infrastructure. As an airport operator, we are responsible for the infrastructural capacity and processes that facilitate passengers, airlines, cargo and baggage. Many parties work together at Mainport Schiphol, and the tools and systems they use are the property of the airport or of its sector partners. The transport processes are the basis of a complex value chain.

## Passenger process

More and more passengers check in online or use the self-service kiosks in the departure halls. Passengers and their family and friends at home check travel information on the Schiphol app and website. Passengers arrive by car, bus and train and are dropped off. The airport is responsible for wayfinding throughout the airport site and terminal, and for providing assistance for persons with reduced mobility.

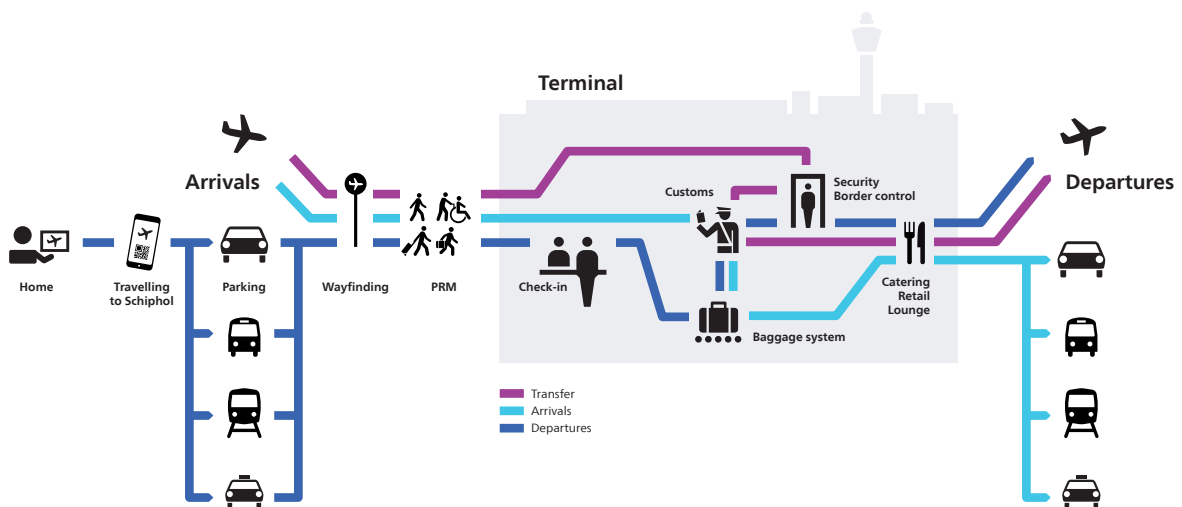
Passengers can check in their bags at a self-service kiosk or at the check-in desks. All passengers and baggage go through a security check; those travelling to non-Schengen destinations additionally have to clear border control.

Passengers wait for their flights to board in the departure lounge, where retail and food outlets are operated by concession. The offering of shops and amenities is developed by Schiphol and these business partners. As soon as the aircraft has been serviced, passengers board from the terminal or are taken to the aircraft by bus.

Arriving passengers collect their baggage in the baggage reclaim hall, where a Customs check can take place.

## Passenger value chain

Passenger departs from, lands at or transfers at Schiphol



## Airline process

Schiphol Group is the owner of the airport site, builds aprons and runways and constructs and develops real estate, roads and parking facilities. Real estate is the property of Schiphol itself or of the occupants. Schiphol owns the terminal, roads and parking facilities. Security and cleaning companies are contracted by the airport. Airlines are responsible for the safe carriage of passengers, baggage and cargo. The airport is responsible for ensuring the availability and safety of runways, taxiways, aprons and the terminal building.

Air traffic controllers guide arriving and departing flights. While Schiphol owns the runways, it is Air Traffic Control that assigns aircraft take-off and landing runways. From the taxiway, aircraft proceed to their gate or to the designated aircraft stand on the apron when arriving, or to the runway for take-off.

The passenger bridge and the gate are airport assets; the airline or handling agent is in charge of connecting the bridge and all activities associated with the aircraft, including cleaning, refuelling, passenger boarding and deboarding and the loading and unloading of baggage and cargo.

Airline crew, handling staff and cargo also undergo a security check. Cargo may also go through a Customs check, depending on its origin or destination. Most aircraft stands at Schiphol have fixed electrical ground power (FEGP). The baggage system is an airport facility that is used by airline employees and their handling agents.

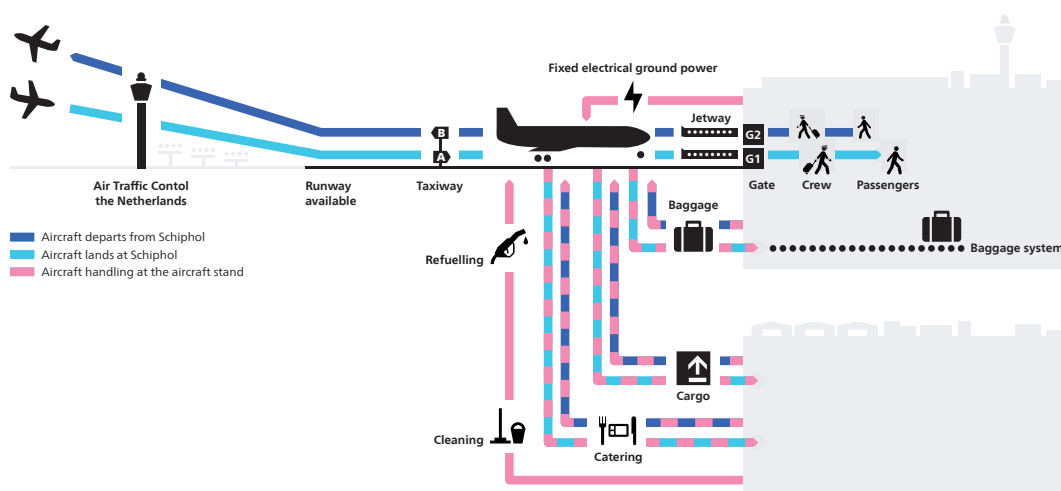
## Slots: who decides who can land?

The Stichting Airport Coordination Netherlands, the independent slot coordinator, allocates the available capacity at our airports. The coordinator allocates the slots twice a year, a few months before the start of the winter and summer seasons. The system works according to the principle of 'use it or lose it'.

An airline accrues a historical entitlement once it has used 80% of the allocated slots. The airline will then automatically be able to use those slots during the following season. In accordance with the rules, an airline which does not reach the 80% level loses slots. Since Schiphol has very nearly reached the capacity cap of 500,000 flights a year, there is a greater probability of airlines not being allocated the requested slots.

## Airline value chain

Aircraft lands at and departs from Schiphol







# our strategy

# Mission and ambition

Royal Schiphol Group fulfils a key role in society, and 2017 continued to see significant growth in air traffic at our airports. Amsterdam Airport Schiphol has now almost reached the maximum number of air transport movements permitted. New agreements regarding ongoing sustainable growth are necessary in order to continue optimally connecting the Netherlands with the rest of the world.



## Our role in the Netherlands

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 Netherlands' connectivity.

In 1988, Amsterdam Airport Schiphol was recognised as a 'mainport' (like the Port of Rotterdam). It is both an important international air, road and rail hub, as well as a major driver of the Dutch economy. Eindhoven Airport is also

part of a mainport, with the Eindhoven (Brainport) region being awarded this status in December 2016.

The Netherlands (and especially the Amsterdam Metropolitan Area) have become more attractive to internationally oriented businesses. This is due in part to our airports, and to Amsterdam Airport Schiphol in particular. The proximity of a major airport with a refined network of destinations is a potentially decisive business location factor.

The airports' position also brings great responsibility, not least because our airports are developing within densely-populated regions. The social debate on the growth of aviation in the Netherlands has also changed, especially in view of the scheduled opening of Lelystad Airport. Lelystad will provide an attractive alternative for some of the non-Mainport-related air traffic, with

a focus on leisure flights to European and Mediterranean countries.

Our strategy takes into consideration that, while aviation can be taken for granted in Dutch society, further growth cannot. We are reaching the limits of our capacity. Schiphol has all but reached the agreed maximum of 500,000 air transport movements in 2017. This limit was set in consultation with the surrounding community, and we intend to stick to it.

## Our mission: Connecting the Netherlands

Based on our mission of '*Connecting the Netherlands*', we facilitate optimal links with the rest of the world, thus contributing to prosperity and well-being in the Netherlands and beyond. We create social and economic value.

Schiphol Group provides facilities for air transport for passengers and cargo to and from the Netherlands, laying a basis for international trade, knowledge exchange, tourism and more. We call this aspect 'Connecting to Compete'. Our contribution to both general and individual well-being is called 'Connecting to Complete': is it partly due to our airports that people are better able to establish and maintain contacts abroad, to enrich their lives with new experiences, or relax in a change of scene – which would be all but impossible without regular, high-quality connections.

We create these connections together with sector partners such as airlines, ground handlers, air traffic controllers, Customs, and the Royal Netherlands Marechaussee. In collaboration with public transport operators, government authorities and our business partners, our airports have evolved into efficient hubs and attractive visitor and work locations. We provide facilities for air traffic, and undertake to ensure high-quality road and rail access to the airports.

## Our ambition: Europe's Preferred Airport

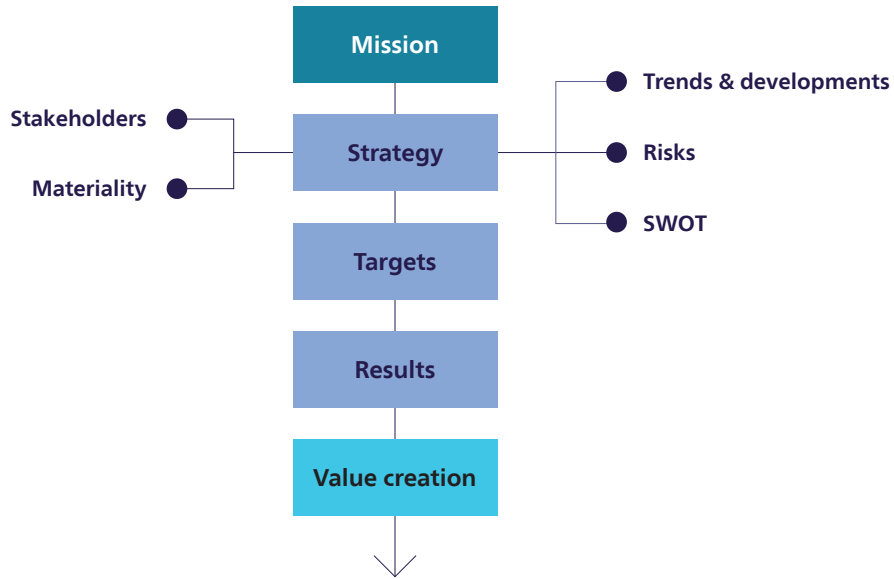
The Netherlands is not an inherently large market, considering the size of Schiphol's immediate catchment area and the number of potential passengers. This is why we will continue to develop Amsterdam Airport Schiphol as an airport which is more than simply a departure, transfer or arrival point. We 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.

Amsterdam Airport Schiphol will continue to evolve as a multi-modal hub: a transport node offering ease of travel to millions, serving as an attractive business location, an ideal workplace for thousands of people and an area where people can meet, relax or stay overnight. Schiphol does not necessarily need to be the largest or least expensive airport, but the airport that delivers the best quality at a fair price. This is the basis that will enable us to continue providing optimum connectivity for the Netherlands.

## Perform Today, Create Tomorrow

The development of our strategy began with the question: 'What is required to ensure the ongoing development of Royal Schiphol Group in a responsible and sustainable manner?' As we lay the foundations for tomorrow, we also wish to continue supplying quality to both travellers and society. Perform Today, Create Tomorrow

Reporting Summary



## Trends and developments

With our strategy we maintain a particular focus on the surrounding environment and how it is impacted by our activities. We respond to trends and developments that affect our business operations and goals. To this end, we have highlighted a series of social, economic and geopolitical trends that we monitor, and identified the key risks to which we are exposed along with their implications for both aviation in general, and for Schiphol Group in particular. We adjust our policies as necessary.

Despite the socio-economic benefits provided by aviation in our globalising society, levels of both national and international support seem to be waning. We see that the confidence in the development of our airports is under strain – inaccuracies in environmental impact studies have caused some consternation, and there are concerns about how growth will affect safety. The necessity and consequences of opening the new Lelystad Airport have also been questioned in the course of the social debate. In addition, overcrowding in the terminal has prompted questions regarding our business operations.

## Socio-economic developments Economic growth

Economic prosperity means that consumers can now afford to spend more on holidays and other international trips (e.g. to see family and friends). Businesses are increasing their travel budgets. Economic recovery in the Netherlands, Europe and beyond is bolstering aviation growth, a trend which is supported by low oil prices (equating to lower costs). In 2017 the Dutch economy grew by 3.1% - the highest growth rate in a decade. World trade increased by 4.5%, and growth is expected to continue for 2018 and 2019.

According to figures from Airport Council International Europe (ACI Europe), the number of passengers who travelled within Europe rose by 8.5% over the past year. Cargo volume in Europe also grew by 8.5%. The number of air transport movements increased by 3.8%. This data matches observations at Schiphol Group's airports. The total number of Schiphol Group passengers rose by 8.4% reaching 76 million, and cargo rose by 5.4% to 1.75 million tonnes.

International air transport is forecast to grow by around 4.5% annually in the years ahead. Much of this growth will be attributable to emerging economies, such as China, India and Indonesia, where to date air travel has not been generally accessible to all. Urbanisation and the emerging



middle classes are key growth factors in these countries.

### **Urbanisation and globalisation**

Globalisation will continue, as will the current tendency for global economic and cultural networks to become concentrated within a limited number of urban areas, called Global City Regions. As the 'control rooms' of the worldwide economy, these regions require excellent international accessibility. The growth of Global City Regions increases the demand for air transport, which has a self-perpetuating effect: improved connectivity will in turn increase the appeal of Global Cities in global economic trade.

The Netherlands' Randstad conurbation is one such Global City Region. Combined with the Port of Rotterdam and Brainport Eindhoven, this region serves as a magnet for international businesses, from start-ups to major enterprises. This is evident in the various international competitiveness rankings. According to the World Economic Forum's *Global Competitiveness Report 2017-2018*, the Netherlands is the fourth-most competitive economy in the world after Switzerland, the United States and Singapore. International accessibility via Schiphol plays a key role in maintaining this position.

The Netherlands has also proven to be a popular destination for international tourists, with Amsterdam being the most popular city. This appeal also increases the demand for air transport. The reverse is also true: the increasing range of connections makes the Netherlands a more desirable holiday destination for tourists. Rotterdam, The Hague and Eindhoven are joining Amsterdam as popular destinations, and tourist numbers from emerging countries continue to rise.

### **Geopolitical developments**

Geopolitical developments greatly affect the aviation sector, and can be major sources of uncertainty and concern (e.g. terrorist attacks). Brexit will impact the Netherlands considerably. Not only will it affect the European economy (and with it, air transport trends for both passengers and cargo) – Brexit may also compromise the rights of airlines to travel freely between the UK and the EU. Airlines currently enjoy this freedom, and British airlines can operate from the Netherlands to any destination in the EU. Things may be different after Brexit, which is why it is so important for European airports including Schiphol Group that a new aviation agreement be reached, to secure free air travel between the United Kingdom and the EU.

### **Developments in aviation Capacity limits**

Over the coming decades, capacity at major airports will become increasingly scarce. Eurocontrol predicts that by 2035, the major European airports will be unable to support around 1.9 million (12%) of the total number of anticipated flights. Connectivity growth in Europe will be stunted, potentially damaging the economy and causing ticket prices to rise.

The rising pressure on airport capacity has sparked increasingly prominent discussions on its efficient use. The demand for available slots now exceeds supply. This limitation is slowly bringing connectivity development – one of Schiphol's key strategic principles – to a halt, which may have consequences for the competitive position of the Mainport, the metropolitan region, and on our own contribution to the Dutch economy and society.

## **National Airspace Vision**

The realisation of adequate airside access is a key facet of Dutch aviation policy, as it is one of the major bottlenecks hampering the further development of Dutch and European aviation.

In its National Airspace Vision, the government sets out a clear position on development and strategy regarding the structure, management and use of Dutch air space. The National Airspace Vision provides clarity for airspace users, and gives air traffic service providers a framework for addressing current bottlenecks and future challenges in Dutch airspace. Lastly, the Air Space Policy Agenda formulates concrete activities and measures, aimed at fulfilling the Netherlands' ambitions in the field of smart and sustainable development.

We expect passenger numbers at Schiphol to continue to rise, however, even if air transport movements do not: airlines are opting for larger aircraft in order to increase their load factor, thus moving more passengers and cargo within the limits of the available capacity. To cater for some of the demand, Lelystad is scheduled to open as a commercial airport in 2019, and will take over some of the holiday and non-Mainport-related air traffic from Schiphol.

If we are to achieve sustainable development beyond 2020, new agreements must be made with local parties, government authorities and other stakeholders soon. Only a cohesive vision of the future role of aviation in the Netherlands that enjoys broad support can facilitate this process. Schiphol Group is formulating a vision on its own role in this process for the period after 2020, and the government is working on a new Aviation Policy Document.

### **Dynamics in the low-cost airlines segment**

The liberalisation of the European and worldwide aviation market over the past decades has resulted in increased competition between airlines, with cheaper ticket prices as one of the effects. The range of available routes has also grown, as have flight frequencies.

The destinations offered by low-cost carriers are now an integral part of connectivity in the European aviation sector, with a share that grew to over 30% in 2017 according to Eurocontrol (compared with a share of only 19% a decade ago). After network operators such as KLM and Lufthansa, low-cost carriers now represent the second-largest market segment.

'Low-cost airline' is no longer a clearly defined category, as they are now adopting elements from the network carriers' business models, or putting their own unique spin on them. They are also moving increasingly towards the principal major airports, thus gaining access to the business market. In addition, they are now also flying long-haul routes: Norwegian airlines, for example, will start flying to North America from Schiphol in 2018. Likewise, the network carriers are starting to take on features of the low-cost providers, setting up their own subsidiaries operating at reduced overheads. One such example is Joon, launched by Air France-KLM in 2017.

### **Consolidation and new collaborative ventures**

Analysts predict further consolidation in the aviation sector: more mergers, takeovers, joint ventures and alliances. To reduce overheads and increase market coverage, airlines are investing in expansion and collaboration. Airlines which fail to adapt to the changing environment in time will not survive – Malev, Air Berlin and Monarch are among those that have gone bankrupt in recent years. This wave of consolidation efforts will impact the connectivity of European airports, especially of those which lose their status as hubs. Retaining Schiphol's position as a hub is crucial for the connectivity of the Netherlands. It is therefore essential for the airport to continue to invest in world-class facilities to enable excellent transfer services. Expansion will also provide new opportunities, such as the partnership between KLM and Jet Airways from India.

### **Growing hub competition**

Schiphol's strong hub position cannot be taken for granted. Competition for transfer passengers is increasing, and the advent of new types of aircraft and next-generation hubs may put our airport under pressure. On the one hand, new aircraft such as the Boeing 737Max, the A350 and Boeing 787 Dreamliner serve to strengthen hubs, as European network carriers deploy them to benefit their own hub positions. They can also present a threat, however, as the longer range of these new aircraft allows airlines to 'bypass' the hubs.

The next-generation hubs in the Middle East (Dubai, Qatar) and Turkey (Istanbul) represent formidable competition for the European hub airports. The competitive pressure from these new hubs is expected to rise; the hub carriers at these airports have issued major orders for new aircraft, and the airports themselves are embarking on massive capacity expansions. Istanbul New Airport will commence operations in 2018, and is ultimately intended to reach an annual capacity of 150 million passengers. Schiphol's competition is also increasing within Europe: hubs such as Helsinki, Moscow and Brussels have undergone rapid growth in recent decades.

Cargo capacity is also becoming scarce, and the cargo hubs in Istanbul, Moscow and Leipzig are expected to benefit as a result.

## Other developments

### Digitisation and Innovation

The world of travel is rapidly changing, partly under the influence of new digital opportunities. We book online, are in constant contact with each other, receive digital travel tips on our devices and share experiences on social media. Travellers are relying increasingly on personalised information and advice. Airports must cater for this demand, and offer travellers a seamless passenger journey from start to finish. As Europe's Preferred Airport and from a competitive standpoint, we also wish to be the leading 'digital airport'. At the same time, the human aspect remains a distinguishing factor in providing an excellent passenger experience.

For the next digital opportunities, Schiphol is looking to a wide variety of innovations via pilot programmes, testbeds and alternative projects; including developments in the fields of robotics, drones and self-driving vehicles. As the same time, advancing digitisation also presents risks and threats, requiring Schiphol to increase the focus on the cybersecurity of both its own systems and of those to which they are connected. The role of IT is therefore becoming increasingly important, with IT taking on a more and more prominent and strategic position in Schiphol's business model. The role of IT and digitisation will need to be embedded throughout the enterprise – not least among our own employees and business partners.

Schiphol is fast-tracking the development of this digital potential via the Digital Airport Programme (DAP), which focuses on both current developments and those that are just around the corner.

### Trends in consumer behaviour

Consumer behaviour has changed profoundly in recent years. Online shopping poses a threat to traditional shops (including those at airports), but also presents opportunities to develop an omni-channel approach. Airports can serve as retail testbeds. Airport shops are developing an ever more varied and rapidly changing range of products, both online and offline, with pop-up stores also becoming a regular occurrence at Schiphol as elsewhere. Consumer behaviour will continue to change. A large part of the future target group will consist of millennials, for whom – in addition to a high-quality 'digital journey' – experience and atmosphere remain vital.

## Sustainability

Passenger numbers are expected to double in the decades ahead, a development fuelled by both population growth and higher incomes. At the same time however, we are approaching our limits. Exhaustion and pollution of natural resources (including air pollution) are global concerns. It has been estimated that aviation accounts for 3% of total CO<sub>2</sub> emissions worldwide. This proportion is set to increase as the aviation sector grows – a sector that still relies primarily on fossil fuels.

Against this backdrop, we are witnessing a rising awareness – both nationally and internationally – of the influence of aviation, as expressed in, for instance, increased concern over its impact on people and planet. Under the auspices of the UN International Civil Aviation Organisation (ICAO), the aviation sector has committed to reducing CO<sub>2</sub> emissions. The sector addresses climate change by reducing emissions through technological innovations, operational efficiency and compensation. The 2015 Paris Climate Agreement and the Sustainable Development Goals also serve as important targets and tools that can help promote sustainability in the sector.

## 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 diverse range of interests. We engage in ongoing dialogue with these stakeholders. An overview of all stakeholders and contact opportunities 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 relative interests of stakeholders and Schiphol Group is provided in the 2017 Materiality Matrix.

### Materiality analysis 2017

Schiphol Group asks internal and external stakeholders to identify themes that they feel are important to Schiphol Group, and which ones the stakeholders are impacted by. The process is described in the section on Socio-economic accountability.

Safety & Security remains the most important topic for stakeholders. In 2017, the matrix was expanded to include several themes that had already been on Schiphol's agenda for some time: Integrity, Digital and Community engagement.

In previous years, integrity-related themes had been described under Employment Practices and Contracting Practices. In 2017, we decided to group these topics together under the material theme of 'Integrity'.

Digital (digitisation) is also new to the matrix, as it represents a development that neither society nor Schiphol can ignore. As in previous years, it is covered under Excellent Visit Value. Digitisation serves as a means for helping to improve

processes and making them more sustainable, and increasing value for customers. Schiphol is currently in the midst of its digital transformation, one that is becoming increasingly visible to travellers and airlines alike.

Community engagement activities have also been given a more prominent position. The year 2017 saw intense social debate on the expansion of our airports, in which local residents voiced questions and concerns. For this reason, Community engagement has now been added as a separate theme.

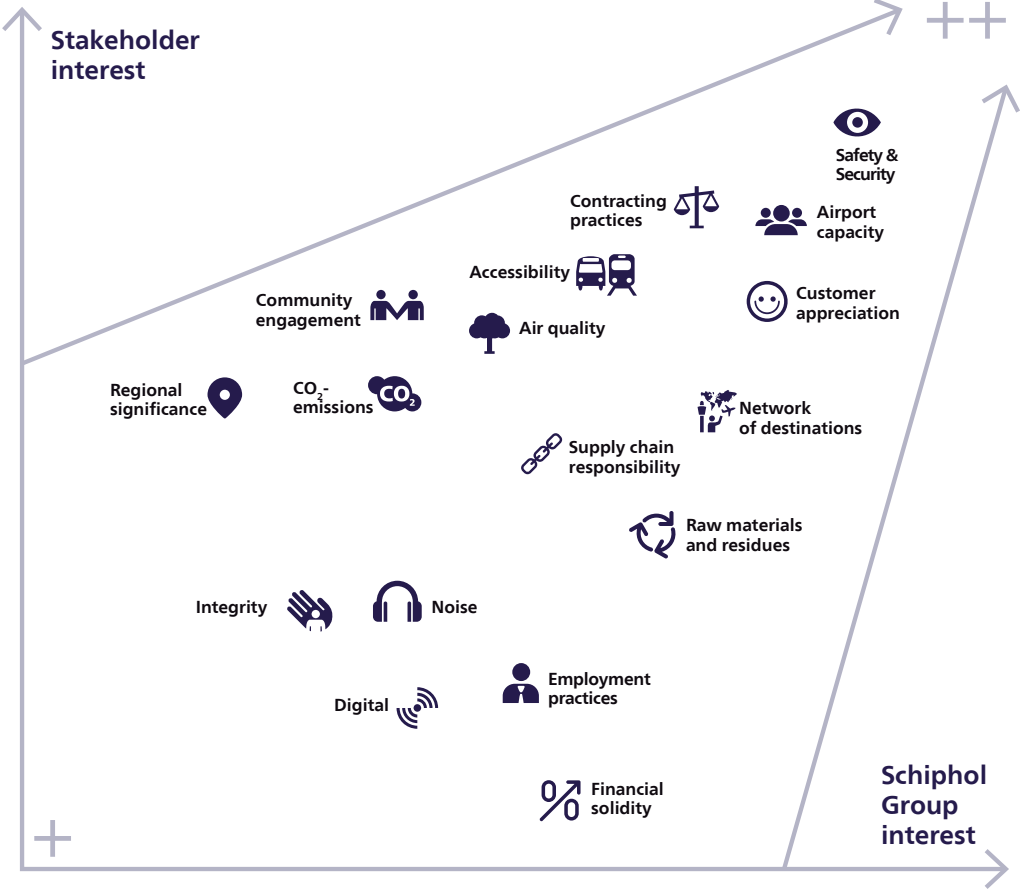
One existing theme has moved quite significantly to a new position in the matrix: Airport capacity has shifted to the top right, overtaking Customer appreciation and Contracting practices. Airport capacity was sorely tested last summer, as we are quickly approaching the physical limits of the airport, both in the air and on the ground. We are currently building a new pier and terminal, and doing our utmost to make terminal processes as streamlined as possible.

The implementation of new EU legislation regarding non-financial information in management reporting has prompted an investigation into whether the themes in question are material or not. We report on themes related to the environment, safety and integrity; human-rights themes are not considered material, as our staff are primarily employed in the Netherlands.

#### Scope

The topics in the materiality matrix relate to Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport alike. With the envisaged development of Lelystad Airport, these topics are expected to play a role there as well. Because no non-Mainport-related commercial passenger flights were operated from Lelystad in 2017, this airport is not included under the Network of destinations or Safety themes. The Lelystad Airport Human Resources data has been included in a quantitative sense; reporting on the other themes is qualitative.

Materiality Matrix 2017



## SWOT analysis



### Strengths

- Network of destinations
- Modern and well-equipped hub airport
- Price/quality ratio
- Innovative capacity
- Commercial activities
- Conscious balance of people, planet and profit aspects
- Accessibility by road
- Accessibility by public transport
- Reputation and brand recognition
- Network of international partners
- Highly developed AirportCity
- Development of the Randstad area
- Airport and region strong marketplace
- Appeal of the Netherlands
- Real estate market growth
- Sustainable pier, terminal and buildings



### Opportunities

- Increasing demand for air transport and connectivity in a globalising society
- Popularity of the Metropolitan Region as a tourist destination and business location
- Agreements on further airport development and growth
- Value chain innovation and sustainability initiatives
- International activities
- New logistic cargo models
- Sustainability collaboration with airlines and other partners
- Single European Sky
- Ongoing digitisation and big data
- Innovative retail and hospitality



### Weaknesses

- Relatively small catchment area, dependence on the transfer market
- Capacity shortage in the terminal
- Limits to air traffic growth
- Lack of agreement among stakeholders as to the 'way forward'
- Limited expansion opportunities due to location
- Complex system of rules and agreements for using runways and airspace capacity
- Unfavorable location relative to Asia
- Dependence on a number of large customers
- No direct metro connection between Schiphol and Amsterdam
- No HSL East connection



### Threats

- Increasing competition in the transfer market
- Shrinking support base for growth
- Reconfiguration of airspace
- Terrorism and cyber threats
- Geographic shift of transport and trade flows
- Competition faced by European network carriers
- Concerns in Amsterdam about increasing burden to the city caused by strong growth in the number of tourists
- More stringent security requirements
- Perceived quality at risk due to congestion and large-scale renovation projects
- Changes in consumer behaviour
- Impact of ultra-fine particles
- Soil contamination from fire-fighting foam

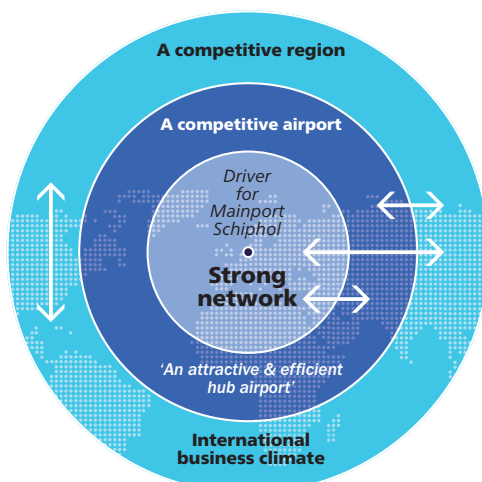
# 'Connecting the Netherlands': five themes

The guiding principles for our strategy have been formulated in the Strategic Plan for 2016 -2020 and focus on how we can enhance and expand the connectivity of the Netherlands. We will continue to develop Amsterdam Airport into one of the world's most important hub airports, with an intricate network of regular destinations. Regional airports also contribute to the achievement of our goals.



## Mainport Schiphol

*An attractive region for residents, employees and tourists*



*The Netherlands as a competitive business location*

## Strategic themes

Our mission and role in society are based on five strategic themes, each with its own focus: Top Connectivity, Excellent Visit Value, Competitive Marketplace, Development of the Group and Sustainable & Safe Performance. Our strategy offers an effective response to trends and developments. We have analysed our most important risks and key strengths, weaknesses, opportunities and threats are included in the SWOT analysis.

## **Top Connectivity** **The best connections**

The strength of Mainport Schiphol lies in its network of destinations, the majority of which 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 both within Europe and intercontinentally, particularly by adding destinations that support the Mainport.

Our current strong position is no guarantee for the future, and reaching the agreed capacity limit of 500,000 air transport movements per annum is already impacting our connectivity. Some passenger and cargo airlines at Schiphol have not been allocated all of the take-off and landing slots they had counted on, and we can see that airlines are already taking action by using larger aircraft or switching to a different airport.

From 2018 onwards, opportunities to increase direct connectivity will be severely limited. We have agreed that future growth at Schiphol will be 'selective', i.e. that the airport will focus on Mainport-related traffic. The regional airports will have a key role in non-Mainport-related traffic, such as holiday flights. Eindhoven Airport has been a successful alternative to Schiphol for years and has reached the milestone of five million passengers in 2017, requiring expansion in order to meet demand. Lelystad Airport is being developed to begin commercial operations.

Development of Amsterdam Airport Schiphol is also dependent on both airside and landside infrastructure. We plan to make even more efficient use of the current capacity in and around the terminal, in addition to creating new capacity. The new pier will become operational in late 2019; until then a temporary extra departure hall

is available above Baggage Hall South. Four years after that, a new terminal will be opened in the same area.

Accessibility will remain a key issue in the period ahead. While we are encouraging the use of public transport, we must continue to provide enough parking for passengers, visitors and staff who do choose to come by car. We therefore continue to offer sufficient parking capacity, while also monitoring price and quality. In 2017 the Valet Parking service proved to be a good alternative to the P2 car park, which was demolished.

Growth in traveller numbers also requires further development of the railway station area, where expansion and refurbishment are necessary to cope with the crowds while also maintaining and improving comfort for public transport users. To this end, we are working in conjunction with Dutch Railways (NS), ProRail and the Ministry of Infrastructure and Water Management. Simply improving the railway station will not suffice, however – the creation of a multi-modal hub will necessitate additional infrastructure. Schiphol is therefore in favour of extending the North-South metro line from Amsterdam South to the airport and to Hoofddorp, and we applaud the government's recent decision to investigate this option. A metro link would also free up space on the rail network as it would allow a reduction in the number of sprinter trains.

## **Excellent Visit Value** **An attractive airport**

Our ambition is for Schiphol to be Europe's preferred airport and the first choice among travellers, airlines and logistics service providers. We strive for top quality in our processes, facilities and commercial offering.

The passenger experience is key. The range of available destinations and flight frequencies are the principal determinants when choosing an airport. If passengers are satisfied with the efficiency of the processes and the attractive retail and food offering, they will be happy to travel via Schiphol again in the future. We invest in processes and resources that will benefit this experience, however this may be adversely affected in the years ahead due to major renovation and construction activities. Additional efforts will be required in order to limit the disruption to passengers as much as possible.

## ACM investigation

On 12 October 2017, the Dutch Authority for Consumers and Markets (ACM) published a draft decision on an investigation that commenced in 2013, prompted by the 'shared vision' programme completed jointly by Schiphol Group, KLM and the Dutch government. The ACM concluded that there had been no breach of competition rules. Schiphol and KLM have made assurances to the ACM to eliminate the identified risks regarding competition. Schiphol and KLM will not discuss the positions of other airlines, and Schiphol will reach decisions independently regarding investments, rates and marketing. Two market parties have submitted official responses to the ACM's draft decision, which the ACM must assess before binding agreements can be announced.



We are fast-tracking the digitisation of the airport, as optimising the digital potential will enable more efficient use of the current available capacity. For example, automation of passport control and additional security lanes will streamline certain processes, and new, innovative technologies will enable us to provide our customers and stakeholders with up-to-the-minute information.

We strive to strike a balance for travellers and visitors between the range of available products and services, and the consumer experience. One such example is the redevelopment of Holland Boulevard. Travellers expect high quality and service, along with a personal approach. Digital content is one way we help to make the passenger journey as pleasant as possible, one example being the improved Wayfinding app.

We continue to offer a high standard of retail and catering services. Retail earnings have not grown in pace with traveller numbers. This is in line with the general trend towards online shopping. We are improving processes in conjunction with our business partners, participating in initiatives such as Filo, an international app for airport facilities. Temporary retail units and pop-up stores are one way for us to respond to trends and the changing wishes and needs of visitors and passengers.

Schiphol's efficient, innovative logistics chain also makes it a key cargo airport. We develop and deploy digital solutions leading to higher, more affordable quality and lower costs for ground handlers and forwarders. However, the limit on the number of flights will also limit growth in the cargo segment.

We continue to strive for attractive products at competitive prices at all our airports, and seek to achieve quality and cost levels that compare favourably to those of competing hubs. After years in decline, our charges will once again rise in 2018, and are expected to continue to do so in the years ahead as the result of significant investments and reduced/eliminated set-offs.



## **Competitive Marketplace** **A prime location**

We are evolving our airports into economic drivers at both regional and – for Amsterdam Airport Schiphol in particular – at national level. When deciding on a location, a key focus for businesses is the proximity to an airport.

We are constantly working to improve and refine the Schiphol AirportCity concept, which stands for quality in working environment and accommodation, including excellent accessibility and convenient parking options. Offices, meeting facilities and hotels near the terminal are all performing very well, as are logistics services based along the periphery of the airfield. Our real estate portfolio is being developed accordingly.

We achieve improvements to the quality of the working environment by expanding the range of facilities, and by offering innovative lease concepts and services. Schiphol is also boosting the logistics sector in the region. We are investigating opportunities for new business, including the application of new technologies. One such innovative solution will be tested in 2018: Just-in-Time Transport, a registration system that allows logistics service providers and truckers to better plan the delivery and collection of cargo in the hangars from the lorry park.

The regional airports work with local government authorities and developers in order to offer tailored accommodations to companies in and around the airport grounds.



## **Development of the Group** **A strong group**

Schiphol Group benefits from the synergy between its various units. Intensifying collaboration and tapping into the operational and commercial knowledge and innovative strength of our participating interests and partnerships enables us to maintain our innovative and distinctive position. The importance of the regional airports will grow as capacity becomes more scarce. We therefore coordinate our large investment projects in an integrated manner, creating synergy principally through increased efficiency within our own airport network. We want to get the most out of the combined activities of Schiphol, the regional airports and the group's international activities, with a focus on airports of strategic relevance to the Mainport.

Schiphol Group is also implementing further organisational improvements by strengthening the business culture and by benefiting more effectively from our commercial opportunities. Our ability to do so will depend to an important degree on developing Schiphol Group into a High Performance Organisation. We are increasing the implementation of agile working methods.

We are focusing on maintaining adequate yields in order to continue financing investments independently. The high investments in infrastructure and capacity required in the years ahead are expected to result in lower profits than last year. However, our financial policy will remain robust at all times.



### **Sustainable & Safe Performance** **Sustainability and safety as prerequisites**

Sustainability and safety are the fundamental principles governing the actions and activities of all airports in the group. Our responsibility for these themes, which transcend the interests of the 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 local residents is a top priority. We make no concessions when it comes to safety. In its report, the Dutch Safety Board confirmed that Schiphol operates in accordance with all applicable national and international safety standards. In conjunction with our chain partners, we will continue to do so.

We control health, safety and environmental risks by means of risk-based Safety Management Systems, comply with current and future legislation and improve airport safety management in close collaboration with our partners. We strive to be a High Reliability Organisation (HRO) with a pro-active health and safety culture. All of the above means consistent use of our safety systems, excellent organisation, and leadership to promote continuous learning and improvement.

Schiphol Group aims to lead by example when it comes to sustainability in the aviation sector. We strive for three objectives: a clean future for the aviation sector, future-proof airports and a healthy working and living environment. In line with these objectives, two associated long-term targets have been set: a climate-neutral airport by 2040, and a zero waste airport by 2030. We use the Sustainable Development Goals (SDGs) to design and further strengthen our coordinating and leading role, now and in the future.

## Sustainable Development Goals

In 2016 we examined our activities in light of the UN's Sustainable Development Goals (SDGs). Of the 17 SDGs, six are very relevant to our activities and our role in the value chain. We are working to increase our positive impact and reduce our negative impact on each of these six SDGs in order to contribute to a future-proof aviation industry.

1. SDG 8 Decent work and economic growth
2. SDG 9 Industry innovation and infrastructure
3. SDG 11 Sustainable cities and communities
4. SDG 12 Responsible consumption and production
5. SDG 13 Climate action
6. SDG 17 Partnerships for the goals

## Risks

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 have taken the appropriate measures to mitigate these risks. Risk management is an integral part of our business operations.

The key risks are as follows:

- **Fluctuations in demand for air transport:** can have a potentially 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 no longer the right solution by the time it is delivered.
- **Changing consumer behaviour:** strong competition from Internet and omni-channel retail concepts, resulting in pressure on airside retail passenger spending.
- **Developments in the real estate market:** 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 critical in strengthening the Mainport.
- **IT infrastructure and information security:** increasing dependence on IT systems makes their sustained availability, reliability and security crucial.
- **Major projects:** their progress, budget and quality must be monitored to ensure that the required capacity is available as needed, and that investments achieve the desired effect.
- **International business:** presents opportunities for risk diversification but can also pose certain risks.
- **Operational aviation 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 greater detail in the section on Risk management.




# Cohesion

## Material topics

-  Network of destinations
-  Airport capacity
-  Accessibility

-  Customer appreciation
-  Security
-  Digital

-  Regional significance

-  Employment practices
-  Integrity
-  Financial solidity

-  Safety
-  Community engagement
-  Noise
-  CO<sub>2</sub> emissions
-  Air quality
-  Raw materials & residues
-  Contracting practices
-  Supply chain responsibility

## Strategic themes



## Key risks

- Fluctuations in demand for air transport
- Political context
- Major projects
- International business
- Capacity development

- Changing consumer behaviour
- Political context
- IT infrastructure and information security
- Major projects
- Operational aviation risks

- Fluctuations in demand for air transport
- Changing consumer behaviour
- Political context
- Developments in the real estate market

- Major projects
- International business
- Compliance risks

- Political context
- Operational aviation risks
- Compliance risks



## Targets

Every year we translate our long-term strategy into a four-year tactical plan, which incorporates the budget for the next year alongside a forecast for the following three years. The tactical plan sets out in concrete terms how we plan 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, which for 2018 has been set at 5.6% (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 ahead.

of the world, which is further expressed by our ambition to be Europe's Preferred Airport among both passengers and airlines. The 2016-2020 Strategic Plan includes fourteen targets for 2020 that are virtually all still current and reflected in the 2018 Management Agenda.

### 2018 Management Agenda

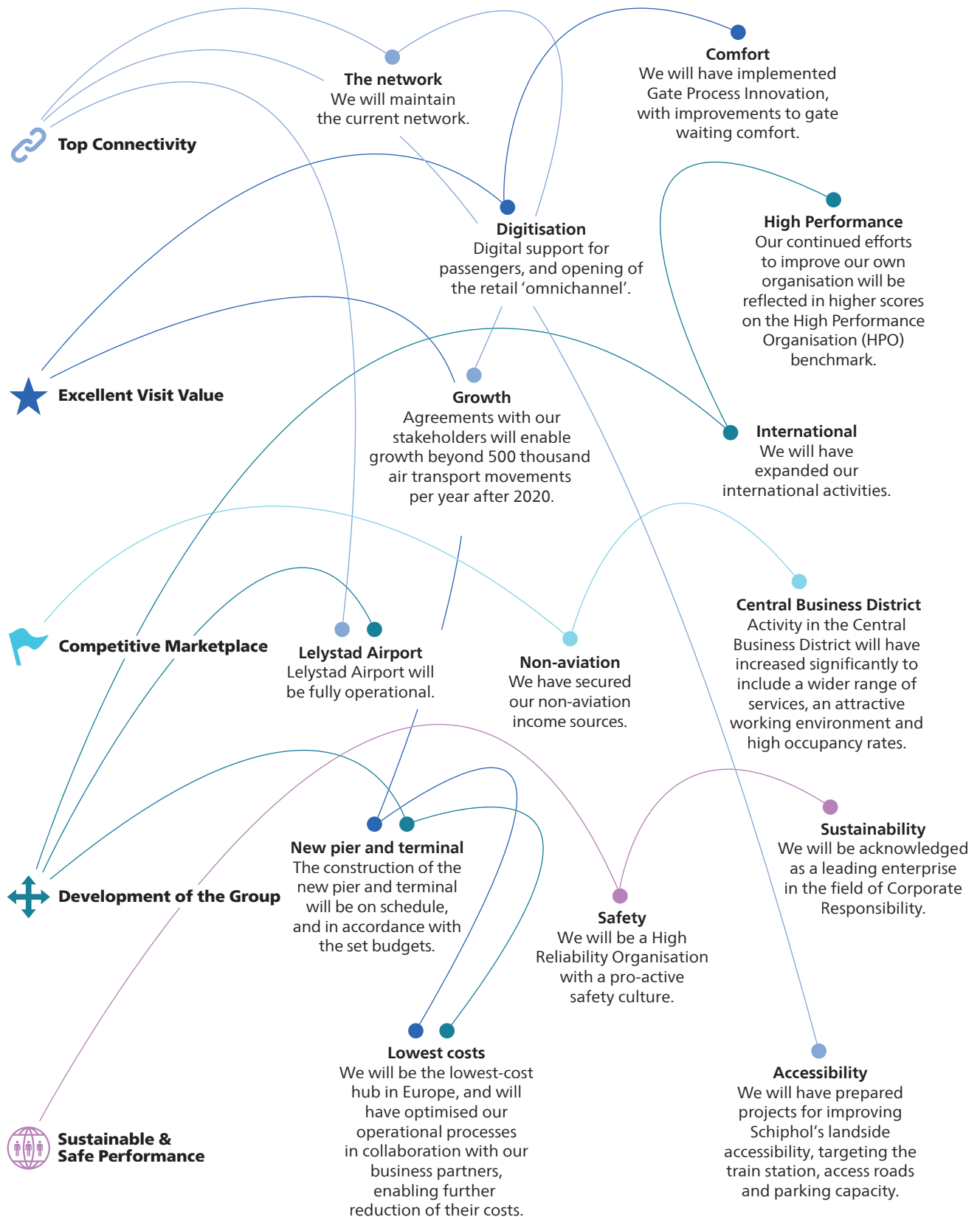
The 2018 targets are a concrete reflection of our mission to connect the Netherlands with the rest

#### 2018 Management Agenda

Priorities

Continue to develop and determine the vision for Schiphol Airport's post-2020 development, and for the phased development of capacity – <i>Support (both public and private) will be essential in this regard, along with the move towards a smart, sustainable aviation sector and being ready for the opening of Lelystad Airport.</i>	<input type="radio"/>
Maintain the connectivity of the Mainport network – <i>Such as by continuing to offer over 300 destinations and retaining a top-3 position in cargo volume, despite the current slot shortages.</i>	<input type="radio"/>
Maintain high levels of process quality and customer satisfaction at competitive costs – <i>Reach both internal and external quality targets, and develop a model for measuring airline satisfaction. Create an efficient and streamlined consultation process under the new Aviation Act, and adjust charges to reflect the actual rise in costs, following consultation with the airlines.</i>	<input type="radio"/>
Carry out investment projects, and commence implementation of the Capital Programme projects – <i>This includes various capacity-related projects, and initial construction work on the landside roads and new pier.</i>	<input type="radio"/>
Full implementation of the Digital Airport Programme, and producing usable data on the resulting revenue and efficiencies, and the associated benefits for airlines.	<input type="radio"/>
Maintain safe operations and address the recommendations by the Dutch Safety Board in conjunction with sector partners – <i>Envisaged results include implementation of the Integrated Safety Management System and of the Schiphol4Safety programme, as well as a greater focus on the necessary advancements in information security.</i>	<input type="radio"/>
Make progress on our objectives to achieve climate-neutrality and become a zero waste airport, and adopt a leading sustainability role in the sector.	<input type="radio"/>
Optimise consumer retail and parking spending, and further development of the real-estate portfolio.	<input type="radio"/>
Organisational development – <i>Invest in the further professional development and effectiveness of the organisation, as well as in improvements in performance management and talent management.</i>	<input type="radio"/>

## 2020 milestones















# our results

# 2017 Management Agenda

The Remuneration Committee of the Supervisory Board determines the Management Agenda, which includes the management's priorities. More detailed targets have been linked to the priorities set out on this page. Those targets set the course for the entire Schiphol organisation. The evaluation is also used to determine the variable remuneration. More information can be found in the section on Remuneration.

Most of the 2017 targets were achieved. In this assessment the Supervisory Board applied certain weightings to specific priorities. Concise background information on the results achieved is set out below for each priority.

## 2017 Management Agenda

Priorities	Achieved
<b>Facilitate sustainable growth of the airport</b> – Progress in the negotiations with the Schiphol Local Community Council (ORS) platform remains slow. One reason for this is that the then Ministry of Infrastructure and the Environment (currently the Ministry of Infrastructure and Water Management) requested a second opinion on the calculations for the environmental impact assessment. The coalition agreement has created space for the further – selective – development of Amsterdam Airport Schiphol. The 2030 Master Plan has been finalised; efforts are currently being made to generate support for its further development.	
<b>Take a leading role in CR in the sector</b> – A revised sustainability vision has been developed, which includes the definition of two long-term objectives. Schiphol has a leading role in the Airports Sustainability Declaration and is involved in various initiatives pertaining to sustainability.	
<b>Guarantee high quality of processes and high customer satisfaction at competitive costs</b> – The quality level measured is slightly below the target scores, particularly for the arrival process. The quality of the transfer product is slightly higher than the target set. Road maps have been formulated in respect of various digital initiatives. The challenge lies in making results measurable and providing insight into revenues and cost savings.	
<b>Facilitate capacity for 500,000 air transport movements at Amsterdam Airport Schiphol and create sufficient capacity at the regional airports, including by obtaining a commitment that Lelystad Airport will open by no later than 1 April 2019</b> – Notwithstanding the fact that problems were experienced on several days during the May holiday, operations went well in the summer of 2017. Temporary Departure Hall 1A was delivered within six months and within budget. The Ministry of Infrastructure and Water Management and Air Traffic Control the Netherlands (LVNL) have reiterated their commitment to the opening of Lelystad Airport as at 1 April 2019. However, given various developments relating to airspace and in view of existing public opposition, it is still uncertain whether this will happen.	
<b>Maintain the quality and connectivity of the network</b> – With around 320 destinations connectivity remains at the desired level. Schiphol is number 1 in Europe for direct connectivity and number 2 in the world for hub connectivity.	
<b>Implement investment projects and secure good road and public transport access</b> – For a variety of reasons, not all planned investment projects have been implemented on schedule. Good progress has been made as far as landside accessibility is concerned. The preparatory work, including tenders, for the construction of the new pier and terminal is on schedule.	
<b>Optimise commercial revenue and maximise scarce square meterage</b> – Spending on retail, food and beverages and parking are above budget, and the real estate occupancy rate has increased.	
<b>Improve coordination with stakeholders</b> – Good progress has been made with various dossiers, thanks in part to effective coordination and cooperation with various stakeholders. This includes the steering group set up for the 'biometric backbone' project, the amendment to the general municipal by-laws of the municipality of Haarlemmermeer in relation to taxi touts, and securing funds for sufficient Royal Netherlands Marechaussee capacity as from 2019.	
<b>Realise projects with a specific focus on safety</b> – Good progress has also been made in relation to safety culture and awareness, with the Management Board taking a particular interest. In addition, great strides have been made with regard to information security and the foundations have been laid for the next steps to be taken in this area.	
<b>Develop the organisation</b> – The initial results of various organisational adjustments are visible. Thanks in part to the Capital Programme, the organisation is becoming increasingly international and agile. However, the HPS score is still below the target set. Leads are being followed up in the area of international participations.	

 Target achieved
  Target mostly achieved
  Target partially achieved
  Target marginally achieved







# Our results

Royal Schiphol Group seeks to strike a conscious balance between people, planet and profit. This is reflected in our investment decisions, calls for tenders and other activities. Our results show how we take responsibility and seek to strike the appropriate balance between the positive and negative effects of our activities.

## Top Connectivity

2017 was a successful year for Royal Schiphol Group. The connectivity of our airports has improved as a result of a rise in the number of destinations. The number of passengers has increased as well. At the same time, our capacity is under pressure. Amsterdam Airport Schiphol has very nearly reached the maximum number of air transport movements and no new slots are available. We have, however, begun the construction of Lelystad Airport. The further development of air traffic is a topic of public debate.

Objective for 2020	Progress	Achieved in 2017
<b>Network</b> Maintaining a network with more than 300 destinations		<ul style="list-style-type: none"> <li>– Number of destinations at Schiphol: 326</li> <li>– Number of passengers at Schiphol: 68.5 million</li> <li>– Number of air transport movements at Schiphol: 496,748</li> </ul>
<b>Accessibility</b> Projects for improving landside accessibility have been prepared		<ul style="list-style-type: none"> <li>– MIRT exploratory study for the development of the Schiphol Multimodal Hub</li> <li>– Accessibility by rail and by road (re-routing the A9 motorway) has improved</li> </ul>
<b>Airport capacity</b> Capital Programme Lelystad Airport fully operational		<ul style="list-style-type: none"> <li>– Preparations for the new pier and terminal well under way, most calls for tenders made as planned and landside infrastructure adjustments are on schedule</li> <li>– Construction of Lelystad infrastructure on schedule for opening in 2019</li> </ul>
<b>Growth</b> Agreements with our stakeholders will enable growth beyond 500,000 air transport movements per year after 2020		<ul style="list-style-type: none"> <li>– Little progress in discussions within the Schiphol Local Community Council</li> <li>– Uncertainty regarding the accuracy of the environmental impact assessment results and new plans to build houses in the surrounding area have undermined trust</li> </ul>

## Network of destinations

With its airports, in particular Amsterdam Airport Schiphol, Royal Schiphol Group makes a significant contribution to the international accessibility of the Netherlands. The number of destinations and flight frequencies determine the economic and social value of the network.

### Air transport movements' ceiling

Up to and including the 2020 operational year (until 1 November 2020) the number of commercial air transport movements at Schiphol is limited to 500,000 per annum, as laid down in the Alders agreements. This limit was very nearly reached in the 2017 operating year, and no further growth in air transport movements will be possible over the next three years. This will hamper the further development of the network of destinations, as new routes can only be developed if existing frequencies are reduced or abandoned.

In 2017 (as in 2016), many airlines applied for additional slots. During the summer season, the demand for slots was 20% above the available capacity and for the winter season (2017-18), too, 15% more slots were requested than could be allocated.

### Number of destinations

The number of direct destinations from Schiphol totalled 326 in 2017 (2016: 322). According to the *Airport Industry Connectivity Report* of the ACI Europe umbrella organisation, this meant

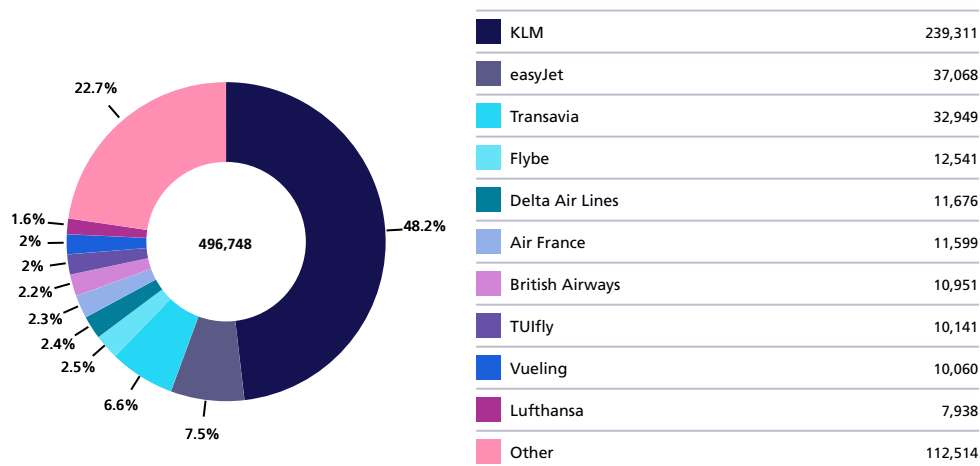
### Direct connectivity at European airports

Airport	(rank in 2007)
1 Amsterdam Airport Schiphol	(6)
2 London Heathrow	(2)
3 Frankfurt	(3)
4 Paris CDG	(1)
5 Istanbul	(20)
6 Munich	(5)
7 Madrid	(4)
8 Barcelona	(7)
9 Rome FCO	(8)
10 London Gatwick	(9)

Schiphol had Europe's best direct destination and frequencies network in 2017. As for the number of transfer connections, the same study shows that Schiphol is second in the world only to Frankfurt. Dallas-Forth Worth, Paris-Charles de Gaulle and Atlanta take third, fourth and fifth places respectively.

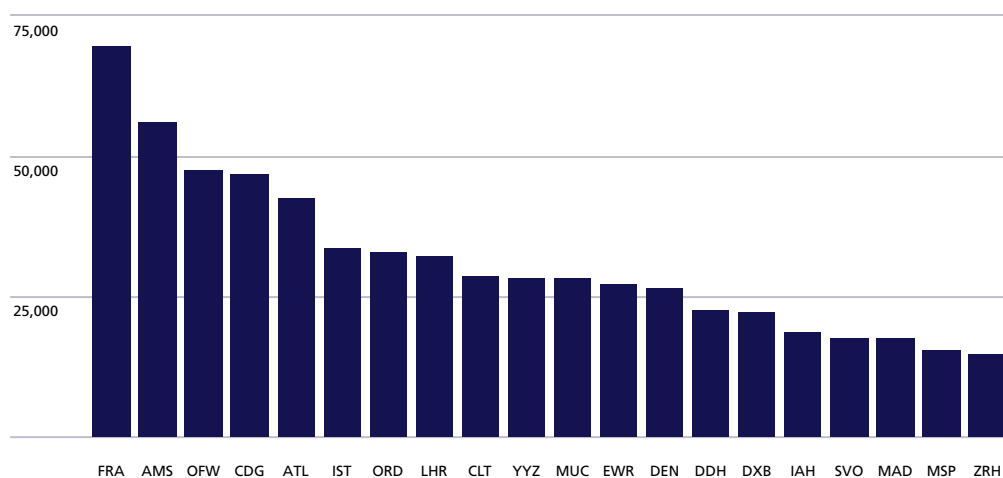
The majority of Schiphol's 326 destinations (305) are combined passenger and cargo destinations. The number of cargo destinations totalled 160 (2016: 162). The number of destinations served by cargo flights only fell from 29 to 21.

### Air transport movements at Schiphol in 2017



## Hub connectivity worldwide

Number of transfer connections per week



### Destinations from Schiphol

The 326 direct destinations in 98 countries are served by a total of 104 airlines. Of these destinations, 132 are intercontinental (2016: 128). The number of destinations operated by KLM and its codeshare partners rose to 215 (2016: 206).

The hub network has been expanded to include Freetown, Monrovia, Cartagena, San José, Mauritius and Bangalore as new intercontinental destinations. Within Europe the hub network has widened and now includes Gdansk and Graz. Other additions include Dallas-Fort Worth in the United States with American Airlines, and Porto Santo, Sharmh el Sheikh, Katowice, Tirana and Trapani within Europe (including the area surrounding the Mediterranean).

Schiphol used the Airline Reward Programme (ARP) to expand its network of destinations. However, the ARP has been cancelled now that the air transport movements' ceiling has been reached.

### Capacity declaration

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 (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 or

problems are discussed. The slot coordinator and representatives of the Directorate-General for Mobility and Transport of the Ministry of Infrastructure and Water Management regularly sit in on these meetings. The independent slot coordinator is responsible for allocating slots to the airlines, based on the maximum declared movements per season.

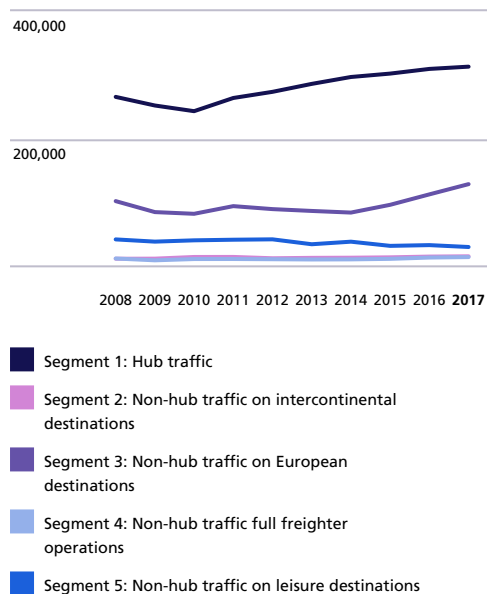
It is important to reach consensus on the capacity declaration, as the various interests and growth plans represented in the meeting may well conflict. No such consensus was reached for the 2017 summer season and the 2017-2018 winter season. Schiphol took responsibility by drawing up the capacity declaration unilaterally, after having heard all the parties. Several airlines dispute that Schiphol was entitled to do this.

### Regional airport network

The nature of the network of our regional airports differs from that of Schiphol. Whilst 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 number of destinations served by Rotterdam The Hague Airport fell to 36 (2016: 38). New direct connections are Pula, Valencia, Venice, Bergerac and Pisa. The number of destinations operated from Eindhoven Airport rose by six to 81 in 2016. New destinations at Eindhoven Airport include Edinburgh, Marsa Alam, Naples, Ohrid, Stockholm, Tel Aviv, Thessaloniki and Varna.

### Growth in the number of air transport movements per Alders segment



### Development in passenger numbers

Total passenger volume handled by Schiphol Group was up 8.4%, from 70.0 million to 76.0 million. At Amsterdam Airport Schiphol passenger volume rose by 7.7% to 68.5 million (2016: 63.6 million). The increase at Schiphol is the result of a rise of 3.7% in the number of air transport movements (from 478,864 to 496,748). Added to that is the fact that the number of seats per air transport movement rose from 165 to 168.6, resulting from home carrier KLM's fleet renewal and foreign carriers using larger aircraft. The average load factor in 2017 was 84.7% (2016: 83.8%).

O&D traffic (origin and destination traffic using Schiphol as the airport of departure or arrival) grew substantially, boosted by strong economic growth and the popularity of the Netherlands, and Amsterdam in particular, as tourist and business destinations. The approaching capacity limit of 500,000 air transport movements at Schiphol may have led airlines to accelerate implementation of their plans to increase the number of flights at Schiphol.

## Selectivity Policy

With a view to the selective development of Mainport Schiphol, the type of destination matters. As part of the Alders Agreement (2008), five traffic segments have been defined on the basis of their importance to the Mainport. The importance depends on the nature of the destination and the reasons (business or otherwise) passengers have for travelling to that destination. This does not involve a distinction being made between the type of airline: both low-cost airlines and hub carriers can operate relevant business flights.

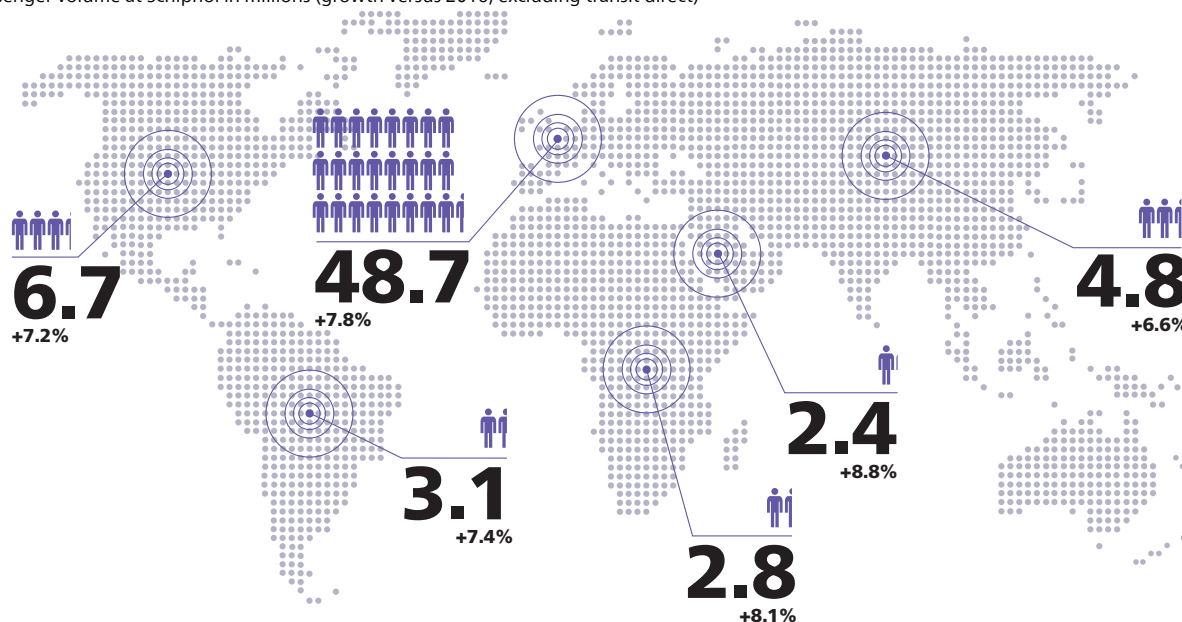
Practice has shown that a selectivity policy based on those five segments is not feasible. Nor is it permitted under European regulations to allocate slots on a selective basis and thus control space for airlines.

The overall mix of hub-related and other, non-hub-related point-to-point carriers is also important to Schiphol's connectivity.

Airlines, sector organisations, partners and governments discussed this with the (then) Ministry of Infrastructure and the Environment in September 2017. It has turned out that there are many limitations inherent in the agreement reached by all parties in 2008 that preclude its practical implementation. For the time being, opening Lelystad Airport is the only way to implement the selectivity policy: by offering flights to leisure destinations an alternative elsewhere, space can be freed up at Schiphol to accommodate further growth of Mainport-related traffic.

## Passenger volumes and growth by continent

Passenger volume at Schiphol in millions (growth versus 2016; excluding transit direct)



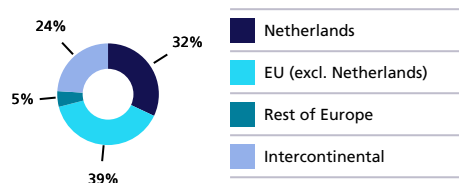
## Passenger volumes at Schiphol in 2017

Airline	Volumes per airline	Growth
KLM	32,862,599	7.6%
easyJet	5,554,115	3.8%
Transavia	5,249,403	11.7%
Delta Air Lines	2,821,932	5.6%
TUIfly	1,970,181	3.4%
Vueling	1,534,549	14.3%
British Airways	1,327,119	5.0%
Air France	1,271,213	8.2%
Lufthansa	832,026	1.9%
Flybe	781,498	6.3%
Overig	14,310,790	9.1%

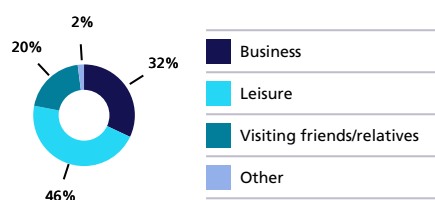
## Passenger profile

Leisure or visits to relatives are increasingly a reason for people to fly. We are also observing a trend towards more, but shorter holidays.

## Country of residence



## Reason for travelling



### Top-5 European destinations

Airport	Number of passengers
1. London Heathrow	1,688,997
2. Barcelona	1,361,334
3. Paris Charles de Gaulle	1,263,470
4. Rome	1,111,831
5. Dublin	1,080,715

### Top-5 intercontinental destinations

Airport	Number of passengers
1. Dubai	902,591
2. Atlanta	802,550
3. New York	682,031
4. Toronto	569,498
5. Tel Aviv	566,095

### Development of Schiphol's market share in 2017

Air traffic within Europe grew to 71.4% of the total passenger volume (2016: 70.9%). In absolute figures, Spain (9.3%) and the United Kingdom (4.8%) accounted for the largest growth, despite earlier negative expectations due to the imminent Brexit. The passenger volume for Portugal increased as well (up 11.2%).

In 2017, the total number of passengers to Schengen destinations grew by 9.1%. Passenger volumes outside Europe saw significant growth in Africa in 2016 (7.1%). Far East volumes continue to grow (6.3%), driven by the higher numbers travelling to India (34%).

### Development of Schiphol's market share in 2017

(in millions, excluding transit direct)

		Growth	Market share
London LHR	78.0	3.1%	13.5%
Paris CDG	69.4	5.4%	12.1%
Amsterdam AMS	68.4	7.7%	11.9%
Frankfurt FRA	64.4	6.1%	11.2%
Istanbul IST	63.9	5.9%	11.1%
Madrid MAD	53.3	5.9%	9.3%
Barcelona BCN	47.2	7.1%	8.2%
London LGW	45.6	5.6%	7.9%
Munich MUC	44.6	5.6%	7.7%
Rome FCO	40.8	-1.8%	7.1%

Schiphol's market share for O&D passengers in its catchment area rose from 33% to 34% while its market share in the European top ten grew from 11.6% to 11.9%. Schiphol had the fastest growth in the top ten. Brussels has regained lost ground and is now well above the level prior to the attacks in the summer of 2015. Eindhoven has also grown; the airport has gained slightly in market share compared with foreign airports.

Transfer traffic increased by 5.3%, bringing the total number of transfer passengers to 25.3 million. The share of the total number of transfer passengers fell from 37.8% to 36.9% owing to the substantial growth in the number of O&D passengers in Europe.

### Regional airports

At Eindhoven Airport the number of passengers was up by 19.5% to almost 5.7 million. The increase was mainly brought about by the increase in flight services offered by Ryanair (22.0%), Transavia (26.0%) and Wizzair (19.0%). During the previous year the airport had to cope with a temporary closure because of work on the runway, but the airport's operations were uninterrupted in 2017.

Air transport movements fell by 18.0% at Rotterdam The Hague Airport in 2017. Capacity at this airport was determined by noise capacity rather than by the number of flights. Larger aircraft and higher load factors brought about a 5.4% increase in the total number of passengers, taking it to over 1.7 million. Transavia made the greatest contribution to this growth. Destinations in Spain and Portugal, in particular, have gained in popularity.

## Cargo

For 2017 in its entirety, cargo volume increased by 5.4%, from 1.66 million tonnes to 1.75 million tonnes, leaving Schiphol Europe's third-largest cargo airport. The first three quarters of 2017 showed stable growth at 8.2% for the period as a whole. However, towards November (the first month of the IATA winter season) growth figures began to fall, from a mere 0.9% in October to negative figures for the last two months of the year: -0.9% in November and -6.1% in December.

The scarcity of slots at Schiphol had adverse effects on air cargo transport. In January 2017 we updated the airlines on the scarcity forecast for later in the year. The adverse effects remained limited thanks to an increase in the load factor per flight and a shift in the transport of cargo from full freighters (cargo-only aircraft) to the belly of passenger aircraft.

A number of airlines, including AirBridgeCargo, Emirates and Suparna, relocated some of their activities to other airports after 1 November. This concerns around twenty cargo flights a week.

At Amsterdam Airport Schiphol, 60% of the total cargo volume was transported in full freighters.

### Digitisation of cargo processes

In 2017, as part of the Smart Cargo Mainport programme, we introduced the compliance

checker: an online tool that inspects air cargo manifests and detects errors, resulting in faster cargo flows. We developed the checker in cooperation with KLM and the Cargonaut cargo community platform.

We set up an e-commerce air cargo community in 2017 with a view to improving processes, and are working with Customs on simplifying the import and export of e-commerce orders placed online with global online retailers. Those orders usually involve popular and inexpensive goods. Logistics companies are the main participants in the air cargo community.

### Congestion in the cargo area

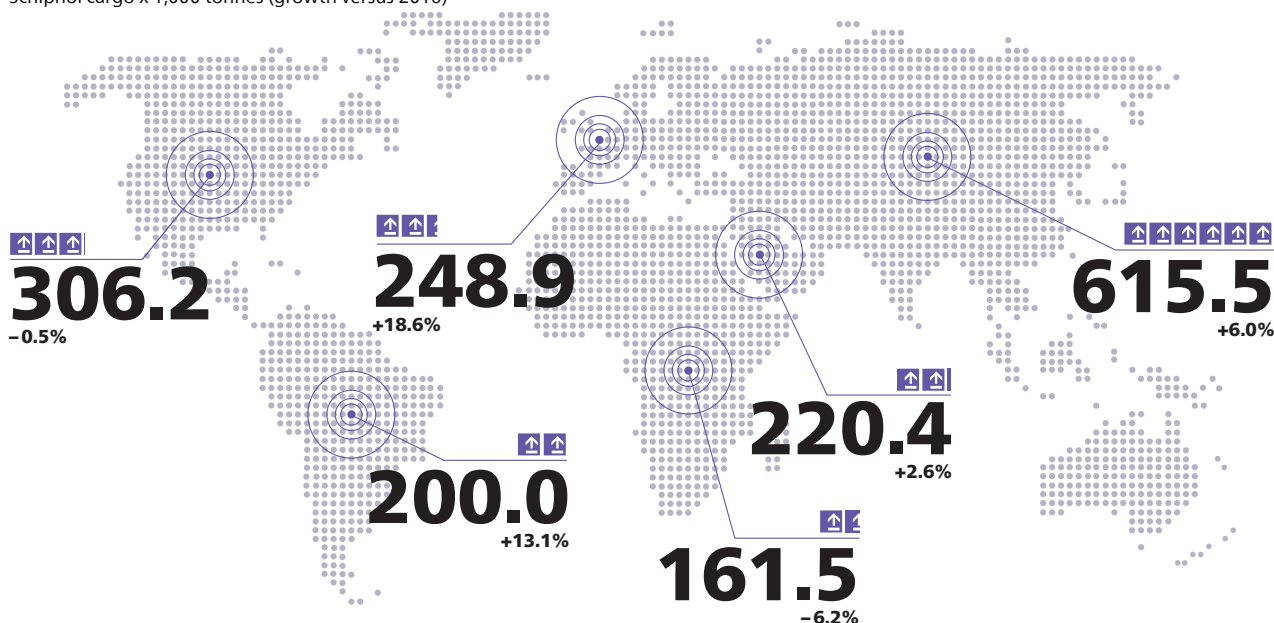
Schiphol is having to deal with a high volume of lorries on airside. We extended the Milkrun initiative in 2017 to mitigate this problem. The Milkrun is a system which allows ground handlers and forwarders involved in import operations to share lorries on airside where possible. As a result, better use is made of the available space and fewer lorries are required. The Milkrun generates savings for all the parties involved. Three handling agents and a number of truckers and forwarders joined the scheme in 2017.

### Transport of pharmaceuticals

We have expanded the Pharma Gateway Amsterdam alliance from 13 to 21 members. All major air cargo sector parties involved in the air

## Cargo volumes and growth by continent

Schiphol cargo x 1,000 tonnes (growth versus 2016)



## Cargo and slots

Cargo carriers often run a greater risk of losing slots. They operate more flexibly and fly on a more irregular basis than passenger airlines. A 'local rule', which involves an exception specifically for Schiphol, is a possible solution for the cargo sector, meaning that slots that do become available are offered to cargo flights first.

Within the aviation sector, the Coordination Committee the Netherlands (CCN) can advise the slot coordinator to make slots available on a different basis. All of the sector parties (airports, Air Traffic Control the Netherlands and airlines) are represented on the CCN.

In December 2017 the CCN adopted a proposal for a local rule. However, before the local rule can be implemented it must be assessed regarding consistency with the law and whether the coordinator can actually implement it. Crucially, the local rule should not conflict with the basic principles of transparency and equal treatment of all airlines. It is not known how long the assessment will take.



transport of pharmaceuticals have joined. Most have the IATA CEIV certificate, which guarantees quality and ensures that the same processes are followed. The purpose of Pharma Gateway Amsterdam is to enable us to respond to the wishes of manufacturers of pharmaceuticals more effectively. The air transport of pharmaceuticals accounts for nearly 5% of all cargo, and we expect this segment to grow more quickly than other types of cargo.

### *Holland Flower Alliance*

We have further developed the Holland Flower Alliance, a partnership with KLM Cargo and Royal Flora Holland. A tool has become available which provides insight into the supply and loading of flowers from Kenya into aircraft and ensures predictability. We have arranged for the partners in the transport process, such as handling agents and forwarders, to examine each other's processes. This has improved mutual understanding and cooperation, with positive effects on the quality and shelf life of the flowers.

## 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 enable us to offer the required extra capacity, improve quality and further optimise processes in the long term.

### **Capital Programme**

Amsterdam Airport Schiphol has launched a series of major new construction and renovation projects. A number of these projects will be completed within a few years, such as the new pier. Others will take longer. In the meantime, it is business as usual for all airport operations. We will make every effort to minimise inconvenience to travellers, airlines and other users of Schiphol, and to ensure a sustained high level of quality for all our services and infrastructure. Hence the motto of the Capital Programme, the new department that manages Amsterdam Airport Schiphol's expansion projects: Perform Today, Create Tomorrow. The Capital Programme is designed to ensure smooth coordination and management of the various large-scale, complex and often simultaneous projects.



## Master Plan

A large number of investments are planned for the period running until 2025, the main being the new pier and terminal, and the renovation of Departure Hall 1. There are also plans to extend parking facilities, which must also be completed in the period ending in 2025.

Although these projects will be completed around 2025, our future plans do not end there. The world around us is changing rapidly and this requires Schiphol to take a proactive approach. We will also have to respond to societal issues, including climate change, emissions, the growth of aviation, support for our operations within the region and, of course, safety and security. Responses to those issues will be detailed in the new 2040 future vision document, in which we will set out the course we intend to take in the period running until 2040. It will form the basis for Schiphol's spatial development plan. Our aim is to have the vision document ready in the course of 2018.

In the context of current trends, developments and societal issues we are currently exploring several options for the smart and sustainable development of the airport, both landside and airside. The spatial developments will be incorporated into a new Master Plan which will focus particularly on the phase following completion of the new pier and terminal. Needless to say, we will be involving our most important stakeholders in this process.

## New pier and new terminal

In the course of 2017 Schiphol prepared the site of the new pier, carrying out groundwork, restructuring the apron and constructing a taxiway. We also made a start on the pile-driving work for the pier. If all goes to plan, the new pier will open at the end of 2019. Part of KLM's Cargo Building 1 (and the forecourt) had to be demolished.

The new pier will provide us with more space to meet the increasing demand for aircraft stands and gates. The pier will accommodate large and medium-sized aircraft.

The new terminal will be constructed on the roof of Baggage Hall South and take up some of the space where the P2 multi-storey car park used to be located. The contract for the design of the terminal was signed in November 2017. The new

## Capacity at Lelystad Airport

In addition to Amsterdam Airport Schiphol, Royal Schiphol Group is in charge of the regional airports Rotterdam The Hague Airport, Eindhoven Airport and Lelystad Airport. The 2008 Alders Agreement provided that capacity at Schiphol would be capped at 500,000 air transport movements until 1 November 2020. To ensure that the growing demand for air travel can nevertheless be met, it was agreed that (as from 2019) Eindhoven Airport and Lelystad Airport will accommodate what is known as non-Mainport-related traffic.

Rotterdam The Hague is not party to the agreement. Noise capacity at this airport has reached its limit and no additional growth in the number of air transport movements is possible for the time being.

It was originally intended that the first commercial flights would leave the new Lelystad Airport on 1 April 2018. Since air traffic control will not be in place by then, it was decided in 2016 to postpone the opening by one year until 1 April 2019. Expectations are that Lelystad Airport will start with 4000 flights a year. The calculations in the environmental impact assessment underpinning the commissioning of Lelystad Airport are now being revised by the Ministry of Infrastructure and Water Management. The opening of the airport is scheduled to take place on 1 April 2019. The new runway is ready and other construction activities are well under way.

*Note: When the Supervisory Board and the external auditor adopted Royal Schiphol Group's 2017 Annual Report on 15 February 2018, the assumption was that Lelystad Airport would be opened to commercial leisure traffic on 1 April 2019. However, on 21 February 2018 the Minister of Infrastructure and Water Management decided to postpone the opening, which is not expected to take place in 2020.*



building will feature a connection to the existing terminal, allowing us to continue offering passengers the much-appreciated 'one terminal' concept. We expect the new terminal to be



completed in 2023. In 2026 we will complete two additional aircraft stands for large aircraft on the new pier.

We have included high sustainability standards in the design, illustrating Schiphol's ambition to operate the airport in a sustainable way. The pier and the terminal will receive LEED Gold certification (Leadership in Energy and Environmental Design).

Four contracts for project management and construction management for the expansion projects were granted in mid-2017. In the autumn of 2017 a main contractor was selected to build and adapt roads and pipelines. A tendering procedure is currently under way to select a main contractor for the actual construction of the pier.

### **Redevelopment of Departure Hall 1 and Departure Lounge 1**

A key change is the extension of the mezzanine floor above Departure Hall 2 to Departure Hall 1, creating a large security floor that includes the Schengen filter. We will be able to use the security lanes of Departure Halls 1 and 2 flexibly depending on the level of congestion. The security expansion will be completed in 2020.

The relocation of the Schengen filter, which is now situated behind the check-in desks, will free up space which we can use to increase the capacity of the check-in area. Waiting comfort will improve as well. Walking routes will change; passengers must go up a floor to go through the checks once renovations have been completed.

### **Temporary departure hall taken into operation**

The temporary departure hall (Departures 1A) was opened on 3 April 2017. This facility, located on top of Baggage Hall South, is needed because the capacity of Departure Hall 1 will be affected during the renovations taking place over the next few years. An excellent job has been done, not least thanks to the close cooperation with the market. The complex project, including development planning, design, engineering, construction work, testing and commissioning, took about eight months to complete. The new facility was completed within the project objectives. Well over 1.4 million passengers used Departures 1A in 2017. The temporary departure hall is entirely reusable.

### More aircraft stands

We have a shortage of connected gates at Schiphol and also need to ensure a sufficient number of aircraft stands. To meet these needs, a new aircraft apron, the M apron, was taken into operation at Schiphol-East in December, offering buffer stands for aircraft which are temporarily grounded. As a result, the number of aircraft stands for small and large aircraft at Schiphol-East has risen from three to ten. In the period ahead we will also be further increasing buffer capacity on the U and R aprons.

### Regional airports

There will be no or very little opportunity for growth in the number of air transport movements at Rotterdam The Hague Airport, as the noise capacity limit has been reached. An independent exploratory study into the support for further development of Rotterdam The Hague Airport, conducted in 2017, revealed that support exists, provided the airport remains within the current noise capacity. Rotterdam The Hague Airport suggested excluding air ambulances and police helicopters from the calculation to free-up noise capacity for commercial air traffic. Preparations for the application for a new Airport Decree are being finalised. The airport began modifying the departure hall in 2017 so as to be better able to accommodate peaks. Renovation of the airside apron was also completed.

Eindhoven Airport anticipates further growth after 2020. A Master Plan has been drawn up for investments in the airport infrastructure and in landside and airside accessibility. The Master Plan provides insight into the possible consequences if the number of passengers grows to 10-15 million a year. In 2018 the airport will prepare for further development. The new baggage hall (for departing baggage) was taken into operation in March 2017, thus more than doubling available capacity. Provided airlines do not introduce major changes in their baggage policies, this capacity is expected to suffice until 2025. Incoming baggage processing capacity has also been increased with a third conveyor belt.

Part of a multi-storey car park under construction at Eindhoven Airport collapsed on 27 May. Fortunately, no one was injured. However, the infrastructural and financial loss was substantial and the collapse resulted in several construction projects being delayed. Part of the area in front

of the terminal was out of use for months, which impaired passenger experience and led to a loss of turnover at P1. Following an exhaustive investigation into the technical cause of the collapse (a construction flaw), agreement was reached between BAM and Eindhoven Airport in early December 2017 on the car park's demolition and reconstruction, to be carried out by BAM. Reconstruction starts in April 2018 and expectations are that this work will be completed by July 2019. The Dutch Safety Board launched an investigation into the cause of the collapse; the results are expected in the course of 2018.

Lelystad Airport began the construction of its new terminal and runway in 2017. The extended runway was completed by the end of 2017; the terminal, car parks and additional access roads will be ready at the end of 2018.

# Perform today. Create tomorrow.

Schiphol is powering full steam-ahead. And there is a lot of work to be done in a relatively small area which is constantly in use. We are adopting the same pioneering spirit as our founding fathers did in order to build a bright future. Our motto is: **Perform today. Create tomorrow.**

Read on to learn about our upcoming investment projects.

[www.schipholtomorrow.com](http://www.schipholtomorrow.com)

## Upgrades of Piers D - G

Piers D, E, F and G will each be renovated and refurbished one by one. We expect this multi-year project to be completed by 2021.

2017	2018	2019	2020	2021	2022	2023	2024	2025
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## Schiphol Plaza, Jan Dellaertplein, the railway station and bus station

A decision about the railway station's completion will be made in 2018. This decision will have implications for each of the areas, depending on what option is chosen. Work will probably be completed by 2025.

2017	2018	2019	2020	2021	2022	2023	2024	2025
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## Landside infrastructural adjustments

Roads including Havenmeesterweg (2017-18) will be adapted, and cables and pipelines will be laid. The road will then be closed for the terminal's construction. Jan Dellaertplein's traffic will be detoured to a new road between P1 and P2, which is to be completed in 2019.

2017	2018	2019	2020	2021	2022	2023	2024	2025
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## P XXL

Possible location for a car park building. A decision will be made around March 2018. Offices may be constructed at this location.

2017	2018	2019	2020	2021	2022	2023	2024	2025
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### Departures 1 and Departure Lounge 1

The existing spaces will be renovated and expanded. In Departures 1 a mezzanine will offer more space for check-in, security and waiting areas. And in Departure Lounge 1 - behind Departures 1 - flows will be rerouted and the number of facilities increased. The new Departures 1 and Departure Lounge 1 will be completed in 2022.



### Terminal, corridor and baggage basement

The new terminal and corridor will be completed in 2023. The new terminal will have its own baggage basement and handling system.



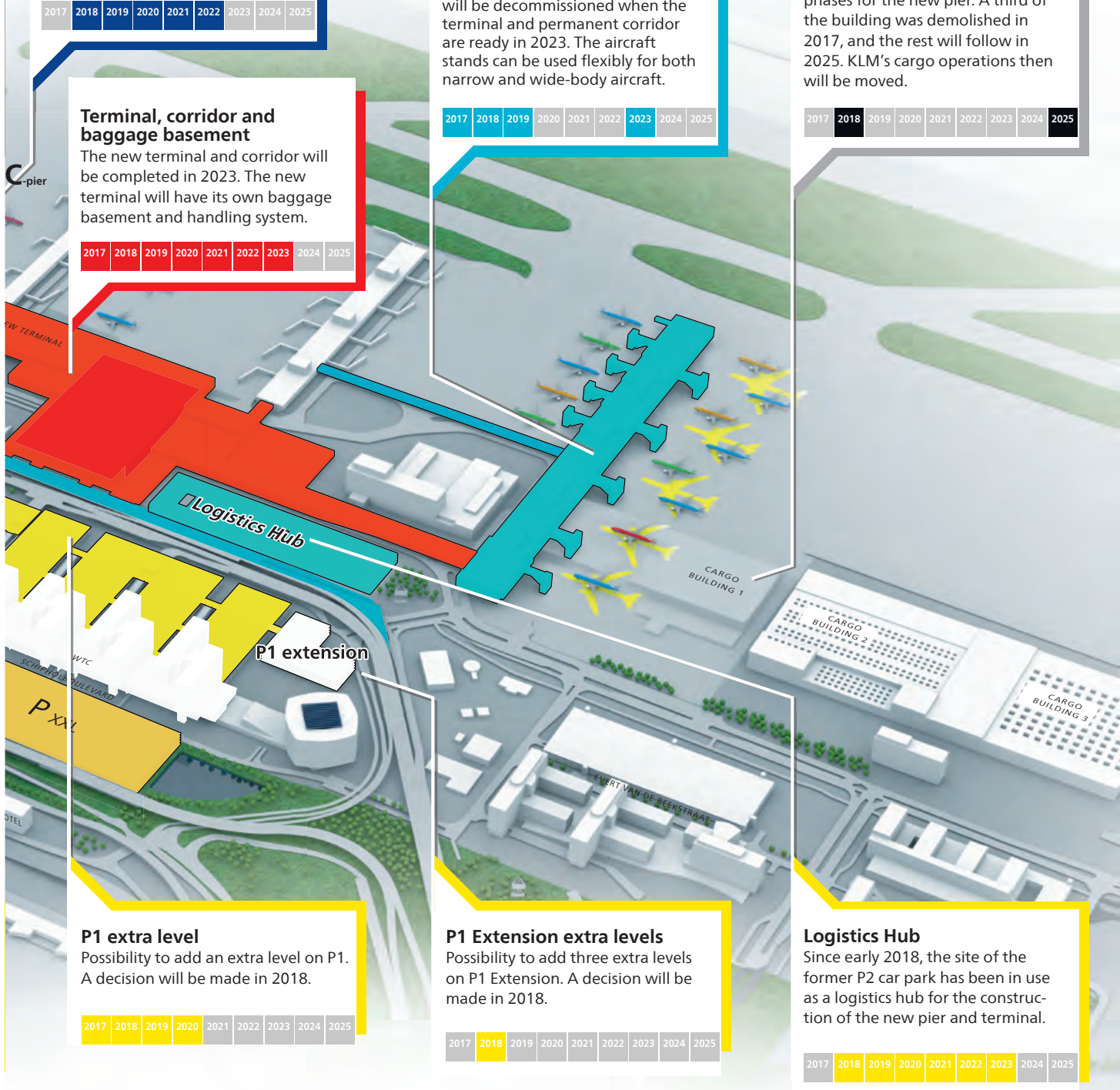
### Pier, aprons and temporary corridor

The pier and temporary corridor to pier B will be ready for use by the end of 2019. The temporary corridor will be decommissioned when the terminal and permanent corridor are ready in 2023. The aircraft stands can be used flexibly for both narrow and wide-body aircraft.



### KLM Cargo building 1

This building will be demolished in phases for the new pier. A third of the building was demolished in 2017, and the rest will follow in 2025. KLM's cargo operations then will be moved.



### P1 extra level

Possibility to add an extra level on P1. A decision will be made in 2018.



### P1 Extension extra levels

Possibility to add three extra levels on P1 Extension. A decision will be made in 2018.



### Logistics Hub

Since early 2018, the site of the former P2 car park has been in use as a logistics hub for the construction of the new pier and terminal.



## Accessibility

A sophisticated and robust network of multimodal connections within the Netherlands and with neighbouring countries is vital for Dutch airports to retain their competitive position. Travellers choose a particular airport based on accessibility, as well as on price, the network of destinations and flight frequencies. For businesses, accessibility is one of the most important establishment factors.

The growth in the number of passengers means roads, the railway station and parking facilities are getting busier and busier. Terrorist attacks on airports have forced us to consider security measures which will place additional pressure on the landside infrastructure capacity. Developments such as self-driving cars and car-sharing will also have an impact on accessibility and parking products, so we are including them in our plans.

We are formulating a mobility strategy where the emphasis is on collective and clean transport. This strategy includes a re-examination of the use of drop-off roads and improving accessibility by motorcycle, scooter and bicycle. Together with other parties, we are working on the infrastructure, timetables and frequencies. We are encouraging passengers to travel by train for short journeys. We would prefer passengers not to be picked up and dropped off, as that creates four transport movements instead of two.

### Amsterdam Airport Schiphol

#### *Bottlenecks*

Landside accessibility is one of the major challenges for Schiphol. The present railway station and bus station and the terminal access roads towards the terminal are experiencing more and more capacity problems. If growth continues and no measures are taken, we will be faced with unsafe situations and be unable to provide passengers, employees and visitors with the desired level of quality. For this reason, we are considering measures for the short, medium and long term with all parties involved.

#### *Short term*

The platforms at the Schiphol Airport railway station are extremely busy at peak times. There is a risk of safety being compromised and platforms having to be closed. Additional staff were

deployed in 2017 to improve passenger flows on platforms 1 and 2, where trains depart for Amsterdam. In addition, the stairs will be widened and escalators made faster. Additional illuminated signs showing up-to-date train information and electronic signposting were installed above the platforms to disperse passengers and guide them to the correct train entrances.

Unsafe situations could also occur at the bus station outside Schiphol Plaza when the paths of buses and passengers crossing the road intersect. It is also quite busy inside Schiphol Plaza. To make Schiphol Plaza easier to navigate, the train-ticket vending machines will be clustered in 2018, in collaboration with Dutch Railways (NS) and ProRail.

#### *Smart Mobility*

Schiphol has taken the initiative to discuss the current bottlenecks and possible solutions with transport partners and interest groups. It joined the Smart Mobility Front Runner Group in the Amsterdam Metropolitan Area in 2017. Together with local authorities, educational establishments and major businesses in the region we will look for smart and sustainable mobility solutions.

Using measuring equipment on the roads outside the terminal we will be able to map and analyse the flow of vehicles at Schiphol-Centre and the amount of time they spend there. We use this data to resolve traffic bottlenecks on our premises.

#### *In the medium and long term: MIRT exploratory study*

To resolve the bottlenecks for the medium and longer term, an MIRT exploratory study was initiated in September 2016 covering the planning period running until 2040. The study focuses on ensuring safety, increasing capacity and guaranteeing the desired level of quality, and is carried out by the Ministry of Infrastructure and Water Management, Royal Schiphol Group, the Amsterdam Transport Region, ProRail and Dutch Railways. The MIRT is scheduled to be completed in 2018 resulting in a preferred scenario in early 2019, to be developed further and prepared for implementation in the years thereafter. The new hub is set to be completed by around 2025.

### Long term: extension of North-South metro line

Schiphol is easily accessible by train and bus. Since scope for expansion on the railway is limited, the airport is in favour of the extension of the North-South metro line from Amsterdam, which is where a large portion of our passengers and Schiphol workers come from. This will also offer opportunities for the development of the Core Corridor, the economic heartland between the centre of Amsterdam and Hoofddorp. The extended metro line could free up space on the railway for more international trains, for example.

The Perception Monitor, carried out by Schiphol, shows that appreciation for Schiphol's accessibility has grown further, with the score rising from 73 to 74. The accessibility of public transport (train and bus) and for car park users, in particular, has improved.

### Travelling to Schiphol by train

Good train connections to prime economic locations are essential to Schiphol, first and foremost within the Amsterdam Metropolitan Area, but also to major economic centres elsewhere in the country and in Europe. A reliable and fast connection between Schiphol Mainport, Amsterdam's South Axis and Eindhoven's Brainport region for world-class technology is crucial and will enhance the international business climate. Passengers take the train from Schiphol to Antwerp, Brussels, Paris and various destinations in Germany. Schiphol encourages travellers to take the train to travel distances shorter than 500 km instead of flying, since trains are more environmentally-friendly than air travel for such distances. Stable and frequent train services are essential as is a high-speed connection to Germany.

The Schiphol Perception Monitor shows that the train, and especially the number of train connections, attracts particularly high scores among travellers and visitors alike.

### Getting to Schiphol by bus

Bus transport was put out to tender in 2017; Connexion will be using electric buses from April 2018 onwards. Bus use is on the rise, with particular growth in the number of users of the Snetnet route to the centre of Amsterdam. The accessibility of Schiphol-East was improved in 2017 thanks to the construction of a new dedicated bus lane to the North High-Quality Public Transport Hub (HOV). Together with the

provincial authorities and the Amsterdam Transport Region we are creating a new express bus connection at Schiphol-East, which we expect to become operational in the summer of 2018. Public transport bicycles are being introduced to cover distances between the HOV East station and the various work locations at Schiphol-East. HOV South will be completed at Schiphol-Rijk in 2019.

### Getting to Schiphol by road

The Department of Public Works and Water Management (Rijkswaterstaat) completed the rerouting of the A9 motorway between the Raasdorp junction and Badhoevedorp in 2017. The motorway now no longer cuts across Badhoevedorp, but bypasses it to the south. Schiphol invested 30 million euros in this Rijkswaterstaat project. The entire new road configuration will be completed in 2018.

Work continued on improving the automobile tunnels. In the next few years, Schiphol will renovate the Loevensteinse 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 with the Dutch Tunnel Act when it comes into force in 2019. To improve safety in the tunnels, escape routes will be modified and smart technical systems fitted.

## Travelling by train to Schiphol is becoming more popular

In 2017, more passengers took the train to Schiphol; this group now accounts for 39.0% of the total. The total share of public transport in the transport options available amounted to 42.9% (2016: 42.4%). The total share represented by public transport and group transport (hotel shuttle buses, group buses and taxi vans) is currently 49.2%. At the same time we have observed an increase in the use of taxis to pick up and drop off passengers. The slight decrease in car park use can partly be explained by the changed parking situation as at 1 October.

### Passengers' choice of transport to Schiphol

in %	2017	2016	2013	2010
Public transport	<b>42.9</b>	42.4	39.2	41.0
Dropped off by car	<b>22.7</b>	22.5	26.6	28.5
Parked car at airport	<b>11.2</b>	12.3	13.0	10.6
Taxi	<b>13.5</b>	11.7	10.0	9.2
Group transport	<b>6.3</b>	7.4	7.9	7.4
Other	<b>3.4</b>	3.7	3.3	3.3

### Parking

The routes to the terminal and the car parks changed in 2017 as a result of the rerouting of traffic flows and closure of the multi-storey P2 car park. This was necessary to facilitate the construction of a new pier and terminal. Since this brought about a significant reduction in the number of parking spaces at Schiphol-Centre, we have reconfigured the parking options. We have limited the maximum parking time in P1 to 48 hours, thus guaranteeing sufficient parking capacity for people coming to pick up and drop off passengers, and for business travellers making brief trips. We have introduced the new P6 Valet Parking product for car park users who wish to park longer than 48 hours. Their cars will be parked in a dedicated enclosed area with 3,750 parking spaces. An extension of P1 behind the Hilton Hotel was opened in 2017. We have also started construction work on an extension of the multi-storey facility at the P3 Long-Term Car Park. This new section, containing 2,650 spaces, is set to open in early 2019. The closure of the multi-storey P2 car park and reconfiguration of the parking options have had minimal impact on the number of times parked.

### Taxis

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, in front of Schiphol Plaza. Until January 2017, there was a period in which taxis not affiliated with Schiphol or the Taxi Control Foundation caused considerable nuisance. Effective 1 February 2017, the municipality of Haarlemmermeer amended local regulations with a General Municipal By-law (APV) prohibiting taxi touts from offering their services in a designated zone around the terminal. The taxi services affiliated with Schiphol or the Taxi Control Foundation were exempted from the APV. The nuisance has abated since the change in regulations. Monitoring and enforcement of the prohibition have improved significantly thanks to excellent cooperation between Schiphol and the municipality of Haarlemmermeer. The number of touts is steadily decreasing, allowing Schiphol to restore the desired level of quality for taxi services.

### Regional airports

Rotterdam The Hague Airport is examining the possibility of facilitating Mobility as a Service (MaaS). Market research conducted in the summer of 2017 revealed that airport staff, the supply chain partners and passengers are all interested in this new mobility platform, which offers personalised travel information in real time. In November 2017, a pilot was carried out with employees of companies operating at the airport such as the airport itself, Aviapartner and Transavia. The results are currently being analysed.

The rapidly growing number of travellers to and from Eindhoven Airport has caused a significant increase in traffic, causing congestion not only in the road infrastructure in the direct vicinity of the airport, but also 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. The arguments in favour of such a station feature in the debate concerning the possible further development of Eindhoven Airport in the 2020-2030 period. We do not expect a decision to be made on this in 2018. Another current project is the creation of a high-quality public transport network in the Eindhoven region, in which the airport will be an important hub.

## Getting to and from work at Schiphol

We have noted no significant changes in transportation choices among Schiphol workers. This can be explained by the 24-hour nature of the work directly related to air traffic. For those who work outside of regular office hours there is often no suitable public transport available. Schiphol and the transport region are doing their best to maintain the quality of the bus network. Schiphol and its partners in the Transport Coordination Centre are making every effort to provide Schiphol workers with a flexible mobility package, allowing them to switch, i.e. alternate between car-sharing one week, and using public transport the next.

(in %)	2017	2013	2010
Train	18.8	17.8	19.7
Bus	9.2	8.6	8.6
Total public transport	28.0	26.4	28.3
Car, dropped off or passenger in the car	5.9	6.4	7.2
Car, travelling alone	58.0	59.7	56.9
Bicycle, moped, motorcycle and other	8.1	7.5	7.6




Source: Schiphol Mobility Survey



In the run-up to the opening of Lelystad Airport, the airport and local parties are investing in the airport's accessibility, both by car and by public transport. The province of Flevoland is arranging the construction of access roads. An exploratory study into a fast bus connection between Lelystad Central Station and the airport is being conducted. The A6 motorway is being upgraded and there are plans for an e-bike route from Lelystad Central Station to the airport. In consultation with Dutch Railways, the regional authorities are considering whether and how the timetable for departing and arriving trains can be dovetailed with air traffic. Lelystad Airport will be actively consulting Dutch Railways as from 2018, as soon as there is more clarity regarding air traffic control capacity and flight schedules.

## ★ Excellent Visit Value

As in previous years, we made every effort in 2017 to provide travellers, airlines and logistics service providers with an excellent and safe experience. Amsterdam Airport Schiphol's Holland Boulevard opened following its renovation, which enhanced the attractiveness of the area behind the security checks. We also continued to develop Schiphol to ensure that it becomes a leading 'digital airport', with convenient, innovative processes for all our customers. The airport charges for airlines, which were reduced in 2017, are very competitive.

Objective for 2020	Progress	Achieved in 2017
<b>Digitisation</b> Digital support for passengers, and omni-channel retail access		<ul style="list-style-type: none"> <li>The Digital Airport Programme has produced a number of developments, including Seamless Flow, Smart Airport Data and PRI (personalised passenger information)</li> </ul>
<b>Comfort</b> We have implemented Gate Process Innovation, with improvements to waiting comfort at the gates		<ul style="list-style-type: none"> <li>The project's ambition has been adjusted</li> <li>Contracts for and the construction of Pier F and Pier G are under way, and tendering for Piers D and E is in full swing</li> </ul>
<b>Competitive charges</b> We will be the hub with the lowest airport charges in Europe, and will have optimised our operational processes in collaboration with our business partners, enabling further cost reductions		<ul style="list-style-type: none"> <li>Favourable starting position in terms of the SEO benchmark, but retaining our position as the hub with the lowest charges will be difficult because of the large new investments</li> </ul>



### Customer appreciation

We focus on consistent high quality at all our airports. If Schiphol is to remain one of Europe's leading airports, it will have to offer comfort and service at the highest level. We use the Schiphol Perception Monitor and perception surveys at Eindhoven and Rotterdam to monitor customer appreciation. Schiphol also participates in the ASQ benchmark survey, in which it is compared with key European competitors.

#### Amsterdam Airport Schiphol

Customer appreciation of Schiphol grew slightly in 2017. The NPS (Net Promoter Score) rose from 32 in 2016 to 34 in 2017, which is mainly due to the appreciation shown by transfer passengers. The NPS rose from 35 (2016) to 38 among this group. Transfer passengers welcomed the shorter waiting times at passport control in the transfer filters. This is largely thanks to No-Q self-service control; in 2016, 20% of transferring passengers used it, whilst a good 40% did so in 2017. Other aspects which transfer passengers feel have improved include the atmosphere, friendliness of staff at passport control, wayfinding and hygiene.

Appreciation grew slightly among departing passengers, with the NPS rising from 30 in 2016 to 31 in 2017, despite the shortage of capacity which affected the perception of quality. Queues at check-in, security and passport control caused appreciation to dip in the spring, only to recover later in the year, by which time staffing levels at the departure filters had been increased and

temporary Departure Hall 1A was fully operational. Parking also experienced a temporary dip in appreciation. This can be attributed to the closure and demolition of the P2 multi-storey car park.

Thanks in part to the appreciation shown for the transfer process, Schiphol has improved its competitive position compared with other European airports. It has risen from seventh to fifth place in the Airport Service Quality benchmark survey, in which it is compared with fourteen mid-sized and large hubs. If only departing passengers are taken into account, Schiphol has retained its sixth place.

We will face new challenges in the years ahead. Although the growth in passenger numbers will be smaller than in previous years, construction work which may impair the perception of quality will be taking place.

#### *Reopening Holland Boulevard*

The new Holland Boulevard was opened in September 2017. This wide passageway between Piers E and F offers travellers a superb mixture of shops, food and beverage outlets and other forms of entertainment allowing them briefly to step outside the travel process. A fresh and open seating and walking area has been created featuring large surfaces of glass and low walls. The new satellite of the Rijksmuseum is the iconic focal point, and the new Airport Library offers travellers Dutch literature in over forty languages. The NEMO Science Museum provides a glimpse into the world of science and technology. Artist Florentijn Hofman created two gigantic stuffed animals for Holland Boulevard. A long-harboured wish of our Privium members has also been granted in the renovated area: a lounge behind the security control area. Holland Boulevard has clearly contributed to the increase in passengers' appreciation of our shopping facilities and hospitality product, following the opening of the new Lounge 2 in the summer of 2016.

#### **Regional airports**

Rotterdam The Hague Airport conducts continuous passenger surveys to measure customer appreciation. The NPS rose slightly in 2017 to the high level of 52 (2016: 50). The customer experience in the departure hall was impaired during peaks in the summer period. Training programmes for staff helped to further improve customer-orientation.

Eindhoven Airport's NPS fell from 35 to 22 in 2017. This can be attributed to the inconvenience caused by the collapse of the multi-storey car park under construction, which made access to the terminal more difficult. Due to the growth in passenger numbers the terminal has become a much busier place, especially during peak periods, as is reflected in travellers' scores.

## Awards

Royal Schiphol Group and its airports received various distinctions in 2017.

#### **Royal Schiphol Group**

- Air Transport Research Society (ATRS): Europe's most efficient airport group

#### **Amsterdam Airport Schiphol**

- ACI Europe Best Connected Airport 2017
- ACI Europe Second best world wide hub connectivity in 2017
- Business Traveller UK: Best European Airport 2017 (28th consecutive year)
- Business Traveller Poland: Best Airport in the World 2016
- Routes Europe Marketing Award (in the more than 20 million passengers category)
- World Routes Marketing Award (in the more than 50 million passengers category)
- Baxter Travel Media Annual Agents' Choice Awards (Canada): Favorite International Airport (13th year in a row)
- CAPA Centre for Aviation: Airport of the Year 2017 (in the more than 30 million passengers category)
- Air Transport Research Society (ATRS): Amsterdam Airport Schiphol is the most efficient European airport (in the more than 40 million passengers category)
- Future Travel Experience (Ireland): Most Innovative Airport
- American Institute of Aeronautics, American Association of Airport Executives and Airports Consultants Council: Jay Hollingsworth Speas Airport Award 2017 for the Buitenschot Land Art Park

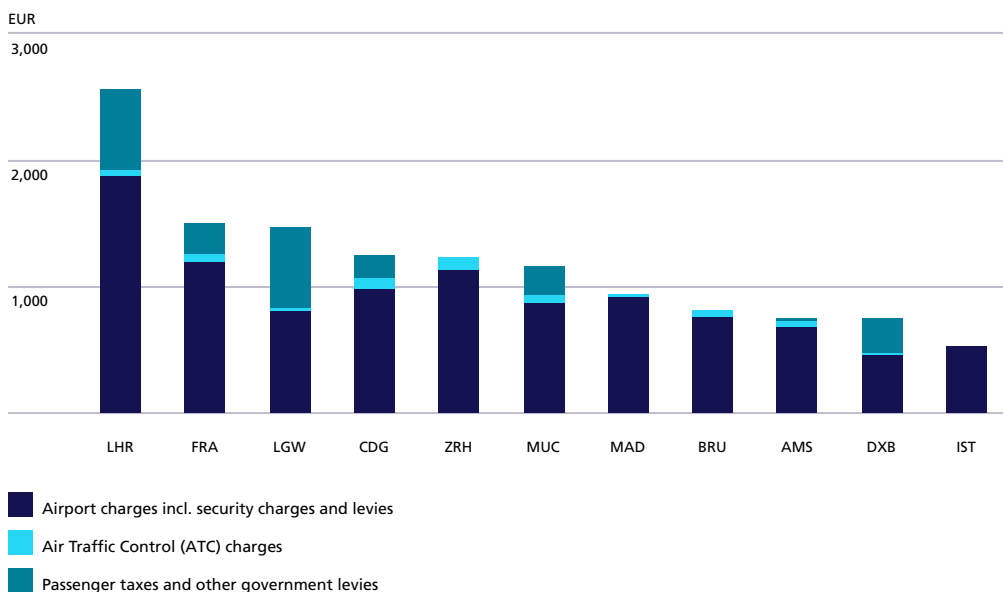
#### **Eindhoven Airport**

- Red Dot Award in the 'Spatial communications' category, won by DAY Creative Business Partners for the design of the new gates
- Tulip Inn Hotel of the Year 2017 (of Golden Tulip)

#### **Brisbane Airport**

- Skytrax Best Airport in Australia/Pacific Region and Best Airport Staff Service in Australia/Pacific Region

## SEO benchmark for airport charges and government levies 2016



### Competitive charges

Amsterdam Airport Schiphol's charges for using the airport are regulated, and determined each year following extensive consultations with the airlines. The charges are subject to supervision by the Dutch Authority for Consumers and Markets (ACM) under the Aviation Act.

For the time being, the regional airports do not fall under this regulation. However, given that Eindhoven Airport surpassed five million passengers in 2017, this airport will also be subject to airport charges regulation as from 2019, and it is now preparing for that change.

Schiphol Group is always in direct competition 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, handling agents and passengers alike are therefore of key importance. Over the past few years, Schiphol's price-quality ratio has also compared favourably with that of several main European competitors.

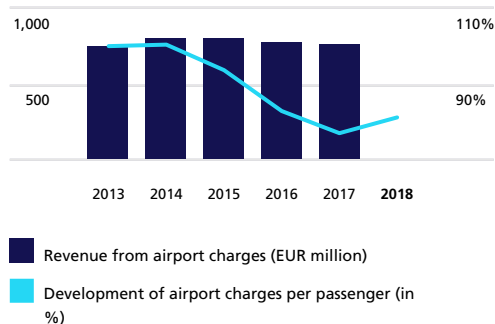
Each year the Economic Research Foundation (SEO) carries out a benchmark study on behalf of the Ministry of Infrastructure and Water Management, which looks at both the airport charges and government levies applicable to Schiphol and its key competitors. The benchmark over 2016 shows that Schiphol had eight more expensive competitors. The SEO benchmark over 2017 will be published in spring of 2018.

### 2017 and 2018 airport charges

The airport charges were reduced by 7.1% with effect from 1 April 2017. Having carefully consulted the airlines, on 31 October 2017 Schiphol determined its charges and conditions effective 1 April 2018. The decision was made to increase the airport charges in 2018 by an average of 5.4%. The aviation charges will be increased by an average of 3.9% and security charges by 8.0%.

### Airport charges

(in EUR million)



Once the charges have been determined, users are able to submit complaints. The ACM received two complaints from airlines. The authority, which assesses the complaints in terms of content, has confirmed that it sees no reason in the complaints it received to suspend the charges and conditions as determined by Schiphol effective 1 April 2018. We expect the charges to rise further in the coming years as a result of

substantial investments and a higher weighted average cost of capital.

#### *2019-2021 charges period*

The consultation process will change in 2018 under the new Aviation Act. Extensive consultation on the charges will take place once every three years for the next three-year period, followed by less extensive consultation during the next two years. The regulations for the three-year charge period are aimed at reducing fluctuations in the charges from one year to the next. However, this does not mean that the same charges will apply to all three of the years; they will still fluctuate year on year. Under the new Act, the first consultation will concern the 2019-2021 charges period.

Haarlemmermeer. The assessment resulted in preventive and repressive control measures, which were assigned to the relevant parties. The analysis was discussed with various stakeholders.

The temporary steering group Landside Safety of Amsterdam Airport Schiphol also examined how other airports deal with the threat and is closely monitoring developments within the ACI umbrella organisation and the EU. The temporary steering group monitored developments at Schiphol, such as the Master Plan, the Capital Programme and the Multi-year Infrastructure, Space and Transport Plan (MIRT), and drew up a schedule of requirements containing security requirements for present and future landside infrastructure. The objective is to provide the best possible protection of public areas and business assets against a potential terrorist attack.

## Security

Reliable and adequate security is crucial to airport operations. Together with our partners, we make every effort to put the best possible arrangements in place. There was considerable pressure in 2017, on the one hand because of the growing number of passengers and the larger number of people passing through security and passport control and, on the other, because of the recent terrorist attacks at airports in other countries. The threat level for a potential attack in the Netherlands remained 'substantial'.

Security at airports is a complex business that involves many parties in and around the terminal alone: alongside Schiphol and its staff, these include the Royal Netherlands Marechaussee, Dutch Customs and security firms.

### **Landside security**

Following the terrorist attacks at other airports in recent years, extensive cooperation has been established between Schiphol and government parties. The common goal is to minimise the likelihood and effects of an attack.

Under the direction of the Schiphol Security and Public Safety (BPVS), a public-private platform, a threat and risk assessment for the public areas at Amsterdam Airport Schiphol was carried out jointly with the National Coordinator for Counterterrorism and Security (NCTV), the Royal Netherlands Marechaussee, Kennemerland Safety Region (VRK) and the municipality of

The company-wide Landside Security programme, launched in October 2017, covers the implementation and control of preventive and repressive control measures assigned to Schiphol in response to the threat and risk assessment. We also collaborate with Schiphol Group's other Dutch airports within the context of this programme.

### **Introduction of CT scans**

Schiphol will switch completely to the use of CT scans for checking passengers' hand baggage. This is based on a decision by the National Coordinator for Counterterrorism (NCTV), following successful pilots and confirmed in an instruction from the NCTV. The use of CT scans will allow passengers to leave liquids and laptops in their bags. The new equipment comes with software which creates a 3D image of baggage contents. Security staff can turn the scan for closer inspection. The first three new CT scans were installed in 2017; a total of 84 scans are set to be installed in the coming period. By the end of 2018 all non-Schengen security lanes will have CT scans; Schengen security lanes will have them one year later. Schiphol has also started the process for replacement of the screening machines for hold baggage in connection with EU legislation. By 1 September 2020 all equipment must comply with the highest standard.

### **Additional security measures for flights to the US**

The US government's Emergency Amendment, which entered into effect in July 2017, includes additional security measures for airlines flying to the United States. In collaboration with the airlines, Schiphol has set up a process at the gates to carry out extra checks of electronic devices. These additional measures have not led to any operational disruptions.

#### *Preclearance*

In February 2017, the Dutch government decided to postpone the negotiations with the US on what is known as preclearance. This decision was prompted by the planned new entry restrictions for people travelling to the US. The situation remained unchanged for the rest of the year, partly because of the national elections in the Netherlands and the subsequent formation of a government. Preclearance is a service whereby passengers pass through US border control at the airport of departure so that on arrival in the US they can avoid long queues at the border controls.

## Queues during the May holiday

Long queues developed at various times during the first few days of the May holiday. Passengers departing from Schiphol can be confronted with queues at three separate locations: at the airlines' check-in-desks, at security checkpoints and at passport control.

Schiphol took various measures to deal with the bottlenecks, doing so in consultation with the other parties responsible, including the airlines (which staff the check-in desks) and the Royal Netherlands Marechaussee (responsible for passport control). The aim was to prevent the same problem from occurring during the summer peak period. Measures included opening all security lanes in Departure Halls 1 and 2 between 06:00 and 20:00 in July and August, and adding two extra security filters in Departure Hall 2.

One notable measure was the introduction of 'small bags only lanes' during peak hours, allowing passengers with little hand baggage to use a special lane with shorter waiting times. Responses to these measures have been positive, and Schiphol will continue them in 2018.

The measures ensured smooth operations during the summer, autumn and Christmas holiday periods in 2017. Schiphol uses sensors to measure passenger waiting times in the security lanes. The waiting time of more than 90% of departing passengers was ten minutes or less from the start of the summer, in June. We will be using the experience gained in setting our policy for peak periods in 2018.

### **Pressure on security control and border control points**

We want passengers to be able to pass through security control as quickly as possible, but without making any concessions in the area of safety. Pressure on security control points increased further still in 2017, owing to the substantial growth in the number of passengers. Growth in traveller volume within the Schengen area was particularly strong. Schiphol responded with a new, temporary Schengen Departure Hall, Departures 1A, with six security lanes, which opened on 3 April 2017. This has ensured a better distribution of passengers travelling to Schengen destinations who have to undergo a security check; of the more than nine million passengers travelling to Schengen destinations in 2017 over 1.4 million used Departures 1A.

As in previous years, the Royal Netherlands Marechaussee struggled with staff shortages for border controls at Schiphol. Additional capacity in the form of 135 FTEs was made available in stages in 2017. That number will rise to 200 for 2018 and to 417 in 2019. In times of shortages, as in 2017, staff from other services are deployed at border control points.

Further automation of the border process could provide a partial solution for the capacity shortfall at border control points. Together with the government, Schiphol introduced additional No-Q portals over the past year. No-Q portals are used for automated ID checks based on facial recognition. We now have 84 of these portals in total. The expansion has also resulted in more passengers using them. Roughly ten million passengers travelling from and to non-Schengen destinations used No-Q's border control facilities, which is four million more than in 2016. Today, one out of every three passengers passes through one of these portals. In collaboration with the government and the supplier (Vision Box), Schiphol is in the process of improving No-Q, one reason being that the equipment is still liable to breakdown.

### **IT security**

IT security is a top priority for Schiphol. The IT Security Programme involves continuous improvement of IT (cyber)security and information security, and many initiatives have already been anchored structurally in the organisation. These are core tasks of the Schiphol Cyber Security Center (SCSC), which runs an active

programme aimed at training staff and raising awareness.

### IT resilience within the Schiphol ecosystem

October was the fifth national Cyber Security Month. Dozens of organisations in the Netherlands staged activities that month aimed at increasing the resilience of people within their own organisations and within society at large. The national Alert Online campaign, with Schiphol as the main partner, began on 2 October.

Schiphol is a member of the Cyber Security Council, in part because we realise that the need for resilience extends beyond our business operations or the airport site. We have also taken on a leading role in the CYSSEC, the Cyber Synergy Schiphol Ecosystem. This is a partnership which is aimed at improving cybersecurity, increasing resilience and utilising economic opportunities for, among and with all public and private parties within the Schiphol ecosystem.

## Digital

Schiphol intends to exploit the available technology and digital potential to the full and accelerate its development with the Digital Airport Programme (DAP), to the benefit of airlines, supply chain partners and travellers alike. The DAP is aimed at the opportunities of today and also those of tomorrow. As Europe's Preferred Airport and from a competitive standpoint, we aspire to be the leading 'digital airport'.

### Digital principles

Digitisation and digital innovation are crucial if we are to achieve our ambitions. Using the growing number of digital opportunities, Schiphol responds to rapidly developing societal and technological trends. As a result, there has been a substantial increase in the use and strategic importance of Information Technology (IT), particularly in view of the airport's development. Close collaboration between all business units and with our partners is a prerequisite.

In January 2017, Schiphol Group appointed a Chief Digital Officer (CDO) who is responsible for

the development of a sustainable digital organisation based on a number of key elements:

- relevant (personalised) information for passengers and airlines;
- a biometric travel process (Seamless Flow);
- the use of real-time data for Airport Control to predict processes for travellers, baggage and flights;
- the smart use of all data collected at Schiphol (Smart Airport Data);
- the creation of a 'fully connected airport' where the processes of all relevant parties are linked with the aid of the Internet of Things.

In 2017 we expanded the provision of information concerning landside accessibility and the departure process. The website and the Schiphol app have been redesigned. Wayfinding has been integrated into the Apple Maps app. We now share interface data with airline partners to enable us to contact our travellers and visitors through their channels as well. 2018 will see further improvements to data relating to the travel process behind security control and the transfer and arrival process.

### *Seamless Flow*

Schiphol has devoted considerable attention to the Seamless Flow project. Seamless Flow enables us to streamline passengers' journeys through all the processes at the airport with the aid of biometrics. After passengers have been identified based on their passports and a facial scan, they can go through all the touch-points without having to show their passports and boarding passes each time. The plan is to carry out a pilot involving small numbers of passengers in 2018.

In collaboration with KLM, we conducted a pilot involving 'biometric boarding' which resulted in a refinement of the process and the technology involved. We also put together a trial set-up with the Royal Netherlands Marechaussee to test new-generation border processes, and carried out the first tests in the summer of 2017.

Seamless Flow involves many different parties representing a wide range of interests. We identified and listed those interests during a stakeholder dialogue in 2017. Although Seamless Flow is considered to be a good initiative, it is important that the passenger remains the owner of his or her data at all times. That raises the question of who has access to that

data and when. Seamless Flow must be in compliance with Dutch and European legislation. The costs versus the (qualitative) return should also be taken into account.

Until early 2017, travellers, baggage and flights were three separately managed processes. An automated tool based on these three processes is being developed which presents staff with a dashboard showing all the relevant data. By combining the data of all three processes, the system can predict how each process will run, or where delays will occur. It then suggests possible improvements or solutions, the best of which can be selected. This will allow us to focus more proactively on efficient passenger and flight operations.

Smart Airport Data targets Schiphol's data only. We have developed a platform where Schiphol's data is collected centrally. This enables us to obtain new information through the smart combination of data and make it available to sector and business partners, who can use it for their own processes. Various airlines are using Smart Airport Data, in their apps for travellers or to improve their operational performance. At the request of a number of airlines, Schiphol has prepared a data protocol.

Data is used and shared in accordance with the General Data Protection Regulation (GDPR), which enters into effect in May 2018, ensuring that Schiphol meets all statutory privacy requirements.

#### *Innovative resources to solve problems*

We have used innovative resources as problem-solvers. Examples include identifying empty

parking spaces in P3, and smart cameras for kiss & ride to ensure an optimum flow. We also carried out a test using a chatbot which answers passengers' FAQs, and a robot called Pepper, which issues instructions during security checks.

#### **Regional airports**

Eindhoven Airport is in the process of developing and optimising online services for travellers. One example is EMMA: Eindhoven Airport's Convenient Mobile Assistant, a mobile app that guides passengers from the front door to the aircraft door. An initial version of EMMA was completed in December 2017. Starting in January 2018, the airport will conduct a test using a focus group to improve the app.

The airport is also working on a new online platform. Alongside parking, we will also be offering travellers other products online. Examples being considered are a fast-track ticket for security checks and access to a future lounge. Eindhoven Airport discussed its plans with a variety of potential partners over the course of 2017, and eventually opted for a pilot process with the UK e-commerce platform Aeroparker. During the pilot period, the sales performance of the existing parking products web shop will be compared with that of the Aeroparker environment. The results of the pilot will be examined and discussed in 2018.

Eindhoven Airport's further digitisation will also be visible at security points. The airport will be conducting a pilot involving biometric identification in 2018.

## Hackathon: incubator for innovation

Schiphol cannot innovate alone. That is why we open our doors to talented people, during 48-hour hackathons which give IT and technology experts and enthusiasts the opportunity to talk about their ideas on how to meet current and future challenges. Participants are given access to relevant data. This approach creates a pressure-cooker effect, which can result in surprising solutions. Schiphol was the driving force behind two hackathons in 2017. During a hackathon organised in conjunction with six European airports entitled (*re}coding aviation*), the winner presented a concept for the introduction of time slots for security checks, which formed the basis for the pilot carried out in November. The second hackathon concerned mobility: with Dutch Railways and the Dutch Automobile Association (ANWB), Schiphol challenged participants to make the Netherlands more mobile. The winner produced an app that allows the visually impaired greater independence.



## Competitive Marketplace

Royal Schiphol Group's airports perform an important national and regional function. Amsterdam Airport Schiphol increases the appeal of the Netherlands (and of Amsterdam in particular) and is an important driving force behind employment and tourism. Being a hub airport, it helps to establish a favourable business climate, something which played a part in the European Commission's decision in 2017 to move the European Medicines Agency (EMA) to the Netherlands. We have further developed Schiphol as a marketplace with a growing community of businesses and their employees. Eindhoven Airport is an essential part of Brainport Eindhoven, the region with many high-tech businesses which has now been designated a mainport.

Objective for 2020	Progress	Achieved in 2017
<b>Non-aviation</b> Guaranteeing revenue flow from non-aviation activities		<ul style="list-style-type: none"> <li>– Higher turnover from non-aviation activities</li> <li>– Digitisation and an omni-channel approach to boost intention to buy</li> <li>– Retail revenues are on the rise again</li> <li>– Proactive development of parking products, Valet Parking is a success following the demolition of P2</li> </ul>
<b>Central Business District</b> Increasing activity in the Central Business District. Widening the range of services, building an attractive working environment and ensuring high occupancy rates		<ul style="list-style-type: none"> <li>– The positive momentum in the real estate sector is sustained. High occupancy rates</li> <li>– The Base is being extended to include the new The Base D currently under construction</li> <li>– An ever-increasing range of services</li> <li>– Spot Community has proved a success, opening of The Square</li> </ul>

## 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 network of destinations is a major factor that distinguishes it from other metropolitan regions. The Amsterdam region competes with regions such as Frankfurt, Paris and Berlin.

Thanks to the high quality of the Dutch network of air connections, many multinationals have established a European distribution centre or head office in the Amsterdam area over the past few years. Recent examples include Salesforce, Netflix and Kraft Heinz. This illustrates the considerable appeal of the Amsterdam region.

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, and the development of Lelystad Airport signifies a major impulse for the province of Flevoland.

### Employment

The aviation sector is an engine for employment. A study conducted in 2017 concerning the labour market at Schiphol in 2016 shows that the airport provides employment for around 65,000 people, who work for some 500 companies. Nearly 44,000 people work at companies directly involved in the aviation sector, such as airlines, handling agents, maintenance companies and air traffic control.

With 1,500 people employed at the airport, Eindhoven Airport has grown to become one of the larger employers in the region. Rotterdam The Hague Airport provides direct and indirect employment for 2,500 people. Lelystad Airport provides employment for 471 people.

Airports and the aviation sector offer a great variety of careers, from transport to retail, and therefore a relatively large number of jobs for low-skilled workers as well. This is precisely why Schiphol is such an important employer for a metropolitan region like Amsterdam. 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, Mainport Schiphol also generates countless internationally oriented, high-quality jobs at the head offices and companies located nearby.

### **Tourism and conferences**

Tourism is an important stimulus for the Dutch economy. According to the Netherlands Office for Tourism & Conferences (NBTC) and Holland Marketing, the number of incoming tourists rose by 11% in 2017 to 17.6 million (2016: 15.8 million). Not all tourists enter the country through airports; travellers from Germany and Belgium generally arrive by car. However, a good network of destinations and flight frequencies is important if we are to continue to accommodate passenger numbers from other countries.

The NBTC forecasts that Brexit will not diminish the great demand for travel from the United Kingdom to the Netherlands. The United States is the main country of origin for incoming tourists on international flights. They benefit from the route network at Schiphol and an expanding

economy. The numbers from Asia, particularly from India and China, are growing, and those from Russia and Brazil appear to be back on the rise.

Schiphol's connectivity also contributes to the position occupied by the Netherlands in the international conference market. According to the latest data of the International Congress and Convention Association (ICCA), the Netherlands ranks ninth in the worldwide list of organised congresses, and sixth in Europe.

### **Real estate developments**

Schiphol Real Estate commissioned a survey among users of the premises at and around the airport in 2017, which revealed that they are delighted to be working at the Schiphol location. Respondents had positive things to say about the offices themselves and about the environment. 85% of them rated the building and workplace as good to excellent, and 80% found the environment good to excellent. According to those surveyed, the good accessibility and high-quality facilities, as well as the international character and dynamics make Schiphol feel like a gateway to the world.

#### *Expansion of office space*

We have started expansion of available office space with the construction of The Base D in 2017. All the buildings in the Central Business District are almost fully occupied. Demand for high-quality real estate remains strong. We act not only as a lessor, but to an increasing extent as a facilitator for tenants.

Most of The Outlook building will be rendered SMART with an intricate network of sensors which measure occupancy levels and availability of spaces, temperature, noise levels, humidity, CO<sub>2</sub> levels and light levels. This data enables owners and occupants to use the building more efficiently, which helps to reduce energy consumption. One of the other innovations for offices is a flexible lease concept known as Spacemaker, allowing tenants to offer their own spaces to let, using Schiphol as the facilitating platform.

## **AirportCity: Schiphol as a marketplace**

Our airports are important economic centres for their respective regions. We are consolidating the Mainport concept by further developing the Schiphol 'marketplace'. We view the airport as a prime location for work and leisure. Amsterdam Airport Schiphol is itself a dynamic city: an AirportCity.

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 flexible lease concepts and in healthy and sustainable buildings, and we are applying smart technology. Schiphol's Central Business District (CBD) is a great alternative to the Amsterdam Zuidas business district for companies looking for an attractive location for their operations. We stimulate the region's logistics sector and explore opportunities for new business.

Schiphol offers a wide variety of work, visitor and leisure facilities, which we are continuously enhancing based on the principles of flexibility, multifunctionality, connectivity, customer experience and value for money. Schiphol is evolving into an ever more inspiring meeting place.

Schiphol is also investing in improving public areas, such as the new The Square (between The Base and the Hilton Hotel). On a smaller scale, we are improving the area with street art and other initiatives.

The Hilton Hotel was sold to an investment company in 2017. Schiphol's remaining involvement with this iconic building will be as ground leaseholder. In addition, in 2017 we made a start with the construction of KLM's new (intercontinental) Crown Lounge. This development, on airside, in the midst of the operational process in the terminal, will take two years to complete.

### **Schiphol SPOT**

Schiphol is home to many companies and colleagues. To bring them together, in 2015 Schiphol Real Estate set up the SPOT community to enable employees of companies at Schiphol to network through events and the exchange of knowledge. Since then, 380 companies have joined the SPOT community. Events organised by SPOT in 2017 included food trucks next to The Base building, free workshops, the opening of the new public space The Square, a TEDxAmsterdam event and a Christmas breakfast.

### **Logistics real estate**

Cargo airlines like using Amsterdam Airport Schiphol because of the operational quality, the efficient Customs process, the excellent connections with the rest of Europe and a strong local ground network of cargo businesses.

The occupancy rate in the logistics market is highest for modern logistics real estate at prime locations. At Schiphol this is reflected in the very high occupancy rate of first-line cargo buildings. We have upgraded three parking areas for lorries at Schiphol-Southeast.

### **Sustainable construction**

There is a morgue at the airport on the line dividing airside and landside. This enables deceased persons to be taken directly from and to the aircraft. The new morgue was designed to accommodate a range of different cultures and mourning rituals. It is also a place for surviving relatives and friends to say farewell. The facility has had to be relocated because of the construction of the new pier and terminal, and will be able to remain at its new location for about fifteen years – a relatively short period. This prompted the decision to develop the morgue on a cradle-to-cradle basis so that, when its lifespan has ended, materials can be easily reused in a new project. It is the first building at, and owned by, Schiphol to have been constructed this way. The morgue is also the first of Schiphol's buildings to meet the BREEAM 'Outstanding' criteria. We always aim to achieve the highest possible level of BREEAM certification for new buildings.

The Base D will be assigned the BREEAM 'Excellent' label. The majority of Schiphol's buildings in the CBD have now been awarded a BREEAM InUse 'Good' certificate or higher.



### **Regional airports**

Eindhoven Airport is in the heart of Brainport, a world-class high-tech region and driver of economic growth in the Netherlands. It has grown to become one of the larger employers in this region. In its Brainport National Action Agenda from April 2017, the region of Southeast-Brabant states that further development of Eindhoven Airport is essential to achieve the ambitions that have been formulated. Brainport Eindhoven highlights the importance of a well-equipped and easily accessible airport that grows at the same pace as the region.

The Brainport region is very much in demand internationally, as the Global Talent Competitiveness Index of the renowned business school Insead shows. Eindhoven is ranked ninth on that list, among cities such as San Francisco, Paris and Dublin. This presents opportunities for the development of Eindhoven Airport and the companies based there.

## 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. The airports complement and reinforce one another. Integrity is a basic principle. We are continuing to develop into a High Performance Organisation (HPO), a high-quality organisation which aims to ensure the sustainable employability of all staff members and opportunities for disadvantaged groups in the labour market.

Objective for 2020	Progress	Achieved in 2017
<b>High Performance</b> Higher scores on the High Performance Organisation (HPO) benchmark		<ul style="list-style-type: none"> <li>- HPO score 6.8 (2017 target: 7.3)</li> </ul>
<b>International</b> Expansion of international activities		<ul style="list-style-type: none"> <li>- International activities account for a significant part of the group's results</li> <li>- Following up new international leads</li> </ul>

### Employment practices

Schiphol Group operates in an environment that is subject to trends and developments. Our organisation must be sufficiently agile to be able to respond quickly. As this will require great flexibility on the part of our employees, sustainable employability and vitality are becoming increasingly important.

Schiphol Group prefers to work with employees who view their job with our company as part of their own career and personal development. They want to work for Schiphol Group both to add value and to learn. Our mobility policy suits people seeking this type of career path. As a part of that policy, we meet with employees to consider whether they might benefit from a different job within the organisation or elsewhere.

The vast majority of Schiphol Group's staff are highly motivated employees who have worked for our company for many years. We also create scope for new employees to join us. The dynamics of our organisation are such that new roles are constantly being created, which require expertise in other areas. Royal Schiphol Group employees represent a wide range in terms of age and years of service, as well as a wide range of jobs. A greater number of people with different language backgrounds were recruited in 2017, and English is increasingly becoming the working language.

### HPO

Schiphol Group aims to become a High Performance Organisation (HPO). The objective is to develop into a highly flexible learning organisation. HPO themes include the need to ensure high-quality managers and employees, continuous improvement, investment in long-term development and enhancing an open and action-oriented culture.

We periodically measure our progress towards HPO and provide specific guidance where required. We determined the HPO score among Schiphol employees for the second time in 2017. Despite various initiatives, we scored 6.8, the same as the year before and half a point down on our target of 7.3. The developments during the past year, which saw a substantial rise in the number of passengers, multiple renovations and organisational adjustments, have placed heavy demands on our staff. This can create internal friction. That is why we are nonetheless proud to have been able to maintain the same level. We do expect it will be a major challenge for us to achieve our ultimate target for 2020: a score of 8.

The recommendations resulting from the 2017 HPO measurement are aimed at a more results-oriented and team-oriented type of staff management (based on the same priorities). Another recommendation is for managers to give more guidance to their staff to enable them to perform their jobs as effectively as possible.

## Sustainable employability

As our active staff mobility policy enters its fifth year, the theme of sustainable employability and continuous learning is becoming ever more widespread within our organisation. The digital transformation of our organisation took off in 2017. Different types of jobs have been added and different working methods have developed within a number of departments as part of an organic process of change which we encourage.

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 our target again in 2017 with a mobility percentage of 21.7% (2016: 19.6%). Our policy also encourages staff exchanges and secondments within the group. In 2017, 39 employees were seconded for a short or long period. These include the group who were assigned temporarily to Lelystad Airport in connection with the anticipated opening of the new airport.

Older employees also received special attention. A pilot scheme, where employees over the age of 50 attended five half-day training sessions, was launched in 2017. The purpose of this pilot was to show employees ways of remaining motivated and continuing to provide added value right up to their retirement. The participants' feedback was positive and we will continue to provide these training sessions in 2018.

Shift workers were also the focus of special attention in 2017. We are looking ahead to a future situation where employees aged 60 and older will no longer be required to work night shifts. We will be introducing the new arrangements on 1 April 2018, in accordance with the agreement we made with the trade unions.

The number of participants in the vitality programme again stood at 257. One of the components offered in the programme is individual coaching; this attracted 20 participants, as in previous years.

Tenders for occupational health services were invited in 2017 with a view to promoting

sustainable employability. In addition to counselling employees who are unfit for work, the successful service provider will focus mainly on improving the employability of those who are able to work and show them how they can help themselves improve their employability.

## 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. Employees should 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 practices. Schiphol promotes work for anyone with limited opportunities on the labour market. Two members from this target group joined Schiphol Group last year as employees.

We aim to attract employees from a variety of cultural backgrounds. Our goal for 2017 was to fill 10% of all new vacancies with people from a non-Western background; the actual figure achieved was 4.8% for Schiphol Group. We use the definition provided by Statistics Netherlands (CBS) to determine whether a person has a non-Western background. When entering employment, employees can opt to state their parents' country of birth. This registration method was introduced in the course of 2017, which explains the low response rate of 34.2% for that year. Adjusted for the response rate, the number of new vacancies filled by people with non-Western backgrounds is 11.5%. In 2018 we will again strive to attain 10.0%.

### *Work for young people*

In 2017 we supervised 132 interns and also organised a large number of one-day orientation placements. This is in line with 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 21.8% for Schiphol Group. We will be keeping to the 20% target in 2018 as well. A continuous intake of young talent will help to create an inclusive and balanced workforce.

Schiphol is participating in the national mentor programme of the ECHO foundation, the

diversity policy expertise centre, for the third time. 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.

*Gender split*

Schiphol has a balanced mix of male and female employees at senior management levels. This is in line with the Management and Supervision (Public and Private Companies) Act, which requires management boards and supervisory boards to comprise a 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 is similarly compliant, with five male members and three female members (37%) effective April 2015.

The challenge for 2018 is to establish a good male-female ratio across the board, and in all the different positions within the company. In all management positions and organisation-wide, the male-female ratio slightly increased in 2017 relative to the previous year, to 31%.

**Employees are becoming familiar with the Digital Programme**

It is important that staff are involved in the process surrounding the development of digital products and services. We want to offer them perspectives for sustainable employability at Schiphol and elsewhere. Schiphol organised various inspiration sessions, workshops, master classes and a 'digital week' in 2017 so that all employees could experience the benefits of digital applications. The 794 participants awarded their sessions an average score of 8. In total, 1,726 people signed up for the thirty different topics. We will continue to provide this programme in 2018. We also plan to involve other stakeholders, including airlines, handling agents, cargo partners, contractors and the Royal Netherlands Marechaussee.

**Working conditions**

Most Schiphol Group employees work in the Netherlands and are therefore subject to Dutch laws and regulations. Schiphol respects human rights and follows the government's guidelines. We do not have a human rights' policy of our own. Type of work, working conditions and working times are set out in the collective labour agreement. Employees are also free to unite in trade unions, for example. We do not enter into employment contracts with young people below the age of 18. 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 the sector. Schiphol Group does not allow competition on employment terms, and uses the collective labour agreement as a minimum level.

**Employees in figures**

The number of FTEs at the end of 2017 rose to 2,246 (2016: 2,078). The main cause of this increase is the hiring of employees for the Capital Programme and IT. Our employees either have a one-year contract or a permanent contract. We conclude individual agreements with employees who fall outside the scope of a collective labour agreement.

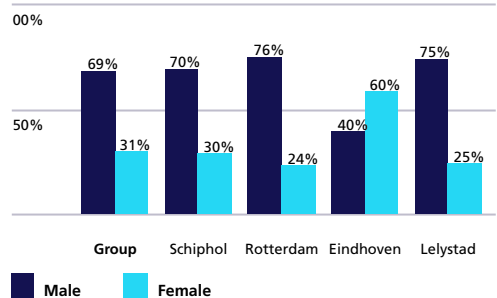
**Total workforce in 2018**

(Per location, in % of total average FTEs)



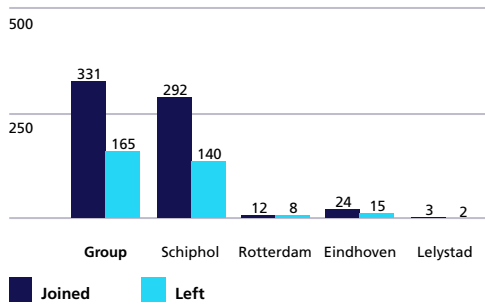
**Gender split**

(Per location, in % of total no. of staff)



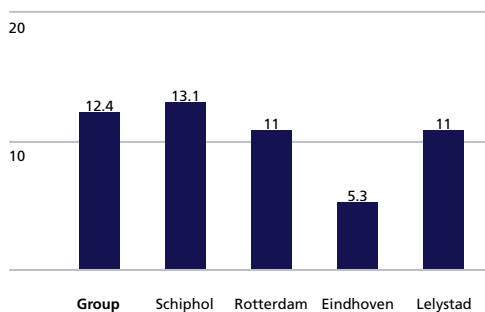
## Employee turnover

(Numbers per location)



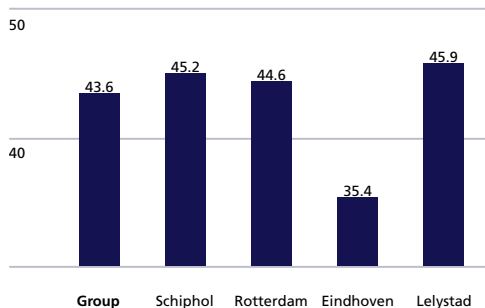
## Average length of service at Schiphol Group

(Years per location)



## Average employee age

(Years per location)



In 2017, the absenteeism rate for Schiphol rose from 4.1% to 4.5%, mainly as a result of a 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% (2016: 2.7%). At Eindhoven Airport the absenteeism figure for 2017 was 2.1% (2016: 4.6%). The 2017 absenteeism figure at Lelystad was 1.4% (2016: 2.7%)

The increased share of absence for longer than six weeks is the main reason for the rise in the absenteeism rate. Mental health complaints

caused by a combination of personal and work-related factors are largely behind this.

Counselling people who are absent due to illness is a key focus area within Schiphol, with capacity and expert counselling being made available on a permanent basis, and with a major focus on prevention.

A developing organisation demands a high degree of flexibility from its employees. As in previous years, in 2017 we organised peer supervision events for middle and senior management to enable participants to work with the ICF model. This classification model (International Classification of Functioning, Disability and Health) identifies possible causes of absence. It provides management with the insight needed for successful dialogue with employees aimed at preventing absence.



Schiphol insists that all employees act with integrity. Integrity is therefore high on the agenda. The goal of the compliance policy is to identify and control the relevant compliance risks for Royal Schiphol Group. A secondary goal is to encourage ethical behaviour in accordance with the Royal Schiphol Group core values of reliability and sustainability. The compliance policy is focused on safeguarding the good reputation of Royal Schiphol Group and maintaining its position as Europe's Preferred Airport.

Our code of conduct describes the conduct we expect. It stipulates that employees must refrain from undesirable forms of behaviour such as sexual harassment, discrimination and bullying. The Code also contains regulations concerning the use of the available communication resources and facilities provided by Schiphol such as laptop computers and telephones, email, the Internet and social media. All employees are expected to adhere to all the applicable laws and regulations, including anti-discrimination, competition, public procurement, privacy, fraud, corruption and bribery laws. It is crucial for managers to set the tone and lead by example. Staff members are asked to follow an online training session on the code of conduct every year.

In 2015 we introduced the Mind Your Step programme in order to promote integrity within our organisation. In 2017 we again put the spotlight on the integrity programme in a mail campaign to our employees' home addresses, a campaign through internal channels of communication, integrity sessions and legal awareness sessions. The rules on the use of social media have been amended to bring them into line with present-day requirements. We also organised two events with the internal compliance officers and examined the internal reporting procedure. Integrity is now also a standard element in the introductory presentations to new employees. We also bring our code of conduct to the attention of external employees. This has helped us to raise awareness and to discuss dilemmas more openly, and has also led to more reports being made to the Integrity Committee.

Monitoring data on the use of and compliance with the code of conduct is reported via the Integrity Committee, which investigates reports and calls people to account or takes measures as required. The Integrity Committee reports anonymous findings to the Corporate Compliance Officer twice a year, and reports to the Central Works Council once a year on the number and nature of cases and decisions it has dealt with. In addition, the Integrity Committee reports to the Supervisory Board's Audit Committee and to the Management Board and the external auditor once a year.

A section on integrity was added to the Schiphol website in early 2018, providing an easy overview of all rules and codes of conduct. Visitors may also report (potential) integrity infringements there.

August saw reports in the media about an incident involving fraud at Schiphol Real Estate (SRE) in 2016. The incident had already been mentioned in the 2016 Annual Report. Schiphol also reported the matter to the FIOD in 2016; the investigation is still ongoing.

### **Information security**

In 2017 we reiterated to employees the particular importance of information security and privacy rules, for example through comprehensive campaigns, interactive workshops and (online) training sessions. We focused expressly on the new rules that will apply as from 25 May 2018, when the General Data Protection Regulation

(GDPR) comes into effect. We have stepped up implementation of the GDPR within our company. The Schiphol Privacy Office, in collaboration with the Schiphol Cyber Security Office and our subsidiary Schiphol Telematics, is in charge of this process.

### **Suppliers**

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.

Schiphol has a supply chain responsibility and applies a code that is based on our code of conduct in contracts with suppliers. We are having talks with suppliers with a view to guaranteeing integrity in our cooperative relationships even more effectively.



In 2017, 26 issues were reported to the Integrity Committee (2016: 16). None of these reports concerned fraud, bribery or corruption. The increase is the result of greater awareness as regards the reporting of incidents. The reports have been investigated and followed up. Some involved minor incidents which the Integrity Committee is not required to investigate in depth. Where appropriate, the necessary action has been taken or the employees involved have been called to account.

### Regional airports

As part of the collective labour agreement, Rotterdam The Hague Airport applies the same code of conduct in respect of integrity as Schiphol Group. No incidents took place in 2017.

Eindhoven Airport uses Integrity Guidelines, which set out how employees can contribute towards the airport's ambitions and objectives and its aspiration to be and remain a reliable and committed (business) partner with integrity. There were no incidents in 2017.

Lelystad Airport applies the same rules as Schiphol Group. There were no incidents in the 2017 reporting year.

## Financial solidity

Royal 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 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 2017 Schiphol Group paid a dividend of 148 million euros, of which 137 million was distributed to the Dutch State, the municipality of Amsterdam and the municipality of Rotterdam.

### Return

Schiphol Group pursues a solid financial policy. 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 2017 the Dutch State introduced a new standard return on equity of 5.6% for Schiphol. This is lower than the return on equity requirement of 6.7% that was previously applied, due to the low interest rate. A return requirement serves as an added incentive 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

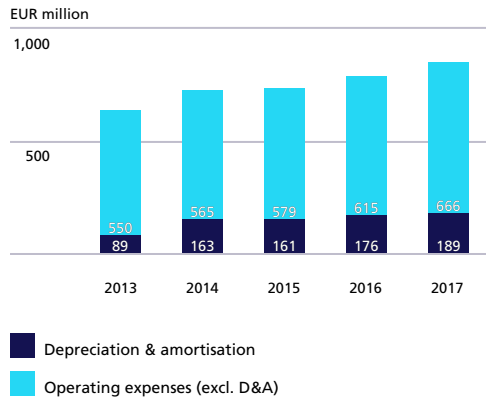
It is also important to generate a sufficient return if we are to maintain our ability to independently raise financing, as this will enable us to secure access to the capital markets at favourable conditions. Good creditworthiness is a prerequisite for safeguarding Schiphol Group's ability to independently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

The long-term credit rating issued by Standard & Poor's in 2017 remained unchanged at A+ with a stable outlook. Similarly, Moody's long-term rating of A1 remained unchanged with a stable outlook.

### Focus on cost control

In order to be able to make major investments while 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. A proper consideration of and insight into the long-term implications of the choices we make are essential particularly where new investments are concerned. By focusing on a controlled development of costs whilst maintaining the necessary quality and performance, we endeavour to increase our financial flexibility and resilience.

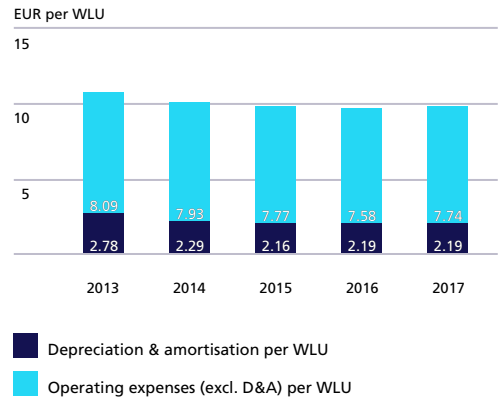
### Aviation business area costs



Over 50% of all Aviation costs are directly related to the infrastructure, the assets of Amsterdam Airport Schiphol. 'Total cost of ownership' as a guiding management principle remains essential if we are to remain cost-effective in the long term. 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 smart, 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.

We monitor the development of our costs via the Work Load Unit indicator (WLU: one passenger or 100 kilogrammes of cargo). The costs per WLU at Amsterdam Airport Schiphol increased slightly in 2017, to 9.9 euros (2016: 9.8 euros). This means we are now back at the level of 2015, which is lower than in the years before. The growth in the number of passengers meant that we had to take additional measures to avoid lengthy waiting times. We opened a temporary departure hall on 1 April 2017. Additional costs were also incurred for the Digital Airport Programme.

### Costs per WLU (Aviation)

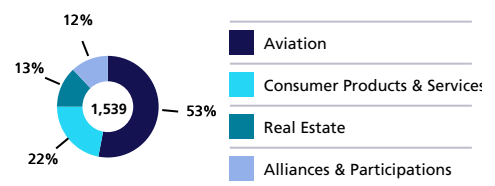


### Significance of non-aviation activities

Non-aviation activities make a substantial contribution to Schiphol Group's return and to its capacity to raise financing. They generate 45% of revenue and more than 100% of the operating profit, in view of the loss suffered by aviation activities. Non-aviation activities enable Schiphol Group to create economic value and financing capacity. Returns on aviation activities were low and even negative in 2017 due to economic regulation that determined a regulated weighted cost of capital of 1.8% in 2017, and to the fact that the costs of the additional measures were not passed on to the airlines. Without the contribution from non-aviation activities, Schiphol Group would be unable to raise financing independently and the risks would not be sufficiently diversified.

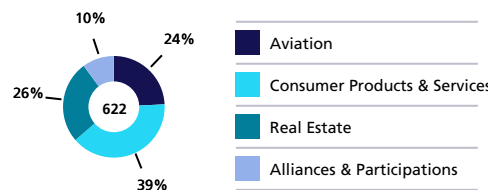
### Revenue

(EUR million)



### EBITDA

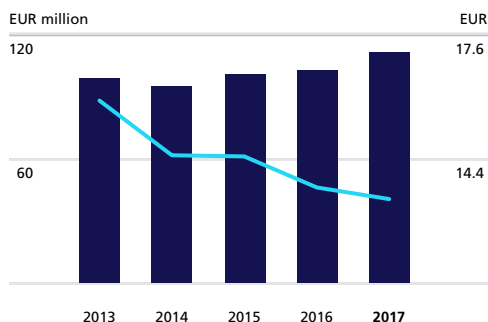
(EUR million)



## Consumer Products & Services

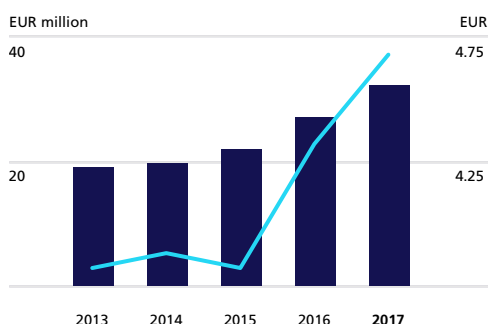
The contribution of the Consumer Products & Services business area over the past few years is largely reflected in the rise in concession income and parking revenue.

### Airside retail concession income and spend per passenger



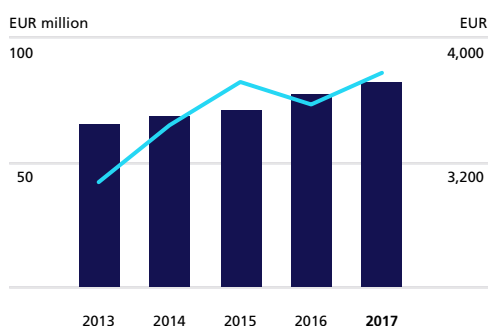
■ Airside retail concession income (EUR million)  
■ Airside retail spend per passenger (EUR)

### Airside catering income and spend per passenger



■ Airside catering concession income (EUR million)  
■ Airside catering spend per passenger (EUR)

### Revenue from public parking and revenue per parking space



■ Revenue from (public) parking (EUR million)  
■ Parking revenue per parking space (EUR)

## Spend per passenger

(in EUR)

	2017	2016	Index
Retail airside	13.35	13.65	97.8%
Catering airside	4.68	4.32	108.4%
Total	18.03	17.97	100.4%

## Number of outlets at Schiphol

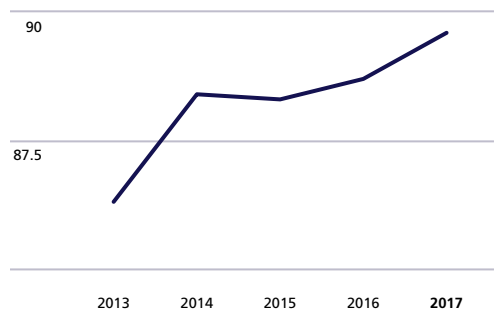
	Airside	Schiphol Plaza
Catering	76	31
Retail	192	49
Services	21	0
Total	289	80

## 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

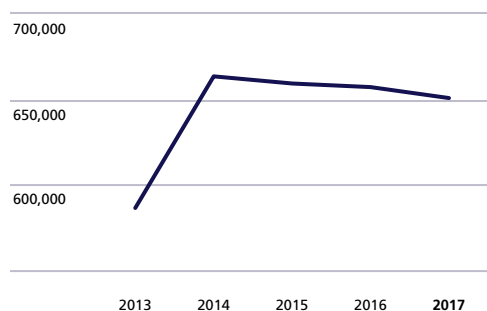
(in %)



In 2017 the occupancy rate rose to 89.6% (2016: 88.7%). 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. We have also retained a number of significant lessees for the longer term through recent contract renewals. The valuation of commercial real estate has rallied, partly due to the favourable development of occupancy rates and new, and renewed, long-term rental contracts.

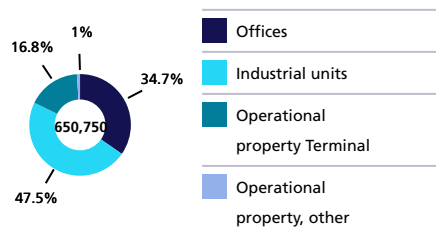
### Real estate portfolio

(in m<sup>2</sup>)



### Real estate portfolio per category

(as a % of total real estate portfolio)



### Contribution from regional and international activities

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.

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 risks, thereby reinforcing the Mainport's position. Our stakes in Groupe ADP, Brisbane Airport Corporation and our other international activities contributed 36% to our net result in 2017.

The knowledge and know-how gained within the group ultimately strengthen all our airports.

## Sustainable & Safe Performance

Safety is Royal Schiphol Group's number one priority. On that point, no compromise is possible. Everyone at or around our airports must be assured of a safe and healthy environment. In 2017, we strived to make safety consciousness even more proactive at the Schiphol location. Sustainability also features prominently in our strategy. We make every effort to increase the positive impact of our activities and to minimise the negative aspects. We realise that noise nuisance and air quality are sources of concern to local residents. As a committed neighbour, we are engaged in continuous consultation on these issues.

Objective for 2020	Progress	Achieved in 2017
<b>Sustainable</b> We will be acknowledged as a leading enterprise in the field of Corporate Responsibility		<ul style="list-style-type: none"> <li>– We have a leading role in the area of sustainability in the sector</li> <li>– Two long-term objectives adopted: for Schiphol to be a CO<sub>2</sub>-neutral airport by 2040 and a zero waste airport by 2030, and</li> <li>– Ministry of Economic Affairs' Transparency Benchmark: Third place</li> </ul>
<b>Safe</b> We are developing into a High Reliability Organisation with a pro-active safety culture		<ul style="list-style-type: none"> <li>– On track towards an HRO Level-4 safety culture by 2020</li> <li>– A start has been made with the development of the Integral Safety Management System (ISMS), in collaboration with sector partners</li> </ul>

### Making airports sustainable







Schiphol Group is making progress in enhancing the sustainability of operating processes in a number of areas. The Corporate Responsibility themes are becoming increasingly integrated into various policy areas. Corporate Responsibility 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. For the annual report, this means that the results in this area are discussed in a number of different sections. They feature primarily in this chapter, but we do mention our CR-related efforts and performances elsewhere as well.

Schiphol Group has again used the international stage to argue in favour of making airports sustainable. CEO Jos Nijhuis received an award during the 2017 Airports Going Green conference in recognition of his efforts towards making sustainability a strategic topic in the

aviation sector. A number of airports signed the Airports Sustainability Declaration during the same conference. Rotterdam The Hague Airport and Lelystad Airport have now also signed the declaration.

Schiphol was one of the participants in the expedition to Svalbard in May 2017 to observe the consequences of climate change at first hand. A diverse delegation of Dutch organisations discussed potential cross-pollination of ideas which might accelerate the energy transition, the resolution of the mobility question and the move to a circular economy.

In the 2017-2021 coalition agreement the Dutch government highlights the importance of the energy transition, clean mobility, circularity and making aviation sustainable. Schiphol Group is already actively engaged in work on those topics and is looking forward to continuing these efforts with its stakeholders in the years ahead.

SDG	Contribution	Read more
SDG 8	 <p>Schiphol Group has a socio-economic impact by generating employment at and around the airport for approximately 65,000 employees at 500 businesses. In addition, indirect employment at the airport generates considerable value for the Dutch economy thanks to the significant contribution to the gross domestic product.</p>	<p>Regional significance Employment practices Contracting practices Financial solidity</p>
SDG 9	 <p>We continuously invest in our infrastructure and capacity in order to facilitate travellers and visitors and retain our ability to serve as a multimodal hub. The new pier, the new terminal and the terminal of Lelystad Airport will obtain LEED certification. Office buildings and the morgue have a BREEAM certificate.</p> <p>In addition, we promote clean mobility to improve air quality at the airport, and we pursue a proactive approach in this regard with sector and business partners.</p>	<p>Airport capacity Accessibility Competitive marketplace Air quality</p>
SDG 11	 <p>Schiphol Group airports are located in residential, recreational and business areas. By collaborating with partners, making our operations more sustainable and reducing nuisance we contribute to a pleasant and healthy environment for residents and employees. Amsterdam Airport Schiphol meets the air quality requirements, and 42.9% of travellers come to the airport by public transport.</p>	<p>Accessibility Regional significance Noise Community engagement Air quality</p>
SDG 12	 <p>The entire chain, from providers to travellers, will have to be made more aware of the impact of air travel and the possibilities for sustainable management and exploitation of natural resources. Around 70 million travellers use the Schiphol Group airports every year, and it is our aim to facilitate them as responsibly as possible.</p> <p>Through its zero waste programme, Schiphol is contributing to circular solutions. We have analysed all the flows that enter and leave the airport. Separated operational waste flows account for 42.3% of the total. We have integrated sustainability as an important criterion in our tender procedures and actively participate in partnerships aimed at a more conscious and efficient exploitation of natural resources.</p>	<p>Network of destinations Raw materials and residual flows Contracting practices Stakeholders</p>
SDG 13	 <p>Schiphol Group is switching to renewable energy and fuels as part of our efforts to reduce our direct impact on climate change. We have reduced the CO<sub>2</sub> emission per passenger. In addition, we are working on climate adaptation by preparing our organisation for changing and extreme weather conditions.</p>	<p>CO<sub>2</sub> emissions</p>
SDG 17	 <p>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 committed to closer collaboration to accelerate the introduction of sustainable operations. In 2017, 23 new parties signed the Airports Sustainability Declaration. Schiphol Group also involves businesses, entrepreneurs and knowledge institutions in its challenges.</p>	<p>Supply chain responsibility Stakeholders</p>

## Surprising impact

In 2017, the consultancy firm Metabolic examined all of Schiphol's incoming and outgoing flows in order to identify where waste has a negative impact on people, the environment and the economy occurs within our ecosystem.

The study produced two important insights. The firm drew our attention to the impact of food consumption and electronics residual flows, which we had not yet included in our zero waste programme.

Tendering decisions regarding the new telephones and the IT hardware will contribute to the reduction of the electronics residual flows.

Prompted by the study, we organised a session with the concessionaires in the terminal on the environmental impact of food. We will share the findings with more stakeholders in 2018 and jointly look for areas where adjustments could be made and innovative solutions implemented.

The impact of electricity, gas, fuel and kerosene requires no explanation. The results confirm that we made the right decision in 2017 when we entered into a partnership with Eneco.

The great reliance on kerosene means that it is not yet possible for airports to apply 100% circular principles. Construction materials have our full attention, in line with the study's results. We will be revising our Corporate Responsibility strategy in 2018, also in light of the study into the airport's metabolism.

The airports are faced with several key operational risks in the area of safety, including runway incursions, bird strikes and fire safety. There are various departments, consultations and management systems to ensure and monitor safety.

## Pro-active safety culture

Our goal for 2020 is to develop Schiphol into a High Reliability Organisation (HRO) with a proactive safety culture. We measure our progress using Hudson's Health, Safety and Environment (HSE) culture ladder. In 2016, we launched the Schiphol for Safety (S4S) programme with a view to initiating a change in safety culture. In 2017, we made baseline measurements for a large number of Schiphol's departments in order to determine how staff perceive the safety culture within our organisation. Using the results, each department will take measures to create a proactive culture. The Safety Review Board is monitoring the programme's progress.

Activities aimed at encouraging proactive safety consciousness throughout the Schiphol location were organised in 2017 as part of the programme. For instance, we made videos about behaviour and how we organise safety, and provided (digital) pamphlets and easy-reference cards. We also held master classes on specific themes and published articles in our *Op Schiphol* magazine, which is distributed within our own organisation and at several Schiphol locations. The S4S programme will run until 1 January 2019.

### Safety Walks

In 2017, members of the Management Board and of the Core Team took eight Safety Walks. During these walks, managers engage with employees about safety and safety dilemmas and learn about the situations employees face as part of their daily work. Procedures and responses and how safety and safety rules are handled in practice are discussed during a walk. The Safety Walks took place on airside, at the Schiphol bus tunnel construction site and in the shopping areas in the terminal. As a result of the walks, 11 specific remedial actions have been identified, ranging from encouraging order and tidiness on perimeter roads to ensuring retail partners are more familiar with Schiphol's emergency numbers. We will be continuing the Safety Walks in 2018. Members of the Supervisory Board have said they will join some of the walks in 2018.

## 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. Safety consciousness must be top-of-mind every day. This is particularly important during large expansion projects when many external employees are working at our airport.

## The Dutch Safety Board's report

In 2017, the Dutch Safety Board (OvV) published a report entitled *Safety of Air Traffic at Amsterdam Airport Schiphol*. By examining a number of incidents at the airport more closely, the Safety Board hoped to find out whether the incidents could be attributed to structural causes such as the design, location and use of the airport. It concluded that there are no reasons to assume that the present operations at Schiphol are unsafe, but that measures will need to be taken for further growth.

Among the Safety Board's recommendations are the joint management of safety risks in respect of relationships and interactions between the individual parties (interfaces). The sector is implementing that recommendation by jointly developing an Integral Safety Management System (ISMS). This integral approach makes the Netherlands the global leader in this area.

The Board notes Schiphol's complexity, both in terms of design and in the handling of air traffic. Safety recommendations have been formulated for Schiphol's specific situation, namely its five main take-off and landing runways and the system of preferred runways to reduce noise nuisance for the local population as far as possible.

A variety of measures are being taken now so that we can guarantee safety for future growth. Many of those measures involve expanding ground capacity, such as the construction of the new pier and a dual taxiway over the A4. Schiphol is currently investigating whether it is necessary to build a taxiway around Runway 06-24.

### *Schiphol Incident Learning System*

In 2017 we saw the initial impact of the new Safety Incident Learning System (SILS), which was introduced in 2016. SILS helps with the registration, analysis and reporting of undesirable events relating to health and safety. The system makes it easier to report anomalies, incidents and accidents. All major and minor incidents, near-incidents and dangerous situations that occur at Schiphol are registered and reported. We improve risk management based on recommendations from these incident analyses. The most serious cases are subject to thorough investigation. The information enables us to identify HSE risks in our operations in a timely manner.

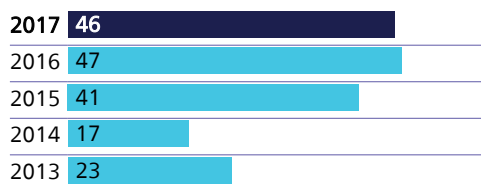
## Safety on and around runways

Our runway safety policy is mainly aimed at preventing runway incursions. These are incidents where 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. We investigate what can be done to prevent similar occurrences in future. The RST cooperates closely with all the parties in the aviation process, in particular with Air Traffic Control the Netherlands (LVNL) and the airlines.

In 2017, a total of 46 runway incursions were registered at Schiphol (2016: 47). After a thorough investigation, those incidents were classified into four risk categories. 38 were classified in the lowest risk category (no immediate safety consequences). We also learn lessons from the incidents in this lowest category. For instance, in 2017 we introduced additional marking on runways and a new runway control system. In addition, we have completely updated and improved the airfield manuals.

### Runway incursions at Schiphol

(annual number)



The RST has conducted a study into potential improvements in infrastructure and lighting. It includes examining infrastructural adjustments at a known bottleneck area in the runway area and analysing the options offered by runway status lights as an additional security measure.



## Regional airports

In 2017, five runway incursions were registered at Rotterdam The Hague Airport (2016: seven).

The number of runway incursions at Eindhoven Airport fell from four to two, despite the increase in the number of flights. In early 2017, the Human Environment and Transport Inspectorate (ILT) awarded the Safety Certificate to Eindhoven Airport under the Regulations on the safe use of airports and other sites (RVGLT). The ILT and the Military Aviation Authority (MLA) have formalised their supervision in a covenant. A safety plan, which will identify the choices necessary in order to make the airport even safer and more efficient, was worked on in 2017.

## 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. In 2017, the number of bird strikes at Amsterdam Airport Schiphol was 5.8 per 10,000 air transport movements (2016: 6.7), continuing the downward trend. We have added three radar stations to the bird detection system and now have radar coverage of the entire airport and some of the adjacent lands as well. In 2017, the bird controllers' vehicles were fitted with equipment that enables them to read the radar images whilst on patrol and to take more effective action.

The Netherlands Control Group for Bird Strikes (NRV) has made recommendations regarding the crops grown around the airport. On land that belongs to Schiphol, crops are sown that are unattractive to geese. The NRV will hold further talks with farmers about the composition of their crops in 2018.

### Bird strikes at Schiphol

(number per 10,000 air transport movements)

2017	5.8
2016	6.7
2015	8.4
2014	5.8
2013	6.1
2012	7.0

## Regional airports

Rotterdam The Hague Airport is consulting closely with parties such as the province of South-Holland, the municipality of Rotterdam and the National Forest Service in the Netherlands about reducing the large populations of geese in the airport's immediate vicinity. Pilots have been asked to keep a particular eye out for low-flying geese. The helicopter pilots of the Mobile Medical Teams (MMT) and the National Police Services Agency have also been asked not to fly too low over certain areas if possible. The number of bird strikes at Rotterdam The Hague Airport decreased to 3.0 per 10,000 air transport movements (2016: 5.0).

At Eindhoven Airport, the number of bird strikes decreased to 5.0 per 10,000 air transport movements (2016: 5.4). Eindhoven Airport also continually addresses this risk and will be countering the presence of birds on the runways in a variety of ways, including through the use of bird-scaring and preventive measures. This includes conservation management of the landing area and removing litter, making the site less attractive to birds.

## Fire safety

A fire is one of the biggest threats to travellers, visitors and staff at the airport. It can also jeopardise the continuity of business processes. Every year we invest in improving the fire safety of the Schiphol terminal. We regard the statutory requirements for fire safety as the absolute minimum.

Amsterdam Airport Schiphol has its own fire brigade with crash tenders: large special fire-fighting vehicles that are used mainly for incidents involving aircraft. Schiphol Group put out a tender for new fire-fighting vehicles in 2017. The group has ordered 13 new crash tenders. They are necessary if the airport is to remain safe in the future. The first of these new vehicles is expected to be delivered by the end of 2018. These new crash tenders will replace the current vehicles, which have reached the end of their service life after a period of 15 years and are now being phased out. In the same tendering process Rotterdam The Hague Airport and Lelystad Airport will also receive new crash tenders, three and two vehicles respectively. This joint tender process offers advantages for the maintenance and management of the vehicles, the fire-fighting techniques and, of course, the

education and training of the fire service personnel.

### Safety at work

Much renovation and construction work is being carried out at Schiphol. Maintenance work takes place on a daily basis, too. All these activities involve multiple parties, including the client for whom the construction and maintenance work is being carried out and the contractor performing the work. Given that building works can cause unpredictable and undesirable situations, Schiphol provides safety expertise in support of these activities.

Three incidents in which our contractors were injured occurred in 2017. There were no fatal accidents at our airport locations.

#### *Industrial accidents*

At Schiphol, work-related accidents resulting in absenteeism are registered using the Lost Time Injury Frequency (LTIF). Using LTIF (the number of accidents resulting in absenteeism per million hours worked) makes it possible to compare our performance against that of other companies. Although measuring lost time is essential, we would stress that any accident is one too many.

In 2017, Schiphol Nederland B.V. (excluding the fire department) recorded an LTIF of 1.0 (2016: 1.1). The LTIF for the fire department was 25.7 (2016: 8.4). Both scores are lower than the target (3 and 40 respectively). Since the airport fire brigade is made up of about 160 employees, any incident will more or less inevitably lead to a substantial rise in the LTIF relative indicator. Over the last six years, the absolute number of incidents involving injury fluctuated between 2 and 7, with an average of 4.8.

The regional airports also remained within the margin set: the LTIF of both Rotterdam The Hague Airport and Eindhoven Airport remained 0, as in 2016.

There were 229 incidents in which travellers or visitors were injured in Schiphol's terminal in 2017 (2016: 178). The company's emergency team attended all those incidents.

## Noise

Aircraft noise has a substantial impact on the quality of life of local residents, which is why it has a central role in the rules applicable to Schiphol. Given that Schiphol very nearly reached the limit of 500,000 air transport movements in 2017, this complex issue is becoming increasingly sensitive. The scarcity of airspace and the relative positions of stakeholders are decisive for the course of negotiations on further developments post-2020. The intensive consultations in 2017 will continue in 2018.

### New Environmental Standards and Enforcement System

The central government is working on the introduction of the New Environmental Standards and Enforcement System (NNHS). It is based on rules for preferential runway use, which means that we make optimum use of runways that cause the least disturbance to the local community. In view of the location of the residential areas around Schiphol, Runways 18R-36L and 06-24 are preferred over other runways.

The NNHS has not officially entered into effect, but the sector is already anticipating its introduction. We continued the implementation of the new system in 2017. As in previous years, flights were carried out in accordance with the NNHS. This is taken into account in the enforcement of the rules. As a consequence, the noise impact at five of the sixty enforcement points (one of which was a night-time enforcement point) was greater than the limit value under the old system.

Every quarter Schiphol reports on the application of the rules for the new system. The reports show that the rules for strictly preferential flying can readily be applied. Two elements will require further elaboration: the rules for use of the fourth runway and for controlling traffic volume at night. Solutions to these issues must be found before the new system formally takes effect, and are currently being discussed with the Schiphol Community Council.

The inspectorate will also take the new system into account, in anticipation of its implementation. If breaches are the result of the

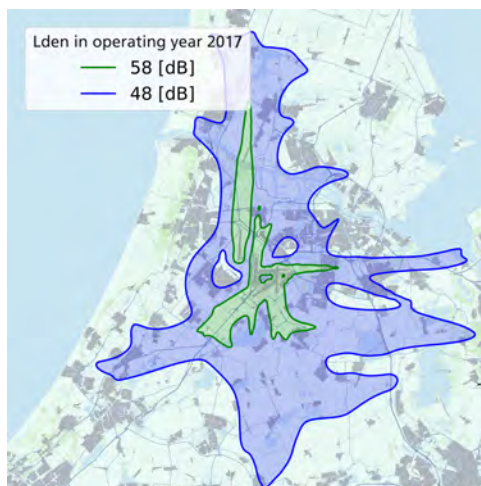
application of the new standards, no penalties will be imposed on the sector.

### Amending the Environmental Impact Assessment (MER)

Schiphol examined the environmental impact of the new system in 2016. The results show that the development towards 500,000 air transport movements in 2020 can take place within the environmental limits. This paves the way for further development of Schiphol, in a sustainable and safe way. Economic value is another important consideration, but must remain in proportion to the burden on the environment. The environmental impact assessment is the factual basis for further discussions with all the parties involved.

After 2020, the available space within the environmental limits (environmental gains) will be divided on the basis of the 50-50 rule, so that half can be used for further development of the Mainport and the other half will fall to the benefit of the environment to limit disturbance. The Environmental Impact Assessment Committee advised the then Minister for the Environment to allocate the environmental gains calculated on the basis of the new European model. That is why, in 2017, the Ministry asked Schiphol to supplement the environmental impact assessment with the new calculation model and include a forecast for development after 2020. This supplement will be available in 2018.

For the period after 2020, Schiphol is focusing on development based on two criteria. What will the public and the government accept as far as the ratio between environmental impact and returns (economic development, jobs, network) is concerned? And what can Schiphol and the local community cope with in terms of safety and physical constraints? The Dutch Safety Board's recommendations, which contain an overall safety assessment, will play a central role.

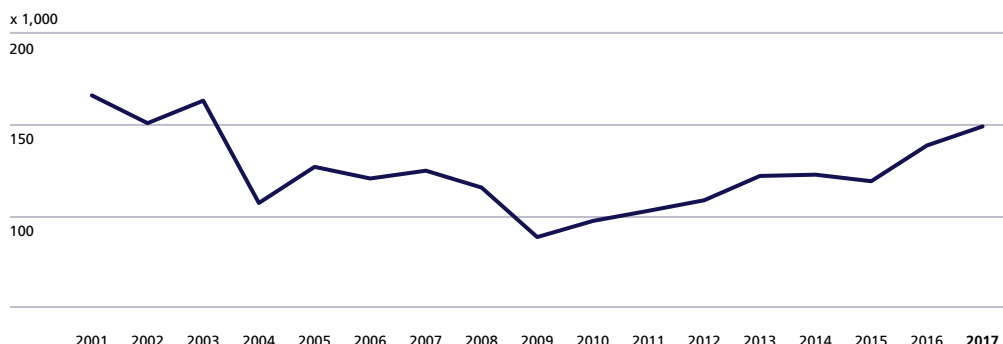


### Noise disturbance

The statutory norm for the maximum number of people who experience severe noise disturbance is 180,000. In 2017, the number of people experiencing severe noise disturbance as a result of the actual noise impact was 149,000, an increase of nearly 10,000 compared with 2016. One reason for the increase is the major maintenance work that was carried out for a ten-week period on one of the preferred runways, Runway 06-24. Schiphol has switched to a new approach, which will entail grouping as many maintenance projects as possible on and around a take-off runway within a single period. Although this will mean that a runway will be out of use for a fairly lengthy period, there will be a longer period during which no (major) maintenance is carried out on any of the runways.

The figure shows the 58 and 48 dB(A) Lden noise contours for the 2017 operating year (between 1 November 2016 and 31 October 2017 inclusive). The contours show where average noise parameters of 58 decibels or 48 decibels were expected around Schiphol. Within the contours, the number of residents that can be characterised as 'experiencing severe noise disturbance' is calculated.

## People experiencing severe noise disturbance



■ Number of people experiencing severe noise disturbance

### Future residential construction around Schiphol

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. According to Schiphol, new residential construction is a matter that calls for careful consideration. It is important that municipalities in the area and the provinces of North-Holland and South-Holland consider existing and future flight paths when making decisions concerning residential development.

The new Airport Planning Decree (Luchthavenindelingsbesluit), effective as from 1 January 2018, contains agreements which the central government, the region and the aviation sector have made on the duty of disclosure, complaints handling and indemnity of the aviation sector in the case of new construction.

### Quieter aircraft

Alongside controlling runway use and arrival and departure routes, the use of new aircraft is another means of limiting noise disturbance. Fleet renewal means that the number of quiet aircraft at Schiphol is increasing. During 2017 there was an increase in the number of flights using the latest quieter and more environmentally-friendly types, including the Airbus A350 and A320neo, the Boeing B787 and Bombardier CS-series. The phase-out of KLM's Boeing B747 jumbo jet has also helped to reduce noise disturbance.

### Reports by local residents

Local residents with questions or complaints may contact the Local Community Contact Centre Schiphol (BAS), a foundation established by Air Traffic Control the Netherlands (LVNL) and

Amsterdam Airport Schiphol. BAS provides daily information on air traffic at, to and from Schiphol, runway usage, routes and living near Schiphol. BAS answers local residents' questions and records all complaints. BAS staff personally contact individual local residents who feel that they are experiencing severe noise disturbance.

### Number and nature of reports to BAS

Focus group

	2017	2016
Number of complainants	<b>8,450</b>	5,927
<b>Number of complaints</b>		
General reports	<b>1,180</b>	757
Period reports	<b>47,305</b>	33,262
Specific reports	<b>33,607</b>	24,371
<b>Total number of reports</b>	<b>82,092</b>	<b>58,390</b>

In 2017, BAS recorded the highest number of complaints since its formation in 2007. On average, an individual complainant from the focus group submitted ten complaints, the same as in 2016. BAS makes a distinction in terms of the categories of reports. A specific report is one which concerns the noise disturbance caused by a single air transport movement, whilst a period report indicates disturbance over a specific period of time. Complaints of a general nature may concern quality of life, Schiphol's growth policy or statutory provisions.

The focus group consists of people who submit no more than 500 complaints per person per year, with 99.6% of the number of complainants falling within that group this year. The number of complaints from people who submit more than

500 complaints (habitual complainants) is not included in this report.

Most complainants submitted complaints in May, during the major maintenance work on Runway 06-24, but many complaints were also received in subsequent months. The number of complainants is up on last year. Reasons for this include the maintenance work on Runways 06-24 and 18R-36L and the growth of air traffic, which resulted in more frequent use of non-preferential runways. A comprehensive analysis is available in the BAS annual report at [www.bezoekbas.nl](http://www.bezoekbas.nl).

#### Noise disturbance app

In 2017 Schiphol, in conjunction with KNMI, Air Traffic Control the Netherlands and KLM, worked on an app for local residents with information about expected noise disturbance. The app was requested by residents' representatives in the Schiphol Community Council, and was introduced in early January 2018.

#### Regional airports

Rotterdam The Hague Airport experienced no noise impact breaches in the 2017 operating year. Approximately 92% of the available noise capacity was used at the most critical enforcement point. That capacity is calculated based on six enforcement points as laid down in transitional regulations, which serve as a provisional airport decree (based on the Aviation Act). Rotterdam The Hague Airport has its own Regional Consultative Committee, which holds regular meetings with the main groups in the local community.

In the period up to 2020, Eindhoven Airport can develop within the permitted noise capacity of 10.3 km<sup>2</sup> for the 35 Ke noise zone. This has been laid down in the Eindhoven Airport Decree for civil shared use. 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 2017 with 36,470 air transport movements.

For more details, please visit the following websites:

- Local Community Contact Centre Schiphol (BAS)
- NOMOS
- Schiphol Community Council
- Schiphol Quality of Life Foundation
- Samen op de Hoogte



## Community engagement

We think it is vital that we listen to 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 will continue to fulfil our mission of strengthening Mainport Schiphol together with our partners and the various authorities, and in close consultation with other stakeholders.

2017 was a turbulent year. There are concerns in the Netherlands regarding the possible growth of Amsterdam Airport Schiphol, Eindhoven Airport and Rotterdam The Hague Airport. In 2017, information events regarding the expansion of Lelystad Airport were held in many neighbouring municipalities. Unfortunately, errors in the environmental impact assessment sparked considerable concern, especially in the eastern part of the Netherlands. The parties involved are worried about the effect of aircraft on the Hoge Veluwe National Park and the impact of lower flight routes on residential areas.

As in previous years, Schiphol Group set up several projects in order to foster the region's engagement with the airports. Our goal was to implement four projects and we succeeded in achieving that. We will be continuing our community engagement programme in 2018. We intend to invite local residents and interested parties more frequently to promote dialogue and show them our company.

#### Contributions to education by airports and airport-based businesses

Schiphol stimulates regional employment through the Schiphol Aviation Community. During the symposium in October 2017, on the occasion of its ten-year anniversary the Community presented a manifesto entitled *De Integrale Luchthavenmedewerker* (the all-round airport employee). Over the next few years, the Schiphol Aviation Community will concentrate on labour security, vitality and attractive employment practices. Career security is

replacing job security. With an integrated approach, an employee can combine jobs at Schiphol, including with different employers.

Together with Royal Schiphol Group and 26 other companies, the Community set up Aviation Inclusive, an initiative which, every year, gives a hundred people with an occupational disability the opportunity to find a job at the airport. This initiative is in line with the Participation Act (Participatiewet). So far, 36 employers at Schiphol have signed up to the programme. Together they look for opportunities to create jobs for the target group. In the past year, Aviation Inclusive found placements for 75 people. In 2016, some twenty individuals found placements following the start of the Community half-way through the year.

The employers have joined forces with the municipalities of Amsterdam, Haarlemmermeer, Almere, Zaanstad and Haarlem, which operate from a single desk opened in June 2017 by our CEO Jos Nijhuis and Arjan Vliegthart, alderman of Amsterdam. The entire region will be able to use the information desk; it will enhance Schiphol's visibility as an important generator of jobs. As in previous years, in 2018 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 an opportunity to work at Schiphol.

In 2017, in collaboration with the sector, the Schiphol Aviation Community developed the Schiphol Career app, the aim of which is, on the one hand, to attract more talented people to the airport and, on the other, to make the labour market at Schiphol more attractive. The app is still in the test phase; we will start marketing it in 2018.

Similarly, Lelystad Airport has made a commitment to help people with limited opportunities on the labour market, 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 jointly promote and provide training initiatives and work placements.

Rotterdam The Hague Airport provides vocational training, offering students and pupils orientation sessions, traineeships and graduate internships in collaboration with organisations such as Champs on Stage, Het Technasium, Jinc and the weekend school. The Startbaan project, an annual training and orientation programme in partnership with the Rotterdam Police Department, the Port of Rotterdam Authority, the Shipping and Transport College, the Royal Netherlands Marine Corps and the municipality of Rotterdam, offers placements to young people lacking the qualifications necessary for a standard job. A job fair is held after the project is completed. In 2016 and 2017 there were 18 candidates. Everyone in the class of 2016 found a job or enrolled in a training course; several participants from 2017 are still receiving coaching in their search for a placement.

#### *Projects for children*

We again sent the Schiphol education kit to local schools in 2017, a tool used in the classroom to teach children about the various aspects of the airport through play. The module is simple to integrate into a primary school teaching package. There are also projects for disadvantaged children. For instance, we organised three Airport Experience events in 2017, where children learned about every aspect of aviation.

## Quality of life projects in the Schiphol area

Agreements on how quality of life in the Schiphol region can be improved were made in the Covenant on local environmental quality for the medium term. To this end, Schiphol and the province of North-Holland set up the Schiphol Quality of Life Foundation (Stichting Leefomgeving Schiphol). Led by an independent management board, the foundation is implementing a programme for area-specific projects (improvement of the quality of the local environment in particular areas) and a programme for individual measures (mitigation in cases of noise-related distress). Financing parties are the province of North-Holland, the Ministry of Infrastructure and Water Management and Schiphol Group.

Schiphol made a tranche of 10 million euros available for the first phase in 2006. The Alders recommendations of October 2013 included a second tranche for which Schiphol Group is again making 10 million euros available. The contribution in this phase will again focus primarily on the most distressing cases. The second phase began in 2017 with the programme of individual measures. The programme of area-specific projects will start in early 2018. In principle, 20 million euros will be available for this programme, which will involve 27 projects in the municipalities of Aalsmeer, Uithoorn, Haarlemmermeer and Haarlemmerliede. The programme was developed in close cooperation with the residents and municipalities involved. Both programmes must be implemented by no later than 2020. Visit [www.stichtingleefomgeving.nl](http://www.stichtingleefomgeving.nl) for details of the project.

### **Kaagbaan (Runway 06-24) Experience**

Once every seven years major maintenance is carried out on one of the runways. The entire runway is rebuilt. This is a lengthy project, lasting ten weeks in the case of Runway 06-24. Local residents are traditionally invited to come and take a look while the maintenance work is carried out. We opted for a different approach for Runway 06-24, one of our most frequently used runways: the Kaagbaan Experience. A good one thousand local residents came round to have a look behind the scenes during the weekend of 8 and 9 April. They obtained information about the runway and the maintenance work in many different ways. The highlight for many was a walk on the runway. The event generated considerable positive feedback, dialogue and understanding. We will continue organising events of this type.

### **Schiphol Fund**

The Schiphol Fund exemplifies the airport's social involvement with the local community. We make an annual donation. Four times a year, the Fund's management board awards donations to non-profit public benefit organisations operating in the area of sport and exercise. In total, more than 336 thousand euros was spent on general and specific donations to 44 local organisations in 2017.

### **Eindhoven Airport Quality of Life Fund**

Eindhoven Airport was one of the initiators of the Quality of Life for Eindhoven Airport Foundation. The foundation supports innovative and sustainable initiatives that benefit the quality of life and economic development of the region. A starting capital of around 880,000 euros is available for the period running until 2019 inclusive. Eindhoven Airport has contributed 200,000 euros. The other funds come from the municipality of Eindhoven, the province of North-Brabant and the central government.

### **Lelystad Airport Fund**

The Lelystad Airport Fund, a joint initiative by Lelystad Airport, the province of Flevoland and the municipality of Lelystad, aims to stimulate sustainability, quality of life and economic development at and around the airport. The fund contains 1.85 million euros for the next three years.

Projects supported by the fund in 2017 included the development of De Lelystadse Boer, in the

form of a maintenance contract for the airport grounds. De Lelystadse Boer is an initiative by seventy farmers in the Lelystad region who analysed the opportunities presented by the development of Lelystad Airport. The farmers will contribute in three areas: they will supply healthy, local products to the airport, maintain the grounds and the land surrounding the airport and are committed to sustainable management and agricultural practices. Another project supported through the Lelystad Airport Fund was the Puur Dichtbij app, which was developed to stimulate the local food chain.



### **CO<sub>2</sub> emissions**

Schiphol Group pursues an active emissions reduction policy. In 2008, we published our first Climate Plan, which inspired the inclusion of the target that Schiphol be the first climate-neutral mainport by 2040 in the Aviation Policy Document (2009). The Dutch government stressed the importance of a sustainable aviation sector in its 2017-2021 coalition agreement. Airports are also subject to the Paris Agreement (2015). We feel encouraged by these external developments to continue on our chosen path. One challenge we face is that the majority of the CO<sub>2</sub> emissions are outside our immediate sphere of influence. See Supply chain responsibility for further details.

In 2017, the vision on energy was revised and the timeline adjusted to 2040. The aim during that period is to introduce measures to render the airport's energy supply CO<sub>2</sub> neutral. The revised vision on energy is helping us to make choices and set priorities for projects. We intend to issue a call for tenders in 2018 for the supply of gas in a mixture that represents maximum sustainability. The regional airports will also participate in the tender.

In 2017, we concluded a contract with Eneco for the purchase of 100% sustainable electricity generated in the Netherlands. The contract covers the 2018-2032 period. Eneco is building new wind farms specifically for Schiphol Group. We are also jointly examining the possibility of sustainable generation at our sites. This is a joint procurement process: in addition to Amsterdam Airport Schiphol, the three regional airports are also party to the contract. Since our business

partners purchase electricity from Schiphol Group, their power consumption has become more sustainable too.

### Fewer CO<sub>2</sub> emissions

In 2009, the Airports Council International introduced a CO<sub>2</sub> benchmark; Schiphol helped to develop it. Amsterdam Airport Schiphol is one of the airports most actively pursuing emission reductions. For the fifth year in a row, we retained our 3+ status in the Airport Council International's Airport Carbon Accreditation benchmark, despite the growth in the number of passengers and flights. This is the highest level that can be attained. One component of this status is that the airport's own activities are CO<sub>2</sub> neutral. We compensated the 2017 emissions with emission allowances for Dutch and Danish wind energy and solar energy projects. Our ambition is to maintain this highest status in the future.



We have set ourselves the target of reducing CO<sub>2</sub> emissions per passenger to 1.35 kg by 2020. The target for 2017 was 1.62 kg, slightly below the 2016 level. We expected retention of the 2016 level to be a challenge because of the various expansion projects, including Departure Hall 1A. Even so, the 1.52 kg CO<sub>2</sub> per passenger level achieved in 2017 means that we met our target by a comfortable margin, thanks to energy-saving measures. The growth in the number of passengers also played a key role here. Our target for 2018 is 1.48 kg CO<sub>2</sub> per passenger. Electricity will remain a component in the calculation in 2018, even though we will be using renewable electricity from 1 January onwards. We do so in

order to retain our focus on reducing energy consumption.

### Energy efficiency

Every year Amsterdam Airport Schiphol takes measures to reduce energy consumption, which fell to 1,990 TJ in 2017 (2016: 2,023 TJ).

In 2017, Schiphol attained an energy-efficiency rate of 4.61%, nearly 0.5 percentage points more than the target set (4.19%). Energy efficiency is calculated by comparing the energy savings with the level of consumption in the previous year plus the expected growth in the current year. Energy consumption has increased for a number of years because of the growth in the number of passengers, the use of heat pumps and electric charging. This increase in Schiphol's direct CO<sub>2</sub> emissions goes hand in hand with a reduction of the CO<sub>2</sub> emissions at the site and improvement of local air quality. For instance, electric vehicle charging means less diesel and petrol is required. A decrease in gas consumption is another trend we have observed.

One of the major projects in 2017 was the installation of a heat and cold storage facility (WKO) on Pier G. The climate control systems have also been renovated. Making a change such as this in an existing building is a more disruptive process than during new construction.

We expect to see greater energy efficiency and a reduction in energy consumption over the next two years. A number of major projects will be completed, including the climate control systems for Terminal 3, Pier D and Cargo 8. A substantial amount of lighting is being replaced as well. The impact of these savings will be visible in 2018 and 2019. Schiphol intends to obtain an even better insight into energy consumption and potential savings by means of an Energy Management

### CO<sub>2</sub> emissions at Amsterdam Airport Schiphol (in tonnes)

Caused by		2017	2016 <sup>1</sup>	2015 <sup>1</sup>	2014	2013
Scope 1	Natural gas and fuel consumption under the SNBV licence	<b>15,668</b>	16,279	19,954	16,190	19,309
Scope 2	Electricity	<b>87,130</b>	85,916	78,681	81,426	85,639
<b>Total CO<sub>2</sub> emissions</b>		<b>102,798</b>	<b>102,195</b>	<b>98,635</b>	<b>97,616</b>	<b>104,948</b>
Passengers x 1,000		<b>67,696</b>	62,705	57,581	54,549	52,251
CO <sub>2</sub> kg/passenger		<b>1.52</b>	1.63	1.71	1.79	2.01

<sup>1</sup> Numbers relate to the emissions and the number of passengers during the operating year



System which meets the international ISO 50001 standard. We are currently identifying and listing the steps to be taken.

### Regional airports

Rotterdam The Hague Airport has set itself the long term goal of becoming CO<sub>2</sub> neutral. Emissions in 2017 fell by 11% to 1,752 tonnes. This is mainly due to the transition to LED lighting on the apron and in the terminal. In addition, the new baggage handling system uses less energy, in part because it is connected to a heat and cold storage system. The airport is designing a plan for the installation of solar panels on hangars 1 and 3 and a further roll-out of LED lighting.

Eindhoven Airport once again achieved the highest possible accreditation level (CO<sub>2</sub> neutral) in the Airport Carbon Accreditation benchmark. It has maintained this level since 2012.

In 2017, Lelystad Airport began the construction of a terminal with LEED GOLD certification. The terminal will have sustainable applications for climate control systems and energy-efficient lighting equipment.

A solar parking pilot project was conducted in 2017, which involves a carport with 170 solar panels on the roof. The energy produced will be used in the local community. Any surplus energy will be stored temporarily in the batteries of parked electric cars and in cell batteries. Depending on the results, consideration will be given to a possible expansion of the project, including whether it will be feasible to establish some of the car parks at the airport and at the Lelystad Airport Business Park as local sustainable power stations. Where possible, solar panels will be installed in the airport area. Lelystad Airport Business Park is also encouraging companies to install solar panels. An additional advantage is that the shiny panels deter birds.

## Air quality

Schiphol Group is dedicated to high air quality at and around the airports and aims to lead the sector when it comes to reducing NO<sub>x</sub> and particulate emissions (PM<sub>10</sub> and PM<sub>2.5</sub>). These efforts are important in view of our commitment to the health of employees at Schiphol and local residents.

Air quality is continually monitored by the government. The province of North-Holland has three air quality meters around the airport. The measurements can be viewed online. The Schiphol site met all governmental requirements in this field in the 2017 operating year. 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 are not being measured at present as it is not always possible to draw clear causal links between our own and other parties' activities and air quality.

Schiphol has 225 aircraft stands for passenger aircraft, cargo aircraft and buffer positions. These include 127 fixed aircraft stands and 98 stands that do not have a direct connection to the terminal. In 2017 we did not connect additional fixed aircraft stands to fixed electrical ground power, which means the total number receiving fixed electrical ground power remains at 73. With fixed electrical ground power, aircraft do not need to use a generator or the auxiliary engine in their tails during ground handling, thereby cutting NO<sub>x</sub> emissions.

The number of flights handled using fixed electrical ground power has risen in absolute terms, but in percentage terms the figure has fallen slightly to 54.0% (2016: 54.6%). Several alternatives to Ground Power Units (GPUs) are currently being developed for the other aircraft stands. Jointly with KLM and KLM Equipment Services, we tested a mobile electric GPU in 2017. The test generated positive feedback from all parties, and the GPU will go into production in the second half of 2018. Other alternatives include GPUs run on biofuels, hydrogen or a hybrid form. We are monitoring developments closely.

### Ultra-fine particles

The Dutch National Institute for Public Health and the Environment (RIVM) has proposed to examine the health risks run by residents in the communities around Schiphol more closely, in response to an earlier exploratory study by the RIVM into the health risks associated with ultra-fine particles around Schiphol, which gave no indication that the mortality statistics around Schiphol are any different from similar areas elsewhere in the Netherlands. The (then) Ministry of Infrastructure and the Environment took up the proposal and commissioned a comprehensive health survey in the Schiphol region. The RIVM is collaborating with the Amsterdam Municipal Health Service (GGD), the IRAS research institute (Utrecht University), the Netherlands Energy Centre (ECN) and others.

The survey, which is set to run until mid-2021, focuses on such things as the extent to which local residents are exposed to ultra-fine particles and the identification of any short-term and long-term health risks. At present, little is known about the impact of ultra-fine particles on human health. Part of the survey will be carried out using pupils from the upper level of two primary schools, whose health will be monitored. Since the schools are situated on different sides of Schiphol, there will always be one school that receives concentrations of ultra-fine particles and one that does not, as this depends on the wind direction. The researchers decided to look at primary school children because they usually live near the school and so stay in the same environment, unlike adults, who tend to work further away from home, which makes it harder to determine their exposure to ultra-fine particles. The first measurement results were published in 2017 at [www.luchtmeetnet.nl](http://www.luchtmeetnet.nl).

### Clean mobility

As part of its efforts to improve air quality at and around the airport, Schiphol aims to promote clean mobility at the airport. This involves both our own mobility and that of companies established at Schiphol. The measures taken are aimed, on the one hand, at replacing vehicles run on fossil fuels with electric transport and, on the other, at reducing fuel consumption.

#### *Buses*

The number of electric buses at and around Schiphol is being increased substantially. Since 2015, 35 electric BYD buses have been operating on the apron, carrying 10 million passengers from

the terminal to the aircraft and vice versa in the past two-and-a-half years. In 2017, Connexxion won the tender to provide public transport in the Amstelland-Meerlanden region, where Schiphol is located. The invitation to tender, issued by Amsterdam Transport Region in collaboration with Amsterdam Airport Schiphol, required bids to be based on the use of fully electric buses. As from spring 2018, one hundred electric VDL Citea buses will be deployed at and around Schiphol; the largest fleet of electric buses in the Netherlands. The Heliox charging stations for these buses were installed at Schiphol in 2017.

#### *Taxis*

Alongside public transport, taxi traffic from the airport is also largely electric. The official taxi concession holders, the BIOS Group and BBF, have been conveying passengers to Amsterdam and other destinations in the Netherlands in Tesla taxis since 2014. The successful taxi concession was extended in 2017. Our regular partners operate a sustainable fleet of 151 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. The fleet of additional taxis includes a further 163 emission-free cars, bringing the total number of electric taxis serving Schiphol to 314.

#### *Ground Support Equipment*

Special vehicles known as Ground Support Equipment (GSE) operate on and around the aprons. They include cleaning vehicles, catering trucks and aircraft tractors and are used to prepare aircraft for departure or handle them on arrival. An increasing number of those vehicles is electrically powered. Since 2015, Amsterdam Airport Schiphol has been supporting ground handling companies with the transition from fossil fuels to electric power by investing in charging stations. In 2017, 146 new charging stations were commissioned and a start was made on the construction of a further 194.

Even though increasing use is being made of electric GSE, the use of diesel-powered GSE will be unavoidable in the coming years because an electric version of every type of GSE is not yet available. Diesel Motor Emissions (DME) are more harmful than other emissions of engines powered by other fuels. To monitor emissions and limit them as much as possible, we are developing a company standard. To this end, in

2017 the DME working group published a recommendation, which will be translated into an action programme in 2018.

#### *Self-driving minibus trial*

Schiphol is monitoring developments in the area of electric and driverless transport carefully. A trial involving what is known as a WEpod was carried out in the P3 car park at the end of 2017. A WEpod is a self-driving vehicle which travellers can use to travel in comfort (with their suitcases) to the shuttle bus, which will take them to the terminal. The six-seater minibus moves only when necessary and chooses the most efficient route. The WEpod trial is in line with our aim to make passengers' journeys a simpler and more pleasurable experience. We are familiarising ourselves with new technology through practical experience, and expect to conduct further pilot projects involving innovative and sustainable forms of transport in future.



### **Raw materials and residual flows**

Schiphol aims to become a zero waste airport by 2030. The earth cannot endlessly supply raw materials, which is why we take a responsible approach to natural resources and other materials. Our ambition is high because we expect the number of passengers in the aviation sector to double in the decades ahead.

Our zero waste principles apply to the design and construction of new buildings, the renovation of existing assets, and the procurement of products and services. We want to achieve the maximum output from our resources by allowing them to 'circulate' as long as possible. We promote the high-grade reuse of residual flows, which yields economic residual value.

When we revise our Corporate Strategy, we will also revise the zero waste section. Our aim is to cause employees to start thinking about 'strategic resource management' rather than 'waste management'.

### **Sharing knowledge**

In 2017, we commissioned a survey into the waste flows at the Schiphol location in order to identify where the greatest impact is felt and our level of influence on it. Circular design, procurement, construction and maintenance are new skills, and we need to invest in them. To that end, we organised inspiration sessions and presentations with a view to motivating staff and business partners and increasing the level of knowledge further.

Schiphol has joined the Community of Practice (CoP) for Circular Purchasing, led by the Amsterdam Economic Board. We share best practices and learning experiences with regional parties in the CoP. Our common aim is to boost market demand for circular solutions. We have signed an agreement with the Department of Public Works and Water Management (Rijkswaterstaat), the province of North-Holland, various municipal authorities and other parties aimed at stimulating the circular economy throughout the province. The objective is to accelerate the reduction of the use of primary raw materials. Schiphol has also joined Madaster, a public platform from which documentation on materials used in buildings can be obtained. This allows us to gain experience in the preparation of materials passports and share our experiences with other organisations.

### **New construction and renovation**

The basic principles which we developed in 2016 for circular construction are used as guidelines in the design, procurement, construction and installation of infrastructural assets at and on behalf of Schiphol. In 2017 we set up the Circular Economy Task Force, where the departments of our company that play the biggest roles in the transition to circular operations are represented at management level. The Task Force is monitoring two projects in particular: the renovations of Pier C and The Base office building's A Tower. Circular principles are being applied in these projects. This is a challenge, because both concern locations where many activities take place that must be able to continue unimpeded. As a consequence, the project teams are having to adapt their customary working practices. The Task Force is supporting the project teams and challenging them to continue along the path chosen. In 2018 we will earmark further circular projects.

2030 may seem like the distant future, but our assets have long life cycles. That is why we have already spent a number of years working on achieving our ambition for 2030. The construction of the new morgue is the highlight of 2017 in this regard. Car park P1 was extended in 2017. Since it is anticipated that expansion will be required for a 15-year period, Schiphol requested a demountable system in the invitation to tender. The construction is not yet circular but because the car park is demountable, it will be possible to reuse the materials in the future.

The P2 car park has been demolished, and the cement joists will be taken to a storage location. The concrete from the P2 car park will be given a second life in the foundations of the new pier and terminal. Charging facilities and payment machines have been relocated to other parking facilities. The design process of the new pier is gradually moving into the implementation phase, and the design process for the terminal will start in 2018. Circular principles are being applied in both processes.

### Reuse and recycling

Reusing and recycling waste flows are key components of our ambition to become a zero waste airport. The collection and separation of operational residual flows is a complex challenge. In 2017, we took the first steps towards developing interactive solutions that will make it feel natural for passengers to separate their waste. In 2018, in collaboration with waste processing company Suez and other partners, we will start collecting plastic bottles separately by means of attractive collection points.

We aim to recycle at least 70% of operational residual flows by 2020. We do not count construction and demolition waste, water containing glycol and waste from aircraft as operational residual flows because they are separated and processed by third parties.

At 42.3%, the share of separated operational residual flows in 2017 was slightly below the 43% target (2016: 34.3%). Until the end of 2016 we did include aircraft waste in operational residual flows so the results of the two years cannot be compared. Our partner Suez ensures that the separated flows are actually recycled. In 2018 we will also be monitoring a second KPI, which indicates how waste flows are recycled. The

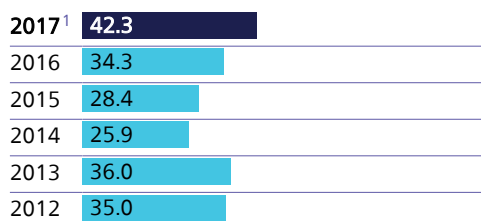
monitoring will be based on Lansink's Ladder, the standard used to deal with residual flows in the Netherlands.

We have partnered with Closing the Loop to recycle mobile phones and their parts. In the first quarter of 2017, all mobile phones of Schiphol employees were replaced. The life span of the used mobile phones will be extended. The same number of defective phones has been removed from landfills in developing countries in order to contribute to a reduction of electronics residual flows. All new telephones purchased by Schiphol are raw-material-neutral.

There are two further initiatives that contribute to the reduction of electronic residual flows. One is the tender for IT hardware, in which it was agreed that the hardware will be returned to the supplier. The other initiative is the current tendering process for new displays on a service basis.

### Percentage of separated operational residual flows

(per year at Amsterdam Airport Schiphol)



<sup>1</sup> Excluding CAT1 air craft waste.

## Regional airports

For all of its activities and investment decisions, Rotterdam The Hague Airport looks at what material can be recycled for use in construction work at the airport, such as concrete rubble, sand and other raw materials that have been removed. Examples include foundation filling, paving roads and compacting the soil at the airport. It has been agreed with the waste disposal company that residual flows will be collected separately at the airport and presented for recycling. In 2017 a total of 21.1% of residual flows were separated (2016: 34.6%). Since the calculation method was adapted in 2017, the results are not comparable.

Eindhoven Airport practises responsible use of raw materials and other materials for the purpose of long-term value creation. The airport aims to separate at least 30% of its residual flows by 2020. In 2017 a total of 24% was separated (2016: 18%). Waste facilities at the Eindhoven Airport site have improved. In 2017, Eindhoven Airport, in partnership with Vanderlande Industries, completed the Closing the Loop project, in which some of the materials from the old baggage carousel were reused for other projects. The new baggage carousel is made of 100% recyclable material.

Lelystad Airport has included maintenance for the first 15 years as a requirement in the invitation to tender for the new terminal, meaning that sustainable solutions will also be in the interest of the contractor. We opted to fully reuse 15-year-old sections of the traffic control tower when increasing its height. The new runway was constructed using innovative foundation techniques that significantly reduced the amount of earthwork required, saving around 10,000 lorry runs and 500 tonnes in CO<sub>2</sub> emissions.

Within the airport area, depots have been built where soil and construction materials removed during construction activities are stored. This makes it easier to reuse the materials. A study has been carried out into the potential for centralising the collection of separated residual flows from the airport and Lelystad Airport Business Park. A further goal is to reuse some of the residual flows locally. In the coming years, the airport will make specific plans based on the recommendations from this study.



## Contracting practices

Royal Schiphol Group is one of the major semi-public commissioning authorities in the Netherlands and is a coordinating organisation that works with many parties. Our tendering policy reflects our standards and values pertaining to Corporate Responsibility, and we actively focus on them in our management decisions. Once a contract has ended, we use a vendor rating evaluation to monitor developments in the partnership and make adjustments as necessary.

### Goals of the tendering and purchasing policy

Our tendering and purchasing policy is essentially goal-oriented: every tendering process must result in the best quality at a competitive price. We prepare a strategy in advance, stating explicitly how the contract contributes to Schiphol's ambitions, to which contract objectives it will lead and how the contract can be designed to ensure that they are achieved. The central questions are how to ensure that we achieve these goals, and how suppliers will implement their processes and coordinate them with Schiphol Group, upstream suppliers and other relevant stakeholders.

Schiphol has a complaints desk for interested parties in tendering procedures. The complaints committee received and examined four complaints in 2017. The complaints gave us an insight into opportunities to further simplify and improve purchasing processes.

### New evaluation method

Schiphol Group has introduced a new form of 'vendor rating' contract evaluation and applied it to the most important contracts – in the form of

## Mutual trust

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 contracting practice. The underlying idea is to ensure that collaboration throughout the chain promotes pride, professionalism and job satisfaction, resulting in a successful project. The key pillars of this approach are mutual trust and reliability. Based on this philosophy, the commissioning authorities and relevant market parties jointly create greater added value for society at lower public costs. Schiphol Group has also implemented its vision on the market, which supports and underlines the above basic principles.

pilot projects for the time being. This method focuses primarily on how a contract is carried out. We evaluate on a structural basis what contractors can do to improve their services. Conversely, the contractors can also evaluate what Schiphol is doing to enable them to create maximum value. In the course of 2018 we will decide whether to continue using this method and if so, how.

### Scope for innovation

Schiphol provides scope for innovation and sustainability in its tendering policy. It is keen to be a launching customer and in its contracting practices it is open to new ways of creating value. The main innovations in 2017 are related to digitisation and include self-propelled passenger bridges, the first pilot projects for which were completed successfully. Another innovation is biometric boarding, which was tested in a live environment.

### New contracts

FIDIC contracts have been implemented for the Capital Programme. FIDIC (Federation International des Ingénieurs-Conseils) contracts are international, English-language standard contracts for major projects in the area of design, engineering and implementation. Schiphol is thus anticipating contracting in the international arena. Many Capital Programme projects are being contracted with international (non-Dutch) suppliers.

### Best Value

Following on from the successful application of the best value method at Lelystad Airport, we are also applying it for tendering processes involving new main contractors. This concerns all maintenance at the Schiphol location and some of the investment projects pertaining to construction and infrastructure. 'Predictive maintenance' is the medium-term ambition for these contracts: digitisation in the preparation phase and what is known as virtual construction plus data-driven maintenance. This will lead to better preparation and faster implementation of construction projects, and to more effective maintenance. This means fewer risks and lower costs.

At Lelystad Airport, the Best Value method for airside and landside infrastructure has resulted in a substantially lower cost level. The Best Value approach turned out to be no more

advantageous than the 'traditional' method for the terminal.



## Supply chain responsibility

Royal Schiphol Group plays a coordinating role. We seek to increase the sustainability of our own business operations and provide incentives for upstream suppliers to improve their impact in the chain on working conditions and the environment. We share the ambition to work on creating a healthy and clean world. Our contribution consists of making the aviation industry more sustainable. In addition to the impact on the environment, there are other issues that we tackle in collaboration with our partners in the supply chain, such as the illegal trade in protected flora and fauna species, and safety. Supply chain responsibility means that we go one step further than be expected in light of our activities, inspired by the need to think and take action together.

We are satisfied with the attention now being given to both the positive and negative impact of air travel. Joining the Wildlife Trafficking Task Force was an important milestone for us. We see it as confirmation that this crucial subject, which we have been working on for a long time, is receiving an increasing amount of attention within the entire chain. This is extremely important given the complexity of the issue. We are concerned by the persistent lack of a good solution for PFOS-contaminated soil. In 2018, we will be continuing our efforts with partners at our airport locations and other stakeholders to improve the aviation supply chain.

### Cleaner together

Schiphol Group took the initiative in December to hold a working session on the Corporate Responsibility of industry and business partners at Schiphol. Dutch airlines, government organisations, catering partners, a cleaning company and our waste processor took part in that event, which we named the Sustainability Club. The participants assessed initiatives in which these diverse parties might be able to collaborate or reinforce each other. The Sustainability Club will continue this initiative in 2018 with a number of location-wide CR topics.

### *Fleet renewal*

Our airport charges are differentiated according to various factors such as noise and take-off weight. These two aspects have an impact on the CO<sub>2</sub> emissions of aircraft. This differentiation is one of the reasons why airlines are increasingly opting for newer aircraft for flights to and from Schiphol. These aircraft produce less noise and fewer emissions, which is in line with Schiphol's long-term ambition to be climate-neutral by 2040. KLM has taken an important step by replacing the traditional Boeing 747's with new Dreamliners (Boeing 787) for long-haul flights. Aeroméxico and Etihad Airways have also been using the new 787 since 2017. The Airbus A350, another quiet and efficient aircraft for long distances, is being used by Singapore Airlines and China Airlines for flights bound for Amsterdam.

The European fleet has also been renewed. KLM has said farewell to its last Fokker and is now flying with Embraer aircraft. easyJet is using the A320Neo for flights from Amsterdam, and Lot Airlines uses the new 737Max8 when flying into Amsterdam. airBaltic uses the new Bombardier CS-300s.

In response to the introduction of the A320Neo by easyJet, a stakeholder dialogue was organised to discuss the need to make the aviation industry more sustainable. Our CCO gave an introduction for representatives from the world of politics, industry and the scientific community. The discussion helped participants to sharpen their own visions of the potential opportunities for making the aviation industry more sustainable, as well as the obstacles they might encounter.

Like easyJet, Schiphol Group believes that the development of electric aircraft is the way ahead. In conjunction with Siemens, we entered the debate with the then Minister for the Environment Dijkema and the Human Environment and Transport Inspectorate (ILT) in 2017. We hope to receive approval in 2018 for an electric aircraft in Dutch airspace.

### *Fuel*

Through the Bioport Holland public-private partnership, Schiphol Group, together with KLM, Port of Rotterdam, SkyNRG and a number of other partners is keeping abreast of developments as regards biofuel. Biokerosene is one means of reducing the environmental impact of air travel. Airports themselves do not use biokerosene, but because kerosene is responsible

for most CO<sub>2</sub> emissions at airports, we are monitoring developments closely. The challenge lies in finding a suitable raw material with which to produce biofuel. It must not be at the expense of food production and must be available in the required quantities. A second challenge is to overcome the difference in price between ordinary kerosene and biokerosene. We hope that the attention given in the coalition agreement to making the aviation industry more sustainable means that advances will be made in both dossiers.

### *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. Optimisation will increase the capacity of available airspace. This will ensure 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, which reduces CO<sub>2</sub> emissions. Efficiency improvements on the ground can also lead to significant environmental benefits, as demonstrated by the Airport Collaborative Decision Making initiative. Improved consultation between Air Traffic Control the Netherlands (LVNL), Schiphol and the handling agents can reduce aircraft taxiing time, which in turn reduces kerosene consumption and CO<sub>2</sub> emissions.

### **Combating trafficking in protected species**

Customs checks all goods imported into, exported from and transiting through the Netherlands. In addition to checking for smuggled weapons and drugs, Customs also carries out checks to identify any illegal trafficking in protected flora and fauna. Smugglers are becoming increasingly resourceful. A new trend is that smugglers carry eggs of protected species on their bodies in order to hatch them in another country. Customs cannot identify all such activities by themselves. Alertness on the part of all supply chain partners is required if this extremely sophisticated trade is

to be halted. For instance, cabin crew might observe a passenger acting oddly during the flight.

Schiphol became a member of Wildlife Trafficking Task Force of the branch organisation for airports, ACI, in 2017. Jointly with other ACI members, we are helping our partners in the chain and other parties in the aviation industry to tackle this trade. Specific examples of measures include initiatives and innovations pertaining to data exchange regarding actual and potential smugglers and for the identification of animal and plant material. We highly value our collaboration with Customs at Schiphol, regarded throughout the world as a frontrunner in the fight against this form of crime.

### **A more effective safety platform**

With the aim of guaranteeing safe operations, Schiphol has set up the Schiphol Safety Platform (VpS), in which both public and private supply chain partners participate. The platform also enhances cooperation. Safe operations at and around the airport in all its facets require optimum collaboration between all partners in the chain.

The many companies at Schiphol are each responsible for safety within their business operations and the supply chains of which they form part. All the parties involved operate under a government-certified safety management system.

The VpS is regarded throughout the world as an example of how parties can monitor and improve safety in all its aspects. It identifies safety risks, coordinates control measures, responds proactively and communicates any action taken to the parties concerned. The platform comprises the Flight Safety, Ground Safety and Cargo Safety expert groups.

To increase the effectiveness of the present VpS, and in response to the recommendations of the Dutch Safety Board, the management boards of the relevant industry parties gave instructions in 2017 for the creation of a Schiphol-wide Integral Safety Management System (ISMS). The purpose of the ISMS is to identify, monitor, analyse and mitigate safety risks that affect more than one industry party. The results are then linked to the existing separate Safety Management Systems. The ISMS works in close cooperation with the Civil

Aviation Incident Analysis Department (ABL) of the Human Environment and Transport Inspectorate (ILT).

In early 2018 the ISMS kicked-off the Integral Safety Organisation programme, whose structure and content are so innovative that no specific regulations are available yet. The aviation industry and the Ministry of Infrastructure and Water Management will draw up a covenant on the development of the ISMS and the Civil Aviation Incident Analysis Department. External experts will periodically assess the ISMS's working method.

### **Contamination by fire-fighting foam**

Up until several years ago, PFOS was added to fire-fighting foam throughout the world. PFOS is a toxic fluorine which does not degrade and finds its way into the food chain. Its environmental impact was unknown at the time. The use of extinguishing foam containing PFOS has been officially banned since mid-2011. Soil is contaminated with PFOS at several locations, including the Schiphol site. Little attention is paid to the issue in other regions owing to the absence of a national policy. Since this is an international problem affecting many airports, Airports Council International drew up a memorandum on the subject in 2017. Together with all partners within the supply chain, Schiphol will make every effort in 2018, as in previous years, to find a sustainable solution.

PFOS-contaminated soil is often excavated for projects at Schiphol. The ban on dumping means that PFOS-contaminated soil cannot be removed or recycled, causing delays in construction projects due to the additional transport, storage and subsequent processing of the soil. This also has financial consequences. Schiphol has stored excavated PFOS-contaminated soil at its own site. Approximately 70 cubic metres are stored in depots pending reuse or decontamination solutions.

In July and October 2017, the local authority drew up a policy for dealing with PFOS-contaminated soil in Haarlemmermeer. However, no reuse projects are available at the present time so the quantity of soil stored in depots continues to increase. In some cases, the PFOS levels identified at Schiphol exceed the decontamination level established by the province of North-Holland. We consider the risks to the environment and the



measures we need to take to eliminate those risks on a case by case basis. Our contractors' safety experts have concluded, in part based on RIVM reports, that so far the contaminated soil does not pose any acute danger to the health of people who are exposed to it.

## Monetisation of impact

In meeting its socio-economic responsibilities, Schiphol Group 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. 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 effects of 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. This exercise proved quite useful, which is why we again analysed an investment this way in 2017.

### 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. Alongside costs, there are further effects that are not included in our present system but that nevertheless carry a price. 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. 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 for the entire duration of the concession. It helps to make a clear assessment of the pros and cons. We can only spend each euro once, and our aim is to get maximum societal value for our money.

### Weighing the impact: a business case

The case we dealt with in 2017 concerned the additional investment in charging infrastructure for the Snetnet buses over a 10-year period. The use of Snetnet buses is an important step in the transition to sustainable mobility in the region. The zero-emission vehicles do not use fossil fuels, which means they do not have a negative impact on local air quality. Amsterdam Airport Schiphol is contributing towards the costs and facilitating half of the charging facilities required at its site.

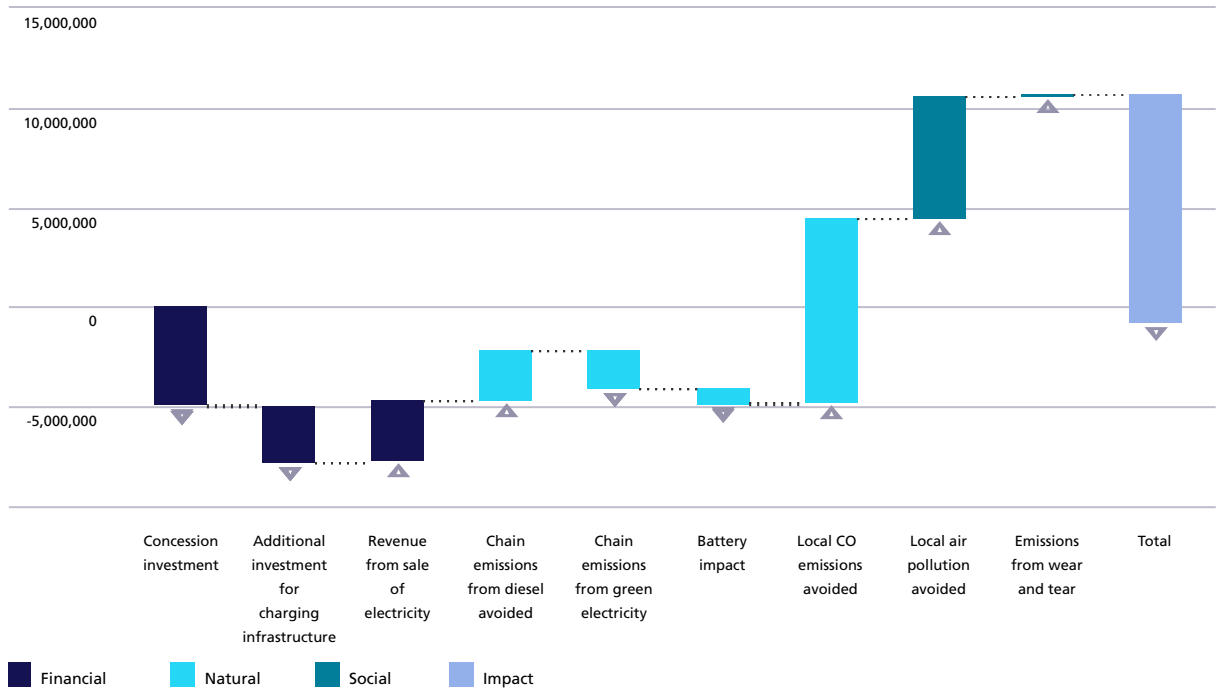
The impact of the new electric Snetnet buses was compared with the current Euro V diesel Snetnet buses. Since we still have no precise data on emissions avoided, the calculation was made based on industry standards laid down by the European Commission. This is a conservative estimate; in reality, the avoided emissions are far higher. This has resulted in a substantial positive impact on local air quality because the new Snetnet buses are not producing any harmful emissions in the local area. The electric Snetnet buses do, however, have an impact on the environment through the manufacturing of batteries and wear and tear on brakes and road surfaces. The generation of sustainable energy also creates greenhouse gases.

The Amsterdam Transport Region grants the concession for the Snetnet buses. Monetising enables us to set out the project value for the entire duration of the concession. The impact on financial capital is relatively small because the costs are borne by several organisations and, pursuant to legislation, are partly set off against the network tariffs. Amsterdam Airport Schiphol facilitates half of the charging facilities required at its site. This is why only part of the positive benefits are allocated to Schiphol. We aim to avoid double counting in this way. In absolute terms, the benefits for natural and social capital outweigh the additional investment in charging points.

We feel positive about the insights we have gained by taking impact into account in our decision-making, but this approach does have its downsides. It takes additional time and a lack of data means we cannot always apply the methodology. We will continue to monitor developments and will gladly share our experiences and lessons learned with other organisations.

### The impact of the Sternet concession on Schiphol's charging infrastructure

(in EUR)



## Financial performance

In 2017, the number of passengers at Amsterdam Airport Schiphol increased to 68.5 million and the number of air transport movements to 497 thousand. Additional operational measures were taken in order to streamline substantially growing passenger flows, which resulted in an increase in operating expenses. With the longer term in mind, investments are being made in a number of major projects that are intended to deliver the capacity required, including the new pier and terminal.



In 2017 Royal Schiphol Group's net result fell by 8.7% to 280 million euros (2016: 306 million). The growth in passenger numbers means that the airport is now operating at maximum infrastructural capacity. As a result, we have had to take costly operational measures to maintain the same level of quality. This is a major cause of the decrease in our net result. The result in 2017 was positively influenced by one-off revenue of 38 million euros. As in the previous year, market developments in the real estate sector were positive, leading to a 42 million euro increase in the value of our real estate portfolio (2016: 71 million euros).

Pursuant to the Aviation Act, the approx. 25 million euro impact of the higher passenger numbers will be settled with the airport charges for the 2019-2021 period.

### Revenue

Revenue increased by 34 million euros (2.4%) in 2017, from 1,423 million euros in 2016 to 1,458 million euros.

Revenue			
EUR million	2017	2016	%
Airport charges	832	837	-0.5
Concessions	206	187	10.0
Rent and leases	160	157	1.9
Parking fees	123	116	6.5
Advertising	18	18	2.4
Services and activities on behalf of third parties	23	23	1.4
Hotel activities	33	29	14.9
Other	62	57	8.9
<b>Net Revenue</b>	<b>1,458</b>	<b>1,423</b>	<b>2.4</b>

The total revenue from airport charges generated by Amsterdam Airport Schiphol, Eindhoven Airport and Rotterdam The Hague Airport fell by 0.5% to 832 million euros in 2017. This can be attributed to the 7.1% decrease in airport charges at Amsterdam Airport Schiphol as of 1 April 2017. However, the fall in airport charges is largely offset by the rise in passenger numbers, which increased by 7.7% to 68.5 million at Amsterdam Airport Schiphol, while the number of air transport movements rose by 3.7% to 496,748, almost reaching the 'volume limit 2020' of 500,000 movements. Cargo volumes were up 5.4% to 1,752 thousand tonnes.

Eindhoven Airport also experienced a substantial increase in passenger numbers, which rose by 19.5% to 5.7 million. The number of air transport movements rose by 18.0% to 36,470. These rises have resulted in a 22.0% increase in the total revenue from airport charges generated by Eindhoven Airport, to 37.9 million euros.

Total revenue from airport charges at Rotterdam The Hague Airport rose by 3.7% in 2017. The number of passengers served by this airport rose by 5.4% to 1.7 million. However, the number of air transport movements fell by 17.8% to 14,386 as a result of several airlines having cancelled a number of destinations. The number of passengers nevertheless rose due to the use of larger types of aircraft.

The total revenue generated by concessions increased by 10.0% in 2017 to 206 million euros, due to the growth in passenger numbers and the renovation of Departure Lounge 2 completed in 2016. Average retail spending per departing passenger at Amsterdam Airport Schiphol fell by 2.2% from 13.65 euros in 2016 to 13.35 euros in 2017. This is a result of changing consumer behaviour and overcrowding in the departure lounges. Average spending per departing passenger in catering facilities rose from 4.32 euros to 4.68 euros (+8.3%).

Total revenue from rents and leases rose by 1.9% to 160 million euros. This increase is mainly attributable to a positive trend in the lease of office buildings at Schiphol-Centre. The occupancy rate of commercial real estate was 89.6% (2016: 88.7%).

Total parking revenue increased by 6.5% to 123 million euros. Amsterdam Airport Schiphol saw an increase of 5.5 million euros due to the rise in the number of passengers for whom Schiphol is the point of departure. As of 1 October, multi-storey car park P2 is closed for the construction of the new pier and terminal. In order to keep the parking facilities up to standard, new parking products have been developed, so that the closure of P2 has had a minimal effect on the number of times parked. The growth in passenger numbers at Eindhoven Airport caused parking revenues at this airport to rise by 11.8%. The collapse of the multi-storey car park at Eindhoven had no adverse effect on this growth.

The revenue from hotel activities was 33 million euros in 2017 (2016: 29 million euros), mainly generated by the Hilton Hotel at Schiphol-Centre. The Hilton Hotel was sold at the end of 2017, as a result this revenue flow will cease in 2018.

## **Other revenues and other results from investment property**

In 2017, the one-off result on the sale of the Hilton Hotel was recognised under this item, as was the valuation of the performance shares in the associate Brisbane Airport Corporation Holdings. The two transactions made a positive contribution to other income in 2017 of 26 million euros and 12 million euros respectively. The effect on Schiphol's net result is 30.4 million euros.

Other results from investment property amounted to 42 million euros (2016: 71 million euros). This can be attributed to positive market developments and lower vacancy rates in the offices at Schiphol-Centre and the logistics buildings. The results from investment property include a loss of 42 million euros in the value of two cargo buildings which in future will have no direct apron access, as the apron will be used to provide additional aircraft stands, resulting in the required extra capacity. Adjusted for this loss, the total fair value gains amounted to 84 million euros.

## Fair value gains and losses on the real estate portfolio

(EUR million)

2017	42
2016	71
2015	67
2014	-2
2013	3

## Operating expenses

### Operating expenses

EUR million	2017	2016	%
Outsourcing and other external costs	509	470	8.1
Depreciation and amortisation	264	237	11.5
Employee benefits	213	185	15.2
Security	193	179	7.7
Impairments	-	2	-100.0
Other operating expenses	2	3	-28.8
<b>Operating expenses</b>	<b>1,179</b>	<b>1,074</b>	<b>9.8</b>

Total operating expenses rose by 9.8%, from 1,074 million to 1,179 million euros. Due to the substantial growth in the number of passengers (+8.4% for Schiphol Group as a whole), the existing infrastructure is operating at full capacity. To maintain the same level of quality and avoid any bottlenecks in operations, relatively costly operational measures have had to be taken. These include the deployment of extra floor management, security staff and external and internal employees.

In addition, operating expenses were also up 13 million euros on 2016 as a result of our Digital Airport Programme (for IT and digital initiatives) and other IT priorities, including cyber security. This rise is in line with earlier expectations and the current phase of the programme.

Depreciation charges saw an 11.5% increase, from 237 million euros to 264 million euros, as a result of new assets being taken into operation. These include the temporary departure hall and major maintenance work on Runway 06-24, with an effect of 6 million euros and 2 million euros respectively. In addition, a life-cycle adjustment to existing assets in the terminal increased the depreciation charges by 4 million euros.

Employee benefits rose by 28 million euros, due in part to the 5.5% increase in the number of employees (+10 million euros). The new employees were required for such things as the additional capacity measures in operations, the Digital Airport Programme and the Capital Programme. The variable remuneration increased by 10 million euros in 2017 due to the relatively low payout in 2016, when many of the targets were not achieved. An increase in pension premiums and movement in negotiated wages also caused staff costs to rise by 6 million euros.

## Operating result

The operating result fell by 61 million euros from 420 million euros in 2016 to 359 million euros in 2017. This decrease is attributable to a negative operating result from Aviation following an increase in the costs of additional measures relating to security activities, to streamline the 7.7% growth in passenger numbers, and the costs of the Digital Airport Programme. This has reduced the operating result for Aviation by 76 million euros to an operating loss of 39 million euros.

Consumer Products & Services posted positive operating results, largely as a result of a rise in revenue. The operating result for Real Estate comprises 42 million euros in unrealised changes in the value of investment property (2016: 71 million euros). The sale of the Hilton Hotel contributed another 22 million euros to the operating result for Real Estate. The development of the operating result for Alliances & Participations benefited from the valuation of performance shares held in Brisbane Airport Corporation Holdings totalling 12 million euros.

### Operating result

EUR million	2017	2016	%
Aviation	-39	37	>-100
Consumer Products & Services	216	197	9.6
Real Estate	138	148	-6.4
Alliances & Participations	43	38	13.5
<b>Operating result</b>	<b>359</b>	<b>420</b>	<b>-14.7</b>

The operating result adjusted for unrealised gains and losses on the real estate portfolio and one-off other income items amounts to 278 million euros for 2017 (2016: 349 million euros).

## Financial income and expenses

The net financial expense fell by 5 million euros to 86 million euros in 2017. This decrease is attributable in particular to the fall in interest rates on current loans compared with the previous year. The downward trend in market interest rates causes new loans to be concluded at lower interest rates, with a positive effect on the interest burden.

## Share in results of associates

The share in the results of associates increased from 67 million euros to 73 million euros and represents 26% of the total net result (2016: 22%).

### Share in results of associates

EUR million	2017	2016	%
Groupe ADP	44	43	2.8
Brisbane Airport			
Corporation Holdings	25	25	0.4
Other results of associates	4	-	100.0
<b>Result of associates</b>	<b>73</b>	<b>67</b>	<b>8.0</b>

## Corporate income tax

Corporate income tax amounted to 60 million euros in 2017, compared with 86 million euros in 2016. The effective tax burden in 2017 was 17.4%, down 4.2 percentage points from 2016 (21.6%). The lower than nominal tax burden in both 2017 and 2016 is mainly attributable to the application of the participation exemption to the results of associates. The tax burden was also favourably influenced in 2017 by the tax exemption on results on the disposal of subsidiaries (0.5%) and a change in the corporate income tax rate in the US (1.4%).

Of the tax burden totalling 60 million euros, 61 million euros comprises Dutch corporate income tax (2016: 82 million euros) and -1 million euros US corporate income tax (2016: 4 million euros).

## Net result

As a result of the developments mentioned above, the net result for 2017 decreased by 27 million euros to 280 million euros (2016: 306 million euros). Pursuant to the Aviation Act, approximately 25 million euros will be set off against the airport charges for the 2019-2021 period on a pro rata basis. The return on equity (ROE) amounted to 7.2% in 2017 (2016: 8.2%) and RONA after tax to 6.1% (2016: 7.1%). Following adjustment for one-off revenue, the fair value gain on property and the part of the result that must be set off against the airport charges for 2019-2021, the return on equity amounted to approximately 5.2%.

## Investments

In 2017, Schiphol invested 490 million euros in property, plant and equipment, up 62% compared with 2016 (303 million euros). Of the total investment in 2017, 99 million euros relate to the development of the new pier and terminal and the associated infrastructure, 43 million euros to major maintenance to Runway 06-24 and 32 million euros to the development of Lelystad Airport.

### Schiphol Group investments

(EUR million)

2017	490
2016	303
2015	439
2014	396
2013	310

## Movement in the consolidated statement of financial position

Schiphol Group's balance sheet total rose by 3.6% to 6,655 million euros (2016: 6,426 million euros). Shareholders' equity increased by 119 million euros to 3,978 million euros, largely on account of the addition of the 2017 net result of 280 million euros, after payment of the 148 million euro dividend for 2016.

Associates and joint ventures posted an increase of 26 million euros arising from the favourable development of the results of Brisbane Airport Corporation Holdings and Groupe ADP. Investment property rose by 50 million euros largely due to the unrealised fair value gain on buildings.

Assets and liabilities held for sale concerned the Hilton Hotel and were sold at the end of 2017. Cash and cash equivalents fell by 69 million euros to 170 million euros, largely as a result of deposits totalling 190 million euros with terms ranging from 3 to 4.5 months, which are recognised under short-term receivables.

At year-end 2017 the current liabilities for borrowings amounted to 35 million euros (2016: 5 million euros). In 2017 a bond loan of 100 million euros was issued under the EMTN programme with a 9-year maturity period.

## Cash flow developments

The cash flow from operating activities fell by 171 million euros to 267 million euros as a result of the lower operating result and a negative development in the working capital. The negative movement in working capital was caused by the 190 million euros in deposits with terms ranging from 3 to 4.5 months, which are not included as cash and cash equivalents in the financial statements but are recognised under other receivables. The cash flow from investing activities amounted to 292 million euros negative, compared with 301 million euros negative in 2016. This cash flow was positively influenced in 2017 by the sale of the Hilton Hotel for 144 million euros. Without this one-off income item, the cash flow from investing activities amounted to 436 million euros due to the higher level of investments in 2017.

The net cash flow from operating and investing activities - the free cash flow - amounted to 25 million euros negative in 2017 compared with 137 million euros positive in 2016. The cash flow from financing activities was 55 million negative (2016: 323 million euros negative) as a result of 100 million euros in new financing (balance of repayments and borrowings) and a total dividend payment of 148 million euros. The net cash flow in 2017 amounted to 80 million euros negative (2016: 187 million euros negative). Consequently, the net amount of cash balances declined from 250 million euros at the end of 2016 to 170 million euros at the end of 2017.

## Financing

The total amount of outstanding loans and lease liabilities rose by 92 million euros in 2017 to 2,159 million euros. In 2017 a 9-year bond of 100 million euros was issued under the EMTN programme. In addition, Royal Schiphol Group can draw on a total sum of 575 million euros in committed bank facilities and 150 million euros in uncommitted bank facilities, which had not been used as at 31 December 2017. Schiphol Group has extended the term of an existing committed bank facility of 300 million euros by two years, until June 2022. In addition, in the first half of 2017 Schiphol Group took out a new committed bank facility at the European Investment Bank worth 175 million euros. This solid financing position is an important asset in

view of the increasing financing needs in the years ahead as a result of high investments.

## 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. In 2017 FFO decreased from 471 million euros to 467 million euros.

The FFO/total debt ratio amounted to 21.6% in 2017 (2016: 22.8%). The FFO/interest coverage ratio in 2017 was 6.9x, a slight improvement over the 6.8x recorded in 2016. 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 35.2% (2016: 34.9%).

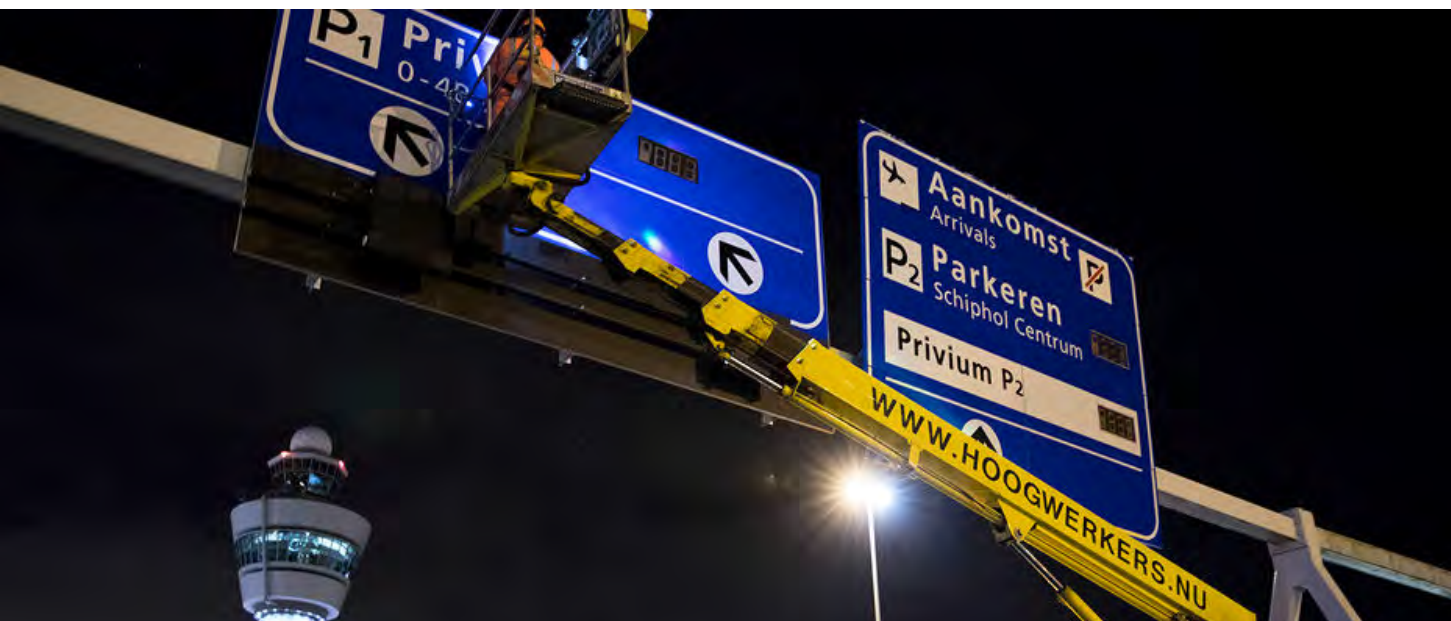
This means that the financial ratios satisfy the minimum requirements from Schiphol Group's financing policy, which prescribes an FFO/total debt ratio of at least 18.0% and a leverage ratio of between 30.0% and 50.0%.





# governance

# Report of the Supervisory Board



## Annual Report

The Supervisory Board is pleased to present the annual report, which includes the financial statements for 2017. The annual report is prepared by the Schiphol Group Management Board; KPMG Accountants N.V. audits the financial statements and has issued an unqualified opinion. The Supervisory Board's 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. Based in part on these discussions, the Supervisory Board has concluded that this annual report meets all relevant regulations and fulfils all governance and transparency requirements, and that it

provides a fair and comprehensive picture of the results, risks and events subject to the Supervisory Board's supervision.

The Supervisory Board approves the financial statements and concurs with the Management Board's proposal to distribute a dividend of 150.3 million euros on the issued share capital. After an addition to the revaluation reserve amounting to 36.1 million euros and a release from the other statutory reserves of 6.4 million euros, the remaining portion of 88.4 million euros will be added to the retained earnings.

The financial statements will be submitted to the General Meeting of Shareholders for adoption by the shareholders on 17 April 2018. 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.

Looking back, the Supervisory Board views 2017 as a year in which substantial efforts were made to keep the airport operations running as effectively as possible given the huge passenger numbers and scarce capacity. Several investment projects have laid the foundations for more effective utilisation of the available capacity in the coming years, while also providing a basis for realising much-needed additional capacity, such as the new pier and terminal. The Supervisory Board was closely involved in addressing the major challenges for the Management Board posed by safety and capacity issues both in the air and on the ground and the need to create the support required for the further development of Amsterdam Airport Schiphol. The Supervisory Board is aware that the Management Board operates in a complex stakeholder environment where interests must be carefully balanced. The Management Board informs the Supervisory Board meticulously of the considerations made.

The 2016-2020 Strategic Plan and the 2017-2020 Tactical Plan, which is distilled from it, combined with the 2017 Management Agenda, underpin the objectives of the Management Board and the supervision exercised by the Supervisory Board. They serve as a basis for assessing the performance of the Schiphol Group Management Board.

### Main points of attention

The extremely busy May holiday was one of the greatest challenges in 2017. The Management Board had updated the Supervisory Board ahead of the May period on the additional measures taken in order to manage the high numbers of passengers anticipated. Unfortunately, those measures proved insufficient in preventing long

queues at security control at several peak times. There were various additional meetings between (members of the) Supervisory Board and the Management Board, partly in response to the open dissatisfaction expressed by passengers and airlines. The issues addressed during these meetings include process improvements (by means of technology and ensuring closer involvement of partners in the chain), improving passenger forecasting and communication to passengers, airlines and the press. The Supervisory Board is satisfied with the way the Management Board and the Schiphol organisation set to work and brought about visible improvements in conjunction with the partners in the chain. The passenger process was satisfactory in the summer of 2017, without excessive waiting times at security control. The Supervisory Board and the Management Board evaluated the summer of 2017 and considered the inefficiencies, including cost inefficiencies, of fully staffing all security lanes. A solution was sought which has minimised the inefficiencies but which also allows for a reasonable margin since passenger flows cannot always be predicted accurately. The Supervisory Board also discussed events with the shareholders.

While safety is an important and permanent item on the agenda, this year it received even more attention than usual, due in part to the report issued by the Dutch Safety Board. The Supervisory Board is happy with the report's conclusion that Amsterdam Airport Schiphol is currently a safe environment and compliant with national and international legislation and regulations. The report has resulted in a more integrated approach to safety within the sector as a whole, and in a joint analysis of safety risks and incident reports. The sector has formulated a joint approach to enable the report's recommendations to be put into practice; the Supervisory Board will continue monitoring implementation of those recommendations closely.

The growth in passenger numbers that emerged in 2016 showed no sign of slowing down in 2017. In 2017, Amsterdam Airport Schiphol almost reached the limit of 500,000 air transport movements. This is why expansion of the infrastructural capacity is essential for the airport, in addition to efficient operations. In 2016 the decision was taken to build a new pier and terminal. In taking this decision the Management

Board agreed to update the Supervisory Board at least twice a year on the progress of the Capital Programme, the programme set up for this purpose. Two members of the Supervisory Board are actively involved in monitoring the programme, and are updated by the Management Board and the programme director at least every two months. In 2017 both the Supervisory Board and the shareholders were duly informed about the progress made, as agreed. The updated business case was discussed with the Supervisory Board; the conclusion was that the business case remains positive, in part owing to the substantial rise in passenger numbers. The progress of the various tendering processes, the design of the new pier and the selection process for the new terminal's design were also discussed. The Supervisory Board is satisfied with the progress made in the Capital Programme projects in 2017.

The development of Lelystad Airport attracted considerable publicity in the past year. The Supervisory Board was informed of the various issues, including the route design, redesign of the airspace, the environmental impact assessment, the way in which airlines will be selected in order to be allowed to fly in to Lelystad Airport, the imminent *verkeersverdelingsregel* (air traffic distribution regulation), as well as the financial aspects of the airport's development. The Supervisory Board believes that both Lelystad and Schiphol are doing everything possible to ensure that they are ready for the opening of the airport for major commercial air traffic on 1 April 2019. Nevertheless, the Supervisory Board notes that this will be a considerable challenge given the public's concerns, political pressure and the tight schedule required to ensure that all the issues mentioned are addressed and timely solutions are found. The Supervisory Board believes that the goal of opening of Lelystad Airport on 1 April 2019 must be pursued in order to honour the agreements made in discussions with the Schiphol Local Community Council (ORS).

The new pier and terminal at Amsterdam Airport Schiphol will help to accommodate the current passenger volumes, as well as the volumes expected in the near future. In addition to creating additional and alternative capacity in the short and medium term, the Management Board has been working hard on a new, robust Master Plan for the future development of the

airport. The vision has now been developed, with input from a number of key stakeholders. One of the conclusions drawn from the plan is that there is no further potential at Schiphol-Centre for the development of additional terminal capacity in the longer term. The Supervisory Board agrees with the Management Board that the focus in the period ahead should be on creating support for the further development of the airport beyond Schiphol-Centre. This should take place in parallel with the development of the infrastructure-related aspects of the plan and its consequences in relation to costs and charges.

The Management Board consulted the Supervisory Board about the implementation of the strategy and achieving Amsterdam Schiphol Airport's ambition to be and remain Europe's Preferred Airport. These talks involved an analysis of long-term scenarios and a review of the objectives for the period until 2020. An external party provided further insight into trends and challenges for airports and airlines. It is clear to the Supervisory Board that the ambition to be Europe's Preferred Airport should be broadened in scope if Schiphol is to be able to respond to the changing vision on aviation and to trends in society at large. That ambition requires a vision on connectivity and sustainability, and on the added value Amsterdam Airport Schiphol has for Dutch society and the country's economy. Ultimately, that vision will have to be integrated into a new strategy and in the Master Plan for the airport. Expectations are that the Management Board and the Supervisory Board will focus considerable attention on this topic in 2018.

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 low interest rates, higher growth in passenger numbers and various settlements. The charges are set to rise again for the first time in 2018. Over the past years, the Management Board has always been transparent about this towards the various parties concerned. Nevertheless, the increase in charges has resulted in tough discussions with the airlines. The Management Board has so far failed to persuade the airlines that the costs incurred for the Digital Airport Programme will yield returns and promote more efficient use of the airport. It informed the Supervisory Board that it has elected not to pass these costs on to the airlines

in 2018, in order to accommodate their objections. The Supervisory Board considers it important that the costs incurred should be factored in with a view to long-term financial solidity, and has engaged in discussions with the Management Board on how to provide a clearer picture of the returns for the various digital initiatives. In addition, the Supervisory Board believes it is crucial for Amsterdam Airport Schiphol's charges to remain competitive; current insights suggest that they will. 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 discussed various topics in this area with the Supervisory Board. One such topic is the significant shortage of Royal Netherlands Marechaussee (KMAR) staff, which resulted in long queues at border passages for flights arrivals at the airport. In part thanks to the concerted efforts of the Management Board and various other stakeholders, extra funding and capacity will be made available as from 2019. The availability of KMAR staff will remain a challenge in the summer of 2018 because of the time it takes to train new staff for these positions.

The process surrounding the environmental impact assessment for Amsterdam Airport Schiphol, which is to serve as the basis for the Schiphol Local Community Council advice on the airport's further development, was also discussed with the Supervisory Board. The Management Board talked with the Supervisory Board about the importance of engaging the stakeholders involved, including government entities, concerning such sensitive material. The progress of the Schiphol Local Community Council's vision on the development of the airport beyond 2020 and the position concerning the development of

housing construction around the airport were also discussed with the Supervisory Board.

It is crucial to generate and retain sufficient support for the development of Amsterdam Airport Schiphol. This is why the Supervisory Board ensured that it received regular updates on the discussions being conducted in the Schiphol Local Community Council, particularly in respect of a framework for agreements for the period after 2020, and on the talks on this subject with the government.

## Strategic issues and projects Major maintenance of Runway 06-24

Major maintenance was carried out on Runway 06-24 in 2017. This was a huge project and resulted in the runway being out of operation for nine weeks. The Supervisory Board is impressed by the result achieved and the fact that the project was completed successfully, on schedule and within budget.

### Temporary departure hall

The temporary departure hall, Departures 1A, was opened by the Minister for the Environment in April 2017. This project, too, was completed satisfactorily, on time and within budget.

### Digital Airport Programme

In the Supervisory Board's opinion it is essential for Schiphol to undergo the envisaged digital transformation if it is to remain 'Europe's Preferred Airport'. The Supervisory Board obtained information on the programme on a number of occasions (including a special in-depth session). The Digital Airport Programme aims to enhance the digital experience at Schiphol for passengers and airlines.

### Redevelopment of Departure Hall 1

The Management Board initially presented the redevelopment of Departure Hall 1 to the Supervisory Board as a dilemma. Although the temporary departure hall offers a good solution to address the shortage of check-in desks and security lanes in Departure Hall 1 for the next few years, a lasting solution for this problem will have to be found in Terminal 1. This is why the decision has been taken to extend the mezzanine floor to Departures 1, providing a new level to ensure a sufficient number of central security lanes in the longer term.

### Other capital projects

Under the Supervisory Board Regulations, investment and divestment decisions with a value in excess of 25 million euros require Supervisory Board approval. In addition to the redevelopment of Departure Hall 1, the following proposals were approved by the Supervisory Board in 2017:

*Hold Baggage Screening 2020:* this investment pertains to the acquisition of explosives' detection systems as a result of new regulations.

*Renovation of Pier C:* the discussion surrounding this project focused mainly on whether it will be possible to implement the various major construction and renovation projects at the same time. Most of the work on Pier C will be carried out on the exterior, which will limit inconvenience to passengers. Furthermore, the renovation will reduce energy consumption at that pier considerably.

*Sierra apron:* this apron is being extended so as to create six aircraft stands for cargo aircraft, making the Romeo apron available as a stand for wide-body aircraft.

*Sale of the company comprising the Hilton Hotel activities* to a consortium of investors. The sale was approved by the shareholders.

### Covered car park at Eindhoven Airport

Owing to the majority holding in Eindhoven Airport, the Management Board provided the Supervisory Board with updates on the incident in which the roof of the car park at Eindhoven Airport collapsed while it was under construction. The incident is being investigated by several parties, including the Dutch Safety Board.

### Commercial revenues

The Management Board discussed the revenues from retail and food & beverage outlets and parking with the Supervisory Board. The revenues from the Consumer Products & Services business area are not developing in line with the growth in the number of passengers. Food & beverage revenues are increasing per passenger, but retail revenues are lagging behind. Possible responses to this trend have been discussed with the Supervisory Board.

The Management Board decided in early 2017 to demolish the P2 car park with a view to minimising construction risks in relation to the new pier and terminal. This also involved the introduction of a new parking concept comprising alternative parking facilities at other locations and a valet parking service. The Supervisory Board is impressed by the speed with which this product and the associated re-routing of roads at the airport have been implemented, as well as with the approach adopted. The new parking product is exceeding expectations.

### International matters

Schiphol Group's international strategy was discussed with the Management Board. The participations in Groupe ADP and Brisbane Airport are highly successful. During the evaluation of the collaboration with Groupe ADP in 2016, it was agreed that more detailed discussions would be held in 2017 regarding the possible extension of the existing agreement beyond 2020. However, no such discussions took place following the French government's announcement that it is considering selling its interest in various state holdings, including Groupe ADP. Whether the French government will actually do so is not clear at present. Schiphol Group is preparing for the various scenarios that may occur. The Supervisory Board was informed by the Management Board of developments concerning the participations.

### 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 personally undertook activities in 2017 to improve safety culture. A baseline measurement was made, which is used to monitor progress. The ambition is to reach HRO Level 4 by 2020. The Supervisory Board makes regular enquiries regarding the programme and the Safety Review Board's findings.

Furthermore, the Supervisory Board paid special attention to the topic of security in 2016. For example, it featured prominently during several Supervisory Board meetings, partly in response 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 have been launched. As stated earlier, the renovation will considerably reduce energy consumption at Pier C. The new pier and terminal are expected to receive LEED Gold certification, and the new morgue has been constructed in a fully sustainable way. 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 sustainability as a key element of the strategic agenda. Indeed, important initiatives in that direction have been launched: zero waste by 2030 and running a CO<sub>2</sub>-neutral operation by 2040. The Supervisory Board would encourage Schiphol Group to continue its leadership as a socially responsible enterprise and to formulate concrete objectives in order to realise the long-term aims.

## Other topics

### Amendment to the articles of association

Following an intensive process in which the Supervisory Board, the Management Board and the shareholders were involved, consensus was reached in early 2017 on the draft text of the new articles of association. The proposal to amend the articles of association was approved by the shareholders at the General Meeting of Shareholders in April. The deed of amendment to the articles of association was executed by the civil-law notary on 19 April 2017.

### Amendment to internal regulations

In connection with the introduction of the new Corporate Governance Code and in anticipation of the planned amendment to the articles of association, the Management Rules and the rules governing the Supervisory Board, including the profiles and rules of the Supervisory Board committees, were amended and approved by the Supervisory Board in February.

The articles and rules can be found in the Investor Relations section at [www.schiphol.nl](http://www.schiphol.nl).

## The Netherlands Authority for Consumers and Markets (ACM)

The Supervisory Board was updated on several occasions on the status of the investigation initiated by the ACM in 2013, which relates to the Shared Vision Committee and the relationship with KLM. The investigation focused on the question of whether certain actions in the relationship between Schiphol Group and KLM constitute a violation of the competition rules. The ACM finalised the investigation and published a draft decision on 12 October 2017. The outcome of the investigation is that no actions signifying contravention of competition rules have taken place. At the ACM's request, Schiphol and KLM gave the ACM assurances that they would eliminate the risks of contravention of competition rules it had identified. The Management Board discussed the content of those assurances with the Supervisory Board. At the time the report was published, the ACM had not yet declared the assurances binding; expectations are that it will do so within the foreseeable future. The Supervisory Board will periodically request information on how compliance with the assurances is being implemented.

## Integrity

A fraud 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 is still ongoing. The incident was reported to the Fiscal Intelligence and Investigation Service (FIOD), which is investigating the case. The outcome of that investigation is not yet clear. The fraud case attracted press attention on a number of occasions in the past year. Schiphol already screened its own organisation in 2016 and – where relevant – tightened up internal controls. A great deal of attention was focused on conduct and culture within the organisation in the past year.

## Financial reporting and risks

The Management Board provides monthly reports to the Supervisory Board in which the company's actual financial results are compared to the 2017 budget, the latest estimate for 2017 and the results for 2016. These reports were discussed by the Supervisory Board.

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 Supervisory Board observes that the credit ratings of Moody's and Standard & Poor's were upheld in 2017. These ratings are important in connection with the company's future funding requirements. In 2017, the Supervisory Board approved the 2018 Funding Plan, which will enable the company to secure funding. The Supervisory Board concludes that Schiphol Group is in a sound financial position.

The 2018-2021 Tactical Plan was discussed by the Supervisory Board. The Board believes that the objectives for 2018 are extremely challenging.

There was also extensive discussion on risk management. External developments having an impact on the risk profile are discussed annually as are the developments of Schiphol Group's main risks. Generally speaking, the business risks in a broad sense have increased. The Management Board discussed cybersecurity with the Supervisory Board in more specific terms. The Supervisory Board endorses the Management Board's ambition to ensure that measures in the area of cybersecurity are at the highest level for the most critical parts of the business, such as the security lanes and baggage system.

The Audit Committee discussed what is known as the enterprise risk management framework. In line with the comments expressed by the external auditor in its management letter, the Audit Committee believes that there is still room for improvement in this area. In its management letter the external auditor recommended further professionalising the internal control and risk framework as well as the integration of IT

controls within it. The Audit Committee noted that progress had been made in this area in 2017 and passed on its findings to the Supervisory Board.

## No conflicting interest

There were no transactions in 2017 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 2017. A member of the Supervisory Board attended one consultative meeting between Management Board members and the COR. Ms Scheltema held discussions with the COR in her capacity as confidential adviser. The Supervisory Board members who are closely involved with the Capital Programme also discussed it 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 member included the development of the organisation (into a High Performance Organisation) and landside accessibility.

The COR was also involved in and supported the decision on the reappointment of Mr Hazewinkel as a Supervisory Board member for one year. The COR made a contribution to the profile for the new President & CEO. It was also closely involved in the selection of Ms Scheltema's successor as a member of the Supervisory Board as from April 2018, having increased powers of recommendation in respect of this appointment.



## B. Quality Assurance

### Members

At year-end 2017, the Supervisory Board had three female and five male members. The Management Board has two female 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. In 2018 the Supervisory Board will introduce a formal diversity policy based on a number of principles which are already being followed. One such principle is that at least 30% of the members of the Management Board and of the Supervisory Board are women, and at least 30% are men. In addition, Schiphol aims to achieve a balanced composition of the various bodies in terms of gender, experience, age, professional background and nationality. 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 ensure 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 2 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. He is not deemed independent within the meaning of best practice provision 2.1.8 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 issues relevant to Schiphol Group, such as the operational process at the airport, the airport's business model, safety and

### 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
<b>Fields of knowledge</b>				
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	•			

security at the airport and selectivity. In addition, a session on the Digital Airport Programme was held for the Supervisory Board.

## Evaluation

In early 2017, the Supervisory Board had its performance evaluated by an external adviser. The results of the evaluation were discussed in the spring of 2017 within the Supervisory Board and later with the Management Board as well. The evaluation proved useful in allowing the Supervisory Board to optimise its composition and role. One finding was that the Supervisory Board devotes a great deal of attention to risk management and weighing the interests of the various stakeholders. The Supervisory Board has a balanced composition and is characterised by an open and informal culture. The Board recognises that finding a suitable successor to Mr Hazewinkel is important to safeguard its continuity. In addition, following Mr Hazewinkel's departure it is essential to appoint a Vice-Chair whose qualities and characteristics complement those of the Chair of the Board. In response to the 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.

	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
<b>Fields of knowledge</b>				
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. Political and social climate Schiphol				•
10. Corporate Governance	•	•	•	
11. Expertise on Amsterdam and the Amsterdam region				•

## C. Other matters

### Appointments and reappointments

As at 1 May 2017, Els de Groot was succeeded as a member of the Management Board and CFO by Jabine van der Meijs. Over the past 25 years, Ms Van der Meijs has worked for Royal Dutch Shell in various senior positions. She was Vice President Finance at Shell Global Solutions as from 2009. The Works Council was advised of the decision to appoint Ms Van der Meijs as CFO and issued a positive opinion.

Jos Nijhuis was reappointed President and CEO of Royal Schiphol Group N.V. in 2016 for a third two-year term, until 31 December 2018. However, Mr Nijhuis announced in October 2017 that he will be stepping down as CEO in the first quarter of 2018. He will remain available in the second quarter of that year to ensure the smooth transfer of his duties. Further details of this decision may be found in the remuneration report. The Supervisory Board consented to Mr Nijhuis's early departure, and the search for his successor has begun. The Supervisory Board expects to be able to name a successor to Mr Nijhuis no later than the second quarter of 2018.

During the General Meeting of Shareholders held in April 2017, Mr Herman Hazewinkel was reappointed as a Supervisory Board member for a one-year term of office. Mr Hazewinkel has made a substantial contribution to the Supervisory Board, the Remuneration Committee, the Selection & Appointments Committee and as a former member of the Audit Committee. He also has extensive knowledge of the aviation sector and maintains a large network. His contribution in the area of major infrastructure projects has been greatly valued, particularly in connection with the new pier and terminal. A search has been launched for a Supervisory Board member with knowledge of aviation, major investment projects, the EU and globalisation to succeed Mr Hazewinkel effective April 2018. The Supervisory Board is delighted that Mr Declan Collier, former CEO of London City Airport, has expressed his willingness to join the Supervisory Board effective April 2018. His appointment has already been approved by the shareholders. Mr Collier has a wealth of

experience regarding the implementation of major investment projects at airports, as well as in the field of digitisation. He also has a clear vision on the aviation sector and the challenges lying ahead of it.

In addition, the Supervisory Board intends to nominate Ms Simone. Brummelhuis as a member of the Supervisory Board during the General Meeting of Shareholders in April 2018. She will succeed Ms Scheltema, whose second and last term ends in that same month. Ms Brummelhuis will be appointed with due regard for the increased powers of recommendation of Schiphol Group's Central Works Council.

The composition of the committees remained unchanged in 2017, as shown in the table below.

	L. Gunning-Schepers (Chair)	H. Hazewinkel (Vice-Chair)	E. Arkwright	C. Clarke
Supervisory Board	•	•	•	•
Audit Committee			•	
Remuneration Committee		• <sup>1</sup>		
Selection & Appointments Committee	• <sup>1</sup>	•		•
Sustainability & Safety Committee	•			

	R.J. van de Kraats	M. Olsson	M. Scheltema	J. Wijn
Supervisory Board	•	•	•	•
Audit Committee	• <sup>1</sup>		•	•
Remuneration Committee		•	•	
Selection & Appointments Committee				•
Sustainability & Safety Committee		•	• <sup>1</sup>	

<sup>1</sup> Chair

## Meetings

The Supervisory Board met ten times in 2017. The Management Board attended all of those meetings. Prior to its six regular meetings, the Supervisory Board held private consultations. It also held two half-day meetings which the Management Board did not attend. The various committees of the Supervisory Board held 15 meetings in total over the course of 2017. Please see the schedules below for a full overview of the

number of meetings per committee and attendance of Supervisory Board members.

Although not as part of an official Supervisory Board committee, Messrs Hazewinkel and Olsson had five meetings in 2017 with representatives of the Management Board to discuss the progress of the Capital Programme covering topics including the construction of the new pier and terminal.

### Attendance in 2017

Attendance	L. Gunning-Schepers	E. Arkwright	C. Clarke	H. Hazewinkel
Supervisory Board	10 of 10	5 of 10	6 of 10	9 of 10
Audit Committee	n/a	0 of 3	n/a	n/a
Remuneration Committee	n/a	n/a	n/a	4 of 4
Selection & Appointments Committee <sup>1</sup>	5 of 5	n/a	2 of 5	5 of 5
Sustainability & Safety Committee	3 of 3	n/a	n/a	n/a

<sup>1</sup> In addition to the regular meetings in 2017, the Selection & Appointment Committee also held eight conference calls in alternating configurations.

Attendance	R.J. van de Kraats	M. Olsson	M. Scheltema	J. Wijn
Supervisory Board	7 of 10	10 of 10	10 of 10	9 of 10
Audit Committee	3 of 3	n/a	3 of 3	3 of 3
Remuneration Committee	n/a	4 of 4	4 of 4	n/a
Selection & Appointment Committee <sup>1</sup>	n/a	n/a	n/a	5 of 5
Sustainability & Safety Committee	n/a	3 of 3	3 of 3	n/a

<sup>1</sup> In addition to the regular meetings in 2017, the Selection & Appointment Committee also held eight conference calls in alternating configurations.

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

## Meetings of the committees of the Supervisory Board

### Audit Committee

The Audit Committee held three meetings in 2017. It spoke at length with the CFO and the internal and external auditors about the financial statements, the annual report, the interim figures and the associated press releases, the management letter, the annual report on regulated activities (Aviation, Security), risk management, the internal control framework and the internal and external audit plans.

In 2017, the Audit Committee focused in particular on the consequences of the new Aviation Act and controlling the related airport charges. During the course of the year, the Audit Committee devoted attention to the management of the activities and associated reporting and other risks of the Capital Programme. Finally, the Audit Committee addressed the fraud incident in 2016, including the outcomes of the independent investigation commissioned by Schiphol and the follow-up of the resulting recommendations. In line with previous years, the Audit Committee focused on policy and its implementation with respect to insurance, taxes, pensions, financing and the impact of new reporting standards.

Prior to every Audit Committee meeting, the committee chair held a separate discussion with the external auditor (KPMG Accountants N.V.)

and the internal auditor. In addition, the scope and materiality of the audits and the risks (including fraud 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 held five plenary meetings in 2017, plus seven conference calls in alternating configurations. The Selection & Appointments Committee had a busy year which involved the appointment of a new CFO and the search for a new CEO and for a successor to Mr Hazewinkel. In addition, the committee focused on coordination and participated in the search for a successor to Ms Scheltema. The appointment of Ms Scheltema's successor is subject to the increased powers of recommendation of the Central Works Council. In the last few months of 2017 and the first period of 2018, the committee devoted several evenings to interviews with candidates for the CEO position.

### Remuneration Committee

The Remuneration Committee met four times in 2017. During 2016, the Remuneration Committee focused on defining the Management Board targets for 2017 and on the progress made in achieving them. At the beginning of 2017 the committee discussed and evaluated the results achieved on the 2016 Management Board targets. Those results served as a guideline for determining the variable remuneration for the Management Board members for 2016. In addition, the remuneration policy for Management Board members was revised and approved by the shareholders, following close consultation. The chair of the Remuneration Committee and the chair of the

Supervisory Board jointly conducted the annual appraisal interviews with the Management Board members.

### Sustainability & Safety Committee

The Sustainability & Safety Committee (formerly known as the Public Affairs and Corporate Responsibility Committee) met three times in 2017. Topics discussed included the CR targets, CR management and the CR vision for the long term. CR reporting in the annual report was also discussed. Much attention was devoted to safety in a broad sense. Schiphol Group's safety programme, as well as the Dutch Safety Board report, the recommendations included in it and the follow-up actions taken were discussed. The national elections of spring 2017 and the coalition agreement were also covered.

Following deliberation, the committee proposed that it should focus on the sustainability agenda, with specific emphasis on safety and security at the airport, hence the committee's name change.

Meetings	Number
Supervisory Board	10
Additional Supervisory Board meeting without Management Board members attending	2
Audit Committee	3
Remuneration Committee	4
Selection & Appointments Committee	5
Sustainability & Safety Committee	3
<b>Total</b>	<b>27</b>

## Word of thanks

The Supervisory Board wishes to express its gratitude to the Management Board and staff of Schiphol Group for their significant efforts in accommodating record numbers of passengers, the huge amount of work they put in during the summer months to allow operations to run smoothly, and the start of the initial work on the new pier and terminal. In addition, the Supervisory Board would like to take this opportunity to thank Mr Nijhuis for all his efforts. Under his leadership, Schiphol has been able to strengthen its Mainport position and make substantial progress towards becoming a truly sustainable organisation.

A special word of thanks is also due to Ms Scheltema and Mr Hazewinkel, both of whom have made a major and valuable contribution to the airport, and to the Supervisory Board in particular.

Schiphol, 15 February 2018

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



# Supervisory Board



## Ms L.J. Gunning-Schepers

(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
- Chair of the Supervisory Board of Stichting VSB Fonds and member of the Management Board of Stichting VSB Vermogensfonds
- Chair of the Supervisory Board of ONVZ
- Chair of the KHMW
- Member of the Board of the Amsterdam University Fund
- Chair of the Board of Governors of the Prins Claus Chair
- Former CEO and Dean of UvA UMC
- Former Chair of the Executive Board of the University of Amsterdam

## Mr H.J. Hazewinkel

(1949, Dutch nationality)

### Vice-Chair

First appointed in 2009  
Third term expires in 2018

- 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 the Management Board of Stichting V.o.Zee
- Member of the Supervisory Board of VanWonen
- Member of the Management Board of Stichting Administratiekantoor Slagheek
- Non-executive partner Quadrum Capital B.V.
- Former Chair of the Management Board of VolkerWessels

## Mr E. Arkwright

(1974, French nationality)

First appointed in 2016  
First term expires in 2020

- Deputy CEO of Groupe ADP
- Member of the Supervisory Board of TAV Airport
- Chair of TAV Airports
- Chair of Hub One
- Board Member of SDA
- Board Member of Relay@adp
- Chair of Cercle de l'Harmonie - Jérémie Rhorer Orchestra
- Chair of ADP International

## Ms C. Clarke

(1964, British nationality)

First appointed in 2015  
First term expires in 2019

- Executive Vice President & CEO of Philips ASEAN Pacific
- Former EVP & CEO of Philips Business Group Population Health Management





**Ms M. A. Scheltema**

(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
- Treasurer of Genootschap Onze Taal
- Chair of the Pension Funds Code Monitoring Committee
- Member of the Central Planning Committee
- Member of the Board of the Netherlands Bach Society

**Mr R.J. van de Kraats**

(1960, Dutch nationality)

First appointed in 2015  
First term expires in 2019

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

**Mr M. Olsson**

(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.

**Mr J. G. Wijn**

(1969, Dutch nationality)

First appointed in 2012  
Second term expires in 2020

- Chief Strategy and Risk Officer of Adyen B.V.
- Former Member of the Management Board of ABN AMRO Bank N.V. (until 1 May 2017)
- Former Member of the Executive Board and Governing Board of the VNO-NCW Confederation of Netherlands Industry and Employers
- Former Minister of Economic Affairs
- Former State Secretary of Finance
- Former State Secretary of Economic Affairs

# Management Board



**Ms J.T.M. van der Meijs**  
(1966, Dutch nationality)

**Member of the Management Board and CFO**  
since 1 May 2017

First term expires on 30 April 2021


- Non-executive member of the Board of Directors of Groupe ADP
- Non-executive Director, Supervisory Board member & Chair of the Audit Committee of Kendrion N.V.

 **Alliances & Participations**

**Ms A. van den Berg**  
(1963, Dutch nationality)

**Member of the Management Board and CCO**  
since 1 April 2016

First term expires on 31 March 2020

 **Consumer Products & Services**




 **Real Estate**

**Ms B.I. Otto**  
(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

   **Aviation**

**J.A. Nijhuis**  
(1957, Dutch nationality)

**President & CEO**  
since 1 January 2009

Third term expires on 31 December 2018. Mr Nijhuis will step down as President & CEO at the end of the first quarter of 2018.

- 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 Confederation of Netherlands Industry and Employers
- Co-chair of the Cyber Security Board
- Member of the Supervisory Board of Hotel Okura Amsterdam B.V.

Ms E.A. de Groot (b. 1965, Dutch nationality) was a member of the Management Board and Chief Financial Officer from 1 May 2012. Ms De Groot left Schiphol Group on 1 May 2017 and has been succeeded by Ms Van der Meijs. During her employment, Ms De Groot was a non-executive member of the Board of Directors of Groupe ADP, a member of the Supervisory Board of Beter Bed Holding N.V. and a member of the Supervisory Board of Vitens N.V.



# Corporate Governance

Royal Schiphol Group N.V. (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.

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.

## 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

## Committees of the Supervisory Board

The Supervisory Board has four subcommittees:

- The Audit Committee's tasks include monitoring the internal risk management and control systems, the annual and half-year

financial reports and financing. Matters such as taxation, treasury policy, insurance policies and pensions also form part of this committee's portfolio.

- The Selection & Appointments Committee carries out activities connected to procedures for the appointment of Supervisory Board and Management Board members, including drawing up selection criteria.
- The Remuneration Committee 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 Sustainability & Safety Committee has a dual task. On the one hand, it advises the Management Board and Supervisory Board on the airport's safety and security while, on the other, it plays an important role in defining Schiphol Group's sustainability vision.

Each of these committees is subject to regulations, which are published on [www.schiphol.nl](http://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. With effect from the 2017 financial year, the provisions contained in the new Corporate Governance Code will be reported on in full. Schiphol Group has recently updated the 'comply or explain' overview to include the provisions under the new Corporate Governance Code. The

overview is published on the website [www.schiphol.nl](http://www.schiphol.nl) under 'Schiphol Group, 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.

Mr Arkwright is not classified as independent within the meaning of the Corporate Governance Code in his position of deputy CEO of Groupe ADP (provision 2.1.8). Since Schiphol Group has no other Supervisory Board members not classified as independent, it is in compliance with best practice provision 2.1.7 of the Corporate Governance Code, which allows a maximum of two supervisory board members to be exempt from the independence requirement. It has similarly been agreed with Mr Arkwright that he will not take part in discussions and decisions at Schiphol Group relating to Groupe ADP or be involved in other matters that could give rise to a conflict of interests.

## 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 Van der Meijs 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, 15 February 2018  
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 Sustainability & Safety 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.

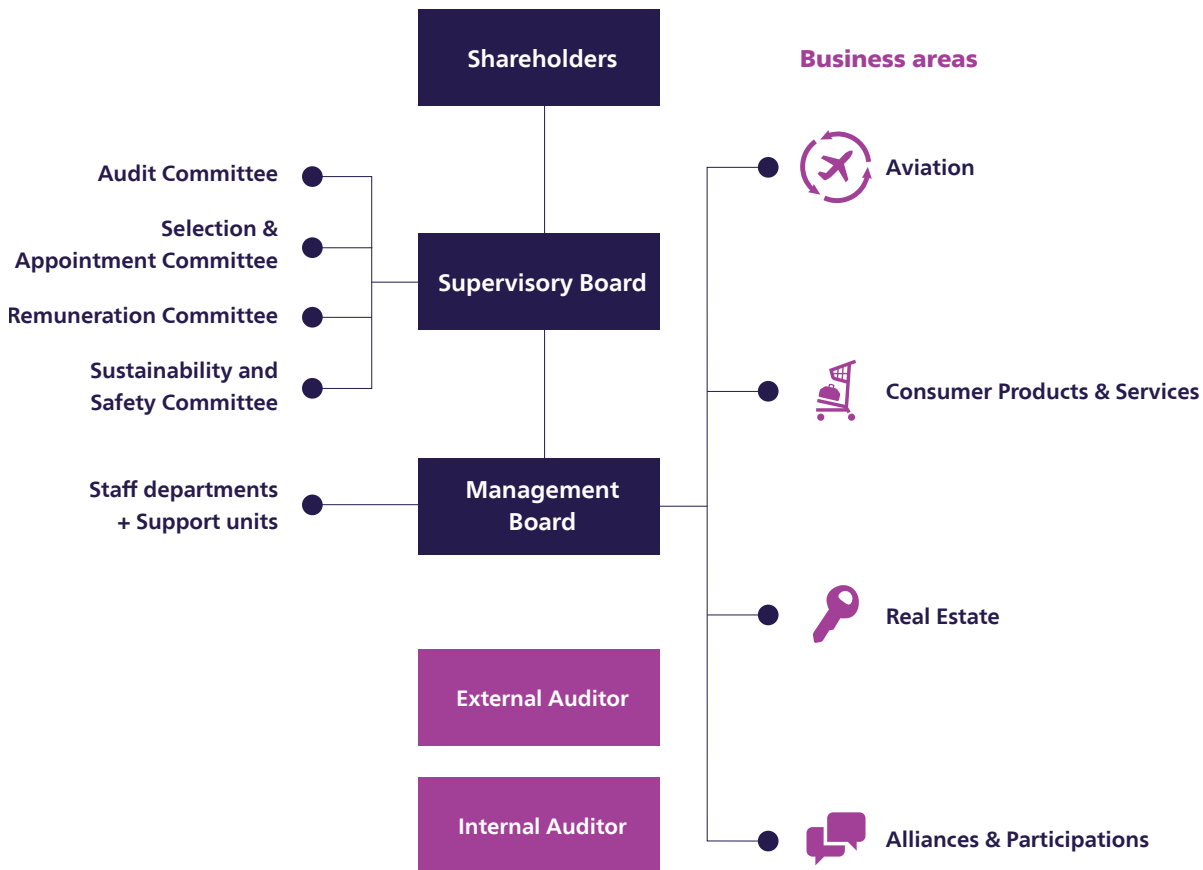
The COO acts as the airport manager. The main task of the airport manager is to ensure that national and European laws and regulations, in particular those relating to safety, security and

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, community engagement, CO<sub>2</sub> emissions, air quality, raw materials and residual flows, contracting practices, supply chain responsibility and employment practices have been clustered in five socio-economic themes: climate-friendly

### Corporate Governance Structure



aviation; sustainable employment; raw materials and residual flows; accessibility; and local community, noise and air quality.

Each quarter, the Management Board discusses the relevant CR developments, dilemmas and the report on the non-financial objectives. The directors of the departments that have the most impact discuss these company-wide themes several times a year to ensure fulfilment of the ambitions that transcend individual business areas. The Circular Economy Taskforce has been set up to accelerate the transition to a 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.

In addition to its integration with strategy, CR is a fixed component in the investment documentation. In tendering procedures potential suppliers are also 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 works for the Corporate Development department. He 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.

## Safe performance

The objectives, tasks, responsibilities, authorisations and working agreements relating to the control of safety and environmental risks are set out in safety management systems. Monitoring HSE performance within the departments takes place via the relevant line organisation. A strong, uniform HSE organisation within Schiphol is important to help line managers manage their HSE risks. To that end, in 2017 we grouped the tasks involving the themes of Health, Safety and Environment within a single department, the HSE Office.

The Safety Review Board (SRB), in which the COO and the directors of Schiphol are represented, is aimed at sharpening the focus on the strategic

objective of safe performance at Schiphol and implementing 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 and environmental dilemmas and monitoring the development of safety culture within Schiphol through the Schiphol4Safety programme.

To increase the effectiveness of the present Schiphol Safety Platform (VpS), in 2017 the management boards of the relevant industry parties set the task of creating a Schiphol-wide Integral Safety Management System (ISMS), partly in response to the recommendations of the Dutch Safety Board. The purpose of the ISMS is to identify, monitor, analyse and mitigate safety risks that affect more than one industry party. The results are then linked to the existing individual Safety Management Systems. The ISMS works in close cooperation with the Civil Aviation Incident Analysis Department (ABL) of the Human Environment and Transport Inspectorate.

### Environmental and safety legislation

Schiphol has a public-private partnership with four government bodies (Human Environment and Transport Directorate, Rijnland Water Board, the municipality of Haarlemmermeer and the Royal Netherlands Marechaussee) concerning inspections and supervisory tasks in the area of safety and environmental legislation. This covers activities such as monitoring threats to aviation safety, inspecting the use of APUs (auxiliary power units), supervising ground handling activities and monitoring airside traffic safety. Mutual obligations have been laid down in nine sub-covenants.

Schiphol also monitors 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. Schiphol has set up the Schiphol Airport Authority organisation (SAA) for monitoring and enforcement operations.

Maintaining compliance with the European aviation safety rules laid down by EASA requires continuous attention. Moreover, as the


















competent authority, the Human Environment and Transport Inspectorate (ILT) of the Ministry of Infrastructure and Water Management monitors and tests compliance.

EASA requires airports to take on a different role: Schiphol will have to assume greater responsibility for ensuring that the parties operating on airside comply with laws and

regulations and with the further requirements imposed by the airport itself. It is essential that they can provide sound, demonstrable assurance that such is the case. For this reason, EASA requires an independent desk for safety-related issues. In order to comply with this requirement, the Schiphol safety organisation was reviewed in 2017 and the HSE Office was set up.



## CR and Safety Table<sup>1</sup>

	Material aspect	Final responsibility	Challenges	Efforts to meet challenges included in
	Network of destinations	CCO	Competition from other airports	Network of destinations
	Airport capacity	COO	Maintain 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
	Digital	CEO	Make optimum use of the fast-growing digital potential	Digital
	Regional significance	CEO	Maintain Mainport position Continue our intensive dialogue with stakeholders	Regional significance
	Employment practices	CEO	Development of HPO culture  Inclusive business practice	Employment practices
	Integrity	CFO	Compliance and promotion of integrity within own organisation	Integrity
	Financial solidity	CFO	Maintain good credit ratings	Financial solidity
	Safety & Security	COO	Development of HPO culture  More stringent security requirements	Safety  Security
	Community engagement	CEO	Strengthen support for sustainable development	Community engagement
	Noise	CEO	Transfer of Alders Platform agreements to Schiphol Local Community Council, agreements on growth post-2020	Noise
	CO <sub>2</sub> emissions	COO	Reduce CO <sub>2</sub> emissions by third parties  Initiatives in the chain promoting innovation and sustainability	CO <sub>2</sub> 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	Development into zero waste airport by 2030	Raw materials and residual flows
	Contracting practices	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

<sup>1</sup> This overview is not exhaustive.

# Remuneration

This remuneration report sets out the remuneration policy for the Schiphol Group Management Board and Supervisory Board in 2017.



## Management Board remuneration

The members of the Management Board of Royal Schiphol Group N.V. are appointed by the Supervisory Board for a term of four years. They

are eligible for reappointment for a four-year term. All Management Board members, with the exception of Ms Van der Meijs, are employed by Royal Schiphol Group N.V. on the basis of a permanent employment contract. A fixed-term employment contract has been agreed with Ms Van der Meijs.

	Position	Term	Term ends on
Jos Nijhuis	CEO	Third	31 March 2018 <sup>1</sup>
Els de Groot <sup>2</sup>	CFO	Second	30 April 2017
Birgit Otto	COO	First	31 August 2018
André van den Berg	CCO	First	31 March 2020
Jabine van der Meijs <sup>3</sup>	CFO	First	30 April 2021

<sup>1</sup> Depends on the appointment date of his successor. The employment contract ends on 30 June 2018.

<sup>2</sup> At the time of her reappointment, Ms De Groot indicated that she did not intend to complete her second term, which ended 30 April 2020. She followed through on intention and stepped down as of 1 May 2017.

<sup>3</sup> Appointment effective 1 May 2017; the employment contract was entered into on 1 April 2017.

## 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 from within the organisation). The remuneration policy 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 Royal Schiphol Group N.V. are held by the State of the Netherlands, Schiphol's remuneration policy falls within the scope of the amended 2013 Government Participation Policy. The state shareholdings policy applies strict standards, for instance to variable remuneration. For example, the maximum variable remuneration may not exceed 20% of the annual salary.

In principle, with effect from 2017 employment contracts – with the exception of internal appointments – are concluded for a finite period of time. 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 his or her 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. On 20 October 2017 Mr Nijhuis, whose term of appointment initially ran from 1 January 2017 to 31 December 2018, announced his intention to step down voluntarily as President and CEO of Royal Schiphol Group in the first quarter of 2018. This is a natural moment for him to do so, now that the new coalition agreement is in place, the new Aviation Act takes effect with three-year rate agreements, and the

ACM has completed its investigation and secured pledges. In addition, decision-making for the major investment programmes has been finalised.

## 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.

### Fixed salary

The total fixed salary<sup>1</sup> of the Management Board members in 2017 was as follows:

	Position	Fixed salary (EUR)
Jos Nijhuis	CEO	420,159
Els de Groot <sup>1</sup>	CFO	148,289
Birgit Otto	COO	357,135
André van den Berg	CCO	357,135
Jabine van der Meijs <sup>2</sup>	CFO	268,516

<sup>1</sup> Pro rata until 1 June 2017.

<sup>2</sup> Pro rata from 1 April 2017.

The fixed remuneration for the other board members is a maximum of 85% of the CEO's remuneration, which was indexed in 2017<sup>2</sup>.

The remuneration policy adopted in 2014 has applied to Mr Nijhuis since 1 January 2017. This means that with effect from 2017, both his fixed remuneration and his variable remuneration have been brought in line with that of the other Management Board members. As a result, Mr Nijhuis's fixed remuneration has seen a modest increase, while the variable component has been adjusted downward substantially.

### Variable remuneration General

The remuneration structure also has a variable component, which is intended to increase the commitment of Management Board members to Schiphol's performance and reward outstanding performance. The variable remuneration has a

<sup>1)</sup> The agreed fixed gross annual salary including holiday allowance.

<sup>2)</sup> Both as of 1 January 2017 and 1 April 2017, the remuneration of the board members was indexed with 1%, in line with the same CLA increases as of 1 April 2016 and 1 April 2017.

further goal of striking the best possible balance between sustainable financial and public performance.

According to the remuneration policy, 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. These include both qualitative/substantive targets and targets related to the financial results achieved (quantitative).

### 1. Qualitative

The qualitative targets are set each year and apply to the management team as a whole. This illustrates the importance the Supervisory Board attaches to joint responsibility and explains why no personal targets have been set.

The targets are derived from the Management Agenda approved by the Supervisory Board. The targets formulated in the Management Agenda contribute to:

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

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

The targets jointly represent 14% of the maximum 20% (of the total fixed salary) that can be paid as variable remuneration. The extent to which the qualitative targets are deemed to have been achieved and the way they are assessed is at the discretion of the Supervisory Board.

### 2. Quantitative

The remaining 6% of the maximum variable remuneration depends on the financial results. The degree to which the after-tax return on equity (ROE) approximates or exceeds the agreed target 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%

At the end of the first quarter, the targets set by the Supervisory Board are tested against the transport figures and special developments and are adjusted if necessary. In this way the Supervisory Board ensures that the budgetary targets remain both as challenging and as realistic as possible.

In summary, the Supervisory Board sets the annual variable remuneration to be earned based on the following:

1. qualitative team targets (including overall performance) related to the Management Agenda;
2. the return on equity in accordance with the budget approved by the Supervisory Board for that year.

In figures this is expressed as follows:

Target	STI percentage
Quantitative - Financial results	6%
Qualitative - Personal/ Team	14%
<b>Total</b>	<b>20%</b>

### Claw-back

The variable remuneration is subject to a claw-back clause and the possibility for the Supervisory Board to adjust variable pay retrospectively in certain cases.

## Pension arrangements

Schiphol Group's pension plan, which is an average earnings scheme, is administered by Algemeen Burgerlijk Pensioenfonds (ABP). The premium, calculated by ABP 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. The variable portion of the income does not count

towards the pension base for Management Board members. This is a departure from the arrangements for other Schiphol Nederland B.V. staff.

Effective 1 January 2015, no pension is accrued for tax purposes for the portion of the pensionable income in excess of 101,519 euros.<sup>3</sup> 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 the possibility of using the services of a chauffeur and a telephone. 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 to ancillary positions, acceptance of which 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 76,514 euros in 2017 (2016: 77,211 euros), based on the assumption that all employees work 40 hours a week. The actual median is lower.

This amount compared with the actual salary earned by Mr Nijhuis in 2017, totalling 552,048 euros (797,039 euros in 2016), equates to a remuneration ratio of 1: 7.2 (2016: 1: 10.32).

## Retiring and new Board members

Ms De Groot stepped down as board member in 2017. At the time of her reappointment in 2016, Ms De Groot indicated that she did not intend to

complete her second term. She followed through on her intention and stepped down as of 1 May 2017. Ms Van der Meijs succeeded Ms De Groot and took up her duties as director under the articles of association effective 1 May 2017.

Mr Nijhuis's third term of appointment runs from 1 January 2017 until 31 December 2018. However, on 20 October 2017 Mr Nijhuis announced that he would be resigning in the first quarter of 2018. The Supervisory Board accepted that decision. Mr Nijhuis has indicated he will remain available until 30 June 2018 to ensure the smooth transfer of his duties. No severance package has been agreed with Mr Nijhuis.

The remuneration of the new CEO will be the same as the current package received by Mr Nijhuis.

## Management Board Remuneration for 2017

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 2017 have been achieved. It was not an easy year, characterised by increasing complexity due to consistently strong growth in passenger numbers, pressures on operations and the complex community dialogue on Schiphol and Lelystad. Schiphol's operational performance during the May holiday was substandard. Lessons have been learned from these experiences, and Schiphol has proved itself capable of running an almost perfect summer season, with good processing times in the security process. The Management Board performed well in challenging circumstances. The airport has been able to keep its market position and the quality of its network at the desired level. In addition, Schiphol Group has been able to increase revenue from retail and real estate. Similarly, good progress has been achieved in the fields of sustainability, safety, information security and airport digitisation. The same applies to the progress made on the development of the new pier and terminal and the preparatory work that has been initiated within that context. However, consultation with

<sup>3)</sup> An indexed amount of 105,075 euros now applies to 2018

the Schiphol Local Community Council on the airport's future was insufficient, and the support base among relevant stakeholders for the further development of the airport will have to be strengthened. Due to the considerable attention required for several large projects that are currently being prepared, the investment budget has not been achieved. The rate of progress towards a High Performance Organisation is below target. Given the current debate, it will prove a challenge to ensure that Lelystad Airport's scheduled opening in 2019 can go ahead, even though the infrastructure will be in place by that time.

On the recommendation of the Remuneration Committee, the Supervisory Board has set the absolute score for the total package of qualitative targets at 9% relative to the maximum of 14% that can be attained (for 2017, a maximum of 11% has been awarded for the qualitative targets).

Based on the financial results achieved in 2017, the after-tax return on equity amounted to more than 110% of the target. This means that as regards the quantitative part of their variable remuneration, the Management Board members are entitled to 6% of their fixed salary. This is attributable, among other things, to the substantial growth in passenger numbers and increased revenue from retail, catering outlets and parking. The satisfactory results from our international operations also contributed. This means that as regards the quantitative component of their variable remuneration, the Management Board members are entitled to 6% (in 2016, the result on the quantitative targets was 2%).

As a result, the total variable remuneration for all members of the Management Board amounts to 15% (9% qualitative and 6% quantitative). Further details of the remuneration of the Management Board for 2017 can be found under 'Related parties' in the financial statements section of this annual report.

## Remuneration of the Supervisory Board

### General

The remuneration of the Supervisory Board remained unchanged in 2017. The annual remuneration of the Chair of the Supervisory Board amounts to 37,492 euros with effect from 1 January 2017. The annual remuneration of the ordinary members amounts to 24,652 euros. 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 allowance. 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 2017

Information on the remuneration of the Supervisory Board for 2017 can be found under 'Related parties' in the notes to the consolidated financial statements.

Schiphol, 15 February 2018

# Risk management

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.



## Risk profile

As an airport owner and operator our risk profile is largely determined by our role as manager and operator of an essential part of national infrastructure. The airport infrastructure must be available 24 hours a day seven days a week. We must facilitate safe and continuous operations and in doing so must rely on a number of third parties who carry out key roles in the operational processes.

Our business is capital intensive with a concentration of assets at a single location. We have high fixed costs and lead times for the development of assets are long. Our business is highly regulated, subject to economic regulation as well as regulation and legislation governing such areas as noise and the environment, safety and security, competition, and tendering. Our business is subject to considerable public and political scrutiny.

## Risk appetite

The extent to which 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.

- Effective risk management and internal monitoring systems will reduce the likelihood of errors, wrong decisions and 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').

## 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 in a socially responsible and sustainable manner. 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 compliance with relevant legislation and regulations;

Risk management is a fixed aspect within our 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).

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.

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.



Line managers are responsible for the implementation of risk management for the processes for which they are responsible. Risks and control measures are recorded in risk registers for each operational and supporting process. Line managers update these risk registers twice a year through self-assessments. They 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.

In 2017 we initiated a process to upgrade our ERM system. On the basis of the existing risk registers we have begun identifying the key controls for the most important risks. Our goal is to develop a key control framework through which accountability for key controls will be formalized and documented and regular testing set up for all key controls. In this way we can streamline our ERM system and focus reviews and challenges by the audit department and Management Board attention on the most important risks and key controls. This process will be ongoing in 2018 and we intend to implement a risk management information system to support and facilitate the key control framework.

In addition to an upgrade of our ERM system, we have carried out a number of activities to further embed the culture of control and integrity throughout all levels of our organization. The internal "Mind Your Step" programme to promote integrity and the Code of Conduct among employees was the subject of a new internal communications campaign to ensure awareness of integrity issues and the Code of Conduct. Campaigns, which included interactive workshops and online training, were also carried out to promote awareness for information security and privacy regulations prior to the introduction of new data privacy legislation in 2018. Following an incident of fraude in 2016 at our subsidiary Schiphol Real Estate B.V. we have taken a number of measures to prevent similar

incidents in future and have reported the incident to FIOD.

The Management Board reports on and accounts for the risk management and internal control system to the Supervisory Board. Schiphol Group's most important risks and control measures were discussed by the Supervisory Board at the meeting in October 2017. And the Audit Committee of the Supervisory Board discussed the risk management and internal control framework during its meeting in December 2017.

We aim to reduce the likelihood of errors, wrong decisions and the impact of 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.

In addition, as an airport Schiphol is susceptible to adverse weather conditions and other natural phenomena; we simply cannot prevent or influence these. We can, however, ensure that the consequences remain as limited as possible.

In light of the above, we believe that the risk management and internal control systems 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 profits of Schiphol Group as well as the combined consolidated enterprises;
- the financial statements have legitimately been prepared on a going concern basis for Schiphol Group given its strong financial position;
- the annual report describes the material risks and uncertainties that are relevant to assessment of the continuity of Schiphol Group for a period of 12 months following the date of the report;
- 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

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 2018-2021* 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.

Risks	Value	Baseline value for 2017	Change	Effect	Impact on:	Assumptions
A, B	Number of passengers at Schiphol	69 million	+/- 1%	11.6 million euros	Total	Impact on revenues from airport turnover 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 Schiphol	496.748	1 day without flights	3.2 million euros	Total	Based on average airport charges and passenger spending in the terminal
A, B, D	Revenue from airport charges	832 million euros	+/- 1%	8.3 million euros	Total	turnover
A, B	Average spending per departing passenger	EUR 13.35	+/- 1%	1.0 million euros	Total	Unchanged passenger numbers
D, E, H	Operating expenses	916 million euros	+/- 1%	9.2 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	1,506 million euros	-10% +10%	+126 million euros -103 million euros	Value of real estate	A 10% rise/decline (as at year-end 2015) in the net initial yield from real estate, applied to the value of the current real estate portfolio of 1,065 million euros

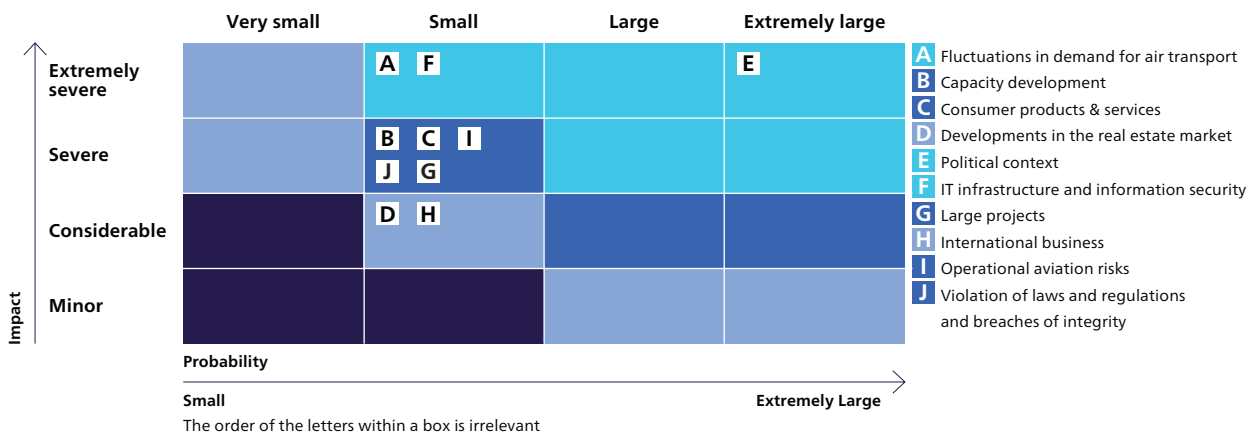
## Assessment of the most important risks

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 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.

### Classification of Schiphol's risks following the implementation of control measures

Risk = Probability x Impact (Impact is both financial impact and impact on reputation)



## Strategic risks

### A > Fluctuations in demand for air transport

#### *The risk*

Schiphol Group's revenues depend to a large extent on the demand for air transport, both passenger 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 provides us limited flexibility to accommodate unexpected changes in demand.

#### *How we manage the risk*

The majority of the factors affecting demand are external and therefore largely beyond our scope of 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 optimized 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.



Increased



Unchanged



Decreased



## 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 can change during the often long development periods resulting in investments not delivered at the right time or investments 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. Development of the first phase of the Capital Programme carries with it the risk that unexpected circumstances in the coming years, such as structural changes in the number and types of passengers or political developments regarding future growth at Schiphol, could affect the anticipated benefits of the investments with significant consequences for our financial position.

### *How we manage the risk*

When faced with capacity bottlenecks, we take a holistic approach to solving the problem, by examining not only solutions involving investments in additional assets, but also looking at process innovations and digital applications to maximize the return on our assets. In this way we have been able to increase capacity in the terminal to facilitate the growing number of passengers. When large investments are nevertheless required, as is the case now, we seek to minimize 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 maximize flexibility should circumstances change unexpectedly.

## C > Changing 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 optimization of the product offering and the retail area per passenger in order to maximize spend potential. A number of projects are underway 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 and digital programme initiatives 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, analyze 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 continues its positive development overall, we are observing a dichotomy between top tier locations, such as Schiphol Centrum, which are performing very well and secondary tier locations, such as Schiphol South East, at which performance is lagging.

### *How we manage the risk*

In order to manage this risk we closely monitor market conditions in the real estate markets as well as tracking 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 the legislation or changes to our business model which are not reflected in the current regulation can affect our ability and/or flexibility to make investments 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, Amsterdam Airport Schiphol in particular. As a result of environmental concerns, public support for aviation is decreasing in the Netherlands and Europe which increases political uncertainty relating to future growth at our airports thereby potentially affecting the financial viability of the large investments we are now undertaking. Terrorist activity worldwide continues to place security high on the political agenda. In the past changing legislation with regard to security has led to significant operational adjustments and increases in security costs.

### *How we manage the risk*

We take an active role in managing 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 and 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 realize 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 unauthorized 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 3 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 follow developments and trends with regard to cybersecurity and we actively stimulate cyber security awareness throughout the organization.

## G > Major projects



### *The risk*

The realization of the Capital Programme over the next several years involves the simultaneous realization 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 organization. The scope of the undertaking also carries the risk that original project objectives could change or become obsolete reducing the financial viability of the project. An additional risk results from the presence of PFOS pollution throughout the Schiphol site and uncertainty regarding remediation requirements. This may affect our ability to undertake new construction projects and result in significant remediation costs.

### *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 a dedicated department has been established, with specialized expertise recruited from both within and outside the organization, to develop and implement the Capital 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 professionalize this aspect of project management and procurement. By adopting a modular approach to investments we maximize our flexibility to adapt projects and programmes to changing circumstances.

## H > International business



### *The risk*

Schiphol participates in a number of international enterprises which provides us with opportunities and potential benefits, but also exposes 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 advisors to advise us in all aspects of the local environment as it impacts our (contemplated) venture. By establishing relationships with local airport authorities we keep an open communication channel regarding local airport regulations. In the financial evaluation of potential ventures we pay particular attention to the use of financial instruments and the 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.

**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. An industrial action, business interruption or unethical behavior 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 various safety management systems. 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 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. A lack of integrity or corporate responsibility on the part of our employees can damage our reputation and lead to regulatory violations.

#### *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. A Code of Conduct sets out company rules and guidelines relating to integrity, compliance and corporate responsibility. Violations of the Code of Conduct can be (anonymously) reported through various routes including a hotline. All suspected violations are investigated by the internal Fraud and Integrity Committee which consists of the Chief Financial Officer, the Corporate Legal Director, the Corporate Audit Services Director (committee secretary), the Human Resources Director, the Safety, Security & Environment Director and the Chairman of the Central Works Council.

The role of the Fraud and Integrity Committee is to:

- judge the admissibility of the notification
- investigate and document the suspected violation or instruct the most appropriate person/department/committee to do so
- take actions or measures which the Committee deems necessary in the circumstances
- take preventive measures to prevent similar violations from occurring in future

We have a sanctioning policy for violations of the Schiphol Regulations (applying to all users of the airport) and for violations of the internal Code of Conduct. Compliance and integrity is reported on twice a year to the Risk & Compliance Committee.



# socio- economic accountability

## Reporting guidelines

Integrated annual reporting is growing in importance 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. European legal and regulatory requirements for transparent socio-economic accountability were laid down in further detail in 2017.

This annual report was drawn up with due regard for the most relevant international guidelines and best practices. The annual report of Schiphol has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (core option) of the Global Reporting Initiative. The GRI Content Index 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. By applying the GRI standards, 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 2017 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 477 organisations submitted their 2016 annual reports for the Transparency Benchmark, in which Schiphol Group's report ranked third (second in 2016). According to the jury report, *'The company has been reporting to a high standard for years. This year the company once again published a particularly attractive and clearly designed report.'*

As a participant in the UN Global Compact, we have drawn up 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 are also unchanged. In the future we expect to be able to further develop this set of CR performance indicators into a strategic tool that will allow us to measure the material aspects. The Corporate Governance section - Organisation of Corporate Responsibility and safety - sets out how we have organised our Corporate Responsibility structure.

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) pursue 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 aligned 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 ensure its reliability. However, Schiphol Group acknowledges that some information may be based on assumptions.

In the 2017 Annual Report, Schiphol Group limits its reporting to the results achieved for the material themes. Schiphol Group conducts a comprehensive materiality analysis every three years (the last one taking place in 2016). In 2016 more than 100 internal and external stakeholders were asked which themes they considered to be important for Schiphol Group. In the intervening

years such as 2017 a so-called light update was carried out. Over the past year we carried out a qualitative update of the matrix on the basis of a media search which we discussed with colleagues who are in regular contact with stakeholders. 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. In view of the intended development of Lelystad Airport, these topics are expected to play a role there as well. With the exception of HR data, Lelystad Airport falls outside the scope of the matrix until its opening 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 to clarify the impact and relevance of the disclosed information to readers.

### In the chain

All topics included in the materiality matrix are relevant to our airports and other parties in the value 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 2017

On 13 December 2017 Schiphol Group sold its shares in Schiphol Hotel Holding B.V. and so the assets and liabilities and the results are no longer consolidated. As at December 2015, the assets and liabilities were classified as 'held for sale'. 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 2017, 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](http://schiphol.nl) and [schiphol.nl/cr](http://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 theme experts 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](mailto: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 3810N 'Assurance engagements relating to sustainability reports'. The assurance report is included in this annual report.

## Performance indicators

Material topic	Performance indicator	2017		2016
		Result	Target	Result
CO <sub>2</sub> emissions	CO <sub>2</sub> emissions from group activities (kg CO <sub>2</sub> /passenger)	<b>1.43</b>	1.54	1.56
Raw materials & residual flows	Separated operational waste	<b>40.7%</b> <sup>1</sup>	43.0%	33.6%
Employment practices	Absenteeism due to illness	<b>4.3%</b>	3.6%	4.0%
Safety	Work-related accidents followed by absence	<b>LTIF: 0.9</b> <sup>2</sup> <b>LTIF SNBV Fire Service: 25.7</b>	LTIF: 3.0 LTIF Fire Service: 40.0	LTIF: 1.0 LTIF Fire Service: 8.4
Supply chain responsibility	Corporate Responsibility consultation during tenders	<b>100%</b>	100%	100%
Accessibility	Public transport to airport for O&D passengers <sup>2</sup>	<b>42.9%</b>	40.0%	42.4%
Safety	Bird strikes (number per 10,000 air transport movements)	<b>5.6</b>	<6.7	6.7
Safety	Runway incursions <sup>3</sup>	<b>53</b>	<46	58
Employment practices	Limited opportunities on the labour market	<b>2</b>	5	5
Employment practices	Young people (under age 27)	<b>21.8%</b>	20.0%	11.6%
Employment practices	Non-Western background	<b>4.8%</b> <b>(adjusted for 11.5% response rate)</b>	10.0%	New registration method in 2017

<sup>1</sup> Excluding CAT1 aircraft waste

<sup>2</sup> Relates only to the Schiphol location

<sup>3</sup> Relates to Schiphol and Rotterdam The Hague Airport

## 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. At the request of Schiphol Group, the external accountant has been asked to provide a limited degree of assurance regarding the performance indicators described in this chapter.

### Period

The information presented here concerns the 2017 calendar year. For practical reasons, the indicator for CO<sub>2</sub> emissions from group activities is based on the operating year.

## 1. CO<sub>2</sub> emissions from airport activities

Amsterdam Airport Schiphol calculates and reports on CO<sub>2</sub> 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. As regards scope 2 emissions, Schiphol Group has opted to report using the location-based method. 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 CO<sub>2</sub> emissions figure is known, Schiphol aims to reduce CO<sub>2</sub> emissions per passenger relative to 1990 levels. The long-term target is 1.35 kg CO<sub>2</sub> per passenger by 2020. This has been the only figure used as a performance indicator since the 2015 reporting year. See the section on CO<sub>2</sub> emissions for more information about Schiphol Group's efforts to reduce them.

## 2. Separated operational waste

A waste processing company 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.

Unlike 2016, the recycling percentage for 2017 is exclusive of the CAT 1 flow. Schiphol 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 as much as possible before being 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.

## 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 departing passengers travelling to the airport by public transport at at least 40%. Our policy is also aimed at increasing 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 their flight. Read more about the importance of airport accessibility 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. Schiphol is largely dependent on KLM pilots for the registration of bird strikes.

At Rotterdam The Hague Airport, only incidents reported by Rotterdam The Hague Airport are included, regardless of the airline involved. The registration of bird strikes at Eindhoven Airport covers the air transport movements of both military and civilian air traffic.

We aim to achieve a downward trend over the long term. More information on airside safety and the decrease in the number of bird strikes recorded in 2017 is featured in the section on Safety.

## 8. Runway incursions

The ICAO groups runway incursions into four categories. A is the highest category and represents a serious incident where a collision is narrowly avoided. D is the lowest category and involves the unauthorised presence of a person, vehicle or aircraft on or near the runway but with no immediate safety consequences. The vast majority of runway incursions at Schiphol (38 in 2017) fall into this category. Over the last five years there have been no runway incursions in the most serious category. However, there was one category-B incursion in 2017.

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 reports.

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.

## 9. Diversity

Schiphol Group stimulates the creation of jobs for people with limited opportunities on the labour market, for young people under the age of 27 and for people from non-Western backgrounds.

Employees who, prior to their employment by Schiphol Group, were unable to earn their own income qualify as people with limited opportunities on the labour market.

Schiphol signed the Youth Covenant in 2014, an initiative aimed at increasing young people's opportunities in the labour market. A continuous intake of young people contributes to a balanced workforce.

We aim to attract employees from a different cultural background to Schiphol Group, and use the definition provided by Statistics Netherlands (CBS) to determine whether a person has a non-Western background. In 2017 the registration method changed compared to previous years. When entering employment, staff members can opt to state their parents' country of birth. This registration method was introduced in the course of the year, which explains the low response rate of 34% for 2017. Adjusted for the response rate, the number of new vacancies filled by people with a non-Western background is 12%.

See Employment practices for more information about diversity.

## Stakeholders

We will only be able to exploit Schiphol Group's socio-economic importance to the full if, in addition to the relevant trends and developments, we also take account of our numerous stakeholders. Its importance therefore extends beyond the Schiphol site. The regional airports also have a role to play in their regions and in enhancing the operations of Mainport Schiphol. 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. We shape our strategy and business operations in part on the basis of these exchanges.

Schiphol Group is expected to be inform its stakeholders in a timely manner of the wider social impact of its activities. 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 provides us with concrete guidance to define our role. We seek joint solutions for social issues and, where possible, follow up on questions and advice obtained from this dialogue.

The frequency and type of contact with the various parties involved is diverse. We consult with our sector partners at on a daily basis on operational and tactical matters and there is a fixed schedule of consultations aimed at ensuring efficient and safe operations. We have various plans in place to deal with any disruption of operations or emergency situations, and conduct training sessions and assessments with the sector on a regular basis. 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.

The development of public space is discussed intensively with regional parties to ensure that the local community is taken into account in the growth plans. We meet groups of residents within the Schiphol Local Community Council

and the Local Community Contact Centre has discussions with individual local residents. Schiphol has a seat in the governing body of the Amsterdam Metropolitan Area and is a consultation partner in various other bodies.

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.

We conduct frequent surveys to measure the customer experience and carry our regular employee surveys as well. In 2017, we conducted our first reputation survey among local residents, the Dutch public and the media. We will complement it in 2018 with a survey among political and public authority stakeholders. The surveys on Schiphol Group's reputation enable us to identify subjects that are important to our stakeholders and gauge our performance in relation to them. We will complete the survey in 2018 and repeat it regularly thereafter.

The table lists contact moments for consultation with our stakeholders. These consultations are centered 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, for example, operational matters 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 Our results section. Further information about the materiality process is found in the section on Material aspects for stakeholders.

## Overview of stakeholder dialogues in 2017

Alongside the formalised contact moments, every year we also identify material aspects for stakeholders. The material themes are used as input for an in-depth analysis, including through dialogue. We feel that it is important to discuss the issues and dilemmas with our stakeholders. We do not focus exclusively on sector and business partners, but also talk to influential companies from other sectors to broaden our awareness.

Schiphol organised four stakeholder dialogues in 2017.

### Stakeholder dialogue on safety

Seamless Flow, streamlining the passenger process with the aid of biometrics, is an objective pursued by many partners in the chain. The parties involved, such as Royal Netherlands Marechaussee, Dutch Customs, NCTV and the Aliens Department, each have their own specific interests. The shared interests of all the parties involved were identified during the stakeholder dialogue of 20 March. Schiphol was represented by COO Birgit Otto. As a follow-up to the dialogue, we created a business case which provided an overview of the impact the implementation of Seamless Flow will have (and the actions that still need to be taken) for all partners in the process.

### Stakeholder dialogue on mobility

Landside accessibility is one of our biggest challenges for the future. Schiphol is developing new bus and railway stations, and is also encouraging the development of sustainable mobility solutions. CCO André van den Berg exchanged ideas in this regard with stakeholders from, for example, the transport sector, such as Dutch Railways, ProRail and the Department of Public Works and Water Management, as well as organisations including the Natuur & Milieu Foundation and ANWB (Dutch Automobile Association). Issues relating to transport involve a complex network of mutual dependencies, and the full benefits of the modes of transport available will be obtained only when they are considered in conjunction with one another. The dialogue led to ideas and suggestions for the formulation of plans, the identification of wide-ranging interests, and arrangements for follow-





















up meetings with Amsterdam Zuidas business district project members.

### **Stakeholder dialogue on Schiphol's business model**

Schiphol's business model is also susceptible to changes in the market. Retail concepts are changing, and it is conceivable that innovative forms of transport such as the Hyperloop will replace air travel in time. This was discussed with young entrepreneurs during a dialogue session on 23 November 2017. CFO Jabine van der Meijs attended on behalf of Schiphol. Thinking outside the box is yet to produce any ready-to-use solutions, but it is sharpening everyone's thinking. Schiphol will be continuing this process in the future.

### **Stakeholderdialogoog on sustainable flying**

6 December 2017 saw the official introduction of the easyJet Airbus A320neo at Schiphol. It prompted us to organise a debate with politicians, the sector and the scientific community on the need to make the aviation industry more sustainable. After introductory statements by CCO André van den Berg and William Vet, easyJet country manager for BeNeLux and Denmark, the audience were invited to raise subjects for discussion. They included making aircraft more sustainable, the incentives Schiphol could use to encourage airlines to make their operations more sustainable and possible alternatives to air travel. The high-speed train is a good alternative to short-haul (500 kilometres) flights. The first electric aircraft will be able to travel roughly the same distance. The question is which development offers the most sustainable, inexpensive and fastest alternative. Exchanging opinions enables us to hone our own vision.

Stakeholder	Material topic	Consultation <sup>1</sup>	Impact on Schiphol policy <sup>1</sup>
 Airlines		<ul style="list-style-type: none"> <li>– Consultation process</li> <li>– Schiphol Operational Consultation</li> <li>– Schiphol Local Community Council</li> </ul>	<ul style="list-style-type: none"> <li>– Sustainable development of Schiphol beyond 2020</li> <li>– Opening of Lelystad Airport to accommodate non-Mainport-related traffic</li> </ul>
 Travellers		<ul style="list-style-type: none"> <li>– Continuous research</li> <li>– ASQ Benchmark</li> <li>– Customer Contact Center</li> </ul>	<ul style="list-style-type: none"> <li>– Efforts to improve traveller perceptions incl. Drive-in Check-in, smart parking, natural wayfinding, Seamless Flow, No-Q passport control</li> </ul>
 Local residents		<ul style="list-style-type: none"> <li>– Schiphol Local Community Council</li> <li>– Regional Alders Platform</li> <li>– Local Community Contact Centre</li> <li>– Schiphol (BAS)</li> <li>– Schiphol Quality of Life Foundation</li> </ul>	<ul style="list-style-type: none"> <li>– Employment</li> <li>– Education and training</li> <li>– Schiphol Fund</li> <li>– Initiatives by regional airports</li> </ul>
 Sector partners		<ul style="list-style-type: none"> <li>– Schiphol Safety Platform</li> <li>– Runway Safety Team</li> <li>– Netherlands Control Group for Bird Strikes (NRV)</li> <li>– Schiphol Security and Public Safety Platform</li> </ul>	<ul style="list-style-type: none"> <li>– Initiator of the Airports Sustainability Declaration</li> <li>– Organisation of Schiphol Safety Platform to strengthen safe operations in conjunction with all chain partners</li> <li>– ISMS</li> </ul>
 Government bodies		<ul style="list-style-type: none"> <li>– Regional municipalities</li> <li>– Province of North-Holland</li> <li>– Ministry of Infrastructure and Water Management</li> </ul>	<ul style="list-style-type: none"> <li>– New Environmental Standards and Enforcement System</li> <li>– Regulations to address taxi touts</li> <li>– Security measures</li> </ul>
 Financial stakeholders		<ul style="list-style-type: none"> <li>– General Meeting of Shareholders</li> <li>– Investor Relations meetings</li> <li>– Annual rating review meetings</li> </ul>	<ul style="list-style-type: none"> <li>– Focus on cost control</li> <li>– Monitoring creditworthiness of the group</li> </ul>
 Business partners		<ul style="list-style-type: none"> <li>– Consultations with accounts</li> <li>– Tenants' consultation platform</li> <li>– OSO</li> <li>– Cooperation programme with Dutch Railways, ProRail, Ministry of Infrastructure and Water Management</li> <li>– Safe Working campaigns for Main Contractors</li> </ul>	<ul style="list-style-type: none"> <li>– Development of policy for handling agents regarding airside electric charging</li> <li>– Vendor rating pilot project</li> <li>– Circular construction practices</li> </ul>
 Employees		<ul style="list-style-type: none"> <li>– Works Council</li> <li>– Schiphol Aviation Community</li> <li>– Aviation Inclusive</li> <li>– Trade unions</li> </ul>	<ul style="list-style-type: none"> <li>– HPO and HRO targets</li> <li>– Vitality programme for shift workers</li> </ul>
 Network and special interest organisations		<ul style="list-style-type: none"> <li>– CR Stakeholder Committee</li> <li>– ORAM, Schiphol Governance Forum</li> <li>– SMASH</li> <li>– Amsterdam-KLM-Schiphol Collaboration Agenda</li> <li>– ACI ACA</li> <li>– Amsterdam Economic Board</li> </ul>	<ul style="list-style-type: none"> <li>– Sustainable electricity for the entire group</li> <li>– Schiphol important player in developing sustainable mobility of the future</li> <li>– Further development of zero waste 2030 ambition</li> </ul>
 Knowledge institutions		<ul style="list-style-type: none"> <li>– Knowledge and Development Centre</li> <li>– Ellen MacArthur Foundation</li> <li>– SIM</li> </ul>	<ul style="list-style-type: none"> <li>– Adaptation of take-off and landing procedures</li> <li>– Zero waste 2030</li> <li>– Monetisation of investment decisions</li> <li>– Digital airport: personal and relevant communication to reduce walking and waiting times and stress</li> </ul>

<sup>1</sup> Not exhaustive.

## GRI Content Index

### GRI guidelines for sustainability reporting

Ref.	Description	Chapter	Information and reference	External assurance section
<b>Strategy</b>				
G102-14	Statement from senior decision-maker	Message from the CEO		No
G102-15	Key impacts, risks, and opportunities	Trends and developments		No
<b>Corporate profile</b>				
G102-1	Name of the organisation	Financial Statements		Yes
G102-2	Activities, brands, products, and services	Our activities		No
G102-3	Location of headquarters		Evert van de Beekstraat 202, 1118 CP Schiphol	No
G102-4	Location of operations	Our organisation		No
G102-5	Ownership and legal form	Corporate governance		No
G102-6	Markets served	Our organisation		No
G102-7	Scale of the organisation	About us		No
G102-8	Information on employees and other workers	Employment practices	FTE per region & division: Business Areas: Aviation: 1,209 Consumer Products & Services: 102 Real Estate: 59 Operating Unit: ICT: 257 PLUS: 93 Staff: 281 Amsterdam Airport Schiphol total: 2,001 Entities: Lelystad Airport: 19 Eindhoven Airport: 63 Rotterdam The Hague Airport: 97 Other information is not material	Yes
G102-41	Collective bargaining agreements		94.1% of employees covered by CLAs	Yes
G102-9	Supply chain	Our position in the value chain		No
G102-10	Significant changes to the organization and its supply chain	Socio-economic accountability		Yes
G102-11	Precautionary principle	Risk management	See also: <a href="http://www.schiphol.nl/nl/jij-en-schiphol/pagina/een-duurzame-toekomst">http://www.schiphol.nl/nl/jij-en-schiphol/pagina/een-duurzame-toekomst</a>	No
G102-12	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
G102-13	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
<b>Material topics</b>				
G102-45	Entities included in the consolidated financial statements	Financial Statements		Yes
G102-46	Process for defining report content and scope	Material aspects for stakeholders Socio-economic accountability		Yes
G102-47	Overview of material topics to determine report content and scope	Material aspects for stakeholders Socio-economic accountability		Yes
G102-48	Re-statements of information provided in previous annual reports	Socio-economic accountability		Yes
G102-49	Significant changes in scope relative to the previous reporting period	Socio-economic accountability	In 2017, where possible the definitions of the CR KPIs and reporting manuals of Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport were brought in line to enhance their comparability. Any remaining differences are explained in the section on performance indicators.	Yes

Ref.	Description	Chapter	Information and reference	External assurance section
<b>Stakeholder involvement</b>				
G102-40	List of stakeholder groups engaged by the organisation	Material aspects for stakeholders	Corporate governance	Yes
				Yes
				No
G102-42	Basis for identifying and selecting stakeholders with whom to engage	Material aspects for stakeholders		Yes
G102-43	Approach taken to engaging stakeholders	Material aspects for stakeholders		Yes
G102-44	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
<b>Reporting details</b>				
G102-50	Reporting period	Socio-economic accountability	01-01-2017 - 31-12-2017	Yes
G102-51	Date of most recent previous report (if any)	Published on 8-3-2017	<a href="http://www.schiphol.nl/nl/schiphol-group/pagina/jaarverslagen/">www.schiphol.nl/nl/schiphol-group/pagina/jaarverslagen/</a>	Yes
G102-52	Reporting cycle		Annual	Yes
G102-53	Contact information		<a href="http://www.schiphol.nl/nl/schiphol-group/pagina/in">www.schiphol.nl/nl/schiphol-group/pagina/in</a>	Yes
G102-54-5	GRI Content Index 5	Reporting guidelines		Yes
G102-56	Assurance report	Assurance report		Yes
		Governance		
<b>Governance</b>				
G102-18	Organisational governance structure	Supervisory Board report	Corporate governance	No
		Supervisory Board	Management Board	
G102-19	Process for delegating responsibility for economic, environmental and social aspects to the highest governing body and executive management	Corporate governance		No
G102-20	Manager responsible for economic, environmental and social aspects and whether they report to the highest governing body	Corporate governance		No
G102-22	Composition of highest governing body and its committees	Supervisory Board	Management Board	No
G102-23	Chair of the highest governance body	Corporate governance		No
G102-25	Conflicts of interest	Corporate governance		
		Supervisory Board		No
		Management Board		
G102-30	Effectiveness of risk management processes	Risk management		No
G102-31	Review of economic, environmental, and social topics	Corporate governance		No
G102-32	Highest governance body's role in sustainability reporting	Corporate governance		No
G102-33	Communicating critical concerns	Integrity		Yes
G102-35	Remuneration policies	Remuneration		No
G102-36	Process for determining remuneration	Remuneration		No

Ref.	Description	Chapter	Information and reference	External assurance section
<b>Ethics and integrity</b>				
G102-16	Values, principles, standards, and norms of behavior	Integrity		Yes
G102-17	Mechanisms for advice and concerns about ethics	Integrity		Yes
<b>Management approach</b>				
G103-1	Topic boundary outside the organisation for each material subject	Material aspects for stakeholders Socio-economic accountability		Yes
G103-1	Topic boundary outside the organisation for each material subject	Material aspects for stakeholders Socio-economic accountability		Yes
				Yes
				No
G103-2	Management approach and underlying components	Material aspects for stakeholders Socio-economic accountability	Our mission and socio-economic task are based on five strategic themes, each with its own focus: Top Connectivity, Excellent Visit Value, Competitive Marketplace, Development of the Group, and Sustainable & Safe Performance. We design our strategy in response to trends and developments. We have also analysed our key risks. The most important strengths, weakness, opportunities and threats are specified in the SWOT analysis. For further details, see 'Connecting the Netherlands': five themes.	Yes
G103-3	Evaluation of management approach	Material aspects for stakeholders  Our results Socio-economic accountability	Schiphol Group consciously weighs the interests of people, planet and profit. This approach is reflected in our investment decisions, calls for tenders and a range of other activities. Our results show how we shoulder our responsibilities and seek to strike a balance between the positive and negative effects of our operations.	Yes
<b>Material topics</b>				
<i>Financial solidity</i>				
G201-1	Direct economic values	Financial Statements		Yes
G203-1	Development and impact of infrastructure investments and services provided primarily for public benefit	Financial performance	We invested 490 million euros in 2017. A substantial portion of this is invested in improving, maintaining and optimally 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.	No
G203-2	Insight into and description of significant indirect economic consequences, including their scale.	Regional significance  Financial performance	The investments result in a substantial boost to economic activity and an increase in employment at and around the airport, particularly in 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).	No  No
<i>Network of destinations</i>				
A01	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	Amsterdam Airport Schiphol Passengers (incl. transit-direct): 68,515,425 European: 48,656,484 Intercontinental: 19,858,941 OD passengers (total): 43,086,344 European O&D: 33,575,495 OD Intercontinental: 9,510,849  Transfer (total): 25,314,802 European transfer: 15,073,847 Intercontinental transfer: 10,240,955 Transit-direct passengers: 12,827	No
A02	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	Amsterdam Airport Schiphol Air transport movements (total): 496,748 Cargo flights (commercial): 17,796 Passenger flights (commercial): 478,952 General aviation (non-commercial): 17,877 Night-time flights (total): 21,026	No
A03	Cargo volume	Network of destinations	Amsterdam Airport Schiphol: 1,752,498,053 kg	No

Ref.	Description	Chapter	Information and reference	External assurance section
<i>Airport capacity</i>				
	No indicator yet	Airport capacity		Yes
		Corporate Governance		No
<i>Accessibility</i>				
	Own indicator: Passengers' choice of transport to and from Schiphol	Accessibility		Yes
<i>CO<sub>2</sub> emissions</i>				
G302-4	Saving energy	CO <sub>2</sub> emissions		Yes
G305-1	Greenhouse gas emissions - scope 1	CO <sub>2</sub> emissions Performance indicators Socio-economic accountability		Yes
				Yes
G305-2	Greenhouse gas emissions - scope 2	CO <sub>2</sub> emissions Performance indicators Socio-economic accountability		Yes
				Yes
				Yes
<i>Air quality</i>				
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
<i>Raw materials and residual flows</i>				
G306-2	Total weight of waste by type	Raw materials and residual flows Socio-economic accountability	We aim for the high-value recycling of residual flows, which yields economic residual value. Separated residual flows account for a total volume of 5,118 tonnes. Other information is not material.	Yes
				Yes
<i>Contracting practices</i>				
	No indicator yet		Contracting practices are monitored qualitatively	Yes
<i>Supply chain responsibility</i>				
G308-1	Percentage of new suppliers in tenders that were screened using environmental criteria	Supply chain responsibility		Yes
<i>Employment practices</i>				
G401-1	Number of new employees and staff turnover	Employment practices	Division into categories is not material	Yes



Ref.	Description	Chapter	Information and reference	External assurance section
<i>Safety</i>				
AO9	Number of animals involved in wildlife strikes per 10,000 air transport movements	Safety Socio-economic accountability	Bird strikes are material	Yes
G403-2	Lost Time Injury Frequency (LTIF)	Safety Socio-economic accountability	Lost Time Injury Frequency and absenteeism are material	Yes
				Yes
<i>Noise</i>				
AO7	Number of people living in noise-affected areas	Noise	In the 2017 Usage Forecast, it was anticipated that 131,500 people would experience severe noise disturbance at levels of 48 dB(A) Lden or higher. Ultimately, the actual number was 149,000. The usage forecast for 2017 is also available online.	Yes
<i>Regional significance</i>				
G413-1	Percentage of activities that affect the local community	Regional significance	100%	No
G413-2	Operational activities with a significant (potentially) negative impact on the local environment	Regional significance Noise	The area around the airport is especially likely to experience noise disturbance See also: <a href="http://www.bezoekbas.nl">www.bezoekbas.nl</a>	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 2017 did not require any relocations	No
<i>Customer appreciation</i>				
G102-43 - 44	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 See also: Employment practices
2. Schiphol is certain that it does not partake in any activity that violates human rights	Codes of conduct Procurement regulations Integrity Committee See also: Employment practices

#### 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. See also: Employment practices
4. Schiphol eliminates all forms of forced labour	Type of work, working conditions and working times are set out in the CLA Procurement regulations See also: Employment practices
5. Schiphol eliminates child labour	Schiphol does not conclude employment agreements with people under the age of 18 Procurement regulations See also: Employment practices
6. Schiphol eliminates discrimination based on profession	Equal remuneration for men and women Code of Conduct on Undesirable Behaviour Integrity Committee Procurement regulations See also: Employment practices

#### 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 See also: Sustainable & Safe Performance
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 See also: Sustainable & Safe Performance
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) See also: Sustainable & Safe Performance

#### Anticorruption

10. Schiphol combats all forms of corruption, including bribery and extortion	Code of conduct Internal reporting regulations Procurement regulations Integrity Committee See also: Integrity
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# Assurance report of the independent auditor

To the readers of the Annual Report 2017 of Royal Schiphol Group N.V.

## Our Conclusion

We have reviewed the socio-economic reporting as included in the Annual Report 2017 of Royal Schiphol Group N.V. (hereafter 'Schiphol Group') based at Schiphol, the Netherlands. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed, nothing has come to our attention that causes us to believe that the socio-economic reporting is not prepared, in all material respects, in accordance with the GRI Sustainability Reporting Standards and the applied supplemental reporting criteria as disclosed in the section 'Socio-economic accountability of the Annual Report 2017'.

The socio-economic reporting consists of the sections: 'Material aspects for stakeholders, Accessibility, Security, Digital, Employment practices, Integrity, Sustainable & safe performance, Monetisation of impact and Socio-economic accountability'.

## 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 at obtaining limited assurance. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the socio-economic reporting' section of our report.

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 for accountants ('*Verordening gedrags- en beroepsregels accountants*').

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Consistency of the other information in the Annual Report 2017 with the socio-economic reporting

In addition to the socio-economic reporting and our assurance report thereon, the Annual Report 2017 contains other information about the topics of socio-economic reporting as mentioned above.

Based on the following procedures performed, we conclude that the other information about socio-economic topics is consistent with the socio-economic reporting and does not contain material misstatements.

We have read the other information about socio-economic topics. Based on our knowledge and understanding obtained through our review of the socio-economic reporting, we have considered whether the other information contains material misstatements. The procedures performed are substantially less in scope than those performed in our review of the socio-economic reporting itself.

## Prospective information and references to external sources unreviewed

The socio-economic reporting includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherently, the actual future results are uncertain. We do not provide any assurance on the assumptions and feasibility of prospective information in the socio-economic reporting.

References to external sources and websites in the socio-economic reporting are not reviewed by us. We therefore do not provide assurance on this information.

KPMG Accountants N.V., ingeschreven bij het handelsregister in Nederland onder nummer 33263683, is lid van het KPMG-netwerk van zelfstandige ondernemingen die verbonden zijn aan KPMG International Cooperative ('KPMG International'), een Zwitserse entiteit.



## 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 Standards and the applied supplemental reporting criteria as disclosed in the section 'Socio-economic accountability of the Annual Report 2017', including the identification of stakeholders and the definition of material matters. The choices made by the Management Board regarding the scope of the socio-economic reporting and the reporting policy are summarized in the section 'Socio-economic accountability of the Annual Report 2017'.

The Management Board is also responsible for such internal control as the Management Board 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 assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

A review is aimed at obtaining 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 those performed in a reasonable assurance engagement, such as an audit. The level of assurance obtained is therefore substantially less than the level of assurance obtained in an audit engagement.

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 socio-economic reporting. 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 apply the Regulations on quality management systems ('*Nadere voorschriften kwaliteitssystemen*') 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.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review engagement included, among others, the following procedures:

- Performing an analysis of the external environment and obtaining an understanding of relevant socio-economic themes and the characteristics of the organization;
- Identifying areas of the socio-economic reporting associated with a higher risk of material misstatements, whether due to error or fraud, performing assurance procedures responsive to those areas and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- Considering internal control relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the internal control of Schiphol Group;
- Evaluating the appropriateness of the reporting criteria used, including the evaluation of the results of stakeholder dialogue, and the reasonableness of estimates made by the Management Board and related disclosures in the socio-economic reporting;
- Interviewing management and relevant staff responsible for the strategy, policy and reporting regarding socio-economic themes;
- Interviewing relevant staff responsible for providing the information for the socio-economic reporting, carrying out internal control procedures and consolidating the data in the socio-economic reporting;
- Site visits to Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport aimed at the validation of source data and the evaluation of the design and implementation of internal control and validation procedures;
- An analytical review of data and trends;
- Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the information included in the socio-economic reporting.



We have communicated the planned scope of our review and findings to the Management Board and the Supervisory Board.

Amstelveen, 15 February 2018  
KPMG Accountants N.V.

E. Eeftink RA

KPMG Accountants N.V., ingeschreven bij het handelsregister in Nederland onder nummer 33263683, is lid van het KPMG-netwerk van zelfstandige ondernemingen die verbonden zijn aan KPMG International Cooperative ('KPMG International'), een Zwitserse entiteit.



# financial statements

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## Consolidated statement of income for the year ended 31 December 2017

(in thousands of euros)	Note	2017	2016
<b>Revenue</b>	1	<b>1,457,542</b>	<b>1,423,379</b>
Other income and results from investment property	2	<b>42,477</b>	71,390
Other income	3	<b>37,957</b>	-
<b>Other income and results from investment property</b>		<b>80,434</b>	<b>71,390</b>
Cost of outsourced work and other external costs	4	<b>701,236</b>	649,235
Employee benefits	5	<b>212,528</b>	184,523
Depreciation, amortisation and impairment	6	<b>263,715</b>	238,115
Other operating expenses	7	<b>1,836</b>	2,579
<b>Total operating expenses</b>		<b>1,179,315</b>	<b>1,074,452</b>
<b>Operating profit</b>		<b>358,661</b>	<b>420,317</b>
Financial income		<b>10,686</b>	8,931
Financial expenses		<b>-96,297</b>	-99,536
<b>Financial income and expenses</b>	29	<b>-85,611</b>	<b>-90,605</b>
Share of profit of associates and joint ventures	13	<b>72,767</b>	67,485
<b>Profit before tax</b>		<b>345,817</b>	<b>397,197</b>
Income tax expense	12	<b>-60,277</b>	-85,962
<b>Profit for the year</b>		<b>285,540</b>	<b>311,235</b>
Attributable to:			
Non-controlling interests		<b>5,837</b>	4,979
Shareholders (net result)		<b>279,703</b>	306,256
<b>Earnings per share (in euros)</b>		<b>1,503</b>	1,645



## Consolidated statement of comprehensive income for the year ended 31 December 2017

(in thousands of euros)	Note	2017	2016
<b>Profit for the year</b>		<b>285,540</b>	<b>311,235</b>
Foreign operations - foreign currency translation differences	21	-12,278	4,286
Changes in fair value on hedge transactions	21	1,110	19,629
Share of OCI of associates after taxes	13, 21	-7,226	-943
<b>Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods:</b>		<b>-18,394</b>	<b>22,972</b>
Remeasurements of defined benefit liability	21	-528	-970
Share of OCI of associates after taxes	13, 21	640	-800
<b>Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods:</b>		<b>112</b>	<b>-1,770</b>
<b>Other comprehensive income for the year</b>		<b>-18,282</b>	<b>21,202</b>
<b>Total comprehensive income for the year</b>		<b>267,258</b>	<b>332,437</b>
Attributable to:			
Non-controlling interests		5,837	4,979
Shareholders (net result)		261,421	327,458

## Consolidated statement of financial position as at 31 December 2017

(in thousands of euros)	Note	31 December 2017	31 December 2016
<b>Non-current assets</b>			
Intangible assets	8	<b>88,091</b>	80,274
Assets used for operating activities	9	<b>2,864,347</b>	2,828,246
Assets under construction or development	10	<b>418,130</b>	244,419
Investment property	11	<b>1,503,744</b>	1,453,482
Deferred tax assets	12	<b>144,813</b>	165,219
Investments in associates and joint ventures	13	<b>921,317</b>	895,345
Loans to associates	14	<b>53,436</b>	74,200
Other non-current receivables	15	<b>46,420</b>	76,875
		<b>6,040,298</b>	<b>5,818,060</b>
<b>Current assets</b>			
Trade and other receivables	17	<b>426,678</b>	224,476
Current income tax assets	12	<b>17,646</b>	6,179
Cash and cash equivalents	18	<b>170,370</b>	238,691
Assets held for sale	16	-	138,956
		<b>614,694</b>	<b>608,302</b>
		<b>6,654,992</b>	<b>6,426,362</b>

(in thousands of euros)	Note	31 December 2017	31 December 2016
<b>Equity</b>			
Issued share capital	19	<b>84,511</b>	84,511
Share premium	19	<b>362,811</b>	362,811
Retained profits	20	<b>3,570,069</b>	3,438,838
Other reserves	21	<b>-81,179</b>	-62,930
<b>Equity attributable to owners of the Company</b>		<b>3,936,212</b>	<b>3,823,230</b>
Non-controlling interests	22	<b>41,972</b>	36,357
<b>Total equity</b>		<b>3,978,184</b>	<b>3,859,587</b>
<b>Non-current liabilities</b>			
Borrowings	23	<b>2,074,627</b>	2,010,773
Employee benefits	24	<b>42,137</b>	39,655
Other provisions	25	<b>36,912</b>	17,679
Deferred tax liabilities	12	<b>16,651</b>	22,924
Other non-current liabilities	26	<b>133,407</b>	138,671
		<b>2,303,734</b>	<b>2,229,702</b>
<b>Current liabilities</b>			
Borrowings	23	<b>35,220</b>	4,927
Current income tax liabilities	12	<b>780</b>	423
Trade and other payables	27	<b>337,074</b>	324,971
Liabilities held for sale	16	<b>-</b>	6,752
		<b>373,074</b>	<b>337,073</b>
		<b>6,654,992</b>	<b>6,426,362</b>

## Consolidated statement of changes in equity

(in thousands of euros)	Note	Attributable to shareholders			Other reserves	Non-controlling interests	Total
		Issued share capital	Share Premium	Retained profits			
<b>Balance at 1 January 2016</b>		<b>84,511</b>	<b>362,811</b>	<b>3,319,818</b>	<b>-83,032</b>	<b>31,601</b>	<b>3,715,709</b>
Profit for the year		-	-	306,256	-	4,979	<b>311,235</b>
Other comprehensive income for the year	21	-	-	-	21,202	-	<b>21,202</b>
<b>Comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>306,256</b>	<b>21,202</b>	<b>4,979</b>	<b>332,437</b>
Payments of dividends	20	-	-	-187,236	-	-223	<b>-187,459</b>
Other	13	-	-	-	-1,100	-	<b>-1,100</b>
<b>Balance at 31 December 2016</b>		<b>84,511</b>	<b>362,811</b>	<b>3,438,838</b>	<b>-62,930</b>	<b>36,357</b>	<b>3,859,587</b>
Profit for the year		-	-	279,703	-	5,837	<b>285,540</b>
Other comprehensive income for the year	21	-	-	-	-18,282	-	<b>-18,282</b>
<b>Comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>279,703</b>	<b>-18,282</b>	<b>5,837</b>	<b>267,258</b>
Payments of dividends	20	-	-	-148,439	-	-222	<b>-148,661</b>
Other	21	-	-	-33	33	-	<b>-</b>
<b>Balance at 31 December 2017</b>		<b>84,511</b>	<b>362,811</b>	<b>3,570,069</b>	<b>-81,179</b>	<b>41,972</b>	<b>3,978,184</b>
					dividend for 2016, paid in 2017	dividend for 2015, paid in 2016	
Dividend attributable to shareholders (in euros)					<b>148,439,000</b>	187,236,000	
Average number of shares in issue during the year					<b>186,147</b>	186,147	
Dividend per share (in euros)					<b>797</b>	1,006	

## Consolidated statement of cash flow for 2017

(in thousands of euros)	Note	2017	2016
<b>Result for the year</b>		<b>285,540</b>	<b>311,235</b>
Income tax expense recognised in profit or loss	12	60,277	85,962
Share of profit of associates and joint ventures	13	-72,767	-67,485
Financial income and expenses	29	85,611	90,605
		<b>73,121</b>	<b>109,082</b>
<b>Operating result</b>		<b>358,661</b>	<b>420,317</b>
Adjustments for:			
Depreciation and amortisation expenses	6	263,715	236,520
Impairment loss	6, 8, 9	-	1,595
Result on disposal of investment property	2	-	-423
Result on disposal of joint ventures	3	-26,039	-
Fair value changes of investment property	2	-42,477	-70,967
Other non-cash changes in other receivables and liabilities		3,950	-391
Result on disposal of property, plant and equipment		-	-207
Change in other provisions and employee benefits		6,740	1,489
		<b>205,889</b>	<b>167,616</b>
<b>Operating result after adjustments</b>		<b>564,550</b>	<b>587,933</b>
Movements in working capital		-199,400	-32,389
<b>Cash flow from operations</b>		<b>365,150</b>	<b>555,544</b>
<b>Cash flow from operating activities</b>			
Income taxes paid		-54,699	-64,966
Interest paid		-74,457	-82,435
Interest received		832	1,580
Dividends received		30,286	28,472
<b>Cash flow from operating activities</b>		<b>267,112</b>	<b>438,195</b>
<b>Cash flow from investing activities</b>			
Payments for intangible assets	8	-29,577	-13,766
Payments for property, plant and equipment	10, 11	-413,117	-289,579
Proceeds from disposals of property, plant and equipment		-	416
Proceeds on disposal of subsidiaries	3	144,457	-
Share capital contributions to associates	13	3,853	1,379
Repayment on other loans		2,422	183
<b>Cash flow from investing activities</b>		<b>-291,962</b>	<b>-301,367</b>
<b>Free cash flow</b>		<b>-24,850</b>	<b>136,828</b>

(in thousands of euros)	Note	2017	2016
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	23	<b>118,845</b>	153,200
Repayment of borrowings	23	<b>-18,727</b>	-288,227
Settlement derivative financial instruments		<b>-4,815</b>	-343
Dividend paid	20	<b>-148,661</b>	-187,459
Proceeds from other non-current liabilities		-	1,941
Other non-current liabilities paid		<b>-59</b>	-54
Finance lease instalments paid		<b>-1,916</b>	-2,457
<b>Cash flow from financing activities</b>		<b>-55,333</b>	<b>-323,399</b>
<b>Net cash flow</b>		<b>-80,183</b>	<b>-186,571</b>
Cash and cash equivalents at beginning of the year	18	<b>250,767</b>	437,308
Net cash flow		<b>-80,183</b>	-186,571
Exchange and translation differences		<b>-214</b>	30
<b>Cash and cash equivalents at the end of the year</b>		<b>170,370</b>	<b>250,767</b>
Cash from continuing operations	18	<b>170,370</b>	238,691
Cash held for sale	16	-	12,076
		<b>170,370</b>	<b>250,767</b>



## Notes to the consolidated financial statements

### General information

Royal Schiphol Group N.V. 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. Royal Schiphol Group N.V. trades under the name of Schiphol Group, Luchthaven Schiphol and Royal Schiphol Group N.V.

Royal Schiphol Group is an airport company with Amsterdam Airport Schiphol as its main airport. The airports of the group 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: facilitating optimal links with the rest of the world in order to contribute to prosperity and well-being in the Netherlands and elsewhere; connecting to compete and to complete. Royal Schiphol Group's ambition is to develop Amsterdam Airport Schiphol into Europe's Preferred Airport, the airport of preference for travellers, airlines and logistics service providers. We aim to serve them with a well-positioned airport and modern facilities.

On 15 February 2018 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 17 April 2018.

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 2017

Schiphol Group has elected to implement a voluntary change in accounting policies for the classification of revenue related discounts in order to improve the insight into total revenue. These discounts will be presented as part of revenue rather than costs of outsourced work and other external costs. This change has no impact on our result or equity as presented. The comparative figures have been adjusted for this reclass.

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 effective 1 January 2017:

- Amendments to IAS 7, Disclosures initiative;
- Amendments to IAS 12, Recognition of deferred tax assets for unrealised losses.

The above amended standards which are applied by Schiphol Group do not have a significant impact on the disclosures and financial data in these financial statements.

### New standards and amended standards that are mandatory with effect from 2018 or later

Schiphol Group has not voluntarily applied in advance new or amended standards or interpretations that will not be mandatory until the 2018 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 2018 financial year or later (as stated). The European Union has adopted the following new standards and amendments unless otherwise stated:

- IFRS 9, Financial Instruments will replace 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 classification and measurement of financial assets, whereby the classification of the financial assets will be based on the business model of Schiphol Group and to its cashflow characteristics. IFRS 9 identifies three categories for the classification of financial assets: valuation based on amortised costs, fair value through other comprehensive income and fair value through profit or loss. Based on our assessment we conclude that the new classification guidance does not have a material effect on the accounting for loans to associates, non-current receivables and trade and other receivables. The existing requirements for classification of financial liabilities remain largely unchanged with IFRS 9. Schiphol Group concluded that IFRS 9 does not have an impact in this area.

In addition, a new impairment model is included in IFRS 9 which requires the recognition of impairment provisions to be based on expected credit losses rather than incurred



credit losses. This will lead to credit losses to be recognised earlier for financial assets. Schiphol Group has made an assessment of the expected impact that the implementation of IFRS 9 will have on the consolidated financial statements. Based on our assessment it is expected that additional credit losses will be recognised for loans to associates and trade and other receivables. The losses are expected not to be material to the 2018 result and retained earnings.

Finally, the new hedge accounting rules in IFRS 9 introduce a more principle-based approach towards hedge relationships and therefore more hedge relationship might be eligible for hedge accounting. Schiphol Group does not expect IFRS 9 to have an impact on the effectiveness of the current hedge relationships identified. Schiphol will apply the new standard from 1 January 2018;

- IFRS 15, Revenue from contracts with customers will supersede the current revenue recognition guidance including IAS 18, Revenue Recognition 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. During the financial year Schiphol Group has performed a detailed assessment by identifying per revenue stream the differences between IFRS 15 and the current standards in place. As a result of the assessment performed it is concluded that the implementation of IFRS 15 does not have an effect on revenue recognition for the different revenue streams. IFRS 15 therefore does not have an impact on results and retained earnings. Schiphol will apply the new standard retrospectively from 1 January 2018;
- IFRS 2, Classification and measurement of share-based payment transactions (effective as of 1 January 2018, but not yet endorsed by the European Union). This amended standard does not have an impact on the consolidated financial statements;
- IFRS 16, Leases will replace the current guidance in place for leasing, among which IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. The Standard will be effective for financial years commencing on or after 1 January 2019. IFRS 16 introduces one recognition model for lessees, based on the principle that all leases should be recognised on the balance sheet. The lessee needs to recognise an asset for the right to use the leased item and a financial liability for rental payments. Exceptions are available for short-term lease agreements and lease agreements of low-value items. The accounting for lessors will not significantly change – lessors will continue classifying both financial and operational leases. Schiphol Group has completed an initial assessment of the potential impact on the consolidated financial statements.

Based on this assessment it is expected that the implementation of IFRS 16 does not have a material impact with respect to the recognition of assets and liabilities. In addition, the nature of the expenses recognised will change since IFRS 16 requires depreciation costs related to the right to use the leased item and interest costs related to the financial liability to pay rentals to be recorded rather than only straight-line operating lease expenses. Based on the initial assessment IFRS 16 is not expected to have a significant impact on the income statement;

- IFRIC 22 Foreign Currency Transaction and Advance Consideration (effective as of 1 January 2018, but not yet endorsed by the European Union). It is expected that IFRIC 22 will not have a significant impact on the consolidated financial statements;
- Changes relating to the Annual Improvements project 2014-2016 (effective as of 1 January 2018, but not yet endorsed by the European Union). It is expected that this will not have a significant impact on the income statement;
- IFRIC 23, Uncertainty over Income Tax Treatments (effective as of 1 January 2019, but not yet endorsed by the European Union). It is expected that IFRIC 23 will not have a significant impact on the consolidated financial statements.

### 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).

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. This relates to interest payable to third parties on borrowings attributable to projects. Borrowing costs are only capitalised for projects with a duration equal to or longer than a year;
- 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. 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 under construction or development for investment property (category c) are recognised at fair value if the value can be measured reliably. When the fair value can not be measured reliably the assets are valued against historical costs until the moment the fair value can be estimated reliably. Changes in the fair value of these assets will be recognised through the income statement as part of 'other income and results from investment property'.

Upon completion assets are transferred to 'investment property' at fair value. Refer to the accounting policies for more details on the subsequent treatment of investment property.

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. 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 Royal Schiphol Group N.V. and its subsidiaries is fully consolidated. Subsidiaries are those companies that are controlled by Royal Schiphol Group N.V. 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 control of 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 is recorded as a lease asset in the balance sheet and recognised as an expense in the income statement on a straight-line basis over the lease term.

See note 15. Other non-current receivables for a more detailed explanation.

### Financial instruments (including derivatives)

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.

When hedge accounting is not applied, the results are immediately recognised in the income statement.

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 and share premium 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) increases, 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 recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. 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 prepaid amounts received are recorded as a lease liability in the balance sheet and recognised as income in the income statement on a straight-line basis 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

Revenue is measured at the fair value of the fees received or to be received. 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 if the result can be reliably estimated.

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.

For the main activities of Schiphol revenue is recognised as follows:

### *Airport charges*

Revenue from airport charges consists of passenger service charges, security service charges, aircraft-related fees and aircraft parking fees for which revenue is recognised in proportion to the service supplied at the reporting date.

The charges are regulated on the basis of the mandatory consultation of users by the operator which takes place every three years concerning the proposed charges and conditions for the forthcoming tariff which is set for a three-year period. 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.



### Concessions

A concession grants the holder non-exclusive rights to operate and manage a commercial activity in a specific location designated by Schiphol Group. Concession income received qualifies as variable lease payments since the amounts received are dependent on predetermined percentage scales which are linked to the revenues of the concession holder. Concession income is recognised on a straight-line basis where the scales set are linked to the annual sales of the concession holder in the financial year. When the revenue period specified in a contract is different from Schiphol's financial year, an estimation of the expected scale and revenue will be made. In these instances, revenue is also recognised on a straight-line basis.

### Rent and leases

Rental income from investment property is recognised on a straight-line basis over the contract term of the lease agreement. Rental income received from these contracts are recognised on a straight-line basis, taking into account lease incentives, as revenues in the income statement.

### Rent and leases

Parking revenues are recognised in proportion to the service supplied at the reporting date.

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 taxes

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 taxes for a more detailed explanation.

## Foreign currency

### (a) Functional currency and presentation currency

Since the primary economic environment of Schiphol Group is the Netherlands, 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 2017 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 differ 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 note 11. 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 12. Income taxes 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.

## Provisions

Schiphol Group makes use of estimates and assumptions when determining the likelihood that an obligation per balance sheet date will lead to an outflow of resources. In addition to this, assumptions are applicable to the estimated amount of outflow of resources. For example, Schiphol recognised an environmental provision related to soil pollution for construction projects for which soil has been excavated. Since there is no technical solution available for decontaminating the polluted soil, the excavated soil is temporarily stored at the airport until the market has developed a decontamination solution. Schiphol has made an estimation of the expected

expenditures related to the decontamination. For a more detailed explanation, refer to note 25. Other provisions.

### **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. Schiphol is also involved in disputes as a 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 note 28. Contingent assets and liabilities.

## Changes in the scope of consolidation

### 2017 - sale of Schiphol Hotel Holding B.V.

In 2017 the following transaction changed the scope of consolidation for Schiphol Group:

On 13 December 2017 Schiphol Group sold its interest in Schiphol Hotel Holding B.V. and the related subsidiaries Schiphol Operational Company and Schiphol Property Company. As per this date the assets and liabilities, as well as

the results of Schiphol Hotel Holding B.V. will no longer be consolidated. The assets and liabilities were classified as 'held for sale' since 31 December 2015. In 2017 the contribution of this group to net revenues and to the operating profit was 30 million euros and 6.3 million euros respectively.

As a consequence of the sale there is a positive result of 26 million euros in 2017, which is recorded as part of other income. The net consideration received amounts to 144.5 million euros.

(in thousands of euros)	13 December 2017	31 December 2016
Assets used for operating activities	122,166	126,307
Deferred tax assets	-	468
Cash and cash equivalents	2,912	12,076
Trade and other receivables	1,768	105
<b>Assets held for sale</b>	<b>126,846</b>	<b>138,956</b>
Deferred tax liabilities	2,255	-
Trade and other payables	2,600	6,752
<b>Liabilities held for sale</b>	<b>4,855</b>	<b>6,752</b>
<b>Net assets and liabilities held for sale</b>	<b>121,991</b>	<b>132,204</b>
Consideration received in cash	147,369	
Cash and cash equivalents disposed	-2,912	
<b>Net cash inflow</b>	<b>144,457</b>	
<b>Other income</b>		
Consideration received in cash	147,369	
Consideration receivable	1,685	
<b>Total income on disposal of controlling interest</b>	<b>149,054</b>	
Selling expenses	-1,025	
Disposed net assets and liabilities	-121,991	
<b>Total result on disposal of controlling interest</b>	<b>26,039</b>	

## 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).

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, International Airports and Other Participations 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 expenses 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 2017), there is no geographical segmentation. Around 34% of revenue relates to one external customer and is generated primarily in the Aviation and Security segments.

## 2017

(in thousands of euros)	Aviation	Consumer Products & Services	Real Estate	Alliances & Participations	Total
Airport charges	769,367	-	-	62,645	<b>832,012</b>
Concessions	15,186	181,160	1,275	8,209	<b>205,830</b>
Rent and leases	253	17,212	168,124	4,803	<b>190,392</b>
Parking fees	-	102,499	4,402	18,612	<b>125,513</b>
Other activities	31,443	30,197	33,389	89,788	<b>184,817</b>
<b>Total revenue</b>	<b>816,249</b>	<b>331,068</b>	<b>207,190</b>	<b>184,057</b>	<b>1,538,564</b>
Intercompany revenue	-1,826	-2,002	-30,722	-46,472	<b>-81,022</b>
<b>Revenue</b>	<b>814,423</b>	<b>329,066</b>	<b>176,468</b>	<b>137,585</b>	<b>1,457,542</b>
Other income and results from investment property	-	-	67,830	12,604	<b>80,434</b>
Depreciation and amortisation	-188,797	-29,751	-24,527	-20,640	<b>-263,715</b>
Operating profit	-38,876	216,373	138,295	42,869	<b>358,661</b>
Share of profit of associates <sup>1</sup>	868	501	1,711	77,641	<b>80,721</b>
Total assets	2,717,847	415,099	2,172,595	1,349,451	<b>6,654,992</b>
Total non-current assets (excl. income tax)	2,417,016	369,152	1,932,375	1,176,942	<b>5,895,485</b>
Investments in associates and other financial interests	3,339	19,770	94,727	803,481	<b>921,317</b>
Capital expenditure <sup>2</sup>	301,217	53,566	51,297	83,720	<b>489,800</b>

<sup>1</sup> The share of profit of associates and joint ventures includes the share in profit of associates and joint ventures 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.

<sup>2</sup> These capital expenditures includes assets under construction for operating activities, investment properties and intangible fixed assets.

## 2016

(in thousands of euros)	Aviation	Consumer Products & Services	Real Estate	Alliances & Participations	Total
Airport charges	780,934	-	-	55,605	<b>836,539</b>
Concessions	15,476	163,539	1,409	6,724	<b>187,148</b>
Rent and leases	94	16,868	168,743	3,905	<b>189,610</b>
Parking fees	-	96,927	4,174	16,820	<b>117,921</b>
Other activities	25,069	28,539	31,662	93,355	<b>178,625</b>
<b>Total revenue</b>	<b>821,573</b>	<b>305,873</b>	<b>205,988</b>	<b>176,409</b>	<b>1,509,843</b>
Intercompany revenue	-1,177	-2,150	-33,109	-50,028	<b>-86,464</b>
<b>Revenue</b>	<b>820,396</b>	<b>303,723</b>	<b>172,879</b>	<b>126,381</b>	<b>1,423,379</b>
Other income and results from investment property	-	-	71,149	241	<b>71,390</b>
Depreciation and amortisation	-176,040	-27,077	-18,635	-14,768	<b>-236,520</b>
Impairment	-	-	-1,595	-	<b>-1,595</b>
Operating profit	37,466	197,404	147,678	37,769	<b>420,317</b>
Share of profit of associates <sup>1</sup>	917	407	-1,719	73,972	<b>73,577</b>
Total assets	2,574,608	387,057	2,227,232	1,237,465	<b>6,426,362</b>
Total non-current assets (excl. income tax)	2,314,840	348,005	1,877,542	1,112,454	<b>5,652,841</b>
Investments in associates and other financial interests	3,203	21,993	97,891	772,258	<b>895,345</b>
Capital expenditure <sup>2</sup>	197,044	24,955	12,482	68,864	<b>303,345</b>

<sup>1</sup> The share of profit of associates and joint ventures includes the share in profit of associates and joint ventures 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.

<sup>2</sup> These capital expenditures includes assets under construction for operating activities, investment properties and intangible fixed assets.



## Aviation

(in thousands of euros)	Aviation		Security		Total	
	2017	2016	2017	2016	2017	2016
Airport charges	480,512	495,393	288,855	285,541	<b>769,367</b>	780,934
Concessions	15,186	15,476	-	-	<b>15,186</b>	15,476
Rent and leases	91	91	162	3	<b>253</b>	94
Other activities	27,238	23,547	4,205	1,522	<b>31,443</b>	25,069
<b>Total revenue</b>	<b>523,027</b>	<b>534,507</b>	<b>293,222</b>	<b>287,066</b>	<b>816,249</b>	<b>821,573</b>
Intercompany revenue	-1,146	-792	-680	-385	<b>-1,826</b>	-1,177
<b>Revenue</b>	<b>521,881</b>	<b>533,715</b>	<b>292,542</b>	<b>286,681</b>	<b>814,423</b>	<b>820,396</b>
Depreciation and amortisation	-146,823	-135,031	-41,974	-41,009	<b>-188,797</b>	-176,040
Operating profit	-12,770	38,338	-26,106	-872	<b>-38,876</b>	37,466
Share of profit of associates <sup>1</sup>	868	917	-	-	<b>868</b>	917
Total assets	2,349,616	2,178,627	368,231	395,981	<b>2,717,847</b>	2,574,608
Total non-current assets (excl. income tax)	2,089,544	1,958,812	327,472	356,028	<b>2,417,016</b>	2,314,840
Investments in associates and other financial interests	3,339	3,203	-	-	<b>3,339</b>	3,203
Capital expenditure	262,279	159,553	38,938	37,491	<b>301,217</b>	197,044

<sup>1</sup> The share of profit of associates and joint ventures includes the share in profit of associates and joint ventures 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.

## Consumer Products & Services

(in thousands of euros)	Concessions		Parking		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Concessions	175,063	158,123	6,097	5,416	-	-	<b>181,160</b>	163,539
Rent and leases	16,780	16,381	432	487	-	-	<b>17,212</b>	16,868
Parking fees	-	-	102,499	96,954	-	-27	<b>102,499</b>	96,927
Other activities	281	751	1,952	2,006	27,964	25,782	<b>30,197</b>	28,539
<b>Total revenue</b>	<b>192,124</b>	<b>175,255</b>	<b>110,980</b>	<b>104,863</b>	<b>27,964</b>	<b>25,755</b>	<b>331,068</b>	<b>305,873</b>
Intercompany revenue	-428	-390	-1,367	-1,452	-207	-308	<b>-2,002</b>	-2,150
<b>Revenue</b>	<b>191,696</b>	<b>174,865</b>	<b>109,613</b>	<b>103,411</b>	<b>27,757</b>	<b>25,447</b>	<b>329,066</b>	<b>303,723</b>
Depreciation and amortisation	-13,870	-13,072	-12,794	-11,427	-3,087	-2,578	<b>-29,751</b>	-27,077
Operating profit	147,901	130,726	59,686	56,516	8,786	10,162	<b>216,373</b>	197,404
Share of profit of associates <sup>1</sup>	501	407	-	-	-	-	<b>501</b>	407
Total assets	183,704	180,841	213,541	188,471	17,854	17,745	<b>415,099</b>	387,057
Total non-current assets (excl. income tax)	163,371	162,595	189,904	169,455	15,877	15,955	<b>369,152</b>	348,005
Investments in associates and other financial interests	19,770	21,993	-	-	-	-	<b>19,770</b>	21,993
Capital expenditure	17,192	-7,077 <sup>2</sup>	34,307	26,403	2,067	5,629	<b>53,566</b>	24,955

<sup>1</sup> The share of profit of associates and joint ventures includes the share in profit of associates and joint ventures 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.

<sup>2</sup> The capital expenditure for Lounge 2 are allocated to other reporting segments (mainly Aviation) at completion.

## Real Estate

(in thousands of euros)	Total	
	2017	2016
Concessions	<b>1,275</b>	1,409
Rent and leases	<b>168,124</b>	168,743
Parking fees	<b>4,402</b>	4,174
Other activities	<b>33,389</b>	31,662
<b>Total revenue</b>	<b>207,190</b>	<b>205,988</b>
Intercompany revenue	<b>-30,722</b>	-33,109
<b>Revenue</b>	<b>176,468</b>	<b>172,879</b>
Other income and results from investment property	<b>67,830</b>	71,149
Depreciation and amortisation	<b>-24,527</b>	-18,635
Impairment	-	-1,595
Operating profit	<b>138,295</b>	147,678
Share of profit of associates <sup>1</sup>	<b>1,711</b>	-1,719
Total assets	<b>2,172,595</b>	2,227,232
Total non-current assets (excl. income tax)	<b>1,932,375</b>	1,877,542
Investments in associates and other financial interests	<b>94,727</b>	97,891
Capital expenditure	<b>51,297</b>	12,482

<sup>1</sup> The share of profit of associates and joint ventures includes the share in profit of associates and joint ventures 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.

## Alliances & Participations

(in thousands of euros)	International airports		Domestic airports		Other subsidiaries		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Airport charges	-	-	62,645	55,605	-	-	<b>62,645</b>	55,605
Concessions	-	-	8,209	6,724	-	-	<b>8,209</b>	6,724
Rent and leases	-	-	4,797	3,900	6	5	<b>4,803</b>	3,905
Parking fees	-	-	18,612	16,820	-	-	<b>18,612</b>	16,820
Other activities	13,062	12,812	5,311	7,655	71,415 <sup>1</sup>	72,888	<b>89,788</b>	93,355
<b>Total revenue</b>	<b>13,062</b>	<b>12,812</b>	<b>99,574</b>	<b>90,704</b>	<b>71,421</b>	<b>72,893</b>	<b>184,057</b>	<b>176,409</b>
Intercompany revenue	-3	-2	-1,621	-1,338	-44,848	-48,688	<b>-46,472</b>	-50,028
<b>Revenue</b>	<b>13,059</b>	<b>12,810</b>	<b>97,953</b>	<b>89,366</b>	<b>26,573</b>	<b>24,205</b>	<b>137,585</b>	<b>126,381</b>
Other income and results from investment property	11,918	-	686	241	-	-	<b>12,604</b>	241
Depreciation and amortisation	-1,365	-1,390	-10,361	-8,234	-8,914	-5,144	<b>-20,640</b>	-14,768
Operating profit	21,829	10,062	16,364	16,281	4,676	11,426	<b>42,869</b>	37,769
Share of profit of associates <sup>2</sup>	76,642	73,699	-	-	999	273	<b>77,641</b>	73,972
Total assets	1,026,822	989,249	261,562	187,942	61,067	60,274	<b>1,349,451</b>	1,237,465
Total non-current assets (excl. income tax)	912,473	889,282	232,610	168,979	31,859	54,193	<b>1,176,942</b>	1,112,454
Investments in associates and other financial interests	800,878	770,000	-	-	2,603	2,258	<b>803,481</b>	772,258
Capital expenditure	-	1,261	70,167	53,596	13,553	14,007	<b>83,720</b>	68,864

<sup>1</sup> The other activities include revenues from Utilities (supply of gas, electricity and water) and telecommunication services.

<sup>2</sup> The share of profit of associates and joint ventures includes the share in profit of associates and joint ventures 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.

## 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 sector 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.

The regional airports are not regulated up to five million passengers. Eindhoven Airport has reached this number of passengers and will therefore be regulated as of 2019.

#### Settlement

Under the Aviation Act, Schiphol Group must settle surpluses and deficits from specified income and expenses with the industry. 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 the airports Rotterdam, Eindhoven and Lelystad, which are accounted for in the Domestic Airports reporting segment.

There was a surplus for the 2016 financial year of 32.5 million euros for the Aviation segment and 22.0 million euros for the Security segment. This (net) surplus of 54.5 million euros will be included in the charges as from 1 April 2018. For the 2017 financial year a surplus of 25.0 million euros is expected, which will be included in the charges for 2019 up to and including 2021.

(in thousands of euros)	2017	2016
Passenger service charges	<b>346,346</b>	329,795
Security service charges	<b>302,079</b>	311,967
Aircraft-related fees	<b>178,951</b>	189,468
Aircraft parking fees	<b>4,636</b>	5,309
<b>Total airport charges</b>	<b>832,012</b>	<b>836,539</b>

#### Concessions

Schiphol Group's Concessions reporting segment, which is part of the Consumer Products & Services business area, had 106 effective concession contracts in 2017 (2016: 88) 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. Concession income therefore qualifies as variable lease payments. In addition to the concession agreement in general a separate contract is entered into with concession holders in which a fixed rent is payable for the space rented by the concession holder. The concessions have an average duration of three to five years. At the reporting date, about 69% of the concessions had a remaining term of less than three years (2016: about 52%), about 23% had a remaining term between three and five years (2016: about 27%) and about 8% had a remaining term of more than five years (2016: about 21%).

Revenue of 15.2 million euros from concessions included in the Aviation segment (15.5 million euros in 2016) and 6.1 million euros in the Parking segment (5.4 million euros in 2016) relates to concession agreements for the third-party supply of aviation fuel and car rental services at the airport.

(in thousands of euros)	2017	2016
Shops Retail Airside	<b>111,596</b>	103,957
Food and beverage	<b>45,110</b>	38,844
Oil companies	<b>15,294</b>	15,270
Shops Plaza	<b>8,109</b>	7,414
Other	<b>25,721</b>	21,663
<b>Total concessions</b>	<b>205,830</b>	<b>187,148</b>

Concession revenue received from Schiphol Airport Retail B.V. is 29.2 million euros (2016: 29.4 million euros).

#### Rent and leases

(in thousands of euros)	2017	2016
Investment property: buildings, including service charges	<b>89,329</b>	85,446
Operating property, including service charges	<b>41,632</b>	41,423
Investment property: land	<b>29,285</b>	30,384
Intercompany revenue	<b>30,146</b>	32,357
<b>Total rent and leases</b>	<b>190,392</b>	<b>189,610</b>

Occupancy in the Real Estate segment was 89.6% as at 31 December 2017 (88.7% as at 31 December 2016).

Approximately 17% of the leases (measured by income from rent and leases) expire within one year (14% in 2016), 53% between one and five years (55% in 2016) and 30% after more than five years (31% in 2016).

Property management expenses divided into occupied and unoccupied buildings can be analysed as follows:

(in thousands of euros)	2017	2016
Occupied buildings	<b>34,652</b>	39,474
Unoccupied buildings	<b>4,470</b>	5,648
<b>Total property management expenses</b>	<b>39,122</b>	<b>45,122</b>

If buildings are partially leased, the property management expenses have been apportioned based on floor area.

#### Parking fees

(in thousands of euros)	2017	2016
Short-stay parking	<b>48,936</b>	50,473
Long-stay parking	<b>34,112</b>	28,393
Business parking	<b>21,706</b>	20,150
	<b>104,754</b>	<b>99,016</b>
Parking at other locations	<b>18,612</b>	16,820
Intercompany revenue	<b>2,147</b>	2,085
<b>Total parking fees</b>	<b>125,513</b>	<b>117,921</b>

Parking revenues at other locations relate to parking at the airports located in Rotterdam, Eindhoven and Lelystad and are included in the Domestic Airports segment.

As part of the business parking fees an amount of 4.4 million euros (2016: 4.2 million euros) is obtained from investment properties of the Real Estate business area. The income is related to the objects included in note 11. Investment property.

#### Other activities

(in thousands of euros)	2017	2016
Hotel activities	<b>33,207</b>	28,911
Services and activities on behalf of third parties	<b>23,185</b>	22,874
Advertising	<b>18,011</b>	17,592
Electricity, gas and water	<b>5,823</b>	6,138
Other operating income	<b>55,844</b>	50,429
Intercompany revenue	<b>48,747</b>	52,681
<b>Total other activities</b>	<b>184,817</b>	<b>178,625</b>

In 2017, hotel activities generated 33.2 million euros of revenue (2016: 28.9 million euros), of which 29.8 million euros was

realised by the Hilton Hotel, which was sold as per 13 December 2017. The revenue-related cost of these activities of 20.2 million euros is included in the operating expenses 'Outsourcing and other external costs'.

## 2. Other income and results from investment property

(in thousands of euros)	2017	2016
Gain/ (loss) on disposal of property	-	<b>423</b>
<b>Result on sale of property</b>	<b>-</b>	<b>423</b>
New long leases granted	<b>120</b>	1,646
Gain/ (loss) on changes in fair value of land	<b>21,110</b>	3,030
Gain/ (loss) on changes in fair value of buildings	<b>21,247</b>	66,291
<b>Total fair value gains and losses</b>	<b>42,477</b>	<b>70,967</b>

#### Total other revenues from investment property

	<b>42,477</b>	<b>71,390</b>
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#### 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 21.2 million euros positive in 2017. This is attributable to positive market developments and lower vacancy rates regarding logistics property and offices at prime locations.

In 2017 a fair value loss of 42 million euros was recognised with respect to the valuation of two cargo buildings where direct platform access is no longer available for cargo handling, since the location will be used for aircraft handling. Excluding the fair value loss for these two buildings, the fair value gain amounts to 84 million euros.

### 3. Other income

(in thousands of euros)	2017	2016
Result on performance shares BACH	11,918	-
Result on sale of Schiphol Hotel Holding B.V.	26,039	-
<b>Total other revenues</b>	<b>37,957</b>	-

The other income in 2017 includes the one-off effects from the sale of Schiphol Hotel Holding B.V. of 26.0 million euros and the result of performance shares (hereafter 'PS') in Brisbane Airport Corporation Holdings (hereafter 'BACH') of 11.9 million euros.

Schiphol Group is the sole holder of performance shares in BACH. Schiphol holds 100 performance shares, which entitles Schiphol to performance shares dividend; the amount of the dividend depends on the performance of the company. The overall 2017 result relating to these shares is 11.9 million euros, of which two million euros was realised and received in 2017. The value of this financial instrument held as per reporting date is 12.2 million euros, which is expected to be received in 2018. From the total value of 12.2 million euros 18.72%, which is equal to our share in BACH, is deducted from the investment in this associate and the profits of associates. The remaining part is recorded as income.

For a more detailed explanation on the sale of Schiphol Hotel Holding B.V., see Changes in the scope of consolidation.

### 4. Outsourcing and other external costs

(in thousands of euros)	2017	2016
Security	192,517	178,823
Subcontracted activities	125,029	114,843
Maintenance	107,189	102,406
Hired temporary staff	63,894	56,008
Cleaning	36,541	33,786
Insurance and government levies	21,790	21,289
Advisory and audit fees	21,192	17,601
Hotel activities	20,242	18,990
Energy and water	18,030	19,198
Costs related to investments	15,267	12,907
Commercial expenses	14,544	16,755
Other expenses (such as general expenses, rents and leasing)	65,001	56,629
<b>Total cost of outsourced work and other external costs</b>	<b>701,236</b>	<b>649,235</b>

The subcontracted activities category comprises a broad range of outsourced activities related to the airport processes such as the outsourcing of bus transporting services, the people reduced mobility process, the lost & found process and the service desks.

### Auditor's fees

(in thousands of euros)	2017	2016
Audit of the financial statements	913	880
Other audit services	489	426
<b>Total auditor's fees</b>	<b>1,402</b>	<b>1,306</b>

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 audit of the financial statements is including the consolidated financial statements and the audit of the entities that are part of the consolidation. The other audit services are related to the audit of the financial statements, like the assurance report related to the socio-economic accountability and the Regulatory Accounts. The fees of KPMG Accountants N.V. amount to 1.2 million euros (2016: 1.2 million euros) while the activities performed by other members of the KPMG network amount to 0.2 million euros (2016: 0.1 million euros).

### 5. Employee benefits expense

(in thousands of euros)	2017	2016
Short-term employee benefits	166,137	147,711
Post-retirement benefits	25,157	18,323
Other long-term employee benefits	3,668	3,808
Termination and unemployment benefits	2,285	1,023
Other staff costs	15,281	13,658
<b>Total employee benefits</b>	<b>212,528</b>	<b>184,523</b>

(in thousands of euros)

#### Short-term employee benefits

(in thousands of euros)	2017	2016
Salaries	167,061	145,075
Social charges	15,881	14,619
Internal hours capitalised	-16,805	-11,983
<b>Total short-term employee benefits</b>	<b>166,137</b>	<b>147,711</b>

#### Post-retirement benefits

Pension charges (defined contribution plans)	23,614	19,446
Early retirement benefits	1,543	-1,123
<b>Total post-retirement benefits</b>	<b>25,157</b>	<b>18,323</b>

#### Other long-term employee benefits

Jubilee benefits	915	804
Long-term management bonuses	397	753
Other employee benefits	2,356	2,251
<b>Total other long-term employee benefits</b>	<b>3,668</b>	<b>3,808</b>

The average number of employees at Royal Schiphol Group N.V. and its subsidiaries on a full-time equivalent basis was 2,180 (2016: 2,063).

The internal hours capitalised relate to time spent by employees in the development phases of investment projects. Other employee benefits include training costs and travel expenses. The costs of post-retirement benefits, other long-term employee benefits and termination and unemployment benefits 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)	2017	2016
Contract-related assets	1,357	1,380
ICT development	8,349	6,396
Software licences	6,995	5,573
<b>Intangible assets</b>	<b>16,701</b>	<b>13,349</b>
Runways, taxiways and aprons	27,221	24,753
Paved areas and roads	13,141	11,557
Buildings	58,589	52,851
Installations	103,993	101,422
Other assets	37,400	32,295
<b>Assets used for operating activities</b>	<b>240,344</b>	<b>222,878</b>
Depreciation and amortisation in relation to disposals	6,670	293
Impairments	-	1,595
<b>Total depreciation, amortisation and impairments</b>	<b>263,715</b>	<b>238,115</b>

See note 8. Intangible assets for information on the amortisation of contract-related assets and notes 9. Assets used for operating activities and 11. Investment property for information on impairments.

## 7. Other operating expenses

Other operating expenses in 2017 amount to 1.8 million euros (2016: 2.6 million euros).

## 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
<b>Carrying amount as at 1 January 2016</b>	-	<b>39,230</b>	<b>15,894</b>	<b>11,242</b>	<b>12,257</b>	<b>78,623</b>
<b>Movements in 2016</b>						
Additions	-	-	-	-	13,766	<b>13,766</b>
Completions	-	-	10,300	7,686	-17,986	-
Amortisation	-	-1,380	-6,396	-5,573	-	<b>-13,349</b>
Exchange differences	-	1,234	-	-	-	<b>1,234</b>
<b>Total movements in the year</b>	-	<b>-146</b>	<b>3,904</b>	<b>2,113</b>	<b>-4,220</b>	<b>1,651</b>
<b>Analysis as at 31 December 2016</b>						
Cost	849	42,967	61,679	44,464	8,037	<b>157,996</b>
Accumulated amortisation and impairment	-849	-3,883	-41,881	-31,109	-	<b>-77,722</b>
<b>Carrying amount as at 31 December 2016</b>	-	<b>39,084</b>	<b>19,798</b>	<b>13,355</b>	<b>8,037</b>	<b>80,274</b>
<b>Movements in 2017</b>						
Additions	-	-	-	-	29,577	<b>29,577</b>
Completions	-	-	6,325	6,904	-13,229	-
Amortisation	-	-1,357	-8,349	-6,995	-	<b>-16,701</b>
Reclassification	-	-	-159	-144	-	<b>-303</b>
Exchange differences	-	-4,756	-	-	-	<b>-4,756</b>
<b>Total movements in the year</b>	-	<b>-6,113</b>	<b>-2,183</b>	<b>-235</b>	<b>16,348</b>	<b>7,817</b>
<b>Analysis as at 31 December 2017</b>						
Cost	849	36,854	65,947	50,613	24,385	<b>178,648</b>
Accumulated amortisation and impairment	-849	-3,883	-48,332	-37,493	-	<b>-90,557</b>
<b>Carrying amount as at 31 December 2017</b>	-	<b>32,971</b>	<b>17,615</b>	<b>13,120</b>	<b>24,385</b>	<b>88,091</b>

From the total additions recorded, 16 million euros is related to the Digital Airport Programme.

Contract-related assets concern the interest in JFK IAT Member LLC acquired upon the acquisition of activities from third parties. The remaining term of these contracts is 25.5 years.



## 9. Assets used for operating activities

(in thousands of euros)	Runways, taxiways and aprons	Paved areas, roads etc.	Buildings	Installations	Other assets	Total
<b>Carrying amount as at 1 January 2016</b>	<b>358,902</b>	<b>430,940</b>	<b>1,009,932</b>	<b>861,701</b>	<b>141,024</b>	<b>2,802,499</b>
<b>Movements in 2016</b>						
Completions	21,421	32,408	57,790	93,245	38,827	<b>243,691</b>
Depreciation	-24,753	-11,557	-52,851	-101,422	-32,295	<b>-222,878</b>
Impairment	-	-	-685	-	-	<b>-685</b>
Disposals	-	-	-	-32	-215	<b>-247</b>
Acquisitions	-	-	-	-	531	<b>531</b>
Disposals	4	-490	-539	-1,649	2,381	<b>-293</b>
Reclassification	-	-2,273	10,058	-11,073	9,989	<b>6,701</b>
Reclassified as assets held for sale	-	-3,023	2,244	162	-456	<b>-1,073</b>
<b>Total movements in the year</b>	<b>-3,328</b>	<b>15,065</b>	<b>16,017</b>	<b>-20,769</b>	<b>18,762</b>	<b>25,747</b>
<b>Analysis as at 31 December 2016</b>						
Cost	764,196	655,118	1,700,633	2,106,826	415,622	<b>5,642,396</b>
Accumulated depreciation and impairment	-408,622	-209,113	-674,684	-1,265,894	-255,836	<b>-2,814,150</b>
<b>Carrying amount as at 31 December 2016</b>	<b>355,574</b>	<b>446,005</b>	<b>1,025,949</b>	<b>840,932</b>	<b>159,786</b>	<b>2,828,246</b>
<b>Movements in 2017</b>						
Completions	54,536	37,236	69,520	68,083	38,651	<b>268,026</b>
Depreciation	-27,221	-13,141	-58,589	-103,993	-37,400	<b>-240,344</b>
Disposals	-101	-594	-3,913	-1,659	-403	<b>-6,670</b>
Reclassification	4	9,581	1,500	-4,259	4,767	<b>11,593</b>
Reclassified as assets held for sale	-	3,497	-	-	-	<b>3,497</b>
<b>Total movements in the year</b>	<b>27,218</b>	<b>36,579</b>	<b>8,518</b>	<b>-41,828</b>	<b>5,615</b>	<b>36,102</b>
<b>Analysis as at 31 December 2017</b>						
Cost	802,265	701,371	1,736,228	2,086,593	447,975	<b>5,774,432</b>
Accumulated depreciation and impairment	-419,473	-218,787	-701,761	-1,287,489	-282,574	<b>-2,910,084</b>
<b>Carrying amount as at 31 December 2017</b>	<b>382,792</b>	<b>482,584</b>	<b>1,034,467</b>	<b>799,104</b>	<b>165,401</b>	<b>2,864,348</b>
<b>During the year, the following projects were completed:</b>						
Major maintenance runway 06-24	33,675	9,162	811	-	-	<b>43,648</b>
Temporary terminal	-	554	13,526	9,276	8,476	<b>31,832</b>
Baggage hall Eindhoven	-	-	8,100	-	-	<b>8,100</b>
Extension terminal Eindhoven	-	-	7,600	-	-	<b>7,600</b>
Extension parking P1	-	-	7,090	-	-	<b>7,090</b>
Other projects	20,861	27,520	32,393	58,807	30,175	<b>169,756</b>
<b>Total completions during the year</b>	<b>54,536</b>	<b>37,236</b>	<b>69,520</b>	<b>68,083</b>	<b>38,651</b>	<b>268,026</b>

The reclassifications are related to parking facilities which, because of a change in the use these properties, are transferred from investment property to assets used for operating activities.

## 10. Assets under construction or development

(in thousands of euros)	Assets under construction for operating activities
<b>Carrying amount as at 1 January 2016</b>	<b>211,425</b>
<b>Movements in 2016</b>	
Capital expenditure	279,115
Capitalised construction period borrowing cost	383
Completed assets	-243,691
Reclassification	-2,541
Reclassified as assets held for sale	-272
<b>Total movements in the year</b>	<b>32,994</b>
<b>Carrying amount as at 31 December 2016</b>	<b>244,419</b>
<b>Movements in 2017</b>	
Capital expenditure	444,031
Capitalised construction period borrowing cost	767
Completed assets	-268,026
Reclassification	-2,732
Other	-329
<b>Total movements in the year</b>	<b>173,711</b>
<b>Carrying amount as at 31 December 2017</b>	<b>418,130</b>
<b>Capital expenditures relate to the following projects:</b>	
Capital Programme	99,289
Major maintenance runway 06-24	42,880
Development Lelystad Airport	32,345
Major maintenance	25,151
Temporary terminal	12,187
Remote holdings airside	11,775
Proceedings on platform and trackingstation Rotterdam	9,100
Check-in baggage screening	6,064
Check-in baggage screening Rotterdam	5,800
Winterparking Schiphol-East	5,632
Other	193,808
<b>Total capital expenditures in the year</b>	<b>444,031</b>

The capitalisation of construction period interest is calculated by applying a percentage rate determined every quarter on the basis of the leverage ratio. In 2017, the rate varied between 1.72% and 1.95% on an annual basis reflecting that ratio.

## 11. Investment property

(in thousands of euros)	Buildings	Land	Assets under construction	Total
<b>Carrying amount as at 1 January 2016</b>	<b>912,852</b>	<b>381,573</b>	<b>82,736</b>	<b>1,377,161</b>
<b>Movements in 2016</b>				
Capital expenditure	-	-	10,464	<b>10,464</b>
Capitalised construction borrowing cost	-	-	25	<b>25</b>
Completions	11,733	2,915	-14,648	-
Fair value gains and losses	66,291	3,176	1,500	<b>70,967</b>
Impairments	-	-	-910	<b>-910</b>
Reclassification	-8,330	-	4,170	<b>-4,160</b>
Reclassified as assets held for sale	-	-	-65	<b>-65</b>
<b>Total movements in the year</b>	<b>69,694</b>	<b>6,091</b>	<b>536</b>	<b>76,321</b>
<b>Carrying amount as at 31 December 2016</b>	<b>982,546</b>	<b>387,664</b>	<b>83,272</b>	<b>1,453,482</b>
<b>Movements in 2017</b>				
Capital expenditure	-	-	16,192	<b>16,192</b>
Capitalised construction borrowing cost	-	-	86	<b>86</b>
Completions	5,713	332	-6,045	-
Fair value gains and losses	21,247	15,250	5,980	<b>42,477</b>
Reclassification	-385	-2,360	-5,813	<b>-8,558</b>
Other	-	-	65	<b>65</b>
<b>Total movements in the year</b>	<b>26,575</b>	<b>13,222</b>	<b>10,465</b>	<b>50,262</b>
<b>Carrying amount as at 31 December 2017</b>	<b>1,009,121</b>	<b>400,886</b>	<b>93,737</b>	<b>1,503,744</b>
<b>Measured at</b>				
Cost model	-	-	72,310	<b>72,310</b>
Fair value model	1,009,121	400,886	21,427	<b>1,431,434</b>

### 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.

In 2016 the impairment relates to an impairment on land positions at Rotterdam The Hague Airport. In 2017 there are no impairments.

### 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, i.e. 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 2017, 100% of the buildings and 18% of the land is appraised by independent external appraisers. The remaining fair value of land is based on internal valuations with reference to externally validated input variables.

Buildings includes an amount of 145 million euros (31 December 2016: 120 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 appraisers. The general behavior and professional rules and regulations of the NVRT are the new market standard to which appraisers have to comply. These standards are based on IFRS and international valuation guidelines. All our external appraisers 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 m2		Average market rent per m2		Average net initial yield	
	2017	2016	2017	2016	2017	2016
<b>Schiphol-Centre</b>						
Offices	284	279	286	287	4.86%	5.35%
Business premises	n/a	n/a	n/a	n/a	n/a	n/a
<b>Schiphol-North and East</b>						
Offices	135	127	159	153	7.98%	7.76%
Business premises	115	115	101	101	6.35%	6.80%
<b>Schiphol-Southeast</b>						
Offices	84	119	167	167	10.13%	10.00%
Business premises	125	128	110	111	5.94%	6.58%
<b>Schiphol-South</b>						
Offices	158	158	156	156	7.13%	6.75%
Business premises	92	98	84	100	7.01%	6.49%
<b>Rotterdam The Hague Airport</b>						
Offices	196	192	178	180	6.95%	7.06%
Business premises	90	85	94	92	7.04%	7.04%

### *Significant assumptions for buildings*

The significant assumptions used in the valuation model comprise:

- inflation development between 1.3% and 2.0%;
- average market rent development between 0.0% and 1.85%;
- average period of vacancy of 11.6 months;
- average rent holiday of 8.1 months;
- and a net initial yield between 4.3% and 10.1%.

### *Relationship between significant unobservable input and fair value determination*

The estimated fair value will increase (decrease) to the extent that the expected market rent growth is higher (lower), the periods of vacancy are lower (higher), the occupancy rate is higher (lower), the rent holidays are lower (higher) and the NIY is lower (higher) than assumed.

### **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 for land*

The main assumptions used in the valuation of land are specified below:

	Land	
	<b>2017</b>	2016
Inflation rate	<b>1.30% - 2.00%</b>	0.10% - 1.90%
Discount rate	<b>6.35% - 7.85%</b>	6.50% - 7.75%

## 12. Income taxes

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)

	2017		2016	
Profit before tax	<b>345,817</b>		397,197	
<b>Income tax calculated at the domestic tax rate</b>	<b>86,454</b>	<b>25.0%</b>	99,299	25.0%
Share of profit of associates	<b>-18,192</b>	<b>-5.3%</b>	-16,871	-4.2%
Share of profit of associates in limited partnerships that are not independently taxable	<b>430</b>	<b>0.1%</b>	713	0.2%
Participation exemption on disposal of subsidiaries	<b>-1,653</b>	<b>-0.5%</b>	-	0.0%
Participation exemption on performance shares	<b>-3,085</b>	<b>-0.9%</b>	-	0.0%
Participation exemption on RPS dividend	<b>-</b>	<b>0.0%</b>	-759	-0.2%
Different rate for foreign subsidiaries / associates	<b>1,612</b>	<b>0.5%</b>	1,723	0.4%
Tax losses for which no deferred tax asset has been recognised	<b>-189</b>	<b>-0.1%</b>	1,782	0.4%
Change in income tax rate temporary differences	<b>-4,827</b>	<b>-1.4%</b>	-	0.0%
Tax results previous years	<b>-356</b>	<b>-0.1%</b>	19	0.0%
Other	<b>83</b>	<b>0.0%</b>	56	0.0%
<b>Income tax expense in income statement (effective)</b>	<b>60,277</b>	<b>17.4%</b>	<b>85,962</b>	<b>21.6%</b>

The effective income tax rate in 2017 of 17.4% is 4.2% lower than the 2016 effective income tax rate of 21.6%. 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. Without the participation exemptions (including sales effects) the tax burden for 2017 amounts to 23% (2016: 26%).

The tax burden further decreased in 2017 due to the one-off effect of the sale of Schiphol Hotel Holding B.V. and the one-off effect of the performance shares result, which are both exempted. In addition, the decline of the income tax rate per 1 January 2018 in the United States decreases the tax burden by approximately 10%, which has a positive impact on the deferred tax liability.

No deferred tax asset is recognised for the unused tax losses incurred in Italy. The amount of unused tax losses for which no deferred tax asset has been recognised is 34 million euros (2016: 35 million euros).

### Income tax in the statement of income

(in thousands of euros)

	2017	2016
<b>Current income tax</b>		
Income tax current year	<b>50,745</b>	68,719
Adjustment for prior years	<b>-356</b>	20
<b>Total current income tax</b>	<b>50,389</b>	<b>68,739</b>
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	<b>9,888</b>	17,223
<b>Total deferred income tax</b>	<b>9,888</b>	<b>17,223</b>
<b>Total income tax</b>	<b>60,277</b>	<b>85,962</b>

### 2017 - Reconciliation of effective tax rate per tax jurisdiction

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	337,005		8,054		758		<b>345,817</b>	
<b>Income tax calculated at the nominal rate</b>	<b>84,251</b>	<b>25.0%</b>	<b>3,697</b>	<b>45.9%</b>	<b>182</b>	<b>24.0%</b>	<b>88,130</b>	<b>25.5%</b>
Results of associates	-17,762	-5.3%	-	0.0%	-	0.0%	<b>-17,762</b>	<b>-5.1%</b>
Participation exemption on disposal of subsidiaries	-1,653	-0.5%	-	0.0%	-	0.0%	<b>-1,653</b>	<b>-0.5%</b>
Participation exemption on performance shares	-3,085	-0.9%	-	0.0%	-	0.0%	<b>-3,085</b>	<b>-0.9%</b>
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-	0.0%	-182	-24.0%	<b>-182</b>	<b>-0.1%</b>
Change in income tax rate temporary differences	-	0.0%	-4,827	-59.9%	-	0.0%	<b>-4,827</b>	<b>-1.4%</b>
Tax results from previous years	-356	-0.1%	-	0.0%	-	0.0%	<b>-356</b>	<b>-0.1%</b>
Other	11	0.0%	-	0.0%	-	0.0%	<b>11</b>	<b>0.0%</b>
<b>Income tax expense in profit or loss (effective)</b>	<b>61,407</b>	<b>18.2%</b>	<b>-1,130</b>	<b>-14.0%</b>	<b>-</b>	<b>0.0%</b>	<b>60,276</b>	<b>17.4%</b>

### 2016 - Reconciliation of effective tax rate per tax jurisdiction

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	396,836		7,489		-7,128		<b>397,197</b>	
<b>Income tax calculated at the nominal rate</b>	<b>99,209</b>	<b>25.0%</b>	<b>3,437</b>	<b>45.9%</b>	<b>-2,238</b>	<b>31.4%</b>	<b>100,408</b>	<b>25.3%</b>
Results of associates	-16,158	-4.1%	-	0.0%	-	0.0%	<b>-16,158</b>	<b>-4.1%</b>
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-	0.0%	2,238	-31.4%	<b>2,238</b>	<b>0.6%</b>
Tax results from previous years	-	0.0%	548	7.3%	-	0.0%	<b>548</b>	<b>0.1%</b>
Other	-1,074	-0.3%	-	0.0%	-	0.0%	<b>-1,074</b>	<b>-0.3%</b>
<b>Income tax expense in profit or loss (effective)</b>	<b>81,977</b>	<b>20.7%</b>	<b>3,985</b>	<b>53.2%</b>	<b>-</b>	<b>0.0%</b>	<b>85,962</b>	<b>21.6%</b>

## 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);
- Long-term land leases received in advance are recorded as a lease liability for reporting purposes. For tax purposes these long-term leases received in advance are treated as a sale.

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)	2017	2016
<b>Deferred tax assets (fiscal unity)</b>		
Assets used for operating activities	<b>172,595</b>	155,791
Assets under construction or development	<b>65,001</b>	66,486
Derivative financial instruments and borrowings	<b>19,803</b>	20,857
Employee benefits	<b>4,977</b>	4,766
Investment property	<b>-117,877</b>	-83,042
	<b>144,499</b>	<b>164,858</b>
<b>Deferred tax assets (outside fiscal unity)</b>		
Investment property	<b>314</b>	<b>361</b>
<b>Deferred tax liabilities (outside fiscal unity)</b>		
Contract-related assets	<b>-13,089</b>	-20,393
Investment property	<b>-99</b>	-230
Derivative financial instruments and borrowings	<b>-3,463</b>	-2,301
	<b>-16,651</b>	<b>-22,924</b>
<b>Total deferred tax</b>	<b>128,162</b>	<b>142,295</b>
Non-current (settlement is not expected)	<b>83,274</b>	83,274
Non-current (expected to be recovered or settled after more than 1 year)	<b>48,351</b>	58,890
Current (expected to be recovered or settled within 1 year)	<b>-3,463</b>	131
	<b>128,162</b>	<b>142,295</b>



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
<b>Carrying amount as at 1 January 2016</b>	<b>147,660</b>	<b>55,876</b>	<b>-41,244</b>	<b>23,452</b>	<b>5,709</b>	<b>-20,789</b>	<b>170,664</b>
<b>Movements in 2016</b>							
Deferred tax recognised in the income statement	-	-	-18,482	486	-313	1,086	<b>-17,223</b>
Deferred tax recognised in equity	-	-	-	-5,397	323	-	<b>-5,074</b>
Reclassification	9,572	10,610	-23,185	15	-953	-	<b>-3,941</b>
Asset held for sale	-1,441	-	-	-	-	-	<b>-1,441</b>
Other movements	-	-	-	-	-	-690	<b>-690</b>
<b>Total movements in the year</b>	<b>8,131</b>	<b>10,610</b>	<b>-41,667</b>	<b>-4,896</b>	<b>-943</b>	<b>396</b>	<b>-28,369</b>
<b>Carrying amount as at 31 December 2016</b>	<b>155,791</b>	<b>66,486</b>	<b>-82,911</b>	<b>18,556</b>	<b>4,766</b>	<b>-20,393</b>	<b>142,295</b>
<b>Movements in 2017</b>							
Deferred tax recognised in the income statement	-4,857	-	-9,933	75	-	4,827	<b>-9,888</b>
Deferred tax recognised in equity	-	-	-	-2,337	176	-	<b>-2,161</b>
Reclassification	21,661	-1,485	-24,818	46	35	-	<b>-4,561</b>
Other movements	-	-	-	-	-	2,477	<b>2,477</b>
<b>Total movements in the year</b>	<b>16,804</b>	<b>-1,485</b>	<b>-34,751</b>	<b>-2,216</b>	<b>211</b>	<b>7,304</b>	<b>-14,133</b>
<b>Carrying amount as at 31 December 2017</b>	<b>172,595</b>	<b>65,001</b>	<b>-117,662</b>	<b>16,340</b>	<b>4,977</b>	<b>-13,089</b>	<b>128,162</b>

## 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	-12,278	-	-12,278
Changes in fair value on hedge transactions	3,447	-2,337	1,110
Remeasurements of defined benefit liability	-704	176	-528
Share in other comprehensive income of associates	-6,586	-	-6,586
<b>Total unrealised 2017</b>	<b>-16,121</b>	<b>-2,161</b>	<b>-18,282</b>
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
<b>Total unrealised 2016</b>	<b>25,176</b>	<b>-5,074</b>	<b>20,102</b>

## Current income tax positions

(in thousands of euros)	2017	2016
<b>Income tax receivable</b>		
Fiscal unity	16,839	5,928
Dutch subsidiaries outside the fiscal unity	807	251
<b>Total income tax receivable</b>	<b>17,646</b>	<b>6,179</b>
<b>Income tax liability</b>		
Dutch subsidiaries outside the fiscal unity	-780	-423
<b>Total income tax liability</b>	<b>-780</b>	<b>-423</b>
<b>Total income tax</b>	<b>16,866</b>	<b>5,756</b>

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 2017 with regard to the fiscal unity, an amount of 8.4 million euros relates to 2017 and 8.4 million euros to 2016. The 2016 income tax return for the Royal Schiphol Group N.V. 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 2016. The foreign income tax payable relates to local US 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)

	2017	2016
Investments in associates	852,065	826,237
Investments in joint ventures	69,252	69,108
<b>Balance 31 December</b>	<b>921,317</b>	<b>895,345</b>

#### Associates

(in thousands of euros)

	2017	2016
<b>Carrying amount as at 1 January</b>	<b>826,237</b>	<b>784,001</b>
Result for the year	72,355	71,877
Dividends	-25,601	-26,633
Capital contributions (repayments)	-4,274	-1,983
Share of OCI	-6,586	-1,743
Other	-3,328	-1,100
Exchange differences	-6,738	1,818
<b>Total movements in the year</b>	<b>25,828</b>	<b>42,236</b>
<b>Carrying amount as at 31 December</b>	<b>852,065</b>	<b>826,237</b>

The most material associates are:

		2017	2016
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.

(in millions of euros)	Groupe ADP <sup>1</sup>		Brisbane Airport <sup>2</sup>	
	2017	2016	2017	2016
<b>Income statement</b>				
Revenues	3,617	2,947	453	429
Interest income and expenses	177	115	76	80
Depreciation, amortisation and impairments	615	479	73	67
Income tax	260	202	49	51
Result from continuing operations	614	438	120	117
Other comprehensive income	-26	-4	16	-64
<b>Financial position</b>				
Fixed assets	11,147	8,106	3,591	3,529
Current assets	1,225	819	47	45
Cash and cash equivalents	1,912	1,657	63	22
Non-current liabilities	6,987	5,060	2,414	2,647
Current liabilities	1,859	1,241	287	80
Equity	5,438	4,291	452	321
<b>Equity attributable to shareholders of the Company</b>				
Group's share % of equity	366	343	85	60
Goodwill	244	244	34	34
Other adjustments	64	65	2	9
<b>Carrying amount as at reporting date</b>	<b>674</b>	<b>652</b>	<b>121</b>	<b>103</b>

1 Based on the financial statements as of 31 December 2017

2 Based on the financial statements as of 30 June 2017

The carrying amount of the associates at 31 December 2017 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 2017 includes a contribution of 24.7 million euros from Brisbane Airports Corporation Ltd. (2016: a contribution of 24.6 million euros). The 2017 result is affected by the negative development of 0.6 million euros in investment property and by the positive development of 2.4 million euros in the derivatives portfolio (in 2016 the result was positively affected by developments in investment property of 4.9 million euros and the derivatives portfolio of 1.6 million euros). BACH has a significant derivatives portfolio relating to the funding of the investment of an additional runway. BACH applies hedge accounting to these derivative positions.

Groupe ADP's contribution to Schiphol Group's financial result for 2017 was an income of 44.0 million euros (income of 42.8 million euros in 2016) which also includes the impact of adjustments recorded by Schiphol Group. These 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 2017 is 15.7 billion euros (31 December 2016: 10.1 billion euros). Schiphol Group's share in this is 1.3 billion euros (31 December 2016: 806 million euros).

Schiphol Group is not directly liable for other material obligations of associates.

#### Joint Ventures

(in thousands of euros)	2017	2016
<b>Carrying amount as at 1 January</b>	<b>69,108</b>	<b>73,813</b>
Result for the year	412	-4,392
Dividends	-3,663	-1,839
Capital contributions	3,746	354
Exchange differences	-560	1,172
Other	-49	-
Reclassifications	258	-
<b>Total movements in the year</b>	<b>144</b>	<b>-4,705</b>
<b>Carrying amount as at 31 December</b>	<b>69,252</b>	<b>69,108</b>

The outstanding loans to associates and joint ventures as at 31 December 2017 amount to 83.8 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 a 33.33% interest in GEM A4 Zone West C.V. and an 80% interest in GEM Badhoevedorp Zuid C.V. Apart from these indirect interests of 8.33% and 20%, Schiphol Group holds direct interests in both C.V.s of 33.33% and 20% respectively.

Furthermore, there are no separate material joint ventures.

#### 14. Loans to associates

(in thousands of euros)	2017	2016
<b>Carrying amount as at 1 January</b>	<b>74,200</b>	<b>66,596</b>
Accrued interest	7,954	6,092
Exchange differences hedging transactions	-2,395	3,491
Dividend received	-2,285	-
Other exchange differences	-1,589	-1,979
Reclassification to current assets	-22,449	-
<b>Total movements in the year</b>	<b>-20,764</b>	<b>7,604</b>
<b>Carrying amount as at 31 December</b>	<b>53,436</b>	<b>74,200</b>

The loans to associates relate exclusively to the Redeemable Preference Shares (RPS) in BACH held by Schiphol Group. The issued debt of BACH is rated BBB, which does not include the RPS.

The RPS carry entitlement to a cumulative dividend. The maturity date of this loan is formally 30 June 2022. Under the contractual terms the RPS of AUD 116.7 million (75.9 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 2017, 2.3 million euros of dividend related to the 2017 financial year was received. It is expected that Schiphol Group will receive the outstanding dividend over the financial years 2014 up to and including 2017 in an amount of AUD 34.5 million (22.4 million euros) in 2018. This amount of 22.4 million euros has been recorded as part of the current assets.

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 the euro. 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 2017 is 79.8 million euros (AUD 122.6 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)	2017	2016
Derivatives	17,541	38,706
Lease incentives	14,496	20,386
Prepayments on fixed assets	6,415	6,196
Loans to associates	4,489	7,880
Purchased long leases	2,872	2,961
Loans to third parties	607	746
<b>Total other non-current receivables</b>	<b>46,420</b>	<b>76,875</b>

Loans to associates	2017	2016
(in thousands of euros)		
<b>Carrying amount as at 1 January</b>	<b>7,880</b>	<b>8,782</b>

### Specification of movements in the year

Redemptions	-	-902
Reclassification to current assets	-3,391	-
<b>Total movements in the year</b>	<b>-3,391</b>	<b>-902</b>

<b>Carrying amount as at 31 December</b>	<b>4,489</b>	<b>7,880</b>
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The loans to associates include a loan of 5.3 million euros to SRE Altaï, 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 current portion of the loans to associates, amounting to 0.8 million euros (31 December 2016: 0.6 million euros), is presented under current assets

In 2016 the loans to associates also included a loan provided to Villa Carmen B.V. Since the maturity date of that loan is 31 July 2018, in 2017 it was classified as part of current assets. 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

The 2016 amounts are related to the assets and liabilities of Schiphol Hotel Holding B.V., which were all sold in December 2017. For more details, see note Changes in the scope of consolidation.

(in thousands of euros)	2017	2016
Assets used for operating activities	-	126,307
Deferred taxes	-	468
Cash and cash equivalents	-	12,076
Trade and other receivables	-	105
<b>Assets held for sale</b>	<b>-</b>	<b>138,956</b>

Trade and other payables	-	6,752
<b>Liabilities held for sale</b>	<b>-</b>	<b>6,752</b>

## 17. Trade and other receivables

(in thousands of euros)	2017	2016
Cash deposits	190,000	-
Trade receivables	92,071	87,246
Accrued income	45,187	42,640
Receivable from associates	22,449	-
Prepaid expenses	16,114	12,056
Performance shares BACH	12,169	-
Value-added taxes	7,927	15,145
Lease incentives	4,860	5,704
Loans to associates	4,019	600
Derivatives	2,481	-
Inventories	2,250	2,159
Prepaid tangible fixed assets	-	32,130
Other receivables	27,151	26,796
<b>Total trade and other receivables</b>	<b>426,678</b>	<b>224,476</b>

The cash deposits are related to four deposits whose original maturity exceeds three months, however not longer than 4.5 months. The average interest on these deposits per 31 December 2017 is -0.35%.

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. Part of the other receivables is an amount of 12.2 million euros related to the the BACH performance shares . For more details on these shares, see note 3. Other Income.

## 18. Cash and cash equivalents

Cash and cash equivalents amounts to 170.4 million euros at 31 December 2017 (31 December 2016: 238.7 million euros), including deposits of 100 million euros with original maturities of between one and four months (31 December 2016: 155.0 million euros). Cash deposits that have an original maturity date longer than three months are classified as part of note 17. Trade and other receivables. The average interest rate on these deposits as at 31 December 2017 is -0.29% (31 December 2016: -0.08%). Cash and cash equivalents are freely available.

## 19. Issued share capital and share premium

The authorised share capital as at 31 December 2017 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 thousands of euros)	(in %)
<b>Shareholder:</b>			
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%
<b>Total</b>	<b>186,147</b>	<b>84,511</b>	<b>100%</b>

There were no changes in the issued share capital and the share premium in 2017.

## 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 148.4 million euros over 2016. This amount was deducted from retained earnings when paid in 2017. The dividend for 2015, which amounted to 187.2 million euros, was paid out and deducted from the retained earnings in 2016.

Since the net result for 2017 was added to the retained earnings, the retained earnings as at 31 December 2017 include the proposed dividend distribution for 2017, as detailed under Shareholders' equity. The proposed dividend over 2017 is 150.3 million euros, or 807 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
<b>Carrying amount as at 1 January 2016</b>	<b>13,915</b>	<b>-76,632</b>	<b>-13,934</b>	<b>-6,381</b>	<b>-83,032</b>
<b>Movements in 2016</b>					
Exchange differences	4,286	-	-	-	<b>4,286</b>
<b>Currency and interest hedge JPY loan payable</b>					
Exchange differences on hedged borrowings	-	-9,514	-	-	<b>-9,514</b>
Deferred tax on fair value changes on hedged borrowings	-	2,378	-	-	<b>2,378</b>
Fair value movements on derivatives	-	24,779	-	-	<b>24,779</b>
Deferred tax on fair value movements on derivatives	-	-6,203	-	-	<b>-6,203</b>
<b>Hedging of cash flow interest-rate risk</b>					
Recycling of cash flow hedges to profit and loss	-	9,725	-	-	<b>9,725</b>
Deferred tax on recycling of cash flow hedges	-	-2,358	-	-	<b>-2,358</b>
<b>Currency hedge AUD loan receivable</b>					
Exchange differences on hedged loans to associates	-	3,491	-	-	<b>3,491</b>
Settlement of hedge transactions	-	-3,798	-	-	<b>-3,798</b>
Deferred tax on fair value movements	-	786	-	-	<b>786</b>
Settlement of hedge transactions	-	343	-	-	<b>343</b>
Tax effect on hedge settlement	-	-	-1,743	-	<b>-1,743</b>
Other comprehensive income associates	-	-	-1,100	-	<b>-1,100</b>
Equity movement associates	-	-	-	-1,293	<b>-1,293</b>
Tax effect on actuarial results	-	-	-	323	<b>323</b>
<b>Total movements in the year</b>	<b>4,286</b>	<b>19,629</b>	<b>-2,843</b>	<b>-970</b>	<b>20,102</b>
<b>Balance as at 31 December 2016</b>	<b>18,201</b>	<b>-57,003</b>	<b>-16,777</b>	<b>-7,351</b>	<b>-62,930</b>
<b>Movements in 2017</b>					
Exchange differences	-12,278	-	-	-	<b>-12,278</b>
<b>Currency and interest hedge JPY loan payable</b>					
Exchange differences on hedged borrowings	-	14,800	-	-	<b>14,800</b>
Deferred tax on fair value changes on hedged borrowings	-	-3,700	-	-	<b>-3,700</b>
Fair value movements on derivatives	-	-21,164	-	-	<b>-21,164</b>
Deferred tax on fair value movements on derivatives	-	5,291	-	-	<b>5,291</b>
<b>Hedging of cash flow interest-rate risk</b>					
Recycling of cash flow hedges to profit and loss	-	9,725	-	-	<b>9,725</b>
Deferred tax on recycling of cash flow hedges	-	-2,358	-	-	<b>-2,358</b>
<b>Currency hedge AUD loan receivable</b>					
Exchange differences on hedged loans to associates	-	-2,395	-	-	<b>-2,395</b>
Fair value movement derivative	-	2,481	-	-	<b>2,481</b>
Deferred tax on fair value movements	-	-1,570	-	-	<b>-1,570</b>
Other comprehensive income associates	-	-	-6,586	-	<b>-6,586</b>
Actuarial gains and revaluations	-	-	-	-704	<b>-704</b>
Tax effect on actuarial results	-	-	-	176	<b>176</b>
Other changes in actuarial gains and revaluations	-	-	-	33	<b>33</b>
<b>Total movements in the year</b>	<b>-12,278</b>	<b>1,110</b>	<b>-6,586</b>	<b>-495</b>	<b>-18,249</b>
<b>Balance as at 31 December 2017</b>	<b>5,923</b>	<b>-55,893</b>	<b>-23,363</b>	<b>-7,846</b>	<b>-81,179</b>

### 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 taxes.

In the hedging reserve the following hedging instruments and relationships are recognised. If the hedging has an impact on the income statement this is indicated in the table below.

(in thousands of euros)	Total 2017	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	41,544	7,077	34,467	28,307	6,160
Lehman derivative - settlement 2008	5,984	291	5,693	1,163	4,530
Exchange difference on hedged JPY loan	20,881	-	20,881	-	20,881
CCIRS derivative hedge Yen loan	-13,156	-	-13,156	-	-13,156
AUD derivative	569	569	-	-	-
Other	71	71	-	-	-
<b>Total</b>	<b>55,893</b>	<b>8,008</b>	<b>47,885</b>	<b>29,470</b>	<b>18,415</b>

(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	-	-	-
<b>Total</b>	<b>57,003</b>	<b>6,524</b>	<b>50,479</b>	<b>29,470</b>	<b>21,009</b>

## 22. Non-controlling interests

Non-controlling interests at 31 December 2017 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
	2017	2016	2017	2016		
EMTN programme	<b>1,363,399</b>	1,267,868	<b>1,539,896</b>	1,470,597	2018-2038	1.12%-5.16%
European Investment Bank	<b>491,500</b>	500,500	<b>560,604</b>	576,496	2018-2031	2.12%-3.95%
KfW IPEX-bank	<b>99,772</b>	99,734	<b>113,240</b>	114,696	2024	2.96%
Schuldschein	<b>60,822</b>	60,666	<b>67,960</b>	71,320	2019	5.50%-5.75%
Namenschuldverschreibung	<b>24,799</b>	24,760	<b>31,686</b>	32,647	2023	5.07%
Other borrowings	<b>69,555</b>	62,172	<b>69,540</b>	62,090		
<b>Total</b>	<b>2,109,847</b>	<b>2,015,700</b>	<b>2,382,926</b>	<b>2,327,846</b>		

(in thousands of euros)	Face value	Carrying amount		Fair value		Year of maturity	Interest rate	Currency
		2017	2016	2017	2016			
XS0621167732	438,447	<b>426,487</b>	422,899	<b>500,478</b>	518,753	2021	4.43%	EUR
XS1301052202	400,000	<b>404,720</b>	298,073	<b>434,440</b>	327,903	2026	2.00%	EUR
XS0378569247	20,000,000	<b>147,617</b>	162,406	<b>197,271</b>	209,116	2038	3.16%	JPY
XS1437013870	150,000	<b>149,745</b>	149,715	<b>146,838</b>	145,878	2028	1.12%	EUR
XS0459442710	85,000	<b>84,969</b>	84,952	<b>93,370</b>	97,147	2019	4.97%	EUR
XS0459479399	50,000	<b>49,963</b>	49,943	<b>54,895</b>	57,104	2019	4.94%	EUR
XS0983151282	40,000	<b>39,948</b>	39,941	<b>46,555</b>	46,907	2025	3.08%	EUR
XS0167622454	30,000	<b>29,997</b>	29,990	<b>31,548</b>	33,079	2018	5.16%	EUR
XS0997565436	30,000	<b>29,953</b>	29,949	<b>34,501</b>	34,710	2025	2.94%	EUR
<b>EMTN programme</b>		<b>1,363,399</b>	<b>1,267,868</b>	<b>1,539,896</b>	<b>1,470,597</b>			

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 3.0 billion euros as required, provided the prospectus is updated annually. The prospectus was updated in 2017. 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 2017.

At year-end 2017, borrowings under the programme totalled 1,363 million euros (31 December 2016: 1,268 million euros). During the year, one so-called private placement was effected under the EMTN programme for 100 million euros with a maturity period of nine 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 2017, no short-term loans were outstanding under this programme.

Schiphol Group has issued Schuldschein notes (fixed-interest loans with terms of seven and ten years) with a nominal value of 61 million euros. In principle, the Schuldschein documentation includes the same covenants as the EMTN programme.

In 2017 Schiphol Group entered into a new agreement with the European Investment Bank for a total facility of 350 million euros to finance the development of the new pier and terminal, comprising a committed facility of 175 million euros and an uncommitted facility of 175 million euros. As per 31 December 2017 no use has been made of this facility. In addition to the abovementioned facility, Schiphol Group has two facility agreements with the European Investment Bank for a total of 550 million euros, which have now been drawn in full (and of which 58.5 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 The remaining terms of the borrowings as at 31 December 2017 are as follows:

demand if the credit rating drops to 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 was 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. All these facilities include the possibility of voluntary early repayment.

In 2015, Schiphol Group obtained access to a 300 million euro syndicated and committed facility with a term to June 2020. In 2017 the maturity date of the facility was extended by two years to June 2022. Schiphol Group also has access to a bilateral committed facility of 100 million euros agreed with Bank Nederlandse Gemeenten with a maturity to 1 January 2020. In addition, Schiphol Group holds two bilateral uncommitted facilities of 75 million euros each. Eindhoven Airport has a facility for 26 million euros, of which 25 million euros had been drawn as at 31 December 2017.

Of the total loans, an amount of 147.6 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 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 and are fully effective.

The current portion of borrowings at 31 December 2017 of 35.2 million euros (31 December 2016: 4.9 million euros) is recognised under current liabilities.

In 2017 Schiphol Group met the agreed covenants included in the various contracts.

The average interest rate of outstanding borrowings in 2017 amounts to 4.1% (2016: 4.7%).

(in thousands of euros)	Total	<= 1 year	> 1 year	> 1 year and <= 5 years	> 5 years
EMTN programme	<b>1,363,399</b>	26,618	1,336,781	567,613	769,168
European Investment Bank	<b>491,500</b>	9,000	482,500	36,000	446,500
KfW IPEX-bank	<b>99,772</b>	-38	99,810	-150	99,960
Schuldschein	<b>60,822</b>	-157	60,979	60,979	-
Namensschuldverschreibung	<b>24,799</b>	-39	24,838	-155	24,993
Other borrowings	<b>69,555</b>	-164	69,719	24,746	44,973
<b>Total borrowings</b>	<b>2,109,847</b>	<b>35,220</b>	<b>2,074,627</b>	<b>689,033</b>	<b>1,385,594</b>

The movements in borrowings during the year were as follows:

(in thousands of euros)	Borrowings > 1 year	Borrowings <= 1 year	Total
<b>Carrying amount as at 1 January 2016</b>	<b>1,847,520</b>	<b>283,909</b>	<b>2,131,429</b>
<b>Movements in 2016</b>			
New borrowings	153,200	-	<b>153,200</b>
Fair value movement	5,418	-	<b>5,418</b>
Transferred to current liabilities	-4,879	4,879	-
Repayments	-	-288,227	<b>-288,227</b>
Exchange differences	9,514	-	<b>9,514</b>
Other movements	-	-	-
<b>Total movements in the year</b>	<b>163,253</b>	<b>-278,982</b>	<b>-115,729</b>
<b>Carrying amount as at 31 December 2016</b>	<b>2,010,773</b>	<b>4,927</b>	<b>2,015,700</b>
<b>Movements in 2017</b>			
New borrowings	118,845	-	<b>118,845</b>
Fair value movement	4,950	-	<b>4,950</b>
Transferred to current liabilities	-44,727	44,727	-
Repayments	-	-18,727	<b>-18,727</b>
Exchange differences	-14,800	-	<b>-14,800</b>
Other movements	-414	4,293	<b>3,879</b>
<b>Total movements in the year</b>	<b>63,854</b>	<b>30,293</b>	<b>94,147</b>
<b>Carrying amount as at 31 December 2017</b>	<b>2,074,627</b>	<b>35,220</b>	<b>2,109,847</b>

For more details regarding the fair value movement refer to note 29. Management of financial risks and financial instruments.

## 24. Employee benefits

(in thousands of euros)	Post-employment benefits	Other long-term employee benefits	Termination benefits	Total
<b>Carrying amount as at 31 December 2017</b>				
Liability defined contribution	24,311	16,177	1,649	<b>42,137</b>
Fair value of plan assets	-	-	-	-
<b>Liability in the balance sheet</b>	<b>24,311</b>	<b>16,177</b>	<b>1,649</b>	<b>42,137</b>
<b>Carrying amount as at 31 December 2016</b>				
Liability defined contribution	23,668	14,468	1,519	<b>39,655</b>
Fair value of plan assets	-	-	-	-
<b>Liability in the balance sheet</b>	<b>23,668</b>	<b>14,468</b>	<b>1,519</b>	<b>39,655</b>

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 2018 is 25.1 million euros. ABP's funding ratio was 104.4% as at 31 December 2017.

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 sheet 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)	2017	2016
<b>Carrying amount as at 1 January</b>	<b>23,668</b>	<b>22,720</b>
Total net benefit expense for the year	<b>1,339</b>	1,295
Benefits paid during the year	<b>-1,222</b>	-1,460
Actuarial changes presented in other comprehensive income	<b>704</b>	1,293
Other movements	<b>-178</b>	-180
<b>Total movements in the year</b>	<b>643</b>	<b>948</b>
<b>Carrying amount as at 31 December</b>	<b>24,311</b>	<b>23,668</b>

**Actuarial assumptions and estimates**

	31 December 2017	31 December 2016
Discount rate	<b>1,30% - 1,50%</b>	1.80%
Return on plan assets	<b>1.50%</b>	1.50%
Inflation	<b>1.50%</b>	1.50%
General salary increase	<b>1.50%</b>	1.50%
Life expectancy	<b>Forecast table 2016 with adjustment factors geared to the company's average salary level</b>	Forecast table 2014 with adjustment factors geared to the company's average salary level
Individual pay rises, depending on age	<b>3.00% (to age 39), 2.00% (to age 49), 1.00% (to age 59), 0.00% (to age 65)</b>	3.00% (to age 39), 2.00% (to age 49), 1.00% (to age 59), 0.00% (to age 65)
Age difference	<b>Men are considered to be 3 years older than female partners</b>	Men are considered to be 3 years older than female partners
Incapacity risk	<b>In and outflow of WIA, based on 2006 to 2011</b>	In and outflow of WIA, based on 2006 to 2011
Termination probability, depending on age	<b>4.20% (age 35) to 0.12% (age 65)</b>	4.20% (age 25) to 0.10% (age 60)
Continued service probability (job-related early retirement scheme)	<b>100%</b>	100%

**25. Other provisions**

(in thousands of euros)	Demolition provision	Environmental provision	Onerous contracts	Other	Total
<b>Carrying amount as at 1 January 2016</b>	-	-	<b>7,399</b>	<b>10,000</b>	<b>17,399</b>
<b>Movements in 2016</b>					
Addition provision	-	-	-	280	<b>280</b>
<b>Total movements in the year</b>	-	-	-	<b>280</b>	<b>280</b>
<b>Carrying amount as at 31 December 2016</b>	-	-	<b>7,399</b>	<b>10,280</b>	<b>17,679</b>
<b>Movements in 2017</b>					
Addition provision	1,426	13,550	835	3,702	<b>19,513</b>
Other	-	-	-	-280	<b>-280</b>
<b>Total movements in the year</b>	<b>1,426</b>	<b>13,550</b>	<b>835</b>	<b>3,422</b>	<b>19,233</b>
<b>Carrying amount as at 31 December 2017</b>	<b>1,426</b>	<b>13,550</b>	<b>8,234</b>	<b>13,702</b>	<b>36,912</b>

In 2017 Schiphol Group acquired tangible fixed assets which led to a decommissioning provision for an amount of 1.4 million euros which is related to the demolition and repair costs.

Project activities at Schiphol have caused PFOS to end up in the soil. Due to a lack of government policies and regulations up to mid 2017 it was unclear how Schiphol should deal with this soil. Since it was not allowed to dispose of the excavated soil with external parties, and in order to avoid delays in projects at Schiphol, it was decided to temporarily store the soil at a designated location at the airport. In the second part of 2017

the government formulated regulations on how to deal with PFOS-contaminated soil. The environmental provision of 13.6 million which has been recognised concerns the expenditures to be incurred in connection with decontamination operations. It is expected that within five years there will be an outflow of cash for this.

The 8.2 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.

The provisions included in the category 'other' are related to a claim from a customer and to a claim of 10.0 million euros which has remained unchanged compared to 2017. This claim concerns 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 Groenenberg site provision. Further disclosures regarding the Chipsol receivable are included in note 17. Trade and other receivables.

## 26. Other non-current liabilities

(in thousands of euros)	2017	2016
Long leases received in advance	83,895	85,797
Financial lease liabilities	46,229	49,223
Unrealised profit on contribution in kind Schiphol Logistics Park C.V.	2,280	2,280
Other movements	1,003	1,371
<b>Total other non-current liabilities</b>	<b>133,407</b>	<b>138,671</b>

Long leases received in advance are rent installments 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 lease term, Schiphol Group will be liable to pay a lump sum and penalty interest, after which the premises will become 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	1,624	1,469	3,093
Liability 1 year and < 5 years	7,197	2,968	10,165
Liability > 5 years	36,064	-	36,064
<b>Carrying amount of financial lease liabilities</b>	<b>44,885</b>	<b>4,437</b>	<b>49,322</b>

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. As per reporting date, 2.3 million euros of this amount has been realised when parts of the land were sold.

## 27. Trade and other payables

(in thousands of euros)	2017	2016
Trade payables	120,809	111,252
Accruals	99,258	86,352
Deferred income	52,871	47,958
Interest payable	32,191	31,816
Payable in respect of wage tax and social security contributions	11,639	6,580
Cash collateral JPMorgan	8,407	29,527
Financial lease liabilities	3,093	2,014
Payable in respect of pensions	2,482	1,902
Long leases received in advance	1,843	1,843
Derivatives	-	3,798
Other payables	4,481	1,929
<b>Total trade and other payables</b>	<b>337,074</b>	<b>324,971</b>

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 District Water Control Board collected contaminated extinguishing foam, perfluorooctane sulfonic acid (PFOS), 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 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 had not yet been realised due to the lack of a standardisation and remediation technique. KLM, Schiphol and Rijnland 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 Rijnland each financed a third of the costs of the control measures that have been taken without anyone acknowledging their responsibility for 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 during this incident. Evides contacted Schiphol 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, Evides, KLM and Schiphol have taken measures in 2014/2015. Based on a RIVM report the province of North-Holland set new guidelines with regard to PFOS in 2017, which did not necessitate any adjustments to the current measures taken at the former basins. The new reuse policy that the municipality of Haarlemmermeer drafted in October does not influence the current situation either.

#### *Covenant on local environmental quality in the medium term*

The covenant includes arrangements on how to improve the quality of the local Schiphol environment in the medium term. For this purpose, Schiphol and the province of North-Holland incorporated the foundation Stichting Leefomgeving Schiphol, with an independent board that is in charge of a programme for area-specific projects (improvement of the quality of the local environment in specific areas) and individual measures (mitigation in individual cases of noise-related distress). The financing parties are the Province of North-Holland, the Ministry of Infrastructure and Water Management and Schiphol Group. Schiphol 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. Schiphol Group's contribution in the second tranche will again focus primarily on the most distressing cases.

#### *Reduction of ground noise*

The parties to the Alders Platform agreed to reduce ground noise levels by 10dB. At this stage a reduction of 7 dB has been realised. Schiphol will instal sound-absorption ribs to reduce ground noise by a further 1 dB. The total reduction will then be 8 dB. To achieve the remaining 2 dB, Schiphol will acquire land from the municipality of Haarlemmermeer for 2.5 million euros. The total cost of the construction of the sound-absorption ribs 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 construction of the sound-absorption ribs are conditional.

### Commitments arising from long-term contracts

(in thousands of euros)	Total 2017	< 1 year	> 1 year and < 5 years	> 5 years
Commitments relating to:				
Security, maintenance and cleaning	690,611	225,884	365,059	99,668
Development Schiphol (incl. Capital Programme)	262,561	82,307	159,296	20,958
Development Lelystad Airport	35,243	28,734	176	6,333
Electricity and gas	6,305	6,305	-	-
Rents and leases (operating lease)	6,783	5,262	1,521	-
Other capital projects	595	595	-	-
<b>Total</b>	<b>1,002,098</b>	<b>349,087</b>	<b>526,052</b>	<b>126,959</b>
<hr/>				
(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 Airport	51,881	35,695	6,134	10,052
Development Area A	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	-	-
<b>Total</b>	<b>870,857</b>	<b>357,233</b>	<b>490,617</b>	<b>23,007</b>

#### Shared vision

On 12 October 2017, the Netherlands Authority for Consumers and Markets (ACM) reported on an investigation that it launched in 2013, prompted by the 'shared vision' process undertaken by Schiphol Group, KLM and the Dutch government. The outcome of the investigation is that in this relationship no conduct has occurred in violation of the competition rules. Schiphol and KLM have made commitments to the ACM in order to mitigate the identified risks of collaboration. These commitments mean that Schiphol and KLM will not discuss with each other the position of other airlines and that Schiphol will autonomously take decisions about investments, rates and marketing. The commitments would apply for a period of five years.

Two market parties have submitted views to the ACM on its decision. These views must be assessed by the ACM before the commitments become binding.

#### 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.

#### Soil contamination

Project activities at Schiphol have caused PFOS to end up in the soil. Since 2017 local legislation is in place that requires Schiphol to clean PFOS-contaminated soil. Schiphol has recognised a provision for the decontamination of the land on which construction work will take place in the near future. No provision is recorded for potential PFOS contamination under existing assets.

#### Multi-purpose building at Eindhoven Airport

On May 27, a portion of the parking garage under construction at Eindhoven Airport collapsed. The collapse resulted in infrastructural and financial damage and delayed other construction projects. Part of the site in front of the terminal could not be used for months. In December 2017, after extensive research on the technical cause of the collapse (which was found to be a construction error), BAM and Eindhoven Airport reached an agreement about the demolition and new construction of the garage. BAM will be in charge of this project. In January 2018 BAM started the demolition phase; new construction is expected to begin in April 2018, with delivery scheduled to take place in July 2019. The Dutch Safety Board has launched an investigation into the cause of the collapse; the results are expected in the course of 2018.

Various claims have been filed against Eindhoven Airport with respect to the collapse; the airport has disputed all these claims and has taken legal advice. The outcome of the legal proceedings and negotiations are hard to predict. At this moment, it is still unclear if the claims will lead to actual liabilities for Eindhoven Airport. Accordingly, no provisions have been recorded in the balance sheet in respect of these claims



and disputes, and Eindhoven Airport itself has brought claims against third parties which, as per the balance sheet date, are not included in the balance sheet.

#### *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 Royal Schiphol Group N.V. 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 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)	2017	2016
<b>Interest and other financial income</b>		
Receivables from associates	7,954	6,092
Interest on tax due	788	1,038
Cash and cash equivalents	-	400
Exchange differences on cash and cash equivalents	-	29
Exchange differences on other assets and liabilities	1,900	1,290
Other	44	82
	<b>10,686</b>	<b>8,931</b>
<b>Interest and other financial expenses</b>		
Borrowings	-75,075	-76,911
Derivatives	-11,685	-11,580
Fair value movement loans	-4,950	-5,418
Lease liabilities	-3,635	-3,882
Exchange differences on loans to associates	-1,589	-1,979
Capitalised borrowing costs	854	407
Exchange differences on cash and cash equivalents	-214	-
Other	-3	-173
	<b>-96,297</b>	<b>-99,536</b>
<b>Total financial income and expenses</b>	<b>-85,611</b>	<b>-90,605</b>

Exchange differences on loans to associates concern the Redeemable Preference Shares (RPS) 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.

Type	Counterparty	Interest rate	Currency	Notional amount (x1000)	Maturity date	Fair value in thousands of euros	
						31 December 2017	31 December 2016
Currency swap	JPMorgan	3.16%	JPY	20,000,000	2038	17,541	38,706
Forward	BNP Paribas	n/a	AUD	101,000	2018	2,481	-3,798
						<b>20,022</b>	<b>34,908</b>
<b>Recognised in the balance sheet under:</b>							
Non-current assets						17,541	38,706
Current assets/ liabilities						2,481	-3,798
						<b>20,022</b>	<b>34,908</b>

## 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 below.

## 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 and non-current receivables).

Schiphol Group manages the currency risk on borrowings by using forward and swap contracts. The financial risk management policy is that virtually 100% of the expected cash flows are hedged. As at 31 December 2017, 7.0% of group financing had been drawn in foreign currency (one loan with a carrying amount of 147.6 million euros (JPY 20 billion nominal value)) compared with 8.1% of total borrowings (one loan with a carrying amount of 162.4 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 11.1 million euros positive in 2017 (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' 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 160.9 million euros as at 31 December 2017 (157.0 million euros as at 31 December 2016), is not hedged. Translation differences on these positions are recognised as part of the translation reserves and therefore do not have a direct impact on the results. In 2017 the negative effect on equity amounts to 12.3 million euros leading to a decline of the translation reserve from 18.2 million euros as per 31 December 2016 to 5.9 million euros as per 31 December 2017.

The Redeemable Preference Shares which Schiphol Group owns in Brisbane Airport Corporation Holdings Ltd. are reported as part of the 'loans to associates'. The currency risk related to this loan including the accrued dividends, with a carrying amount of 75.9 million euros as per 31 December 2017 (74.2 million euros as per 31 December 2016), are hedged by means of forward exchange transactions. Consequently, a movement in the exchange rate will have only a minor effect on the results relating to this receivable.

Schiphol Group's risk (counterparty 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 2017, the maximum net position of both parties amounted to 10 million euros (10 million euros as at 31 December 2016) while the market value of the swap was

approximately 17.1 million euros positive (38.7 million euros as at 31 December 2016) at Schiphol Group's. As at 31 December 2017, Schiphol Group had an obligation of 8.4 million euros to JPMorgan (as at 31 December 2016 29.5 million euros). If the EUR/JPY exchange rate decreases by 10%, Schiphol Group will receive 28.5 million euros from JPMorgan. If the exchange rate rises by 10%, Schiphol Group is required to deposit 8.4 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 103 million euros. A 10% decrease in the NIY will lead to an increase of approximately 126 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 43 million euros (1.9%) in the fair value of borrowings. An average increase of 0.5% in market interest rates would lead to a fall of 40 million euros (1.7%) 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 2017, 100% of borrowings were fixed-interest, excluding subsidiaries and associates (as at 31 December 2016: 100%).

#### **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 2017 (and had therefore been -0.5%), the interest income relating to deposits would have been 0.8 million euros lower (2016: 0.7 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 2017, the figure for variable-interest borrowings was 0% (31 December 2016: 0%).

#### **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 liquidities 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 2017 was 150.0 million euros (150.0 million euros as at 31 December 2016).

At 31 December 2017, trade receivables amounted to 92.1 million euros (31 December 2016: 87.2 million euros), after a provision for doubtful debts of 4.5 million euros (3.4 million euros as at 31 December 2016) and including 1.6 million euros in security deposits received (31 December 2016: 3.1 million euros). The provision covers 100% of the 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 11.8 million euros that is part of the 92.1 million euro trade receivables (before deduction of the provision for doubtful debts of 4.5 million euros and security deposits received of 1.6 million euros) was past due but not provided for. The debtors concerned have no default history and the payments were received in January 2018.

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 2017, Schiphol Group holds 48.4 million euros in bank guarantees and security deposits (31 December 2016: 50.7 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)	2017	2016
<b>Carrying amount as at 1 January</b>	<b>3</b>	<b>3</b>
Redemption	-1	0
Withdrawal during the year	2	1
<b>Carrying amount as at 31 December</b>	<b>4</b>	<b>3</b>
<b>Ageing analysis</b>		
Less than 60 days	93	88
Older than 60 days	3	3
Older than 360 days	-	1
Bankruptcies	2	1
	<b>98</b>	<b>94</b>
Provision for bad debt	-4	-3
Security deposits received	-2	-3
<b>Total trade receivables</b>	<b>92</b>	<b>87</b>

### 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 in 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 2017, this figure was 1.5% (31 December 2016: 0%).

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 2017	Contractual cash flows	<= 1 year	> 1 year	> 1 year but <= 5 years	> 5 years
Borrowings	<b>2,109,847</b>	2,090,920	39,000	2,051,920	740,420	1,311,500
Trade payables	<b>120,809</b>	120,809	120,809	-	-	-
Finance lease liabilities	<b>49,322</b>	49,322	3,093	46,229	10,165	36,064
Interest payable	<b>32,191</b>	32,191	32,191	-	-	-
<b>Total</b>	<b>2,312,169</b>	<b>2,293,242</b>	<b>195,093</b>	<b>2,098,149</b>	<b>750,585</b>	<b>1,347,564</b>

(in thousands of euros)	Total 2016	Contractual cash flows	<= 1 year	> 1 year	> 1 year but <= 5 years	> 5 years
Borrowings	<b>2,015,700</b>	1,992,470	9,000	1,983,470	762,970	1,220,500
Trade payables	<b>111,252</b>	111,252	111,252	-	-	-
Finance lease liabilities	<b>51,237</b>	51,237	2,014	49,223	11,536	37,687
Interest payable	<b>31,816</b>	31,816	31,816	-	-	-
Derivative financial instruments	<b>3,798</b>	3,798	3,798	-	-	-
<b>Total</b>	<b>2,213,803</b>	<b>2,190,573</b>	<b>157,880</b>	<b>2,032,693</b>	<b>774,506</b>	<b>1,258,187</b>

Financial instruments can be classified, according to the measurement policy applied, as follows:

(in thousands of euros)	Level <sup>1</sup>	Total 2017	Amortised cost	Fair value through equity	Fair value through profit and loss	Fair value disclosure
Borrowings	2	<b>2,064,874</b>	2,064,874	-	-	2,337,953
Borrowings	3	<b>44,973</b>	-	-	44,973	-
Finance lease liabilities	2	<b>49,322</b>	49,322	-	-	49,322
Trade payables	n/a	<b>120,809</b>	-	-	120,809	120,809
Interest payable	n/a	<b>32,191</b>	-	-	32,191	32,191
<b>Liabilities</b>		<b>2,312,169</b>	<b>2,114,196</b>	<b>-</b>	<b>197,973</b>	<b>2,540,274</b>
Loans to associates	2	<b>-75,885</b>	-75,885	-	-	-79,750
Loans	2	<b>-607</b>	-607	-	-	-607
Derivative financial instruments	2	<b>-20,022</b>	-	-20,022	-	-
Loans to associates	2	<b>-8,767</b>	-8,767	-	-	-8,767
Performance shares BACH	2	<b>-12,169</b>	-	-	-12,169	-
Trade receivables	n/a	<b>-92,071</b>	-	-	-92,071	-92,071
Cash and cash equivalents	n/a	<b>-170,370</b>	-	-	-170,370	-170,370
<b>Assets</b>		<b>-379,891</b>	<b>-85,259</b>	<b>-20,022</b>	<b>-274,610</b>	<b>-351,565</b>
<b>Total</b>		<b>1,932,278</b>	<b>2,028,937</b>	<b>-20,022</b>	<b>-76,637</b>	<b>2,188,710</b>

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 <sup>1</sup>	Total 2016	Amortised cost	Fair value through equity	Fair value through profit and loss	Fair value disclosure
Borrowings	2	<b>1,975,677</b>	1,975,677	-	-	2,287,823
Borrowings	3	<b>40,023</b>	-	-	40,023	-
Finance lease liabilities	2	<b>51,237</b>	51,237	-	-	51,237
Derivative financial instruments	2	<b>3,798</b>	-	3,798	-	-
Trade payables	n/a	<b>111,252</b>	-	-	111,252	111,252
Interest payable	n/a	<b>31,816</b>	-	-	31,816	31,816
<b>Liabilities</b>		<b>2,213,803</b>	<b>2,026,914</b>	<b>3,798</b>	<b>183,091</b>	<b>2,482,128</b>
Loans to associates	2	<b>-74,200</b>	-74,200	-	-	-77,000
Loans	2	<b>-746</b>	-746	-	-	-746
Loans to associates	2	<b>-38,706</b>	-	-38,706	-	-
Derivative financial instruments	2	<b>-8,480</b>	-8,480	-	-	-7,880
Trade receivables	n/a	<b>-87,246</b>	-	-	-87,246	-87,246
Cash and cash equivalents	n/a	<b>-238,691</b>	-	-	-238,691	-238,691
<b>Assets</b>		<b>-448,069</b>	<b>-82,826</b>	<b>-38,706</b>	<b>-325,937</b>	<b>-411,563</b>
<b>Total</b>		<b>1,765,734</b>	<b>1,944,088</b>	<b>-34,908</b>	<b>-142,846</b>	<b>2,070,565</b>

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 note 11. 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)	2017	2016
Operating result	358,661	420,317
Depreciation and amortisation	263,715	236,520
Impairment	-	1,595
Proceeds from disposals of property, plant and equipment	-	-207
Result from the sale of joint venture	-26,039	-
Other income, from property	-42,477	-71,390
Other non-cash changes in other receivables and liabilities	3,950	-391
Change in other provisions and employee benefits	6,740	1,489
Income tax paid	-54,699	-64,966
Interest paid	-74,457	-82,435
Interest received	832	1,580
Dividend received	30,286	28,472
<b>Funds From Operations</b>	<b>466,512</b>	<b>470,584</b>

'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 2017. FFO is the cash flow from operating activities adjusted for operating capital. In 2017 FFO decreased from 471 million euros to 467 million euros.

(in thousands of euros)	2017	2016
Borrowings	2,074,627	2,010,773
Lease liabilities	46,229	49,223
<b>Non-current liabilities</b>	<b>2,120,856</b>	<b>2,059,996</b>
Borrowings	35,220	4,927
Lease liabilities	3,093	2,014
<b>Current liabilities</b>	<b>38,313</b>	<b>6,941</b>
<b>Total debt</b>	<b>2,159,169</b>	<b>2,066,937</b>

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 2017, equity was 3,978 million euros (3,860 million euros at 31 December 2016).

The FFO/total debt ratio and leverage at 31 December were:

	2017	2016
FFO / Total debt	21.6%	22.8%
Leverage	35.2%	34.9%
Leverage	6.9x	6.8x

The FFO interest coverage ratio is calculated by dividing the FFO plus the interest charges relating to borrowings and lease liabilities, amounting to 78.7 million euros in 2017 (80.8 million euros in 2016), by those interest charges. The FFO interest coverage ratio for 2017 was 6.9x (compared with 6.8x for 2016). The ratios at 31 December 2017 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 Revenue
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. As per July 2017 the new Aviation Act became effective which includes changes with respect to the consultation on and settlement of tariffs. This means that as per 2018 Schiphol will set the tariffs for a three-year period (2019-2021).

There are two lines of supervision on the airport 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 other line of supervision involves the Ministry of Infrastructure and Water Management 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			Sustainability & Safety	Total 2017
		Audit	Remuneration	Selection & Appointment		
L.J. Gunning-Schepers	37,492	-	-	5,136	5,136	<b>47,764</b>
H.J. Hazewinkel	24,652	-	5,136	5,136	-	<b>34,924</b>
E. Arkwright	-	-	-	-	-	-
C. Clarke	24,652	-	-	5,136	-	<b>29,788</b>
R.J. van de Kraats	24,652	6,163	-	-	-	<b>30,815</b>
A.B.M. Olsson	24,652	-	5,136	-	5,136	<b>34,924</b>
M.A. Scheltema	24,652	6,163	5,136	-	5,136	<b>41,087</b>
J.G. Wijn	24,652	6,163	-	5,136	-	<b>35,951</b>
<b>Total</b>	<b>185,404</b>	<b>18,489</b>	<b>15,408</b>	<b>20,544</b>	<b>15,408</b>	<b>255,253</b>

(x EUR 1)	Remuneration	Committees			Sustainability & Safety	Total 2016
		Audit	Remuneration	Selection & Appointment		
L.J. Gunning-Schepers	37,399	-	-	5,123	5,123	<b>47,645</b>
H.J. Hazewinkel	24,591	3,066	5,123	5,123	-	<b>37,903</b>
E. Arkwright <sup>1</sup>	-	-	-	-	-	-
C. Clarke	24,591	-	-	5,123	-	<b>29,714</b>
P. Jeantet	-	-	-	-	-	-
R.J. van de Kraats	24,591	6,148	-	-	-	<b>30,739</b>
A.B.M. Olsson	24,591	-	5,123	-	5,123	<b>34,837</b>
M.A. Scheltema	24,591	3,082	5,123	-	5,123	<b>37,919</b>
J.G. Wijn	24,591	6,148	-	5,123	-	<b>35,862</b>
<b>Total</b>	<b>184,945</b>	<b>18,444</b>	<b>15,369</b>	<b>20,492</b>	<b>15,369</b>	<b>254,619</b>

<sup>1</sup> from 25 August 2016

All members of the Supervisory Board also receive an annual expense fee of 1,643 euros on top of the remuneration for Supervisory Board members referred to above. Mr Arkwright stated that he did not wish to receive any remuneration and expense fee in connection with his 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	Pension costs	Pension costs (supplementary)	Other payments	Total 2017
J.A. Nijhuis	420,159	63,024	25,802	60,170	13,410	<b>582,565</b>
A. van den Berg	357,135	53,570	23,874	40,060	34,501	<b>509,140</b>
E.A. de Groot <sup>1</sup>	148,289	-	9,908	15,687	7,124	<b>181,008</b>
J.T.M. van der Meijs <sup>2</sup>	268,516	40,277	18,046	27,756	17,604	<b>372,199</b>
B.I. Otto	357,135	53,570	23,842	40,060	17,074	<b>491,681</b>
<b>Total</b>	<b>1,551,234</b>	<b>210,442</b>	<b>101,472</b>	<b>183,733</b>	<b>89,713</b>	<b>2,136,594</b>

1 till 1 June 2017

2 from 1 April 2017

(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	12,523	<b>863,552</b>
A. van den Berg <sup>1</sup>	263,225	34,219	-	15,800	29,840	30,715	<b>373,799</b>
M.M. de Groof <sup>2</sup>	77,551	27,143	58,126	6,116	22,860	8,362	<b>200,158</b>
E.A. de Groot	350,967	45,626	-	20,662	36,245	16,211	<b>469,711</b>
B.I. Otto	350,967	45,626	-	20,715	38,565	16,187	<b>472,060</b>
<b>Total</b>	<b>1,439,830</b>	<b>204,239</b>	<b>321,783</b>	<b>90,979</b>	<b>238,450</b>	<b>83,998</b>	<b>2,379,280</b>

1 from 1 April 2016

2 till 1 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 2017. The short-term incentive for the Management Board is determined to be 15% of their respective fixed salaries.

In addition, up to and including 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 former remuneration policy.

The other payments concern allowances for representation expenses and the employer's share of social security contributions. For further details, please refer to note Management Board Remuneration for 2017 in the Annual Report.

## Subsidiaries

	Registered in	Direct / indirect interest in %
Schiphol Nederland B.V. <sup>1</sup>	Schiphol	100.00
Schiphol Australia Pty Ltd	Schiphol	100.00
Schiphol North America Holding Inc.	Delaware	100.00
Eindhoven Airport N.V.	Eindhove n	51.00
N.V. Luchthaven Lelystad <sup>1</sup>	Lelystad	100.00
Luchthaven Lelystad Vastgoed B.V. <sup>1</sup>	Lelystad	100.00
Schiphol USA Inc.	New York	100.00
Rotterdam Airport B.V. <sup>1</sup>	Rotterda m	100.00
Rotterdam Airport Holding B.V. <sup>1</sup>	Rotterda m	100.00
Rotterdam Airport Vastgoed B.V. <sup>1</sup>	Rotterda m	100.00
Schiphol International B.V.	Schiphol	100.00
Schiphol Real Estate B.V. <sup>1</sup>	Schiphol	100.00
Airport Real Estate Management B.V. <sup>1</sup>	Schiphol	100.00
Aviopoort Srl	Lonate Pozzolo	100.00
Schiphol Telematics B.V. <sup>1</sup>	Schiphol	100.00

<sup>1</sup> Article 403 of the NCC is applied

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)	2017	2016
<b>Assets</b>		
Non-current assets	<b>53,355</b>	45,463
Current assets	<b>5,463</b>	5,781
	<b>58,818</b>	<b>51,244</b>
<b>Equity and liabilities</b>		
Total equity	<b>41,972</b>	36,340
Non-current liabilities	<b>12,240</b>	11,231
Current liabilities	<b>4,606</b>	3,673
	<b>58,818</b>	<b>51,244</b>

The income statement for this company:

(in thousands of euros)	2017	2016
<b>Revenue</b>	<b>30,271</b>	25,525
Other income and results from investment property	<b>115</b>	60
	<b>30,386</b>	<b>25,585</b>
<b>Total operating expenses</b>	<b>22,438</b>	18,849
<b>Operating profit</b>	<b>7,948</b>	<b>6,736</b>
Financial income and expenses	<b>-178</b>	-139
<b>Profit before tax</b>	<b>7,770</b>	<b>6,597</b>
Corporate income tax	<b>1,933</b>	1,619
<b>Profit for the year</b>	<b>5,837</b>	<b>4,978</b>

## Events after the balance sheet date

There are no events after the balance sheet date.

## Company income statement for 2017

(in thousands of euros)	note	2017	2016
<b>Revenue</b>		-	-
Cost of outsourced work and other external costs		54	25
Employee benefits expense		2,515	2,228
Other operating expenses		232	343
<b>Total operating expenses</b>		<b>2,801</b>	<b>2,596</b>
<b>Operating profit</b>		<b>-2,801</b>	<b>-2,596</b>
Financial income		-	11
Financial expenses		-49,100	-49,728
<b>Financial income and expenses</b>		<b>-49,100</b>	<b>-49,717</b>
Share of profit of associates and joint ventures	30	43,885	42,835
Share of profit of subsidiaries	30	274,743	302,656
<b>Profit before tax</b>		<b>266,727</b>	<b>293,178</b>
Income tax expense		12,974	13,078
<b>Result attributable to shareholders (net result)</b>		<b>279,703</b>	<b>306,256</b>

## Company balance sheet as at 31 December 2017

Assets	Note	31 December 2017	31 December 2016
(in thousands of euros)			
<b>Non-current assets</b>			
Investments in subsidiaries	30	<b>3,764,134</b>	3,501,614
Investments in associates	30	<b>673,803</b>	652,098
Derivatives		<b>17,541</b>	38,706
Deferred tax assets		<b>6,960</b>	10,660
		<b>4,462,438</b>	<b>4,203,078</b>
<b>Current assets</b>			
Receivables	31	<b>1,172,371</b>	1,215,230
Income tax receivable	31	<b>12,975</b>	13,078
Cash and cash equivalents	31	<b>25,181</b>	783
		<b>1,210,527</b>	1,229,091
		<b>5,672,965</b>	<b>5,432,169</b>
<b>Equity and liabilities</b>			
(in thousands of euros)			
<b>Shareholders' equity</b>			
Issued share capital		<b>84,511</b>	84,511
Share premium		<b>362,811</b>	362,811
Retained profits		<b>2,735,292</b>	2,624,848
Other reserves		<b>-81,179</b>	-62,930
Revaluation reserve		<b>528,468</b>	481,202
Other statutory reserves		<b>26,606</b>	26,532
Net result of the year		<b>279,703</b>	306,256
	32	<b>3,936,212</b>	<b>3,823,230</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>4,385</b>	9,676
Employee benefits		-	341
Loans and borrowings - EMTN programme	23	<b>1,336,782</b>	1,267,868
		<b>1,341,167</b>	<b>1,277,885</b>
<b>Current liabilities</b>			
Current liabilities	34	<b>395,586</b>	331,054
		<b>5,672,965</b>	<b>5,432,169</b>

## 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. Royal Schiphol Group N.V. is registered at the Chamber of Commerce under number 34029174.

#### Accounting policies

##### *Subsidiaries*

Companies over which Royal Schiphol Group N.V. is able to exercise control or which Royal Schiphol Group N.V. 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 Royal Schiphol Group N.V. exceeds the carrying amount of a subsidiary, losses over and above that amount are not recognised unless Royal Schiphol Group N.V. 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 statement of income for the items concerned.

##### *Fiscal unity*

Together with part of the subsidiaries Royal Schiphol Group N.V. forms a fiscal unity for corporate income tax and btw (Dutch VAT) purposes. As such each of the entities within the fiscal unit is jointly and severally liable for the tax debt of the fiscal unity.

### 30. Non-current assets

(in thousands of euros)	Subsidiaries	Associate	Total
<b>Carrying amount as at 1 January 2016</b>	<b>3,188,929</b>	<b>631,325</b>	<b>3,820,254</b>
Result for the year	302,656	42,835	<b>345,491</b>
Dividend	-	-20,662	<b>-20,662</b>
Other movements	10,029	-1,400	<b>8,629</b>
<b>Total movements in the year</b>	<b>312,685</b>	<b>20,773</b>	<b>333,458</b>
<b>Carrying amount as at 31 December 2016</b>	<b>3,501,614</b>	<b>652,098</b>	<b>4,153,712</b>
Result for the year	274,670	43,958	<b>318,628</b>
Dividend	-	-20,900	<b>-20,900</b>
Translation differences	-12,278	-	<b>-12,278</b>
Other movements	128	-1,353	<b>-1,225</b>
<b>Total movements in the year</b>	<b>262,520</b>	<b>21,705</b>	<b>284,225</b>
<b>Carrying amount as at 31 December 2017</b>	<b>3,764,134</b>	<b>673,803</b>	<b>4,437,937</b>

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. The associate is the 8% interest of Royal Schiphol Group 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)	2017	2016
Income tax receivable	<b>12,975</b>	13,078
Group Companies	<b>1,172,199</b>	1,215,147
Other receivables	<b>172</b>	83
	<b>1,185,346</b>	<b>1,228,308</b>

## 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
<b>Carrying amount as at 1 January 2016</b>	<b>84,511</b>	<b>362,811</b>	<b>2,497,008</b>	<b>-83,032</b>	<b>424,809</b>	<b>23,838</b>	<b>374,163</b>	<b>3,684,108</b>
Appropriation of result for previous year	-	-	127,840	-	56,393	2,694	-186,927	-
Reclassification	-	-	-	-	-	-	-187,236	<b>-187,236</b>
Exchange differences	-	-	-	4,286	-	-	-	<b>4,286</b>
Movements in hedge reserve	-	-	-	19,629	-	-	-	<b>19,629</b>
Net result	-	-	-	-	-	-	306,256	<b>306,256</b>
Other	-	-	-	-1,100	-	-	-	<b>-1,100</b>
Other comprehensive income from associates	-	-	-	-1,743	-	-	-	<b>-1,743</b>
Actuarial gains and revaluations after taxation	-	-	-	-970	-	-	-	<b>-970</b>
<b>Total movements in the year</b>	<b>-</b>	<b>-</b>	<b>127,840</b>	<b>20,102</b>	<b>56,393</b>	<b>2,694</b>	<b>-67,907</b>	<b>139,122</b>
<b>Balance as at 31 December 2016</b>	<b>84,511</b>	<b>362,811</b>	<b>2,624,848</b>	<b>-62,930</b>	<b>481,202</b>	<b>26,532</b>	<b>306,256</b>	<b>3,823,230</b>
Appropriation of result for previous year	-	-	99,611	-	58,132	74	-157,817	-
Distribution of dividend	-	-	-	-	-	-	-148,439	<b>-148,439</b>
Exchange differences	-	-	-	-12,278	-	-	-	<b>-12,278</b>
Movements in hedge reserve	-	-	-	1,110	-	-	-	<b>1,110</b>
Net result	-	-	-	-	-	-	279,703	<b>279,703</b>
Other	-	-	10,833	33	-10,866	-	-	-
Other comprehensive income from associates	-	-	-	-6,586	-	-	-	<b>-6,586</b>
Actuarial gains and revaluations after taxation	-	-	-	-528	-	-	-	<b>-528</b>
<b>Total movements in the year</b>	<b>-</b>	<b>-</b>	<b>110,444</b>	<b>-18,249</b>	<b>47,266</b>	<b>74</b>	<b>-26,553</b>	<b>112,982</b>
<b>Balance as at 31 December 2017</b>	<b>84,511</b>	<b>362,811</b>	<b>2,735,292</b>	<b>-81,179</b>	<b>528,468</b>	<b>26,606</b>	<b>279,703</b>	<b>3,936,212</b>

The other statutory reserves comprise the reserve for intangible assets and the reserve for investments in associates.

(in thousands of euros)

<b>Result attributable to shareholders</b>	<b>279,703</b>
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With due observance of Article 26 of the Articles of Association, it is proposed that the result for the year be appropriated as follows:

Addition to the revaluation reserve <i>(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)</i>	-36,149
Addition to the statutory reserve <i>(sum of the results of associates, less dividend distributions, and investments in research and development less amortisation)</i>	-6,429
Dividend distribution	-150,257
<b>Addition to retained profits</b>	<b>86,868</b>



### 33. Employee benefits

The liabilities for employee benefits relate to the Management Board of Royal Schiphol Group N.V. and concern the net liabilities in respect of the short-term incentives. See the notes on Remuneration for Management Board members in the consolidated financial statements for further details.

### 34. Current liabilities

(in thousands of euros)	2017	2016
Group companies	<b>347,018</b>	309,962
Borrowings - EMTN programme	<b>26,618</b>	-
Accruals	<b>21,108</b>	20,631
Other liabilities	<b>842</b>	461
	<b>395,586</b>	<b>331,054</b>

See note 4. Outsourcing and other external costs to the consolidated financial statements for a breakdown of auditor's fees.

Schiphol, 15 February 2018

**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 2017:

**Management Board**

J.A. Nijhuis

President & Chief Executive Officer

A. van den Berg

Chief Commercial Officer

J.T.M. van der Meijs

Chief Financial Officer

B.I. Otto

Chief Operations Officer

## Other Information

### Proposed profit appropriation

Article 26 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 Royal Schiphol Group N.V.

## Report on the financial statements 2017 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 Royal Schiphol Group N.V. as at 31 December 2017 and of its result and its cash flows for 2017, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the company financial statements included in this annual report give a true and fair view of the financial position of Royal Schiphol Group N.V. as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### What we have audited

We have audited the financial statements 2017 of Royal Schiphol Group N.V. (hereafter also 'Schiphol' or 'the company'), based in Schiphol, as set out on pages 173 to 249. 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 2017, the consolidated statements of income, comprehensive income, changes in equity and cash flow for 2017 and the notes, comprising a summary of the accounting policies and other explanatory information.

The company financial statements comprise the company balance sheet as at 31 December 2017, the company income statement for 2017 and the notes, comprising a summary of the 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 our report.

We are independent of Royal Schiphol Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the Audit firms supervision act ('*Wet toezicht accountantsorganisaties*'), 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Audit approach

### Summary

#### MATERIALITY

- Materiality of EUR 15 million
- 4.3% of profit before tax

#### GROUP AUDIT

- 91% of consolidated revenue
- 89% of consolidated total assets

#### KEY AUDIT MATTERS

- Investments in operational assets
- Investment property
- Revenue from airport charges

#### UNQUALIFIED AUDIT OPINION

## Materiality

Based on our professional judgement we determined materiality for the financial statements as a whole at EUR 15 million (2016: EUR 15 million). Materiality is determined with reference to profit before tax of which it represents 4.3% (2016: 3.8%). Although profit before tax has decreased compared to 2016, we have not decreased the overall materiality as an absolute number. This is based on our consideration that while profit before tax for 2017 is lower due to tariff reductions in the Business Area Aviation per 1 April 2017 and 1 April 2016, the level of activity in the Business Area Aviation has increased. We have also taken into account (possible) misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.8 million (2016: 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

Royal Schiphol Group N.V. is at the 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 Royal Schiphol Group N.V.

The group audit was mainly focused on the location Amsterdam Airport Schiphol, with significant activities within the Business Areas Aviation, Real Estate, and Consumer Products & Services.

The audit procedures in respect of selected foreign activities in the Business Area Alliances & Participations were performed by local auditors. This includes procedures related to investments in associates Groupe ADP and Brisbane Airport Corporation Holdings. We have evaluated the outcome of their procedures based on, amongst others, a site visit, and a review of the findings 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 specific audit procedures.

Our approach described above resulted in a coverage of 91% of consolidated revenue and 89% of consolidated total assets.

By performing the procedures above at the group entities mentioned, together with procedures for activities located outside Amsterdam Airport Schiphol, consisting of analytical reviews and specified audit procedures aimed at a part of the assets, we have obtained sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

## Audit procedures in relation to fraud risks

In our audit of the financial statements we have performed procedures aimed at identifying, assessing and responding to risks of a material misstatement due to fraud. These procedures are not comparable to a specific fraud investigation, which often has a more in-depth character.

In our process of identifying fraud risks we have evaluated fraud risk factors. These are events or conditions which indicate an incentive, pressure or opportunity to commit fraud. Indications for suspected frauds from the past are included in this evaluation, amongst others in relation to media reports and internal investigations regarding an alleged fraud in 2016. We have involved forensic experts in our risk analysis.

Dutch auditing standard 240 presumes a general fraud risk arising from managements' ability to override controls. In addition, we have evaluated a specific fraud risk from potential conflicts of interest when awarding major contracts under the 'Capital Programme', the programme for the airport capacity expansion at Amsterdam Airport Schiphol.

We have evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we have performed specific testing consisting of data analysis of high risk journal entries, evaluation of key estimates and judgement by Schiphol (including retrospective reviews of prior years' estimates) and testing of certain material contracts awarded in 2017 selected on the basis of quantitative and qualitative criteria.

In connection with the audit of the financial statements we have discussed fraud risks and other risks with the Management Board and the Supervisory Board.

## Our key audit matters

Key audit matters are those matters that, in our professional judgement, 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 – capitalisation and liabilities with regard to the expansion projects organised in the Capital Programme

### Description

Investments in operational assets are a key audit matter due to the distinction between operating expenses that are an immediate charge to the statement of income and capital expenditures that are 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 49% of consolidated total assets.

Schiphol is investing in operational capacity and quality through large-scale and complex renovations and new build. A separate programme organisation has been established for the execution and governance of the Capital Programme. In 2017 some large tenders have been awarded and long-term investment commitments were entered into concerning the Capital Programme

As disclosed on page 206 of the financial statements, approximately EUR 444 million in capital expenditure was capitalised in 2017 as part of assets under construction for operating activities. Furthermore, as disclosed on page 229 of the financial statements, Schiphol has entered into long term agreements with a total commitment of EUR 1 billion per balance sheet date, of which EUR 263 million concerns development Schiphol including the Capital Programme.

### Our response

We have performed audit procedures aimed at the design and implementation of internal controls within the regular purchase and investment process and within the Capital Programme.

For amounts capitalised as part of assets under construction for operating activities, we tested the accuracy of new investments through statistical sampling of capitalised expenditure, among others based on the registration of goods received, purchase invoices and testing if the capitalisation criteria were met.

We have performed detailed audit procedures concerning the entering into long-term investment commitments for a number of material projects within the Capital Programme. For the selected projects we have tested whether the tender process and substantive evaluation of tenders was performed based on predetermined criteria. We have also tested whether various perspectives (for example commercial, functional and technical) are taken into account in the selection of suppliers.

### Our observation

In the design of the Capital Programme organisation, international knowledge and experience in the field of large-scale expansion projects has been incorporated. For the contracts included in our selection, we found that a weighted substantive evaluation of tenders was made on the basis of predetermined criteria and substantiated by internal documentation.

## Investment property is valued at fair value, supported amongst others by external valuation reports

### 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 consolidated total assets. The unrealised result from revaluation of investment property amounts to EUR 42 million positive. The valuation of investment property is complex and involves significant management judgement. Schiphol engages independent external valuers for the determination of the value of investment property, as also explained on page 208 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 209 of the financial statements. For valuation of land, next to engaging external valuers, Schiphol also uses an internally developed valuation model.

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### 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 tested 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.

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### Our observation

Based on our procedures, we believe that the valuation of investment properties as applied by Schiphol is balanced. The disclosures on the valuation of investment property, as included on pages 210 to 212 of the financial statements, meet the requirements of EU-IFRS.

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## 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 57% of total revenue as included in the consolidated statement of income. The tariff-setting for airport charges of Amsterdam Airport Schiphol is regulated. Schiphol publishes the tariffs and conditions on its website annually after consultation of the aviation sector.

Next to accuracy, completeness of revenue recognised from airport charges is important in our audit. In order to determine passenger-related fees included in airport charges, 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.

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### Our response

We have examined the design, implementation and operating effectiveness of internal controls related to the accuracy and completeness of registrations of passenger numbers and their composition, as obtained from third parties, and of the tariff used.

In addition, we carried out substantive audit procedures consisting of analytical analysis of airport charges, including a trend analysis on the amount of passenger-related fees per period. We have performed a number of detailed tests on the source data used for this analysis, such as flight movements, passenger numbers per flight and the accuracy of the OD/transfer classification of passengers.

In addition, 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 also assessed this based on subsequent cash receipts.

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### Our observation

Schiphol carries out various checks aimed at the accuracy and completeness of information provided by airlines, including ticket checks, passenger counts and ratio analyses. Schiphol relies on information from, amongst others, loading documents that are used in the aviation sector for safety and logistic purposes. Schiphol considers risk and materiality to determine the scope and extent of these checks. We can concur with this consideration.

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## 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 Schiphol (page 6 up to and including 9), facts and figures about Schiphol (page 13 up to and including 26), the strategy of Schiphol (page 27 up to and including 44), the results of Schiphol (page 45 up to and including 110), and the report about governance, which includes the report from the Supervisory Board and information on remuneration (page 111 up to and including 152);
- the other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code;
- the socio-economic reporting (page 153 up to and including 171).

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 Dutch 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 Dutch 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 Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### Engagement

On 10 February 2014 we were appointed as independent auditor of Schiphol for the audit of the 2014, 2015, and 2016 financial statements and have been the independent auditor since that date. On 21 December 2016 we were reappointed as independent auditor for a second term of three years starting from the audit of the 2017 financial statements.

### No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

## Description of responsibilities regarding 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 Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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 frameworks 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



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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 the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 15 February 2018  
KPMG Accountants N.V.

E. Eeftink RA

Appendix: Description of our responsibilities for the audit of the financial statements

## Appendix

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group components. Decisive were the size and/or the risk profile of the group components or operations. On this basis, we selected group components for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

## Historical summary

(in millions of euros, unless otherwise indicated)

2017 2016 2015 2014 2013

### Profit and loss account

Revenue	<b>1,458</b>	1,435	1,423	1,438	1,364
Other income and results from investment property	<b>80</b>	71	117	35	3
Total operating revenue	<b>1,538</b>	1,506	1,540	1,473	1,367
Total operating expenses before depreciation, amortisation and impairment	<b>-916</b>	-848	-804	-838	-796
EBITDA	<b>622</b>	658	735	635	571
Depreciation, amortisation and impairment	<b>-264</b>	-238	-230	-232	-266
Operating result	<b>359</b>	420	505	403	305
Financial income and expenses	<b>-86</b>	-91	-89	-86	-90
Taxation, share in operating result of associates and minority interests	<b>12</b>	-18	-38	-43	15
Result on ordinary activities after tax	<b>286</b>	311	378	274	230
Minority interests	<b>6</b>	5	4	2	3
Net result	<b>280</b>	306	374	272	227

### Balance sheet

Non-current assets	<b>6,040</b>	5,818	5,646	5,413	4,929
Current assets	<b>615</b>	608	759	415	772
Total assets	<b>6,655</b>	6,426	6,405	5,829	5,701
Equity	<b>3,978</b>	3,860	3,716	3,453	3,309
Provisions	<b>79</b>	57	56	57	46
Non-current liabilities	<b>2,225</b>	2,172	2,021	1,987	1,576
Current liabilities	<b>373</b>	337	612	334	770
Total equity and liabilities	<b>6,655</b>	6,426	6,405	5,830	5,701

<b>Operating cash flow<sup>2</sup></b>	<b>267</b>	438	508	508	462
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### Ratios

Operating result as % of revenue	<b>24.6</b>	29.3	35.5	27.3	22.4
Return on average equity in % (ROE)	<b>7.2</b>	8.2	10.4	8.0	7.0
Return on Net Assets in % <sup>3</sup>	<b>6.1</b>	7.1	8.3	6.5	5.8
Return on Average Capital Employed in % <sup>4</sup>	<b>7.2</b>	8.2	10.1	8.4	7.2
FFO/Total debt in % <sup>5</sup>	<b>21.6</b>	22.8	22.0	26.5	26.0
FFO interest coverage ratio <sup>6</sup>	<b>6.9</b>	6.8	6.7	6.4	5.8
Leverage <sup>7</sup>	<b>35.2</b>	34.9	37.0	35.0	36.2

### Figures per share

Earnings per share	<b>1,503</b>	1,645	2,010	1,461	1,222
Operating cash flow per share	<b>1,435</b>	2,354	2,728	2,730	2,446
Dividend per share	<b>807</b>	797	1,006	744	726

### Personnel

Average effective full-time equivalent employees	<b>2,180</b>	2,063	2,000	2,039	2,058
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2012 <sup>1</sup>	2011	2010	2009	2008
1,353	1,278	1,180	1,154	1,154
-13	-	22	-40	22
1,340	1,278	1,202	1,114	1,176
-806	-766	-719	-731	-709
534	512	483	383	467
-238	-208	-186	-196	-172
296	304	297	187	295
-88	-91	-115	-91	-54
-12	-15	-10	37	-54
196	198	172	133	187
-2	3	3	-	-
198	195	169	133	187
5,108	5,106	5,000	4,798	4,754
681	681	506	729	655
5,789	5,787	5,506	5,527	5,409
3,203	3,175	3,109	2,975	2,887
44	51	65	69	50
1,980	1,980	1,762	2,061	1,747
562	581	570	422	725
5,789	5,787	5,506	5,527	5,409
399	387	351	327	421
21.9	23.8	25.1	16.2	25.5
6.2	6.2	5.6	4.5	6.4
5.6	5.6	5.9	3.6	5.6
7.4	7.5	7.3	4.5	7.3
24.5	18.5	17.0	18.5	19.3
5.6	4.5	3.8	4.4	6.5
37.8	37.9	37.2	40.5	38.6
1,068	1,045	908	710	1,083
2,143	2,081	1,883	1,756	2,439
582	524	409	347	371
2,087	2,115	2,328	2,496	2,506

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 CO<sub>2</sub> 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 Agreement**

An agreement made in 2008 within the Alders Platform, a consultative body for the aviation sector and community stakeholders on the growth of Schiphol, chaired by former government minister and former Queen's Commissioner Hans Alders

## **APU**

An Auxiliary Power Unit is a generator set to supply power to an aircraft during handling operations on the apron

## **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

## **Best Value**

Best Value (Procurement Performance) is a method for organising large tenders. The aim is to find the expert that is the most capable of carrying out the project at the lowest possible cost throughout its life-cycle ('total cost'). Best Value assumes that it is not the client but the contractor who is the expert. This means that the expert is given every opportunity to come up with innovative, out-of-the-box solutions, if applicable.

### **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

### **BPVS**

The Schiphol Security and Public Safety platform, established in 2005, in which public and private parties have joined forces to enhance the effectiveness and efficiency of security and safety and the fight against crime at Schiphol

### **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

### **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

### **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

### **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 or kerosene-fuelled tail engine

### **FTE**

Full-time equivalent; a full-time job

### **Full-freighter**

An aircraft that transports cargo only

### **GDPR**

The General Data Protection Regulation (Algemene Verordening Gegevensbescherming), which entered into effect in May 2016, incorporating European rules on the protection of personal details. The GDPR replaced the privacy regulation from 1995

### **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

### **HRO**

High Reliability Organisation: an organisation that has a proactive health & safety culture

### **Hub airport**

A large airport where continental and intercontinental flights are available. Schiphol is the hub for KLM and (codeshare) partners

### **Hub connectivity**

Hub connectivity measures the number of connecting flights per week that can be facilitated by the hub airport in question – taking into account a minimum and maximum connecting times, and weighting the quality of the connections by the detour involved and connecting times

### **Hub traffic**

Passenger and/or cargo flights within the network of KLM and/or its codeshare partners using Schiphol as a transfer or transshipment location

### **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. The 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 undesired, 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

### **Lansink's ladder**

A Dutch standard for dealing with residual flows. It involves a system of six steps, with step 1, waste prevention, being the highest in the hierarchy and step 6, dumping waste, the lowest

### **Lden**

The calculated noise levels produced by all aircraft flying to or from the airport over a year. Night-time noise levels are expressed in Lnight (Level night). 24-Hour noise levels are expressed in Lden (Level day-evening-night). Formerly the noise impact was expressed in Ke (Unit Costs)



## **LEED**

LEED stands for 'Leadership in Energy and Environmental Design'. This US certification method makes it possible to assess the sustainability of existing and new buildings. It involves a four-level classification system, with 'Platinum' being the highest level. New terminals and piers receive an LEED certificate

## **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. Also known as low-cost airline

## **Main contractor**

The principal contractor

## **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

## **MIRT**

The national government and regional authorities have joined forces in projects and programmes covering every region of the Netherlands. The Multi-year Infrastructure, Space and Transport Plan (MIRT) programme focuses on financial investments in such programmes and projects

## **MTOW**

Maximum Take-Off Weight of an aircraft upon which take-off and landing charges are based

## **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 flight**

Air transport movement performed during the night (between 23:00 and 7:00). During this period the use of runways is restricted and incoming aircraft must use silent approaches while departing flights must make use of special night routes

## **Non-aviation activities**

Activities not associated with primary airport operations, infrastructure or security. Non-aviation activities include all activities in the areas of retail, catering, leases, media, parking charges and real estate development. They also include our international activities. Unlike aviation activities, non-aviation activities are not regulated

## **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 flows**

A collective term for all waste flows, except building and demolition waste, waste flows from aircraft, and waste products and water from de-icing activities. Regular waste flows include glass, paper, organic waste and mown grass

## **Passenger Service Charge**

A rate charged to each departing passenger for the use of airport facilities

## **PRM**

Passengers with Reduced Mobility: an assistance service for passengers with a disability, provided under the responsibility of the airport

### **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. At Schiphol the Royal Netherlands Marechaussee also performs other police tasks

### **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 Aviation Community**

A foundation established and run by KLM, the Amsterdam Regional Training Centre and Royal Schiphol Group. SAC (formerly Schiphol Aviation College) was founded in 2007. Its board is comprised of representatives of the founding partners. SAC typically focuses on imperfections of the labour market: issues that are not addressed by the regular market economy and that require a joint approach. The main strength of SAC is its ability to connect the business community, education and public authorities. As such, it is an important link in the chain as it is able to connect businesses to job seekers with limited opportunities on the labour market, and provide courses for trainees

### **Schiphol Local Community Council**

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. The millimetre waves, which are harmless, 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

### **Sky Team**

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, sustainable employment, raw materials & residual flows, accessibility & local community, and 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

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