



# Annual Report 2018

Royal Schiphol Group





## Contents



**Facts and figures**  
page 10



**Passenger and airline journey**  
page 20



**Strategic themes**  
page 40



**Management agenda**  
page 47



**Network of destinations**  
page 50



**Financial Statements**  
page 157

Message from the CEO	2	<b>Our results</b>	<b>48</b>
Key events in 2018	5	Our performance in 2018	49
		Network, capacity and security	50
<b>About us</b>	<b>9</b>	Portfolio of services	65
Facts and figures	10	People, environment and community	75
Our company	12	Our regional airports	95
Economic regulation	18	Our international activities	99
Passenger and airline journey	20	Financial and business performance	101
Value creation model	22		
Cohesion	24	<b>Governance</b>	<b>113</b>
		Report of the Supervisory Board	114
<b>Our strategy</b>	<b>25</b>	Supervisory Board	124
Our role in the Netherlands	26	Management Board	126
Trends and developments	29	Corporate Governance	127
Material aspects for stakeholders	33	Remuneration	132
SWOT analysis	38	Risk management	136
Mission, ambition and strategy	39		
		<b>Annual Statements</b>	
		Socio-economic accountability	141
		Financial Statements	157



## Message from the CEO

# Schiphol is always ready, but never complete

Schiphol is a major hub airport. We welcomed 71 million travellers in 2018 and connected them to 327 destinations worldwide. For us, our overarching goal every day is 'Connecting the Netherlands' - that means enabling a safe, seamless, enjoyable and sustainable Schiphol experience for every single traveller.

We are shaping the Schiphol of tomorrow based on three principles: quality of life, quality of network and quality of service.

## Our performance in 2018

2018 was an exciting and challenging year for us. We met with several challenges, including the aftermath of April's power outage, our busiest holiday season ever, and discussions about the future of our airports and Dutch aviation in general. Those are just a handful of the topics that kept everyone at Royal Schiphol Group on their toes during the year.

We worked hard at enabling travellers to make their own 'Schiphol journeys', and for operations to continue as seamlessly as possible every day. Over 79 million people chose to travel through our airports in 2018 - representing growth of 4.3% - and we expect to welcome even more travellers this year.

We reached 499,444 air transport movements at Amsterdam Airport Schiphol, which is almost the same number as in 2017. Our inbound punctuality rate improved. Cargo volumes decreased by 2.5% to 1.7 million tonnes: there was a decrease in the number of full freighter movements, counterbalanced by growth in cargo volumes in the belly of passenger flights, along with fuller and larger aircraft. Overall, it is clear that we need to devote attention to the development of the cargo sector.



Schiphol's total number of direct destinations remained more or less consistent with the previous year. Several new locations were added by airlines, including Orlando International, Alghero, Beirut, Eilat, Fortaleza, Mombasa and Växjö. At the same time, we bid farewell to a number of destinations, which included Almaty, Cali and Puerto Plata.

## Safety first

Safety is our highest priority in everything we do. It is important to us that air travel remains the world's safest means of transport. For safety to thrive, we need an open culture that enables people to confidently report any safety deviations and swiftly implement improvements, and where all parties working in aviation remain committed to the highest possible safety standards.

We took a number of important safety steps in 2018. The Integral Safety Management System (ISMS) was launched in collaboration with Air Traffic Control the Netherlands, airlines, ground handlers and refuelling services. Interested parties can consult the [Schiphol Safety Improvement Roadmap](#) to see the measures that were taken to improve overall industry safety standards and reduce risk even further. The studies and measures arising from the Roadmap were a result of new and existing sector initiatives. Those initiatives originated in the recommendations from the Dutch Safety Board (OVV), and measures proposed by the Netherlands Aerospace Centre (NLR).

## National and international cooperation

Royal Schiphol Group is more than just Amsterdam Airport Schiphol; it is part of a network of airports that also includes the airports of Eindhoven, Rotterdam and Lelystad. The Dutch aviation industry must also develop as an entire system, including Groningen Airport Eelde and Maastricht Aachen Airport. We remain connected all over the world through our international participations at airports such as Groupe ADP (Aéroports de Paris), Brisbane Airport and JFK International Airport New York, where we are able to exchange knowledge and ideas to our mutual benefit.

To us, quality is expressed in three forms: quality of life, quality of the network and quality of service.

## Quality of life

Schiphol will invest in its relationships with its neighbours. That collaboration between Schiphol, the aviation sector and the residents is already under way.

We will take measures in the interests of residents. We need to break down barriers and build bridges between experience and

the calculation of noise, for example, and between measurement and calculation. We will cooperate with our neighbouring municipalities to actively limit disturbance and invest in liveability.

## The most sustainable airport

We have marked our spot on the horizon by stating that Schiphol will be the most sustainable hub airport in the world. Along with the industry, we are committed to promoting cleaner and quieter aircraft, new and sustainable fuels, and better flight routes and procedures. The new airport charges at Schiphol include a financial incentive aimed at encouraging airlines to use cleaner and quieter aircraft.

We saw the airlines' investments in new aircraft in 2018, such as the Airbus A320neo, the Boeing 737-800 MAX, the Airbus A350 and the Boeing 787 Dreamliner, all of which are considerable upgrades in terms of environmental performance.

In October 2018, Schiphol and the Dutch aviation sector presented the Ministry of Infrastructure and Water Management with an action plan to increase sustainability in the aviation industry. Twenty transport organisations and knowledge institutions joined forces to accelerate existing developments that will make aviation greener. Our aim is a 35% reduction in CO<sub>2</sub> emissions from Dutch civil aviation originating in the Netherlands by 2030, to bring them in line with 2005 levels.

## Quality of network

Schiphol is well connected with the rest of the world, and in 2018 we were Europe's second-best airport in terms of direct connections. The Netherlands is now connected to more than half of the economic centres worldwide (52%) and more than three-quarters of Europe's economic centres (77%).

All airlines contribute to Schiphol and our regional airports' networks. We have a bigger market share of intercontinental and European transfers in comparison to countries of a similar size, given the fact that Schiphol is a hub. Discussions are ongoing regarding the development of Schiphol after 2020. Political decision-making is expected in 2019. This includes the opening of Lelystad Airport in 2020 in relation to Schiphol.

## Quality of service

Schiphol is known worldwide as a quality airport. In the coming years, we will invest around two billion euros in facilities, including smarter and more innovative processes.

A metamorphosis began at Departure Hall 1 in 2018. During the day it was business as usual, but towards the end of the year, the mezzanine began to take shape at night. Pier A's first contours have become visible, and we are working hard on the design of

the new terminal. We will make decisions about the railway station and land-based accessibility investments this year. Innovations like the digital information solutions, Seamless Flow and the new CT scans in the security filters are already improving traveller flows and are highly valued by travellers.

All of this takes place in collaboration with our partners: the airlines, handling agents, contractors, business partners and government organisations. Schiphol's excellent public-private partnerships are a huge strength.

Our motto behind making all of these investments, while keeping operations running, is: *Schiphol is always ready, but never complete.*

## Multimodal hub

Schiphol is a multimodal hub where all forms of transport come together. It is important to deploy international train services and other sustainable means of transport over short distances. The Netherlands has a customer-centric, fast and sustainable transport system. On some routes, trains are a good alternative to air travel on distances of up to 700 kilometres. The success of Eurostar and Thalys proves that it is both possible and better for the environment.

Train travel can become an even more attractive option - by introducing faster trains with better connections to Schiphol, and by increasing the ease with which travellers can buy integrated AirRail tickets. The extension of Amsterdam's North-South Metro line above ground is another interesting option to further develop Schiphol as a multimodal hub. This development would create space for international trains in the Schiphol Tunnel. Furthermore, there are other sustainable alternatives to trains that can be further developed for routes with smaller traveller volumes.

## Our focus for 2019

2019 will be an important year. We will deliver on the Schiphol Safety Improvement Roadmap, realise important capacity projects, improve and innovate the passenger journey and launch a new series of sustainability initiatives. The Schiphol team will do this in collaboration with all our partners, both private and public, and in dialogue with our neighbours.

Dick Benschop  
President & CEO of Royal Schiphol Group

# Key events in 2018

## First quarter

### 21 February

The Ministry of Infrastructure and Water Management (I&W) announces its decision to postpone the opening of Lelystad Airport to commercial leisure traffic. The airport is now expected to open in 2020.

### 1 March

Aquifer thermal energy storage (ATES) is installed at Pier G at Schiphol. The new system is expected to lower the pier's CO<sub>2</sub> emissions by approximately 84%.

### 16 March

Royal Schiphol Group donates 214,700 euros to Amref Flying Doctors, using money received from collection points in the Schiphol terminal and employee fundraising activities.

### 25 March

Major maintenance begins at runway 18R-36L, 'the Polderbaan'. Neighbouring residents are invited to visit the runway on 7 April, with work completing the following week.



### 28 March

Completion of work to extend the runway, taxiways and platform at Lelystad Airport.

### 28 March

100 electric buses are added to the Connexxion public transport network linking Schiphol to the surrounding region, creating the largest zero-emissions bus fleet in Europe.



## Second quarter

### 1 April

Opening of the P4 parking facility with 2,500 parking spaces. Later in April, work begins on the extension of the P3 parking garage, scheduled to open in March 2019.

### 9 April

Rebuilding work begins on the parking facility and office building at Eindhoven Airport.

### 11 April

The contract to develop the new pier at Schiphol is awarded to a joint venture between Ballast Nedam and TAV Construction.





### 16 April

The new Eneco Autena wind farm supplying green energy to the Group's airports opens. By January 2020, the airports' entire power supply will be generated by newly constructed Dutch wind farms.



### 29 April

A voltage drop in TenneT's high-voltage grid results in a power interruption at Schiphol, causing significant disruption to flights and passengers. The Netherlands Organisation for Applied Scientific Research (TNO) is commissioned to conduct an investigation, and Schiphol immediately follows up on its findings.

### 1 May

Dick Benschop is installed as Royal Schiphol Group CEO. He succeeds Jos Nijhuis, who held the position since 1 January 2009.

## Third quarter

### 2 July

Schiphol and its Integral Safety Management System (ISMS) partners sign the 'Safety Improvement Schiphol' covenant with the Ministry of I&W.

### 12 July

The new air traffic control tower is opened at Lelystad Airport.



### 13-23 July

Runway 18R-36L, 'the Polderbaan', is taken out of use due to unplanned taxiway maintenance works, resulting in a record number of complaints by neighbouring residents.



### 15 August

Groundwork activities at Schiphol cause the ATC communication systems to fail, bringing all air traffic to a temporary halt.

### 30 August

BAM, Heijmans and VolkerWessels are selected as main contractors for major construction, renovation and infrastructure maintenance projects at Schiphol, establishing them as strategic partners for the next nine years.

### 6 September

The outer structure of the new terminal at Lelystad Airport is completed. The terminal will be the first in Europe to be awarded an LEED Gold certificate.





## Fourth quarter

### 3 October

The Dutch aviation sector presents its 'Smart and Sustainable' action plan to the Ministry of I&W. Twenty transport organisations and knowledge institutions join forces to make aviation more sustainable.



### 11 October

The post-2019 development of Eindhoven Airport is announced as a test case for the new Aviation White Paper, in which the Ministry of I&W will offer its perspective on the future of aviation development in the Netherlands.



### 24 October

Royal Schiphol Group launches and prices 500 million euros in green bonds to invest in clean transportation and green buildings at its airports. Schiphol is the first European airport (and only the second worldwide) to issue a green bond.

### 30 October

The ISMS partners publish the Roadmap for Safety Improvement at Schiphol online, making the proposed safety measures visible to the public, as well as the progress made towards implementing them.

### 31 October

Schiphol publishes its new airport charges, effective 1 April 2019. Included in the charges are further financial incentives for airlines to use cleaner and quieter aircraft at Schiphol.

### 5 November

Rotterdam The Hague Airport launches FLEET, the world's most innovative automated baggage system.



### 5 November

Ryanair closes its base at Eindhoven Airport, with the airline maintaining the majority of its routes to and from the airport.

### 29 November

The draft Environmental Impact Assessment (MER) for Schiphol is presented to the Schiphol Local Community Council (ORS). The assessment shows the effects of the new environmental standards, implemented via an amendment to the existing Airport Traffic Ruling.

### 1 December

Schiphol Real Estate and Microsoft open the refurbished Outlook building, the first SMART office building at Schiphol.



### 8 December

Aviation Day, an event organised by the ORS and the Ministry of I&W, takes place in Amsterdam. The event forms part of an extensive public consultation providing input for the Aviation Act and for the ORS's advice regarding Schiphol's post-2020 development.







# About us



# Facts and figures



**327**  
direct destinations from Schiphol



**79.2**  
million passengers



**499,444**  
air transport movements at Schiphol



**71.1**  
million passengers at Schiphol



**1.72**  
million tonnes of cargo at Schiphol



**36.6%**  
transfer passengers at Schiphol



**313**  
outlets at Schiphol



**17.94**  
€ spend per passenger on airside at Schiphol



**1.6**  
billion € real estate



**7.4**  
billion € total assets



**91.1%**  
average real estate occupancy rate



**0.3**  
Lost Time Injury Frequency (LTIF)



**0.44**  
kg CO<sub>2</sub> per passenger



**6.06%**  
energy efficiency at Schiphol



**46.3%**  
public transport passengers at Schiphol



**42.7%**  
waste separated



**29.0%**  
female employees



**4.7%**  
absenteeism

EBITDA

**42.1%**

ROE

**7.0%**

# Key figures

EUR million unless stated otherwise	2018	2017	%
<b>Results</b>			
Revenue	1,509	1,458	3.5
Other results from investment property	107	42	151.8
Other income	-	38	-100.0
Operating expenses (excluding depreciation, amortisation and impairment)	981	916	7.2
<b>EBITDA<sup>1</sup></b>	<b>635</b>	<b>622</b>	<b>2.1</b>
Depreciation, amortisation and impairment	267	264	1.1
<b>Operating result</b>	<b>368</b>	<b>359</b>	<b>2.6</b>
Financial income and expenses	-90	-86	5.3
Share in results of associates	97	73	33.9
<b>Profit before tax</b>	<b>375</b>	<b>346</b>	<b>8.5</b>
Corporate income tax	-90	-60	49.3
<b>Profit for the year</b>	<b>285</b>	<b>286</b>	<b>-0.1</b>
<b>Profit for the year attributable to shareholders</b>	<b>278</b>	<b>280</b>	<b>-0.4</b>
Total equity	4,117	3,978	3.5
Investments in intangible assets and property, plant & equipment	581	490	18.5
Cash flow from operating activities	526	457	15.1
Proposed dividend	117	150	-21.9
<b>Ratios</b>			
Return on equity (ROE) <sup>2</sup>	7.0%	7.2%	
Leverage <sup>3</sup>	38.9%	35.2%	
FFO / total debt <sup>4</sup>	18.7%	21.6%	
FFO interest coverage ratio <sup>5</sup>	6.6	6.9	
Earnings per share (in EUR 1) <sup>6</sup>	1,496	1,503	
Dividend per share (in EUR 1)	631	807	
<b>Business volume (in numbers)</b>			
Air transport movements <sup>7</sup>	553,735	547,604	1.1
Passenger movements (x 1,000) <sup>7</sup>	79,181	75,902	4.3
Cargo (x 1,000 tonnes) <sup>7</sup>	1,716	1,761	-2.5
Workforce in full-time equivalents <sup>8</sup>	2,324	2,180	6.6

1 EBITDA: Operating result plus depreciation, amortisation and impairment

2 Net result attributable to shareholders / average total equity

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

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

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

6 Based on net result attributable to shareholders

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

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

# Our company

Royal Schiphol Group is an airport company with an important socio-economic function. Airports in the Group create value for society and for the economy. Our regional airports contribute to our mission of 'Connecting the Netherlands'. By facilitating optimal links as effectively as possible, we contribute to prosperity and wellbeing in the Netherlands and elsewhere.

Amsterdam Airport Schiphol is the main gateway connecting the Netherlands to the rest of the world. Though the operation of this hub airport is one of our principal activities, our other airports in the Netherlands play an important role in extending 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, with international activities accounting

for a significant portion of Group financial results. As well as the airports of Groupe ADP, in which we have an 8% cross-participation, Schiphol has an interest in Brisbane Airport and manages terminal and retail operations in Terminal 4 at JFK International Airport in New York.

Over the years, Amsterdam Airport Schiphol has grown to become one of the best connected hub airports in Europe, with 327 direct destinations. As a result, Schiphol has Europe's second best network of direct destinations and frequencies, and ranks second worldwide for hub connectivity as well. In 2018, the number of travellers served by the airport grew by 3.7% to 71.1 million. Meanwhile, cargo volumes decreased by 2.5% to 1.72 million tonnes. Schiphol is also an important marketplace: the airport site accommodates over 500 companies with a combined employee base of around 67,000 people.

In order to connect the Netherlands with the rest of the world and to continue fulfilling our socio-economic role, we are investing in infrastructure and facilities across our airports. Our robust 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%).

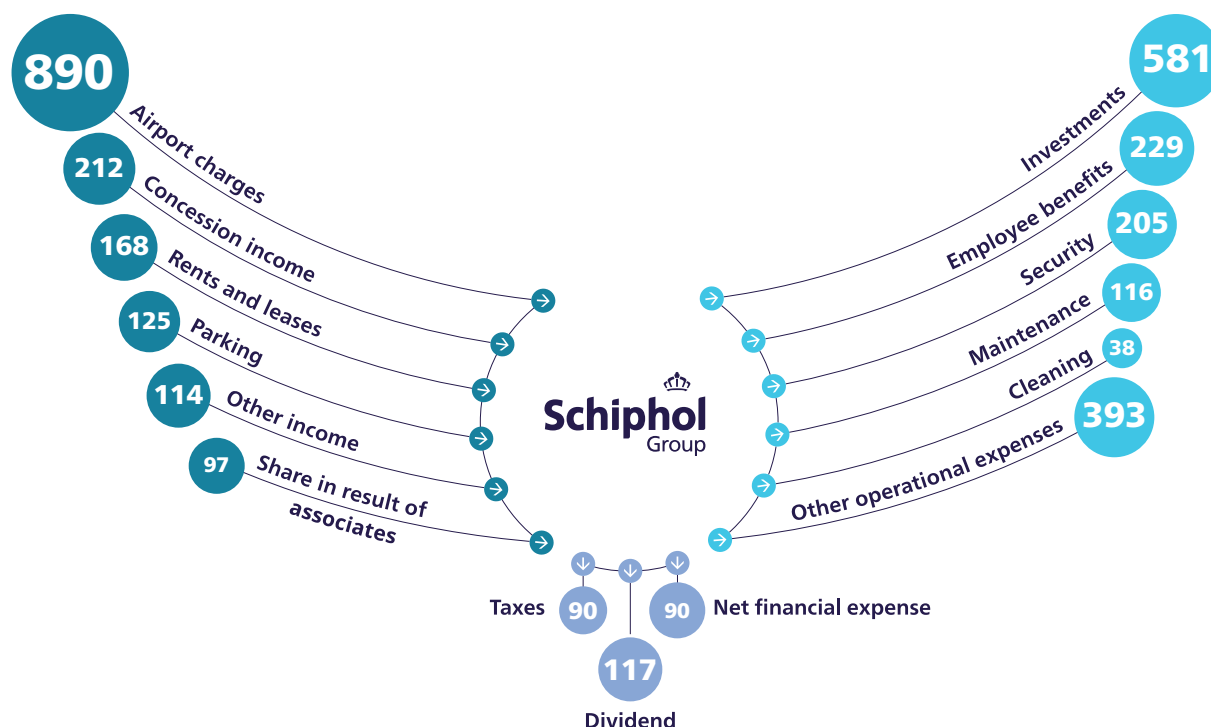
## Schiphol Group





## Business model

(x EUR million)



## Our activities

Royal Schiphol Group's main activities are concentrated within four business areas: Aviation, Consumer Products & Services, Real Estate, as well as Alliances & Participations. Our business model allows us to carry out our activities in the most efficient way.

The activities of our four business areas all contribute directly to the quality of our airports. While Aviation represents the backbone of our business, it is closely integrated with Consumer Products & Services and Real Estate in forming the AirportCity: a development concept for all activities taking place at Amsterdam Airport Schiphol, offering passengers, businesses and other users a full spectrum of services and facilities. The focus of our Alliances & Participations division, meanwhile, is on the regional airports within our Group and our international activities.

## Aviation

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

### Key figures

EUR million	2018	2017	%
Total revenue	873	816	7.0
Operating expenses	720	666	8.1
<b>EBITDA</b>	<b>153</b>	<b>150</b>	<b>2.0</b>
Depreciation	192	189	1.7
<b>Operating result</b>	<b>-39</b>	<b>-39</b>	<b>0.7</b>
Average fixed assets	2,507	2,365	6.0

EUR million	Aviation			Security		
	2018	2017	%	2018	2017	%
Total revenue	549	523	5.0	324	293	10.6
Operating expenses	420	389	8.1	300	277	8.2
<b>EBITDA</b>	<b>129</b>	<b>134</b>	<b>-4.0</b>	<b>24</b>	<b>16</b>	<b>52.2</b>
Depreciation	149	147	1.7	43	42	1.9
<b>Operating result</b>	<b>-21</b>	<b>-13</b>	<b>60.6</b>	<b>-19</b>	<b>-26</b>	<b>-28.6</b>

### Direct destinations from Schiphol



**327**  
2017: 329

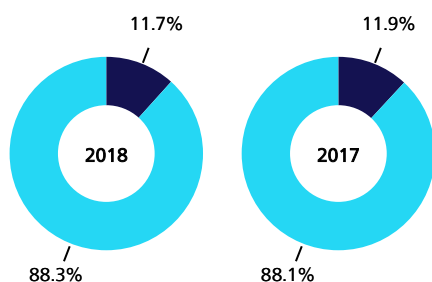
### IR rate for baggage handling (% of baggage delayed)



**1.7**  
2017: 1.8

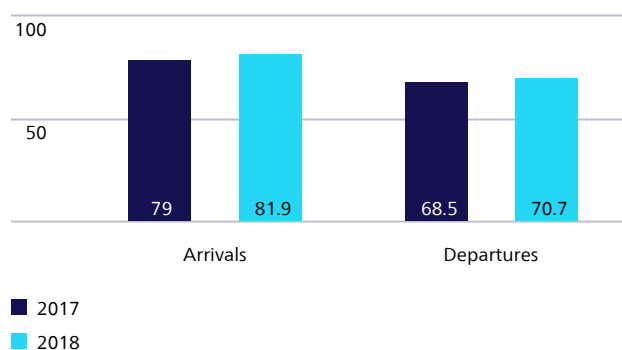
### Schiphol market share in passenger volumes

Top 10 European airports (in %)



### Punctuality of air transport movements

(in %)



## Consumer Products & Services

The Consumer Products & Services business area works with partners to meet the needs of our customers and to create unique experiences for travellers, with an attractive range of shops, food and beverage 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	2018	2017	%
Total revenue	338	331	2.2
Operating expenses	98	85	14.9
<b>EBITDA</b>	<b>241</b>	<b>246</b>	<b>-2.2</b>
Depreciation	31	30	5.3
<b>Operating result</b>	<b>209</b>	<b>216</b>	<b>-3.2</b>
Average fixed assets	404	359	12.5

EUR million	2018	2017	%
Concessions	186	181	2.7
Parking fees	101	102	-1.6
Rents and leases	18	17	3.2
Advertising	18	17	4.2
Other revenues	16	13	21.2
<b>Total revenue</b>	<b>338</b>	<b>331</b>	<b>2.2</b>

### Spend per passenger on airside at Schiphol

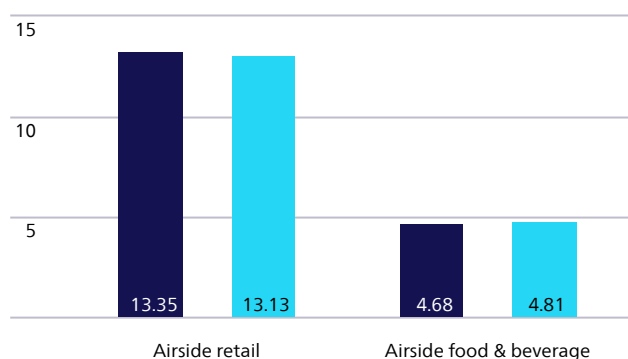


**17.94**

2017: € 18.03

### Spend per departing passenger

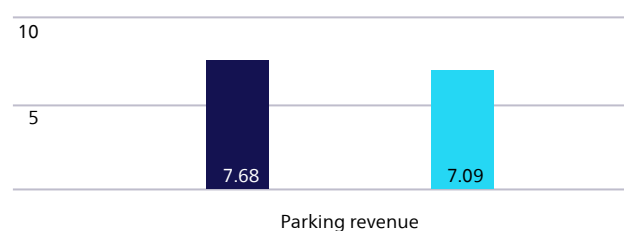
(in EUR)



■ 2017  
■ 2018

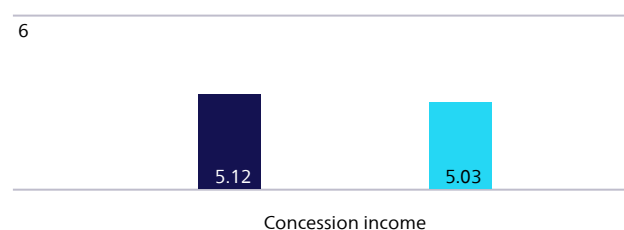
### Parking revenue

(in EUR per departing passenger)



### Concession income

(in EUR per departing passenger)



■ 2017  
■ 2018



## Real Estate

Real estate activities consist of a diversified real estate portfolio of offices, business premises and other properties. These assets are typically offered to tenants as prime locations that sit at the upper end of the Dutch office market. This business area ensures attractive business locations and generates robust revenues and cash flows, largely through rental income. These activities are also important for risk diversification since real estate performance is largely unaffected by developments in the aviation industry.

### Key figures

EUR million	2018	2017	%
Total revenue	182	207	-12.1
Other income and results from investment property	104	68	53.4
Operating expenses	96	112	-14.7
<b>EBITDA</b>	<b>191</b>	<b>163</b>	<b>17.0</b>
Depreciation	20	25	-16.6
Impairment (incl. reversals)	-2	-	>-100
<b>Operating result</b>	<b>172</b>	<b>138</b>	<b>24.6</b>
Average fixed assets	2,015	1,972	2.2

EUR million	2018	2017	%
Investment property: buildings, including service charges	90	89	1.0
Investment property: land	32	29	9.6
Operating property, including service costs	49	50	-0.2
Other	11	39	-71.8
<b>Total revenue</b>	<b>182</b>	<b>207</b>	<b>-12.1</b>

### Average occupancy rate

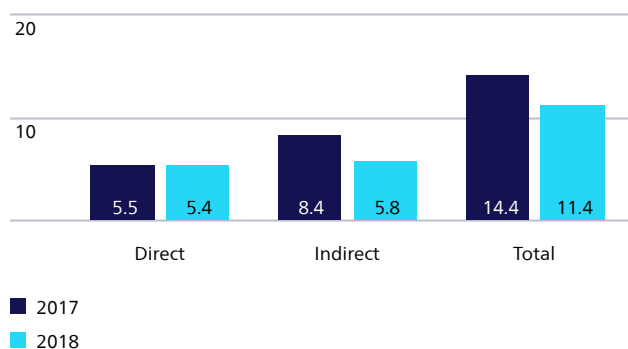


**91.1%**

2017: 89.6%

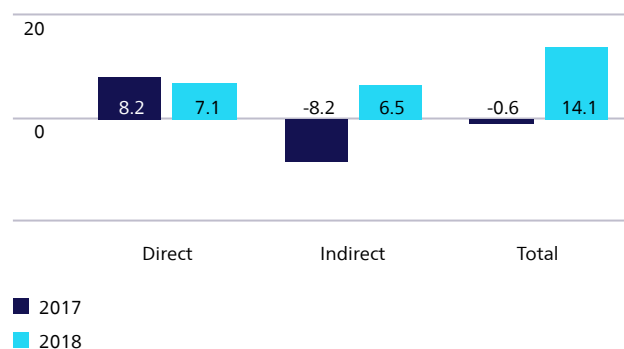
### Return on offices<sup>1</sup>

(in %)



### Return on industrial property<sup>2</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.

<sup>2</sup> This concerns the property index as included in the MSCI Real Estate benchmark. It does not include the activities of SRE International.

## Alliances & Participations

The Alliances & Participations business area focuses on the operation of regional airports and the development of international business activities. Our regional airports connect their regions with the rest of the world. Our international activities focus on delivering operational knowledge and expertise to New York JFK, Brisbane and Groupe ADP. With our regional and international activities, we generate income and gain new insights to reinvest in Mainport Schiphol.

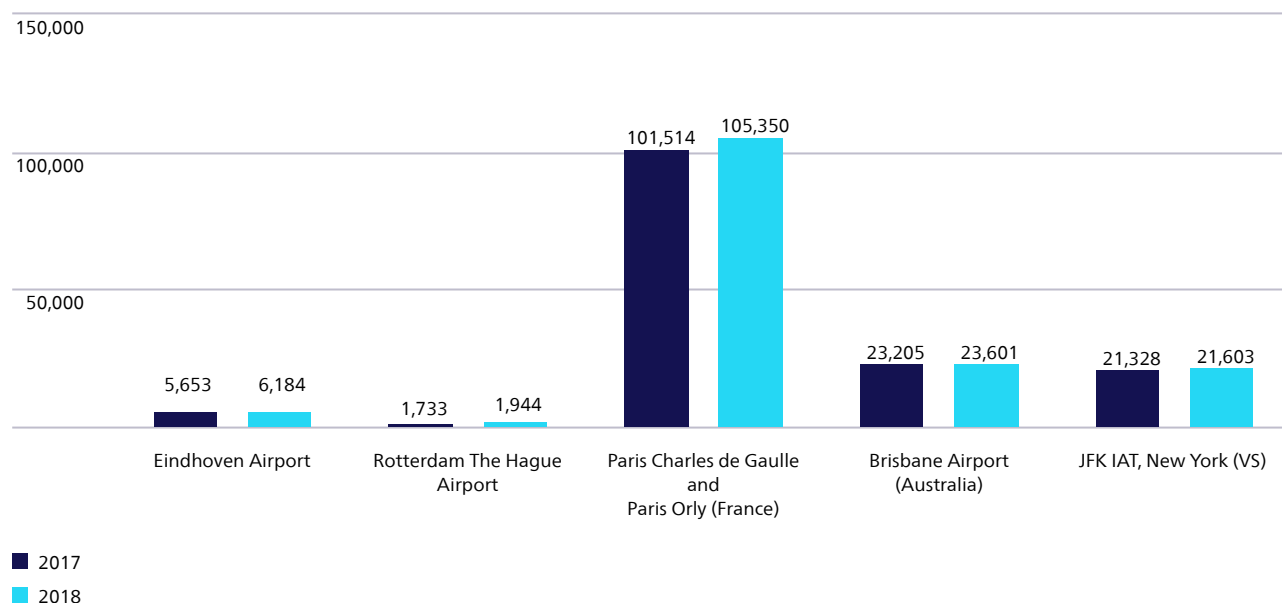
### Key figures

EUR million	2018	2017	%
Total revenue	204	184	10.7
Other income and results from investment property	3	13	-76.9
Operating expenses	156	133	17.4
<b>EBITDA</b>	<b>50</b>	<b>64</b>	<b>-20.7</b>
Depreciation	25	21	20.2
<b>Operating result</b>	<b>26</b>	<b>43</b>	<b>-40.5</b>
Share in result of associates	96	78	23.2
Average fixed assets	1,233	1,156	6.6

EUR million	International airports		Domestic airports		Other participations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	12	13	111	100	81	71	204	184
Operating result	8	22	19	16	-1	5	26	43
Share in result of associates including interest	95	77	-	-	-	1	95	78
<b>Total result</b>	<b>103</b>	<b>98</b>	<b>19</b>	<b>16</b>	<b>-1</b>	<b>6</b>	<b>121</b>	<b>121</b>
Average asset base	922	901	250	201	61	54	1,233	1,156

### Number of passengers

(x 1,000)



# Economic 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 and related infrastructure, and security.

In accordance with the new Aviation Act governing the operation of Schiphol, which took effect on 1 July 2017, the 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 assets, the regulatory asset base, has been capped at the regulated average weighted cost of capital (WACC) determined for the next 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 investments depends on the general development of the interest rate. In 2018, the regulated WACC was 2.16%. For the 2019-2021 charges period, this WACC is set at 2.71% (after tax).

Non-aviation activities at Schiphol are not subject to the economic regulation of Amsterdam Airport Schiphol. This includes all activities in the areas of retail, food and beverage, media, real estate development and leases, and parking charges.

The operation of our regional airports remains unregulated as long as they do not exceed five million passengers per annum. Eindhoven Airport reached this limit in 2017, meaning that its airport charges will be regulated with effect from 2019. Some of



our international activities are also subject to economic regulation.

## Competitive charges

The fees we charge airlines for the use of Amsterdam Airport Schiphol are regulated and each year undergo a consultation with the airlines. The charges are subject to supervision by the Authority for Consumers and Markets (ACM) under the terms of the Dutch Aviation Act.

Schiphol is in direct competition with several of Europe's airports, and many of our passengers have the option of flying from or via neighbouring countries. Because of this, issues - such as the overall quality of our airports and the services we wish to provide to airlines, handling agents, passengers and other customers, as well as capacity - are of crucial importance. We note that Schiphol's price-quality ratio has compared favourably with those of our main European competitors over the past few years.

necessary investments and operational costs to accommodate current and envisaged passenger growth. The rise in charges for 2019 also incorporates non-operational factors related to a change in regulation including the treatment of airport charges settlements and the increase of the WACC (which together represent a 10% increase in airport charges).

The average increase of 7.9% annually for 2019-2021 includes an average 10.7% increase in 2019, an increase of 8.7% in 2020, and a 4.2% rise in 2021. The airport charges contain landing and take-off charges (including noise charges and emissions charges), passenger/cargo and infrastructural charges, security charges (both airport and governmental) and parking charges.

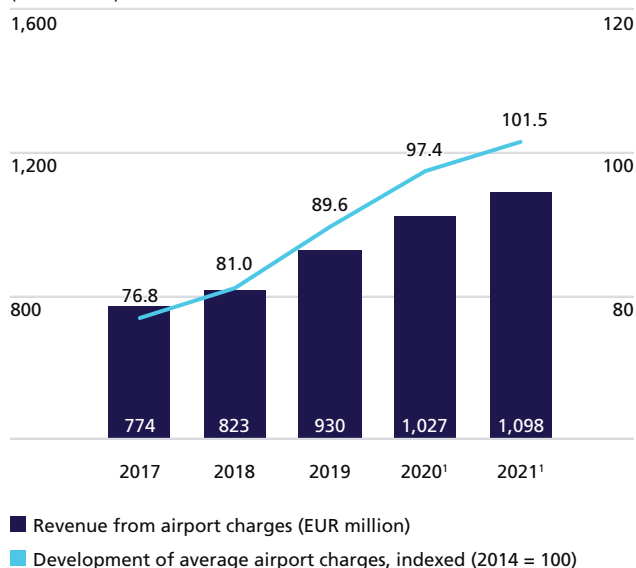
A significant sustainability element is built into the new charges structure. Landing and take-off charges will give preference to aircraft that are quieter and more environmentally friendly. More information on the sustainability element of the new structure can be found in Supply chain responsibility, located in the People, community and environment section of the performance chapter.

## Airport charges structure 2019-2021

Following careful and extensive consultation with the airlines, on 31 October 2018, the charges for the first three-year period 2019-2021 were set according to the terms of the new Dutch Aviation Act, and will come into effect on 1 April 2019. The new charges will result in an average annual rise in charges of 7.9% over the following three years. This increase is a consequence of

### Airport charges

(EUR million)



¹ Charges for 2020 and 2021 can be subject to changes due to settlements of 2018 and 2019 results, in line with aviation regulation.



# Passenger and airline journey

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 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 friends and family, can check travel information at home via the Schiphol app and website. Passengers arrive by car, bus and train or are dropped off by a third party. The airport is responsible for wayfinding

throughout the airport site and terminal, and for providing assistance for persons with reduced mobility.

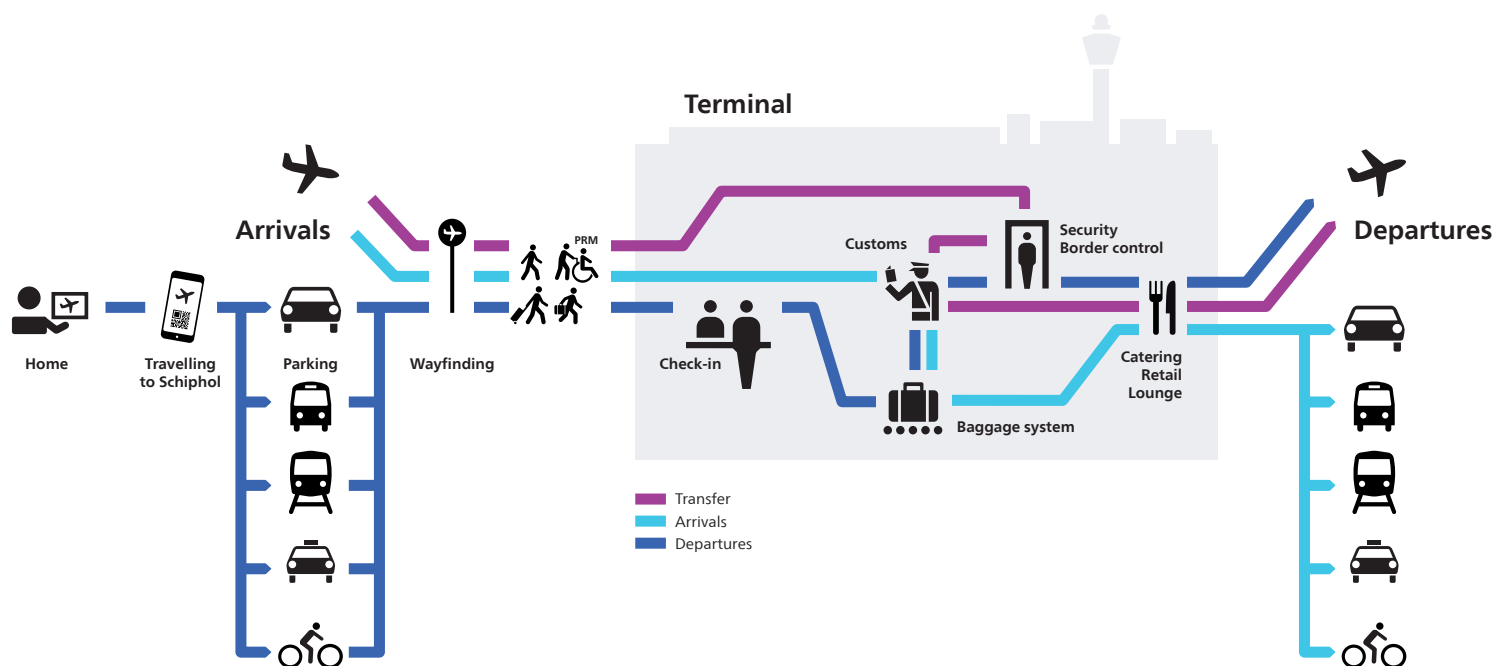
Passengers can check in their bags at self-service drop-off points or at the check-in desks. All passengers and baggage go through a security check; those travelling to non-Schengen destinations additionally have to clear border control.

Passengers wait to board their flights in the departure lounge, where an offering of retail and food and beverage outlets, as well as airline lounges, a museum, spa and other facilities, is developed and operated by Schiphol and 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. The arrival halls are connected with Schiphol Plaza, with a diverse selection of shops, food and beverage outlets, and other services. Passengers then take their car or a train, bus or taxi to continue their journey to their destination. Schiphol offers various parking facilities for passengers and meeters/greeters.

## Passenger value chain

Passenger departs from, lands at or transfers at Schiphol



## Airline process

Schiphol Group is the owner of the airport site; it 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, cleaning, building maintenance and installation service 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.

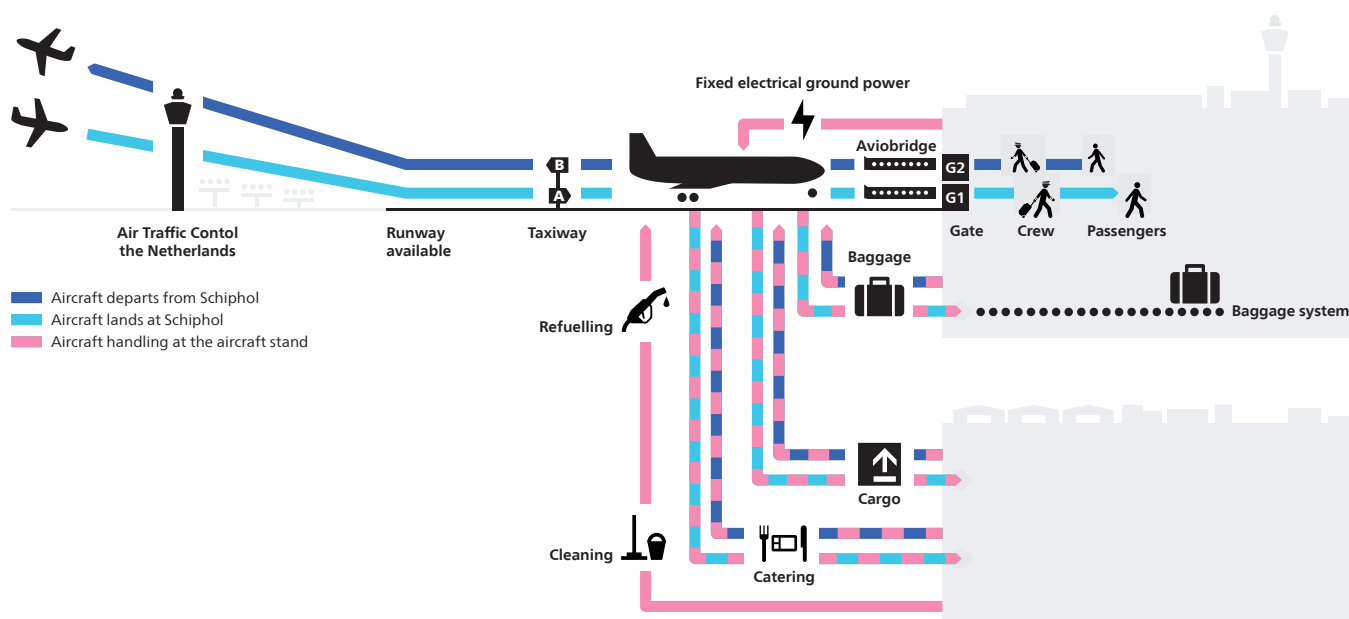
Air traffic controllers are responsible for safely guiding arriving and departing flights. While Schiphol owns the runways, it is Air Traffic Control that assigns aircraft take-off and landing runways. From the taxiway, aircraft proceed to their gate or to the designated aircraft stand on the apron when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

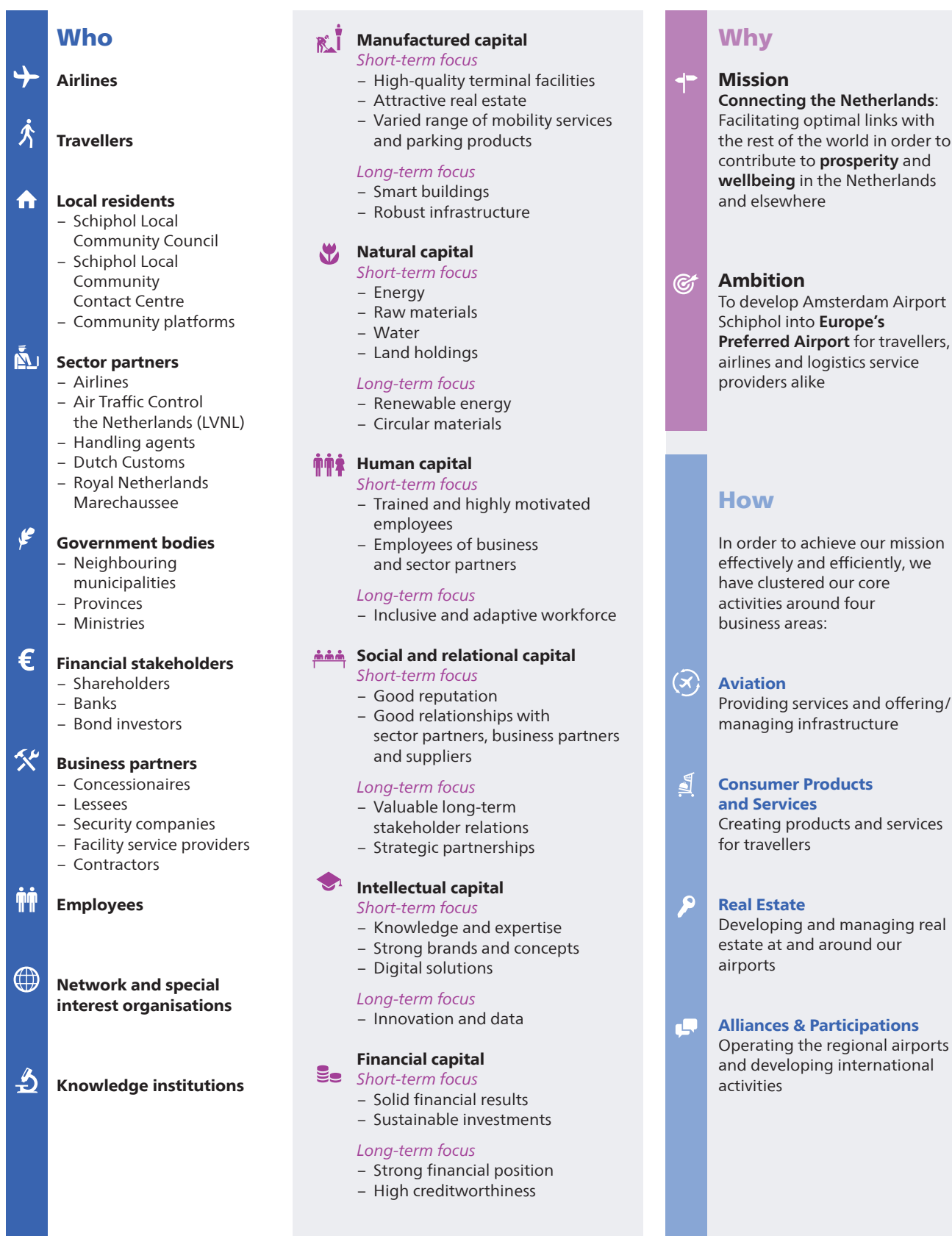
Airline crew, handling staff and cargo also undergo a security check. Cargo may also go through a Customs check, depending on its origin or destination. Most aircraft stands at Schiphol have fixed electrical ground power. The baggage system is an airport facility that is used by airline employees and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

## Airline value chain

Aircraft lands at and departs from Schiphol



## Value creation model



## 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 create Sustainable and Safe performance

Number of people experiencing severe noise disturbance around Schiphol: 150,000 (*target < 180,000*)

CO<sub>2</sub> emissions per passenger: 0.44 kg (*target < 1.43 kg*)

Energy efficiency at Schiphol: 6.06% (*target 5.92%*)

Waste separation: 42.7% (*target 43%*)

Runway incursions: 50

LTIF 0.3 (*target <3*)



#### We facilitate Top Connectivity

Number of direct destinations at Schiphol: 327 (*target > 300*)

Number of passengers at Schiphol: 71.1 million

Total number of passengers: 79.2 million

Accessibility of Schiphol by public transport: 46.3% (*target 40%*)



#### We offer Excellent Visit Value

Customer appreciation at Schiphol - NPS score: 32

ASQ ranking: #8 in Europe



#### We create a Competitive Marketplace

Average occupancy of real estate portfolio: 91.1%

Spend per departing passenger on airside at Schiphol: 17.94 euros



#### We strengthen the Development of the Group

Internal job mobility: 17.1% (*target 15%*)

Absenteeism: 4.7% (*Verbaan standard 3.5%*)

HPO score on track for level 4 (*target level 4*)

Return on Equity: 7.0%

Credit rating (S&P's): A+

#### Sustainability and safety as foundations

Sustainability and safety are key priorities in everything we do. Aviation activities have an impact on the quality of life in our environs due to noise disturbance and emissions. We aim to reduce our negative impact on our environment and pursue a proactive approach with our sector partners to make the aviation industry more sustainable. With all partners, we continuously enhance airport safety management processes, but also promote safety awareness among employees, visitors and contractors.

#### The best connections

Schiphol's strength lies in its network of destinations. It makes Schiphol one of Europe's best directly connected airports. Our strategy is to facilitate moderate and controlled growth at Schiphol with a focus on Mainport-related traffic. This is required in order to balance the benefits and negative consequences of air travel. We invest in resilient infrastructure. Landside accessibility represents one of the long-term challenges facing our airports with regard to potential congestion. We stimulate the expansion of public transport infrastructure.

#### An attractive airport

We fulfil our ambition to make Schiphol Europe's Preferred Airport by ensuring quality in our processes, facilities and commercial offering. The significant growth in passenger numbers puts pressure on our quality levels and impacts the passenger journey. Digitisation plays a prominent role in improving processes and customer experiences.

#### A prime location

We continue to develop Schiphol into a prime location for businesses and visitors, with good accommodation, office space and logistics real estate, and convenient parking facilities. We are offering innovative, flexible lease concepts and services. In our terminal building, we cater to the needs of our passengers by offering a wide range of retail and food and beverage outlets, and services. We strive for the principles of the circular economy in the construction of new buildings such as the new pier, terminal and offices, in order to preserve and increase the value of natural resources.

#### A strong Group

We strengthen our company through collaboration between the airports in our Group. We take a proactive approach in building upon international opportunities. We implement organisational improvement as we develop into a High Performance Organisation and actively promote inclusive business practices. We pursue a solid and future-oriented financial policy.



We contribute to the GDP 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.



Aviation accounts for 7-8% of Dutch carbon emissions. We pursue a proactive approach in our relationship with sector partners with a view to making the aviation industry more sustainable. Moreover, we invest in resilient infrastructure.



Fossil-fuel-driven operations negatively affect the local air quality. 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.



The construction sector has a significant impact on resource depletion. 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.



We collaborate with business partners and stakeholders to strengthen and accelerate our contribution to the SDGs.



# Cohesion

## Material aspects

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

## Strategic themes



**Sustainable  
& Safe  
Performance**



**Top  
Connectivity**



**Excellent  
Visit Value**



**Competitive  
Marketplace**



**Development  
of the Group**

## Key risks




- C. Business Continuity Management
- E. Environmental Regulatory Changes
- F. Information Security
- G. Project Execution
- H. Regulation & Compliance
- I. Safety & Security




- A. Airport Accessibility (Landside)
- B. Airport Capacity (Airside & Terminal)
- D. Connectivity Performance
- G. Project Execution

- A. Airport Accessibility (Landside)
- C. Business Continuity Management
- F. Information Security
- I. Safety & Security





- A. Airport Accessibility (Landside)

- G. Project Execution
- J. Workforce

-  Network of destinations
-  Airport capacity
-  Accessibility

-  Customer appreciation
-  Security
-  Digital

-  Regional significance

-  Employment practices
-  Integrity
-  Financial solidity
-  Contracting practices



# Our strategy

## Our role in the Netherlands

# Connecting the Netherlands to the rest of the world

Robust international connections are more important than ever in today's increasingly globalised world, particularly for an outwards-facing economy like the Netherlands. Aviation is a key facilitator of this connectivity, linking people, driving trade and supporting business growth.

By delivering on its mission to connect the Netherlands to the world, Royal Schiphol Group plays an important social and economic role. Schiphol is one of the world's best-connected airports, offering direct links to 327 international destinations. This global reach is strengthened by our regional airports.

In today's globalised society, connectivity is key to the international competitiveness of the open Dutch economy. Economic data reinforces this view: the Netherlands is the 28th largest economy in the world, but ranks as the fifth largest exporting country and eighth largest foreign direct investor. According to the Global Competitiveness Report 2017-2018, the Netherlands is the fourth most competitive economy in the world.

Equally, the Randstad metropolitan region depends on good connectivity: as in other parts of Europe, air connectivity contributes to the competitiveness of cities such as Amsterdam and Rotterdam within the global arena. Research shows, for example, that all things being equal, an increase of 10% in intercontinental destinations results in a 4% rise in the number of large firms headquartered within a specific European metropolitan area.





The Dutch aviation sector also contributes significantly to employment and GDP growth, with the total economic contribution of aviation in the Netherlands estimated at 4.5% of GDP and 370,000 jobs, including direct, indirect, induced and catalytic employment. Furthermore, societal cost-benefit analyses highlight the net positive contribution of connectivity development to Dutch wellbeing.

For all its advantages, we also recognise the wider impact of aviation on neighbouring communities and the environment. In particular, we note growing calls from governments, local communities and the wider public to reduce carbon emissions and noise pollution, and to mitigate climate change. Balancing

the benefits and costs of our activities will therefore be crucial in ensuring the wellbeing and trust of our neighbours and stakeholders in future years.

Yet, as support for aviation comes under increased pressure, the number of international air passengers continues to grow, with demand expected to double during the next 15-20 years. The aviation industry is also evolving: new airline business models, hub locations and types of aircraft are being developed, and new digital trends are emerging.

We address these complex issues in our future strategy, which is defined in terms of quality: Quality of Life, Quality of Network and

## Vision 2050

Royal Schiphol Group is developing its Vision 2050, which defines our aspirational goals in light of the fast-changing world around us and potential long-term developments and scenarios. Vision 2050 will not only serve as our own overarching strategic umbrella for our next strategic plan, the new Master Plan and the objectives of our specific business areas, but also as our main point of reference with respect to the Aviation White Paper. We are creating Vision 2050 based on an extensive, iterative process of analysis and forecasting. These processes will involve consulting internally with Schiphol management and staff, as well as with sector and business partners, and other stakeholders during the course of 2018 and 2019. We expect to finalise Vision 2050 in the fourth quarter of 2019.

Vision 2050 is structured around three main pillars: Quality of Life, Quality of Network and Quality of Service. It is built on the belief that - both today and in the future - maximising the societal value of aviation requires Schiphol to carefully balance Quality of Life (environment) and Quality of Network (connectivity), while maintaining a high Quality of Service and ensuring safe operations at all times.

## The Aviation White Paper

The Dutch Ministry of Infrastructure and Water Management (I&W) is working on its Aviation White Paper 2020-2050, or 'Luchtvaartnota', setting out the government's perspective on the development of the Dutch aviation industry over the coming decades. The Paper seeks to address a key challenge: how to balance society's need for aviation, sustainability, a healthy living environment, safety, and a robust economy.

An extensive consultation process has taken place, led by the Ministry. Along with other key stakeholders, the Ministry has consulted Royal Schiphol Group regarding its position and perspectives, with Schiphol submitting its own position paper for the Aviation White Paper in December 2018. In the same month, the Ministry sent a letter to the House of Representatives consisting of an overview of key points raised from the consultations, a 'knowledge plan' and a plan of action for 2019. In 2019, the Ministry will conduct further theme sessions and joint fact-finding around the topics under discussion, and a strategic environmental assessment (SEA) will also be conducted. The Aviation White Paper is expected to be ready for publication in the fourth quarter of 2019.

Using airspace as efficiently as possible remains a key area of attention within Dutch aviation policy, not least because efficient airspace usage can contribute to more sustainable aviation operations.



Quality of Service. These qualities underpin our new Group Vision, which we expect to finalise in 2019. Our future vision involves the moderate and controlled development of our airports.

Going forward, Schiphol Group aims to lead by example, operating Europe's most sustainable hub and regional airports for the benefit of our neighbours and future generations. We want to play a leading role in reducing aviation-related emissions, and driving initiatives such as cleaner, quieter aircraft and alternative fuels.

Our commitment to quality also means making sure our customers receive the highest levels of service, whether efficient processes for airlines or the personal approach to our passengers. And, of course, we must continue working with our stakeholders to deliver a high-quality network and ensure excellent connectivity for the Netherlands for many years to come.

## Trends and developments

# Flexibility and responsiveness

A robust, futureproof strategy is vital for our business. In developing this strategy, Royal Schiphol Group must anticipate a wide range of potential scenarios. We keep a close eye on emerging trends that could impact our operations and track the most important risks and opportunities. Business flexibility is essential in enabling us to adjust our strategy in response to new developments when necessary.

## Economic and societal developments

### Economic growth

Economic growth and trade are strong drivers of air travel. A growing economy and rising disposable incomes allow people to spend more money on holidays and trips abroad, while companies also expand their travel budgets. Healthy growth across the European and the wider global economy has directly benefitted the aviation industry in recent years. The number of passengers flying from European airports rose again in 2018, while the region's cargo volumes and air transport movements also grew overall. Closer to home, the Dutch economy expanded by 2.5%, providing a solid platform for local air travel demand.

While forecasters still project positive economic momentum over the coming years, several sources expect the pace of growth to gradually decelerate due to geopolitical instability caused by Brexit, trade disputes, rising oil prices, and other factors. Despite these risk factors, Boeing forecasts air travel to, from and within Europe to continue growing at an average 3.8% annual pace through to 2037. A fast-expanding global middle class, including increasing numbers of Chinese and Indian travellers, will be an important driver.



## Climate and sustainability top of mind

Reducing carbon emissions to limit global temperature increases to 1.5-2 degrees Celsius is a major global challenge. Aviation accounts for 2-3% of global carbon emissions and 7-8% of Dutch carbon emissions, according to EU estimates. As demand for air travel grows and other industries transition to alternative energy sources, the relative environmental impact of aviation organisations looks set to increase. With society and policymakers increasingly aware of the environmental impact of aviation, this critical issue has become a key priority for our industry and is increasingly a central topic in aviation-related discussions. Indeed, a number of partners from across the Dutch aviation sector have joined forces to address this very issue, by developing the Smart and Sustainable action plan.

Aviation is a key topic of debate around the Dutch 'climate agreement' and also features prominently in European environmental legislation, including the European Emissions Trading System (EU ETS). We also highlight the importance of industry-wide sustainability agreements, most notably the International Air Transport Association (IATA) targets to increase fuel efficiency by 1.5% per annum, to deliver carbon-neutral growth from 2020, and to lower carbon emissions to 50% of 2005 levels by 2050. Meeting these targets will require Schiphol to embrace innovative solutions and technologies, including increased use of biofuels in the short term. Looking further ahead, technologies and alternative fuels - such as bio and synthetic kerosene and hydrogen, hyperloop technology, hybrid-electric vehicles, and even the transition to fully electric flying - are likely to play their part in driving down carbon emissions, while also reducing noise and improving air quality.

## Tourism: Challenges and opportunities

Tourism is an important source of income and employment for countries around the world, not least the Netherlands. Our country welcomed 19.1 million international tourists in 2018, a significant number of whom visited Amsterdam. However, despite its many economic and reputational benefits, the downsides of mass tourism are increasingly being felt both here and abroad. Overcrowded city centres and tourist attractions

impair the visitor experience, while also making these areas less attractive for local residents.

Society's changing stance towards tourism and its effects is being reflected in policymaking. Increasingly, municipalities are trying to limit visitor numbers by capping Airbnb stays and other short-term rentals, or new hotel beds. Meanwhile, European governments are exploring ways to spread tourist inflows more evenly across different cities and regions. Measures taken by the Dutch government and by cities such as Amsterdam, Rotterdam and The Hague to regulate tourism are likely to have a bearing on incoming air travel demand in the near future.

## Geopolitics and Brexit

Geopolitical instability has the potential to disrupt our business regardless of the macroeconomic environment, with Brexit an area of particular concern. The UK is a key market for Amsterdam Schiphol Airport, contributing about 15% of all passenger flows. What's more, with 26 destinations across the UK (compared with the eight offered by Heathrow), Schiphol is a crucial hub for the UK market.

Beyond its potential impact on trade and mobility, unless there is a timely agreement on UK-EU aviation relations, Brexit may also affect the landing rights of European carriers both in the UK and mainland Europe. The same holds true for the One Stop Security (OSS) protocols in place across the EU, which prevent UK passengers from having to re-screen at security when connecting via Amsterdam. Schiphol Group therefore welcomes the communication by the EC that the OSS will remain in place after Brexit, and that basic traffic rights are guaranteed in the event of a 'no-deal' scenario.

The global trend towards protectionism is a further concern. In 2018, new protectionist legislation was introduced in the US, leading to the EU and China enforcing their own trade tariffs. The growing shift away from liberalisation in certain parts of the world has the potential to inhibit international trade and aviation demand. Demand for air cargo services, which depends on the ease of trading goods, may be affected.

## The UK Market and Brexit

The United Kingdom is Schiphol's largest passenger market. Amsterdam Airport Schiphol is directly connected to 26 destinations in the UK on a daily basis: London (City, Gatwick, Heathrow, Luton, Southend and Stansted), Manchester, Birmingham, Edinburgh, Bristol, Glasgow, Newcastle, Aberdeen, Leeds Bradford, Southampton, Liverpool, Norwich, Cardiff, Belfast (City and Intl Airport), Humberside, Durham Tees Valley, Inverness, Doncaster Sheffield, Exeter, and East Midlands. On average 254 flights run between the UK and Schiphol each day; in total, 10.4 million passengers travel on these routes during an average year, of whom 26% transfer at Schiphol. Given the size and importance of the UK market, Brexit is expected to have a significant impact on our Customs operations. For further information, see Security in Network, capacity and security.

## Industry developments

### Airline business models: The drive towards consolidation

Much of the growth in passenger numbers and direct connections at European airports over the past decade has been generated by low-cost carriers (LCCs) increasing their share of the market. According to Airports Council International Europe (ACI Europe), LCCs accounted for 84% of the region's passenger growth between 2007 and 2017.

However, the traditional low-cost business model is evolving into more of a hybrid model: LCCs are moving upmarket, targeting higher numbers of business travellers and increasingly serving primary airports. Meanwhile, some low-cost carriers are focusing increasingly on transfer traffic, while others are making use of new-generation aircraft to expand their long-haul networks. In particular, modern narrow-body designs, such as the Boeing 737 Max and the Airbus A321neo, allow airlines to fly non-stop from Europe to the US East Coast with smaller planes that are easier to fill. Smaller planes flying long-haul from smaller airports (a trend known as 'hub-bypassing') challenges the traditional long-haul model.

Given Schiphol's relatively small catchment area, the hub operation of Air France-KLM with SkyTeam and the other carriers remains central to the airport's connectivity performance. At the same time, we see divergent industry trends materialising: easyJet added Amsterdam Schiphol to its 'Worldwide by easyJet' connections programme in early 2018, enabling passengers to book connecting flights operated by easyJet and partner airlines through Schiphol. Norwegian Air also launched its long-haul Amsterdam-to-New York operation in May. More generally, as well as creating additional competition within Europe, 'hub-bypassing' will allow narrow-body aircraft to fly long-haul routes from Amsterdam to smaller cities in North America and other non-European locations.

### A growing capacity challenge

Airport capacity is an increasingly scarce resource across Europe. According to Eurocontrol's 'Challenges of Growth' 2018 report, 16 large European airports will be congested by 2040, with an estimated 1.5 million flights and 160 million passengers unable to be accommodated. The impact of the 500,000 ceiling for air transport movements until the 2020/2021 winter season at Schiphol is being felt by the sector. In 2018, there was limited air traffic growth, though passenger volumes at Schiphol continued to rise, growing by 3.7% (2017: 8.4%) due to higher load factors and larger aircraft. This is also affecting cargo operations, with freight carriers gradually being pushed out. Cargo movements at Amsterdam Airport Schiphol decreased by 10.4% in 2018, largely due to slot unavailability. Schiphol has to accommodate growing numbers of larger, wide-body passenger aircraft requiring access to aprons rather than passenger bridges.

### Safety takes centre stage

Safety is among the top priorities for every airport. While Schiphol has the highest airport safety standards in place, we are implementing a range of additional safety initiatives across our Group operations as we look to accommodate a growing passenger volume. Furthermore, we have been working with other industry stakeholders to deliver the Safety Improvement Roadmap Schiphol as part of the Integral Safety Management System (ISMS) collaboration. The roadmap, which was published online in October 2018, outlines measures taking place across the aviation industry to ensure the safety of passengers, personnel and local residents.

### Embracing the digital age

Perhaps more than any other trend, digitisation and innovation will shape the future of air travel over the coming decades. As well as offering complementary services, virtual and augmented reality also represent potential long-term alternatives to the experience of physical travel. Meanwhile, self-connect and travel

## Future Dutch aviation tax

In 2018, the Dutch government's proposed reintroduction of a national aviation tax moved a step closer to reality. The government presented a draft act to the Council State in which it proposed introducing a 7-euro levy per departing passenger (excluding transfers) and a separate levy for full freighter cargo aircraft. Both levies will come into effect from 2021. However, the government has stated its willingness to withdraw its plans if Europe can agree on a pan-European tax scheme.

Stakeholders were asked to make their views on the tax known via an online consultation. In its contribution, Schiphol indicated that it does not support any taxation system where the sole intention is to fill gaps in the national budget. Moreover, research undertaken by independent consultancy firm CE Delft suggests that taxing passengers will not generate a significant sustainability contribution. Schiphol stated that, if a tax is introduced, the revenue should be reinvested into sustainable aviation and regional development.

integrator services are likely to drive changes to airline business models and airport operations.

Digitisation can also help airports meet the demands and expectations of modern consumers. Machine learning and data integration are just some of the emerging technologies that can help deliver enhanced, personalised customer journeys. Technology can also provide clear benefits at an operational level: initiatives such as 'biometric boarding', pre-screening of passengers, and eliminating the re-screening of connecting passengers have the potential to streamline passenger flows and provide a seamless travel experience. Schiphol Group is actively working to develop new digital solutions aimed at driving passenger satisfaction.

## What it means for our airports

The trends and developments discussed above will directly affect the decisions and strategic direction taken by Royal Schiphol Group over the coming years, and our response can be found throughout this strategy section. In particular, we will focus on finding the balance between quality of life and quality of network, because of the responsibility we have to local residents and future generations. We also need to actively reduce noise hindrance, regain trust and help to make the sector more sustainable.

While Amsterdam Airport Schiphol continues to be regarded as one of Europe's top hub airports, we note that the air transport movement cap in place is likely to affect our positioning going forward. Nevertheless, the trend towards larger aircraft and higher load factors will soften the direct effects of the air transport movement ceiling at Schiphol as well as our other airports. We expect political decisions to be made this year that will determine the pace of development after 2020. This includes the opening of Lelystad Airport to commercial traffic.

More information on our regional airports can be found in the Regional airports chapter of the annual report.



# Material aspects for stakeholders

Schiphol Group is in regular dialogue with a wide range of stakeholders, who together represent a diverse set of priorities and interests. Our stakeholders vary from sector partners and government authorities to Schiphol employees, local residents and passengers.

As important as it is to be aware of trends and developments, we cannot take full advantage of Royal Schiphol Group's unique socio-economic function without first taking into account the needs and opinions of our stakeholder base. In this sense, our function and our responsibilities extend far beyond the Schiphol site. Equally, our regional airports play an important role in their respective regions and in fulfilling our Group mission to connect the Netherlands. We communicate regularly with stakeholders at various levels, addressing a wide range of material aspects.

The frequency and type of contact we maintain with our various stakeholders is diverse. We consult with our sector partners on a daily basis regarding operational and tactical matters, and there is a fixed schedule of consultations aimed at ensuring safe, efficient operations. Schiphol has plans in place to deal with operational disruptions or emergency situations, and we conduct training sessions and assessments with the sector on a consistent basis. We regularly invite our stakeholders to visit our premises and share information about day-to-day activities, laws and regulations, as well as large-scale investments, renovation projects, and other important developments. The Royal Schiphol Group Management Board is actively involved in these exchanges.



Topics addressed in our stakeholder consultations are determined on the basis of the material aspects that guide Schiphol Group and which are reported on in the annual report. The relative interests of stakeholders and Schiphol Group are provided in the 2018 Materiality Matrix. A subject is deemed of material importance (and included in the matrix) when it reflects a significant economic, social or environmental impact of the organisation, or when it influences the decision-making of our stakeholders.

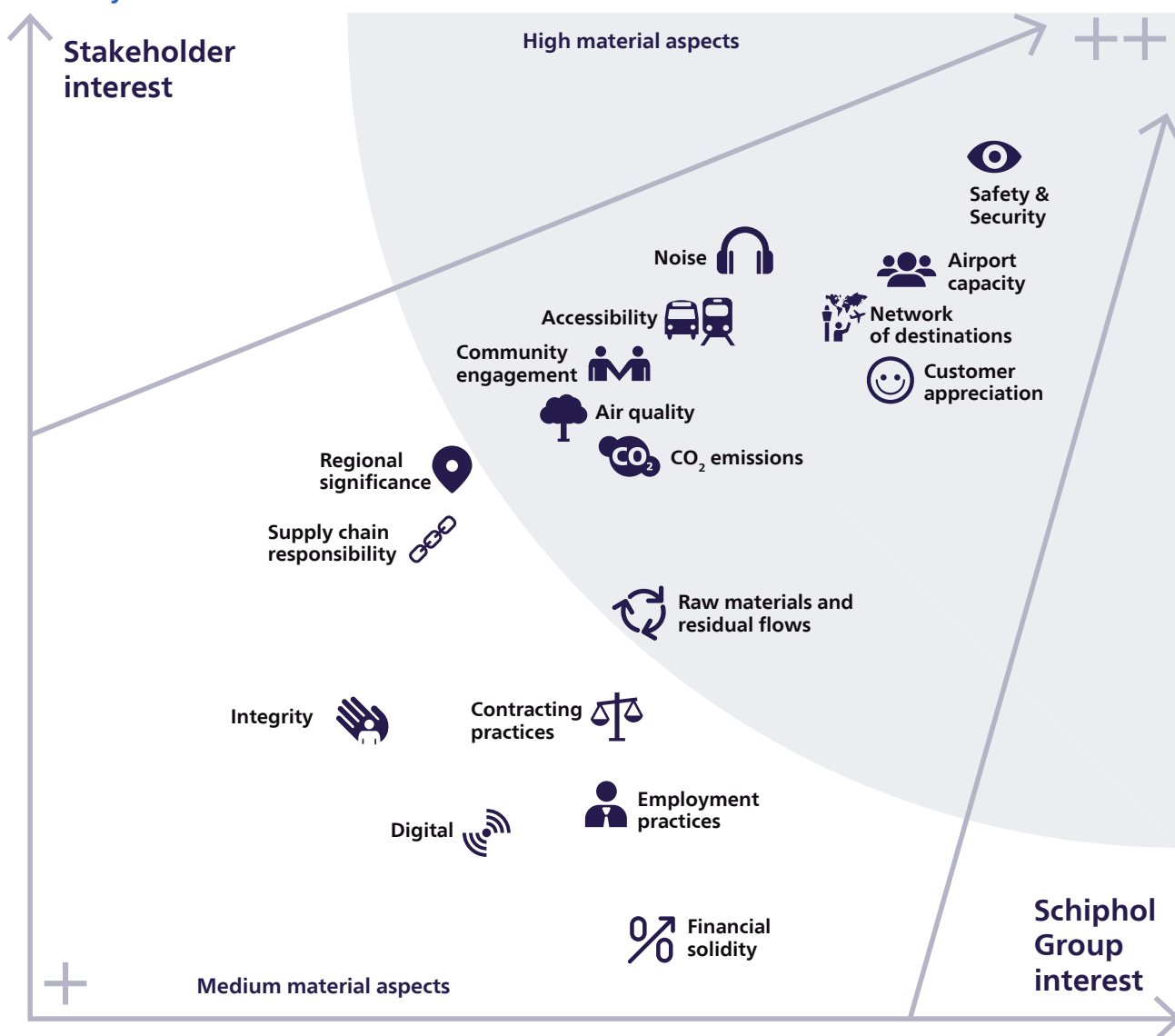
## Materiality analysis 2018

Schiphol Group conducts a comprehensive materiality analysis every three years. The most recent analysis took place in 2016, when more than 100 internal and external stakeholders were consulted on the themes they considered to be most important with regard to Royal Schiphol Group. In intervening years, including 2018, a 'light' update is performed.

In 2018, we carried out a qualitative update on the matrix based on developments and discussions taking place during the course of the year. The topics that are discussed in our continuous consultations with our stakeholders, and their impact on Schiphol's policies, are outlined in the table at the end of this chapter. As part of the light update, we carried out a media assessment, the results of which were discussed with colleagues who are in regular contact with stakeholders. The material aspects were confirmed by the members of Schiphol's Management Board. No new aspects were introduced in 2018. The matrix will be updated in 2019, following an extensive consultation among our stakeholders.

Safety & Security remains the most important topic for stakeholders, while Airport capacity is also still highly relevant to all stakeholders. Capacity at Schiphol was again tested in 2018: the airport has reached its ceiling of air traffic movements and there is increasing pressure on Schiphol's physical infrastructure. In light of this, we are in the process of building a new pier and

Materiality matrix 2018



terminal and working hard to streamline operations within the terminal building.

In previous years, integrity-related themes had been described under Employment practices and Contracting practices. In 2017, we began grouping these topics together under the material aspect of Integrity.

Community engagement activities and Regional significance have also been given a more prominent position. 2018 saw an active social debate regarding plans to expand our airport operations, with many local residents asking questions and voicing concerns. For this reason, these themes have moved to the right, with Community engagement now falling within the category of high material aspects.

One existing theme has moved quite significantly to a new position in the matrix: CO<sub>2</sub> emissions. Schiphol Group has been climate-neutral since 2012, and we are working towards becoming a zero-emissions operation. However, aviation-derived carbon emissions are a growing topic of debate. Without action, the relative emissions impact of aviation could increase; the updated matrix therefore reflects the growing importance of carbon emissions to Schiphol and its stakeholders.

Similarly, Noise has been a source of intense discussion for several decades. In 2018, concerns around noise disturbance were raised in neighbouring communities, also those in the vicinity of Lelystad Airport. We have adjusted the position of Noise in our matrix to reflect these concerns.

Our light update indicated that some topics have become more material in comparison with previous years, leading us to reassess the position of the other topics. In view of this, some topics have become less material and have therefore been moved to the left side of the matrix. Supply chain responsibility is one example of a topic that has grown in importance over the past few years. An integral part of our mission involves looking beyond our own organisation and being able to collaborate with industry partners and other businesses. A number of topics concerning our supply chain are discussed in the other relevant material themes.

Raw materials and residuals has moved to the left but remains part of the category of high material aspects. Circular thinking is increasingly embedded in our design principles and way of working, and we are aiming to achieve zero-waste status by 2030.

## Definition of material aspects

### Accessibility

Adequate landside accessibility

### Airport capacity

Availability and quality of (infrastructural) capacity

### Air quality

Annual mean level of particles in the air at and around the airport

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

Greenhouse gas that contributes to global warming, captured in fossil fuels and usually obtained from coal and natural gas combustion

### Community engagement

Dialogue and participation with relevant stakeholders

### Contracting practices

Trusted and ethically transparent partner

### Customer appreciation

Meeting the needs of airlines, businesses and passengers

### Digital

Digital solutions to increase capacity and improve processes

### Employment practices

Development and training of employees, vitality and inclusiveness

### Integrity

Transparent and ethical behaviour

### Financial solidity

Financial robustness and shareholder value

### Network of destinations

Quality and frequency of destinations

### Noise

Impact of aircraft noise on surrounding communities

### Raw materials and residual flows

Sustainable resource use based on circular economy

### Regional significance

Local and regional business climate, employment and economic impact

### Safety & Security

Safe and secure operations, safe and healthy airport environment

### Supply chain responsibility

Impact on people and environment of our business partners, suppliers and customers

## Scope










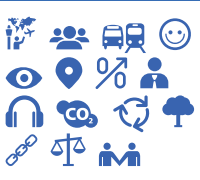










The aspects covered in the materiality matrix relate to Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport, and will also relate to Lelystad Airport following its expected development. Given the absence of commercial passenger operations at Lelystad in 2018, the airport is not included in the matrix for the material aspects of Network of destinations and Safety. Human Resources data from Lelystad Airport has been included in a quantitative sense; reporting on the other themes is qualitative.

We present our Group performance on the basis of the material aspects, which are clustered as four distinct chapters: (1) Network, capacity and security (2) Portfolio of services, (3) People, environment and community, and (4) Financial and business performance. The high material aspects, presented in the upper right corner of the matrix, are reported according to clear targets and our performance. All aspects include quantitative supporting evidence.

The material aspects [link to our five strategic themes](#), as outlined in the Strategy chapter of the annual report, and to our top risks.

## Stakeholders

This table lists contact moments for consultations with our stakeholders. These consultations are centred on the stakeholders themselves, many of whom are involved in multiple material aspects, and vary significantly in terms of frequency. Consultations focusing on operational matters often take place several times a day, for example, while those involving special situations might take place only once a year. This overview is not exhaustive. The results achieved for each material aspect are included in [the Results](#) chapter of the report.

	Material aspect	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 (ORS)</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 Centre</li> <li>– Social media</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> <li>– Meet expectations of new generation</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 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>– Integral Safety Management System</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>– 'Zero-emissions' in 2030</li> <li>– Integral Safety Management System to strengthen safe operations in conjunction with all chain partners</li> <li>– Collaboration in CDM/SESAR</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> <li>– Aviation White Paper</li> <li>– Climate roundtable on sustainable aviation</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 the creditworthiness of the Group</li> <li>– International activities</li> </ul>
	Business partners	 <ul style="list-style-type: none"> <li>– Consultations with key contacts</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>– Airside electric charging</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> <li>– Social return</li> </ul>
	Network and special interest organisations	 <ul style="list-style-type: none"> <li>– CR Stakeholder Committee</li> <li>– ORAM</li> <li>– Schiphol Governance Forum</li> <li>– SMASH</li> <li>– Amsterdam-KLM-Schiphol Collaboration Agenda</li> <li>– Airports Council International (ACI)</li> <li>– Amsterdam Economic Board</li> <li>– C-creators</li> </ul>	<ul style="list-style-type: none"> <li>– Collaboration and knowledge sharing</li> <li>– Prevention of wildlife trafficking</li> </ul>
	Knowledge institutions	 <ul style="list-style-type: none"> <li>– Knowledge and Development Centre</li> <li>– Ellen MacArthur Foundation</li> <li>– SIM</li> <li>– MVO Nederland</li> <li>– RIVM</li> <li>– TNO</li> <li>– BioPort Holland</li> </ul>	<ul style="list-style-type: none"> <li>– Adaptation of take-off and landing procedures</li> <li>– 'Zero-waste' in 2030</li> <li>– Monetisation of investment decisions</li> <li>– Digital airport: personal and relevant communication to improve passenger journey and reduce stress</li> </ul>

<sup>1</sup> Not exhaustive.



## SWOT analysis



### Strengths

- Network of destinations
- Strong hub position of Schiphol in Europe
- Sustainability at our premises
- Price-quality ratio
- Economic strength of Randstad
- Attractiveness of the Netherlands as a destination
- AirportCity and growing real estate portfolio



### Opportunities

- Single European Sky and Dutch airspace redesign
- Digitisation, automation and big data
- International activities and partnerships
- Aviation sustainability and innovation initiatives
- Opening of Lelystad Airport



### Weaknesses

- Relatively small catchment area
- Capacity shortage: terminal, stands and railway station
- Dependency on key airline customers
- No direct metro connection with Amsterdam
- Limit on air traffic movements



### Threats

- Diminishing public support base for aviation
- Implications of air transport movement restraints on quality of network
- Terrorism and cyber threats
- Growing competition in transfer market from other hub airports and hub-bypassing
- Impact of ultra-fine particles
- Construction activities affecting perception of quality

# Mission, ambition and strategy

In 2018, we continued to see significant growth in passengers and, at our regional airports, also in air traffic. Amsterdam Airport Schiphol has now reached its ceiling for air transport movements of 500,000 per year. New agreements are necessary for moderate sustainable growth in order to continue optimally connecting the Netherlands with the rest of the world in future years.

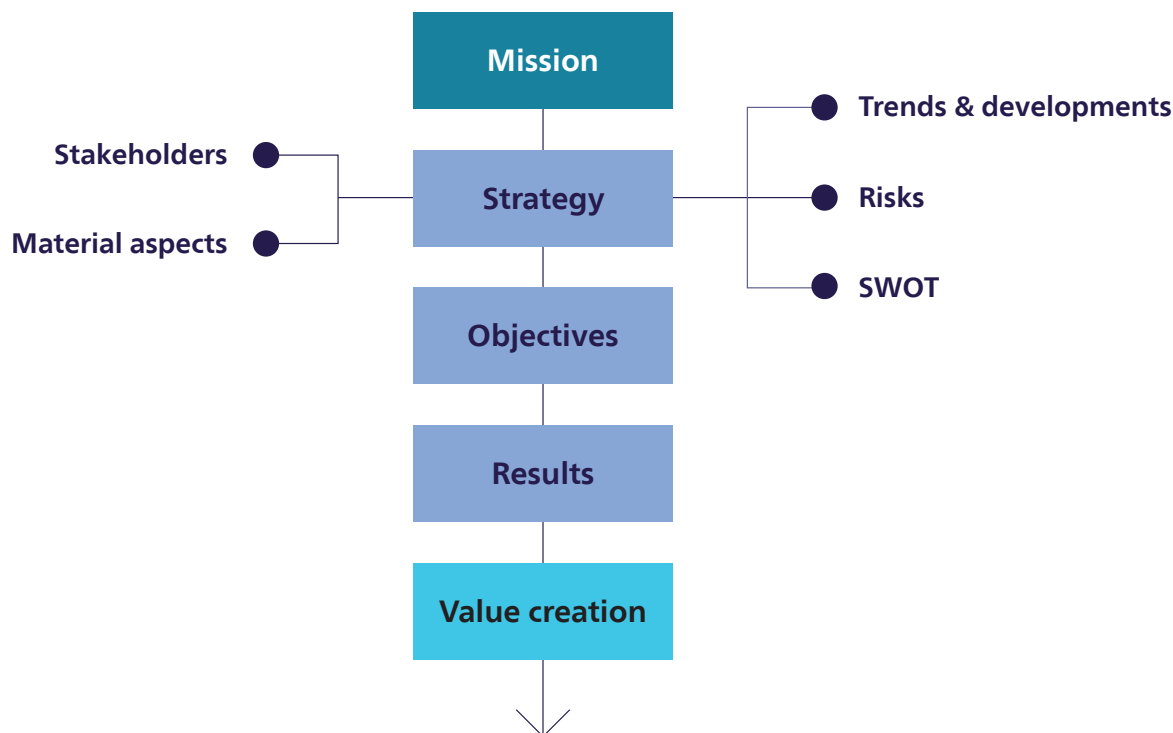
## **Our mission: Connecting the Netherlands**

'Connecting the Netherlands' embodies the core mission of Royal Schiphol Group: to connect the Netherlands and its people with the wider world, while providing access to our country to those outside our borders. Our airports allow international trade, tourism and knowledge exchange to flourish by providing top-quality aviation infrastructure and air transport facilities for passengers and cargo.

By ensuring optimal air connectivity for the Netherlands, we are not only supporting the economy, but also helping to promote the traditional Dutch values of openness, tolerance and international-mindedness for which we are known around the world. We do this with the support of our partners in the aviation sector and beyond. These include airlines, Customs, national and local governments, business partners, landside infrastructure providers, air traffic control and other key stakeholders. Schiphol is well aware that our activities impact different groups in different ways. We therefore strive to balance the important contribution we make in providing optimal links to connect the Netherlands to the rest of the world with the negative effects of



## Reporting summary



aviation on the quality of life of our local residents. We do this through careful monitoring of issues such as noise pollution, local air quality and carbon emissions.

### Our ambition: Europe's Preferred Airport

Our ambition is to be Europe's airport of choice for passengers, airlines, logistics service providers and businesses. This does not necessarily involve Amsterdam Airport Schiphol being larger or cheaper than our competitors, but rather that we consistently deliver high-quality visitor experiences. Above all, quality is reflected in smooth operational processes, short curb-to-gate times, attractive retail offerings, and hospitality in everything we do. We strive to maintain this ambition while addressing the challenges presented by the limits on air transport movements and managing the pressure of growing passenger numbers.

### Our strategy to connect the Netherlands: Five themes

The guiding principles of our strategy have been formulated in the Strategic Plan for 2016-2020 and are focused on how we can enhance and expand the connectivity of the Netherlands in a way that is safe and sustainable. We will continue to develop Amsterdam Airport Schiphol as Europe's gateway to the Netherlands and as an internationally leading hub airport with an intricate network of scheduled destinations. Our regional and overseas airports also contribute towards achieving our goals.

#### Strategic themes

Our mission and role in society are based on five strategic themes, each with its own focus: Sustainable & Safe Performance, Top Connectivity, Excellent Visit Value, Competitive Marketplace, and Development of the Group. Together, these different strands of our strategy allow us to capitalise on industry trends and opportunities and respond effectively to new challenges and developments.



## Sustainable & Safe Performance

### Sustainability and safety as foundations

Sustainability and safety are fundamental principles governing the actions and activities of all aviation and non-aviation activities across our Group. Schiphol has a responsibility to uphold these principles, which is an integral consideration in the many decisions we make as an organisation. In this sense, Sustainable & Safe Performance is not only an important theme in its own right, but also directly underpins each of the four other themes that form the basis of our strategy.

As we grow, and our passenger numbers expand, maintaining a healthy and safe working environment for staff and safe surroundings for passengers and local residents has never been more important. Working in close collaboration with our partners, and following the advice of the Dutch Safety Board (OVV), we continue to prioritise, and enhance, our safety management processes, both at Schiphol and our regional airports. In this way, we strive to be a High Reliability Organisation (HRO) with a proactive health and safety culture.

We make every effort to increase the positive effect of our activities and to minimise any negative impact. In particular, we

realise that noise disturbance and air quality are key sources of current concern with regard to our airports' future growth and, as a committed neighbour, we are engaged in continuous consultation on these issues.

Schiphol Group aims to lead by example within the aviation sector when it comes to sustainability. Our ambition is to become the most sustainable airport operator in the world, while paying particular attention to four key topics: (1) sustainable aviation, (2) zero-emissions, (3) zero-waste, and (4) wellbeing. We collaborate with partners on these themes and we have defined two long-term goals: ensuring the airports operated by Schiphol Group are zero-waste and zero-emissions by 2030.

Our objectives are closely linked to national and international climate-related ambitions. These include the Dutch aviation sector's 'Smart and Sustainable' action plan (for further details, see the People, environment and community section in Our results) as well as the International Air Transport Association (IATA) targets, the Paris Agreement and the UN Sustainable Development Goals (SDGs).

Objective	Progress	Achieved in 2018
<b>Sustainable</b> We will be acknowledged as a leading enterprise in the field of Corporate Responsibility		<ul style="list-style-type: none"> <li>Recognition of Schiphol's leading international role in driving sustainability in the aviation sector: ACI Europe Eco-Innovation Award</li> <li>Dutch aviation sector collaborates with Smart and Sustainable action plan</li> <li>As of 2018, all Group airports run entirely on renewable electricity generated in the Netherlands</li> <li>Europe's largest fleet of fully electric buses: 100 Connexxion electric passenger buses added to routes to, from and around Schiphol</li> </ul>
<b>Safe</b> We are developing into a High Reliability Organisation with a proactive safety culture		<ul style="list-style-type: none"> <li>On track towards an HRO Level-4 safety culture by 2020</li> <li>The Integral Safety Management System (ISMS) is initiated in collaboration with sector partners</li> </ul>

## Sustainable Development Goals

In 2016, we examined our activities in light of the UN Sustainable Development Goals (SDGs). Of the 17 SDGs, six are highly relevant to our activities and our role in the value chain. We are working to increase our positive impact and reduce our negative impact with regard to each of these six SDGs to help ensure a futureproof aviation industry.

The goals that are most relevant to Schiphol are: SDG 8 Decent work and economic growth, SDG 9 Industry innovation and infrastructure, SDG 11 Sustainable cities and communities, SDG 12 Responsible consumption and production, SDG 13 Climate action, and SDG 17 Partnerships for the goals.

This year, we have added the underlying KPIs. You can read more about the KPIs and our activities supporting these goals in the [People, environment and community section](#) of Our results.



## **Top Connectivity** The best connections

The strength of Mainport Schiphol lies in its extensive network of destinations, the majority of which are served by our home carrier KLM and its partners. Through Schiphol, the Netherlands has direct links with approximately half of global GDP and 80% of European GDP. However, a strong position today is no guarantee for the future. In 2018, the airport witnessed a decrease in full freighter movements, together with a fall in cargo volumes. Our strategy is to facilitate moderate and controlled growth at Schiphol, with a focus on Mainport-related traffic. Although demand for air traffic keeps increasing, a moderate growth path is required to balance the benefits and negative consequences of air travel. Our regional airports will keep their respective roles in serving their regions and handling holiday flights.

Further development of both the airside and landside infrastructure at Schiphol-hub is also essential in order to accommodate a growing passenger volume and to continue

delivering a quality service to travellers and airlines. In addition to creating new capacity - through the construction of the new pier and terminal, as well as other projects - our strategy involves making full use of the existing space in and around the terminal. Additional parking capacity and 'Kiss & Ride' areas are needed. Schiphol is also investing in flexible parking capacity, which can be easily converted into multi-purpose mobility space as required.

Landside accessibility is top of mind. In particular, we view the extension of the North-South metro line from Amsterdam South to the airport as a key priority going forward. In the meantime, we are working on further developing the railway station area at Schiphol, with expansion and refurbishment needed to manage crowds and improve comfort for public transport users. We are working closely with the Transport Authority Amsterdam (Vervoerregio Amsterdam), Dutch Railways (NS), ProRail and the Ministry of Infrastructure and Water Management (I&W) to deliver these upgrades.

Objective	Progress	Achieved in 2018
<b>Network</b>		
Maintaining a network with more than 300 destinations		<ul style="list-style-type: none"> <li>Number of destinations at Schiphol: 327</li> <li>Number of passengers at Schiphol: 71.1 million</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>Improved accessibility by rail</li> </ul>
<b>Airport capacity</b>		
Capital Programme		<ul style="list-style-type: none"> <li>Construction of the new pier and preparatory work for the new terminal under way, with progress made on landside infrastructure adjustments</li> </ul>
Development of Lelystad Airport		<ul style="list-style-type: none"> <li>Construction of Lelystad infrastructure on schedule for a 2020 opening</li> </ul>
<b>Growth</b>		
Agreements with our stakeholders will enable moderate growth after 2020		<ul style="list-style-type: none"> <li>Discussions within the Schiphol Local Community Council (ORS) have been concluded. No agreements were reached, but progress has been made.</li> <li>Government is preparing for the opening of Lelystad Airport</li> <li>Environmental impact assessment presented in draft form</li> </ul>




## ★ Excellent Visit Value An attractive airport

Amid intensifying competition from Europe's other hub airports and, increasingly, smaller airports too, providing the highest levels of quality across all of our processes, facilities and commercial offerings has never been more important. In short, we must work hard to ensure excellent visit value if we are to realise our ambition of being Europe's preferred airport.

Visit value is the combination of various different elements. While ticket prices, flight frequencies and the range of available destinations remain the principal determinants for travellers when choosing an airport, an attractive, varied retail and dining offering is also important. Ultimately, if a passenger has an enjoyable, smooth and seamless flying experience, they will be happy to travel via Schiphol again. By expanding and optimising the spaces within our terminals and providing new products and concepts, we are exploring new ways to enrich the experiences of our visitors, offering new concepts and exclusive products that have a clear Dutch signature and provide a lasting reminder of the Netherlands.

Above all, we strive to offer our visitors a high level of quality on each visit. We are aware that major renovation and construction activities may have an impact on Schiphol's visit quality in the coming years. Additional efforts and solutions are in place to minimise disruption to passengers and maintain a good customer experience. Digitisation is an effective tool in this regard, helping us to relieve congestion and make better use of our available capacity. In particular, automation of passport control helps streamline our passenger-management and crowd-control processes, while new technologies and innovations improve the flow of information to customers and stakeholders.

Fast-tracking Schiphol's digitisation programme serves to enhance our consumer and retail offering and stimulate shopping intention. Through initiatives such as FLIO, an international app for airport facilities, and personalised wifi-based advertising in our terminals, we are finding new ways to meet the wishes and demands of our customers. Besides technology, initiatives such as temporary retail units, pop-up stores and airside delivery services are just some of the many ways we are catering to the interests and needs of visitors and passengers.

Objective	Progress	Achieved in 2018
<b>Digitisation</b> Digital solutions in all our activities		<ul style="list-style-type: none"> <li>– Ongoing digital innovations and solutions including SMART buildings and SmartGate planning</li> <li>– Seamless Flow</li> <li>– Omnichannel 24/7 traveller assistance and information</li> </ul>
<b>Comfort</b> We have implemented measures to improve waiting comfort		<ul style="list-style-type: none"> <li>– Upgrade of pier waiting areas in progress</li> <li>– Redevelopment of Terminal 1 in progress, resulting in a more efficient security process</li> </ul>
<b>Competitive charges</b> Competitive airport charges in Europe. We continue to optimise our operational processes, together with our business partners		<ul style="list-style-type: none"> <li>– Despite increased airport charges due to large investments, charges remain competitive</li> </ul>

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

Royal Schiphol Group's airports are important engines of economic growth for the Netherlands. Proximity to an airport is often a decisive factor for companies when selecting a location, while features such as accessibility, the supply of accommodation and office space, and logistics are also important considerations for today's business community.

We are working constantly to improve and refine the Schiphol AirportCity concept, which stands for quality with regards to the working environment and accommodation, as well as excellent accessibility and convenient parking options. We offer a wide range of quality facilities - such as retail and food and beverage outlets - and services, for businesses, travellers and visitors alike. Offices, meeting facilities and hotels near the terminal are all performing well, as are logistics services based along the

periphery of the airfield. Our real estate portfolio is being developed accordingly. We are working continuously to improve the quality of the business environment at Schiphol by expanding the range of facilities, and by offering innovative, flexible leasing concepts and services.

Amsterdam Airport Schiphol also plays a central logistical role within the surrounding region. We are currently enhancing this aspect of our service offering by adding new technologies and digital processes as part of the Smart Cargo Mainport Programme. Recent innovations include a registration system allowing logistics service providers and truckers to better plan cargo delivery and collection in the hangars, from the lorry park.



Our regional airports also work with local government authorities and developers to offer companies tailored accommodation options on and around the airport grounds.

Objective	Progress	Achieved in 2018
<b>Non-aviation</b> Guaranteeing revenue flow from non-aviation activities		<ul style="list-style-type: none"> <li>– Strong retail revenues and real estate occupancy</li> <li>– Digitisation and an omnichannel approach to strengthen our retail offering and support shopping intention</li> <li>– Proactive development of parking products; continued success of valet parking service; extension of P3 parking garage</li> </ul>
<b>Central Business District</b> Increasing activity in the Central Business District. Widening the range of services, establishing an attractive working environment and ensuring high occupancy rates		<ul style="list-style-type: none"> <li>– Sustained positive momentum in the real estate sector; high office occupancy rates</li> <li>– Expansion work started on The Base complex, to include the new The Base D building</li> <li>– Ever-increasing range of services; success of SPOT: a community of airport-based businesses and employees</li> </ul>

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

The synergies between Schiphol's various divisions and areas of activity are among our core strengths. Schiphol Group aims to get the most out of the interactions between Amsterdam Airport Schiphol, the regional airports and the Group's international activities. We are also implementing further organisational improvements by strengthening the business culture at Schiphol and by taking full advantage of new commercial opportunities. This process is aligned with our ongoing evolution as we strive to become a flexible and sustainable High Performance Organisation (HPO).

Our focus is increasingly on developing quality physical infrastructure and capacity, while maintaining adequate yields in order to continue financing these investments independently. We strive for moderate aviation growth at our airports, in balance with the environment. Schiphol is the first European airport to issue a green bond of 500 million to support investment in sustainability projects. We coordinate our large investment projects in an integrated manner, creating synergies principally through increased efficiency within our own airport network. This network is further strengthened through our international collaborations and activities.

Objective	Progress	Achieved in 2018
<b>High Performance</b> Higher scores on the High Performance Organisation (HPO) benchmark		<ul style="list-style-type: none"> <li>– Implementation of recommendations from the 2017 HPO measurement on track</li> </ul>
<b>International</b> New international strategy		<ul style="list-style-type: none"> <li>– International activities account for a significant portion of the Group's financial results</li> <li>– New strategy developed</li> </ul>



## Risks

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.

An overview clarifying the relationship between the key risks facing Schiphol Group, its strategic themes and material aspects is presented in [Cohesion](#).

The key risks are as follows:

- **Airport accessibility (landside):** accessibility by rail and road is under pressure and not meeting the desired level of quality
- **Airport capacity (airside and terminal):** limited capacity to achieve qualitative objectives
- **Business continuity management:** disruption of critical processes or functions due to a long-term or permanent loss of key facilities, utilities, IT infrastructure or key suppliers
- **Connectivity performance:** connectivity performance under pressure
- **Environmental regulatory changes:** impact of new/increased environmental regulation
- **Information security:** failure to implement or update technologies, processes and practices designed to protect networks, computers, programmes and data from attack, damage or unauthorised access

- **Project execution:** failure to deliver project benefits on time, within budget and of the required quality
- **Regulation and compliance:** violation of laws, internal policies or Code of Conduct
- **Safety and security:** risk of a serious safety or security incident
- **Workforce:** inability to attract and retain personnel

Control measures are covered in greater detail in the section on [Risk management](#).

## Power outage

On 29 April 2018, a voltage drop in TenneT's high-voltage grid interrupted the power supply to parts of Amsterdam Airport Schiphol. The power outage caused the failure of a number of crucial operational processes in the terminal. A large number of flights were subsequently cancelled, causing significant inconvenience to passengers, while the closure of key access roads disrupted traffic to and from the airport, resulting in further reputational damage.

Schiphol commissioned the Netherlands Organisation for Applied Scientific Research (TNO) to carry out an investigation into the incident. The interim findings revealed that the failure in critical operational processes was the result of a sequence of events in the power supply and the data network, including misaligned settings in an emergency power generator in Terminal 3. Schiphol immediately followed up these findings and addressed issues in its emergency power generator and data network.

We have asked TNO to help us address the technical side of this malfunction and offer recommendations to prevent similar incidents in the future. The organisation recommends that Schiphol apply the same standards for temporary systems, such as those used during renovations, as for permanent systems. The recommendations also advise testing the (temporary) systems under maximum operating conditions and, due to the number of changes, regularly analysing system dependencies and the settings of critical systems.

Lastly, TNO has provided recommendations for strengthening the reporting, signalling and escalation processes in the event of disruptions in the data infrastructure, as well as setting up a multidisciplinary technical incident team. Schiphol is implementing all of TNO's suggestions and is monitoring their impact closely. We have also evaluated our communication procedures with the various organisations involved, and especially with the municipality of Haarlemmermeer.

## Objectives

Every year, we translate our long-term strategy into a four-year tactical plan, which also incorporates the budget for the next three years. The tactical plan sets out, in clear 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. Royal Schiphol Group also aims to meet or exceed the return required by the Dutch government, which for 2019 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.

The Management Board has decided to create a new focus within the Group, which is reflected in the 2019 Management Agenda. This enables Schiphol Group to create one language across the Group, to align all activities within the Group and to ensure a focus on the most value-adding activities. In order to do this, we have selected five key focus groups: local residents, passengers, airlines, employees and shareholders. We have selected our 'Top 8' performance indicators. Three of these indicators are overarching: safety, network and sustainability. The remaining five are linked to the focus groups. Together with a list of major deliverables, the 'Top 8' performance indicators form the 2019 Management Agenda. The 2019 performance indicators aim for an improved performance on all KPI's compared to 2018.

## 2019 Management Agenda

### Priorities

#### Safety

*Index Safety Incidents: 88.3 (2018: 100)*

This index is based on the number of lost-time injuries and the number of runway incursions with potential safety consequences.

#### Sustainability

*CO<sub>2</sub> emissions Royal Schiphol Group: 150,000 tonnes CO<sub>2</sub> (rounded figure) (2018: 154,726 tonnes)*

Decrease in CO<sub>2</sub> emissions taking into account Scope 1 (natural gas and fuels, own vehicle fleet), Scope 2 (electricity) and Scope 3 (diesel fuelled at airside, commuter traffic and business travel by car or aircraft).

#### Network

*Number of ICA destinations: 135, while maintaining 300+ destinations in total (2018: 135 ICA and 327 in total)*

The number of direct intercontinental destinations for passengers and cargo.

#### Passengers

*Net promoter score: 34 (2018: 32)*

Measurement of customer appreciation by asking to what extent passengers are satisfied with our services.

#### Airlines

*On-time performance: 71% (2018: 70.7%)*

The punctuality of outbound traffic is the percentage of commercial flights that depart on time.

#### Local residents

*Reputation score: 7.3 (2018: 6.7)*

This score is based on reputation and engagement surveys and the number of complaints received by Bewoners Aanspreekpunt Schiphol.

#### Employees

*Employee Promoter Score: 7.2 (2018: 7.2)*

The EPS is determined, on a ten-point scale, by asking the question 'how likely is it that you will recommend our company as an employer to family or friends?'

#### Shareholders

*Return on equity: 6.0% (2018: 5.4%)*

Healthy financial return for shareholders based on profit after income tax adjusted for fair value gains and losses on investment property, divided by average equity.





# Our results

# Our performance in 2018

## 2018 Management Agenda

The Supervisory Board each year approves the Management Agenda, which includes the management's priorities. More detailed objectives have been linked to the priorities set out on this page. These 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](#).

Concise background information on the results achieved is set out below for each priority.

## Performance

Our performance, as well as the other topics discussed in these chapters, relates primarily to our operations at Amsterdam Airport Schiphol and the wider impact of the Schiphol hub.

We present our performance along our material aspects. We have grouped the material aspects in four clusters: (1) Network, capacity and security, (2) Portfolio of services, (3) People, environment and community, and (4) Financial and business performance. The performance of our regional airports and our overseas airport activities are presented in two separate chapters: Our regional airports and Our international activities.

### 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 - *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.*

Even though no agreement was reached within the Schiphol Local Community Council (ORS), the Management Board is positive about the meetings that were held. The different positions of various stakeholders have come closer together. The dialogue with the local communities will be actively continued. Schiphol and the aviation sector are aiming for moderate and controlled growth with a decrease in noise. This was received positively. Within the ORS, there is also broad support for the opening of Lelystad Airport in accordance with the agreements made in 2008.



Maintain the connectivity of the Mainport network - *Such as by continuing to offer over 300 destinations and retaining a top-three position in cargo volume, despite the current slot shortages.*

As of end-2018, Schiphol has 327 direct destinations. The cargo volume decreased by 2.5% but the top-three position in Europe is maintained.



Maintain high levels of process quality and customer satisfaction at competitive costs - *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.*

The first consultation process under the new Aviation Act was satisfactory and the charges were adjusted in such a way that the actual rise in costs is reflected. The model for measuring airline satisfaction has been developed, although the targets on quality, both external and internal, were unfortunately not entirely met.



Carry out investment projects, and commence implementation of the Capital Programme projects - *This includes various capacity-related projects, and initial construction work on the landside roads and new pier.*

The construction work on the landside roads and the new pier has commenced. In general, not all projects have been realised in accordance with planning.



Full implementation of the Digital Airport Programme, and producing usable data on the resulting revenue and efficiencies, and the associated benefits for airlines.

A new digital strategy for 2019 onwards was launched. A decision was taken on the organisational structure of 'digital', and the benefits for airlines and associated costs are included in the airport charges.



Maintain safe operations and address the recommendations by the Dutch Safety Board in conjunction with sector partners - *Envisaged results include implementation of the Integral Safety Management System (ISMS) and the Schiphol4Safety programme, as well as a greater focus on the necessary advancements in information security.*

The ISMS was successfully launched. The Roadmap Safety Improvement Schiphol was published online in October. The Schiphol4Safety programme is showing its effect on safety culture; examples include the Group leadership's safety commitments.



Make progress on our objectives to achieve climate-neutrality and become a zero-waste airport, and adopt a leading sustainability role in the sector. Schiphol is leading the joint sustainability agenda of the Dutch aviation sector and is taking initiatives to actively reduce emissions on airside. An energy vision is finalised and the ambition was set to achieve zero-emissions status in 2030. At this point in time Schiphol Group is on track to achieve this target. The roadmap for zero-waste has been integrated within the 'Vision 2050' process.



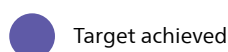
Optimise retail and parking spending, and further develop the real estate portfolio.

Retail spend per passenger on airside and parking revenue per departing Dutch passenger were below budget. Spend on food and beverage increased. It should be noted that in absolute terms passenger spend increased. The development of the real estate portfolio has been satisfactory. Occupancy rates are high.



Organisational development - *Invest in the further professional development and effectiveness of the organisation, as well as in improvements in performance management and talent management.*

Considerable effort was made to develop management and leadership and to implement strategic workforce planning. Further work will be done to optimise the organisational modes per business area and to align cooperation.



Target achieved



Target mostly achieved



Target partially achieved



Target marginally achieved



# Network, capacity and security

Our network is the core of who we are as an airport company and underpins our mission of Connecting the Netherlands. Together with our regional airports and other assets, the Schiphol hub is a vital engine for economic prosperity, employment and tourism in the Netherlands and the wider European region. This section of our results draws together our key strategic themes of Top Connectivity and Excellent Visit Value, which underpin the many different activities of Royal Schiphol Group, and specifically those of Schiphol's Aviation business area and our capital investment programme.

Following the rapid growth of our operations in recent years, capacity constraints are having an increasing impact on our Group's performance. In particular, the restrictions on air traffic movements at Schiphol have seen congestion emerge as a key challenge across different areas of our operations. While our passenger volume continued to rise in 2018, we saw signs of how our market position may be affected by Schiphol's air traffic ceiling in the years to come.

Expanding our physical capacity must remain a long-term objective in order to safeguard our mission, the quality of our processes and services, and Schiphol's hub position. However, it is

imperative that we carry out these developments safely and responsibly: ensuring the safety and security of our passengers, visitors and employees is always our top priority.



## Network of destinations

In 2018, Amsterdam Airport Schiphol welcomed 71.1 million passengers (up 3.7%). Air traffic within Europe decreased to 70.4% of the total passenger volume (2017: 71.1%). In absolute terms, the United Kingdom (2.6%), Germany (5.9%) and Poland (23.2%) accounted for the largest volume of European traffic.

The total number of passengers to Schengen destinations grew by 2.6% (2017: 9.1%). Meanwhile, passenger volumes outside Europe saw significant growth, particularly to destinations in North America (up 9.1%). African volumes also continued to grow (7.2%), thanks to increased frequencies to Mauritius and a strong increase in passenger numbers to Egypt, South Africa, Ghana and Morocco.



Transfer traffic increased by 2.6%, bringing the total number of transfer passengers to 25.3 million. The share of the total number of transfer passengers fell from 37.0% to 36.6% due to the increase in O&D passengers in Europe.

### Development of Schiphol's market share in 2018

Schiphol's market share for O&D passengers in its catchment area rose from 34.1% to 34.4%; however, its market share within the European top ten decreased from 11.9% to 11.7%. Schiphol maintained third position behind London Heathrow and Paris Charles de Gaulle; Moscow Sheremetyevo entered the European top ten airports with the highest growth (+14.3%).

Despite experiencing a decrease in market share for cargo, from 13.6% to 13.1%, Schiphol retained its third position behind Frankfurt and Paris Charles de Gaulle.

### Development of Schiphol's market share in 2018

(in millions of passengers, excluding transit direct)

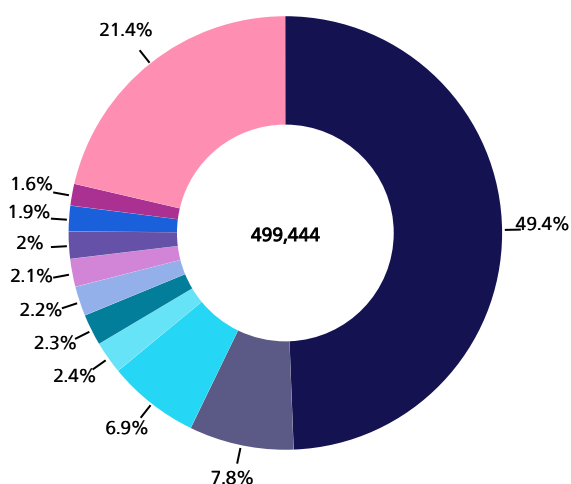
		Growth	Market share
London LHR	80.1	2.7%	13.2%
Paris CDG	72.2	4.0%	11.9%
Amsterdam AMS	71.0	3.7%	11.7%
Frankfurt FRA	69.4	7.8%	11.4%
Istanbul IST	68.2	6.7%	11.2%
Madrid MAD	57.8	8.5%	9.5%
Barcelona BCN	50.1	6.2%	8.3%
London LGW	46.2	1.4%	7.6%
Munich MUC	46.1	3.3%	7.6%
Moscow SVO	45.8	14.3%	7.5%

### Network development

Schiphol connects the Netherlands to the rest of the world. We aim to connect the Netherlands to more than 300 direct destinations. Given the current cap on air traffic movements, going forward, further network development will only be possible where existing frequencies have been reduced or discontinued. In 2018, Schiphol was able to offer a total of 327 network destinations.

The 327 direct destinations in 98 countries are served by a total of 108 airlines. Of these destinations, 135 are intercontinental (2017: 132). KLM and its codeshare partners served 212 destinations, equal to 2017.

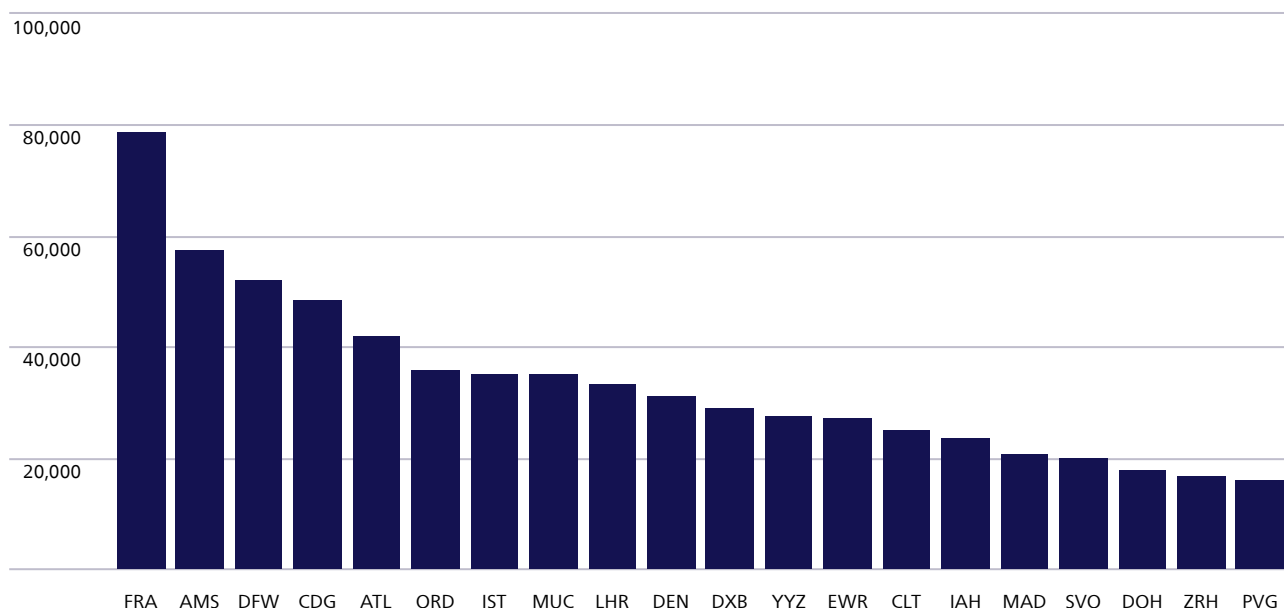
### Air transport movements at Schiphol in 2018



KLM	246,751
easyJet	38,882
Transavia	34,233
Delta Air Lines	12,025
Flybe	11,717
British Airways	11,034
Vueling	10,472
Air France	10,062
TUIfly	9,574
Lufthansa	8,031
Other	106,663

## Hub connectivity worldwide 2018

Number of transfer connections per week



2018 saw a number of changes within our portfolio of destinations. On balance, we were able to strengthen our long-haul network - for both cargo and passengers - over the year. In particular, we are pleased to note the further development of Schiphol's intercontinental network with the addition of seven new cities. These include three new African destinations in Mombasa, Enfidha and Upington (full freighter only); Beirut and Eilat's Ovda Airport in the Middle East; as well as two locations on the American continent in Fortaleza and Orlando. Within Europe, our priority remained the addition of key hub-destinations, and we now are connected to a new capital city: Ankara. Four intercontinental routes were discontinued in 2018, together with ten intra-European routes, of which three were full freighter-only routes.

Effective from 2018, a passenger destination is strictly defined as an airline carrying at least ten passengers on a flight between Schiphol and the destination in question for at least eight weeks in a row. Full freighter destinations are now defined as examples of more than 100,000 kilogrammes of cargo being shipped to and from a destination during a single year in at least ten frequencies. When applying this new definition to the 2017 count, the number of direct destinations is corrected as 329.

We have retained our position as one of the best-connected aviation hubs in Europe. In 2018, we ranked second in the ACI connectivity European benchmark for direct connectivity (2017: number 1), and held second place for hub connectivity (2017: number 2).

All Dutch airports operated by Royal Schiphol Group are experiencing capacity constraints. Amsterdam Airport Schiphol has reached the agreed limit of 500,000 air transport movements

## Direct connectivity at European airports 2018

Rank in 2018	Airport	Rank 2017	Rank 2008
1	Frankfurt	3	3
2	Amsterdam Airport Schiphol	1	6
3	London Heathrow	2	2
4	Paris CDG	4	1
5	Istanbul	5	18
6	Munich	6	5
7	Madrid	7	4
8	Barcelona	8	8
9	Rome FCO	9	7
10	Moskou SVO	11	30

per operational year, which was set in 2008 by the Alders agreement. Meanwhile, the regional airports in our Group are also experiencing their own air transport movement limits.

## Optimising the use of slot capacity

In 2018, the market's demand for more capacity at Schiphol led to a clear trend in airlines deploying larger aircraft as alternatives to smaller models. As well as a general increase in aircraft size, there was also a clear rise in seat occupancy rates, with fewer empty seats observed on routes to and from the airport. The combination of larger aircraft and increased seat occupancy resulted in an additional 3.0 seats per passenger air transport movement on average. This added nearly 2.2 million seats to the Amsterdam Airport Schiphol market in 2018, while the average load factor also increased, growing by 0.8 percentage points to 85.8%.

### Quality: Busy days require investment

We strive for excellent operational performance. In 2018, we achieved a Net Promoter Score (NPS) of 32 (2017: 34), which was below our target score of 35 for the year. With an average score of 31, the evaluations of departing passengers remained unchanged from 2017; however, the average scores provided by arriving and transferring passengers both dropped. A key focus going forward will be ensuring high standards for an ever-increasing volume of passengers. During the summer season, there were 37 days when the number of passengers exceeded 225,000, compared with only 16 such days in 2017. This rise underlines the urgent need for increased capacity for terminal processes. To this end, we are currently creating additional capacity in Departure Hall 1 and constructing a new pier and terminal.

Schiphol aims to accommodate all wide-body aircraft at a connected gate located at one of the airport's designated piers. However, due to the increase in wide-body activity, this summer, we made the decision to develop a number of additional remote aircraft-handling locations. This does live up to our quality standards. Due to the scarcity of wide-body aircraft stands, we have decided to set an initial limit for the number of larger aircraft within our Capacity Declaration, with effect from summer 2019. More constraining factors may be necessary in future years if we are to continue offering passengers and airlines a high-quality product.

### Capacity declaration

The capacity declaration sets the respective maximum number of aircraft movements for the summer and winter seasons. This information is provided to the independent slot coordinator. Airport Coordination Netherlands (ACNL) then allocates airport capacity to individual airlines in the form of slots.

The capacity declaration governing aircraft movements at Schiphol is approved via the Operational Schiphol Consultation (OSO). Under this system, senior managers from Schiphol, in addition to representatives from Air Traffic Control the Netherlands, the airlines with a base at Schiphol (KLM, Transavia, Martinair, TUI fly, Corendon Dutch Airlines and easyJet), as well as two interest groups, SAOC and BARIN, convene to agree on the maximum number of air transport movements for the forthcoming winter and summer seasons. Important operational issues or bottlenecks are also discussed. The consultation is chaired by the Schiphol Airport Operations Director, with the Ministry of Infrastructure and Water Management (I&W) and the ACNL regularly sitting in on meetings.

## Wide-body restrictions

Combined with the further growth in market demand for air transport, the limit imposed on air transport movements at Schiphol has led to significant increases in the number of wide-body aircraft movements through Amsterdam Airport Schiphol in recent years.

This challenge reached a critical point in 2018, when the increased presence of larger aircraft resulted in shortages in our wide-body connected handling capacity. Wide-body planes with longer layover times needed to be parked at cargo stands or, on several occasions, at Schiphol-East. This put pressure on Air Traffic Control the Netherlands (LVNL) due to the number of towed runway crossings taking place. During the summer months, between eight and ten aircraft needed to be accommodated at non-connected stands on a daily basis.

Schiphol, in collaboration with other industry stakeholders, recognised the growing volume of traffic at the aircraft stands as a bottleneck requiring better regulation. As such, all parties were in favour of including an additional parameter in the capacity declaration aimed at preventing future shortages in connected and parking stands.

Effective from the 2019 summer season, Schiphol will allow a maximum of 41 arriving wide-body passenger aircraft to land at the airport during the morning peak period (7:20-10:30 LT). This parameter will be reviewed and optimised in time for the following season.





## Slots: 'use it or lose it'

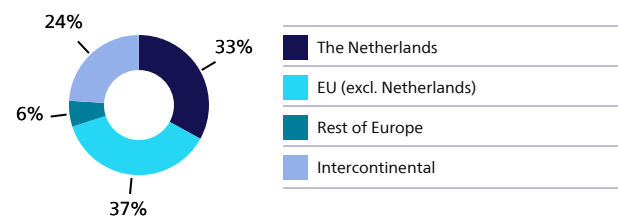
The Stichting Airport Coordination Netherlands (ACNL), the independent slot coordinator, allocates available capacity at our airports in the form of slots. The coordinator allocates the slots twice a year, a few months before the start of the winter and summer seasons. The system works according to the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

An airline accrues a historical entitlement when it uses 80% of the allocated slots; it will then automatically be able to use those slots during the following season. In accordance with the rules, any airline not meeting the minimum 80% target loses its historic right to operate those slots the following year.

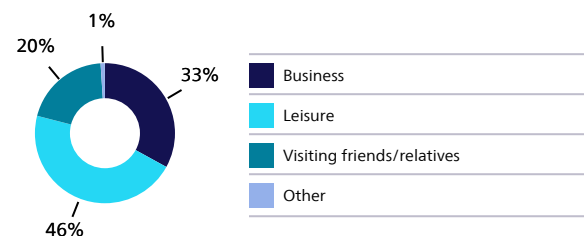
## Passenger volumes at Schiphol in 2018

Volumes per airline		Growth
KLM	34,339,523	4.5%
easyJet	5,987,542	7.8%
Transavia	5,298,291	0.9%
Delta Air Lines	2,921,489	3.5%
TUIfly	1,880,752	-4.5%
Vueling	1,657,983	8.0%
British Airways	1,333,359	0.5%
Air France	1,148,335	-9.7%
Lufthansa	859,506	3.3%
Flybe	809,991	3.6%
Other airlines	14,816,376	3.5%

## Country of residence



## Reason for travelling

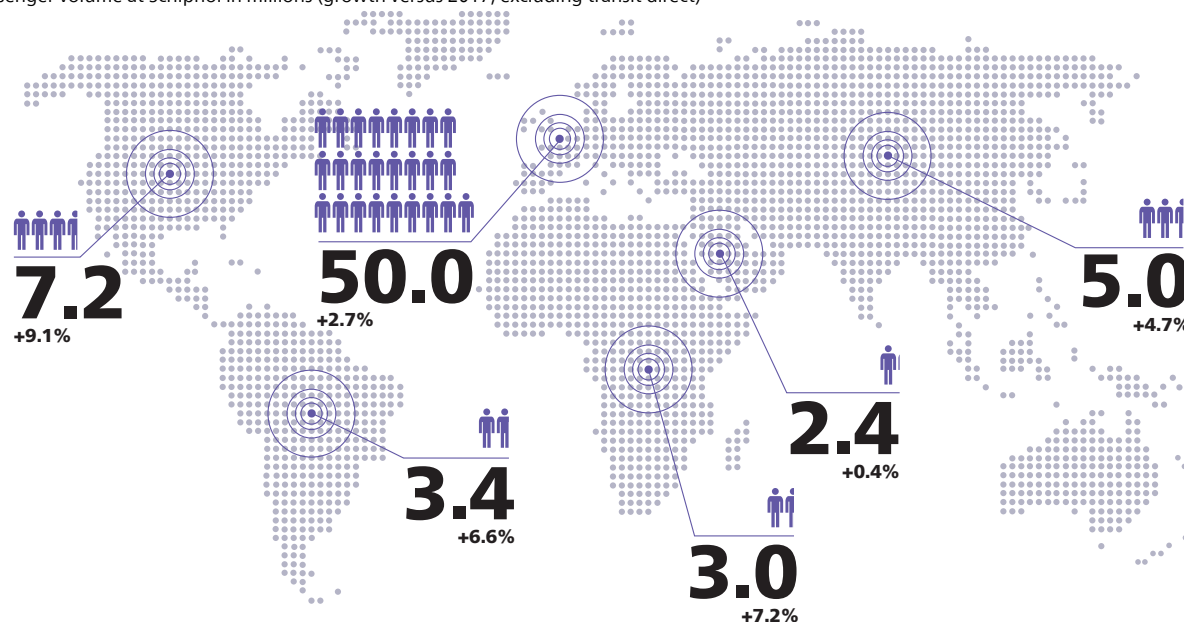


## Top-5 European destinations

Airport	Number of passengers
1. London Heathrow	1,745,757
2. Barcelona	1,418,714
3. Paris Charles de Gaulle	1,238,016
4. Dublin	1,194,651
5. Copenhagen	1,090,783

## Passenger volumes and growth by continent

Passenger volume at Schiphol in millions (growth versus 2017; excluding transit direct)



## Top-5 intercontinental destinations

Airport	Number of passengers
1. Dubai International	901,460
2. New York JFK	880,556
3. Atlanta	812,286
4. Toronto	638,314
5. Detroit	621,630

## Cargo

In 2018, 56% of the total cargo volume of 1.72 million tonnes at Amsterdam Airport Schiphol was transported in full freighters and 44% via passenger flights.

## Full freighters and slots

In 2018, full freighter operations at Schiphol suffered a significant loss of their historic slot rights. This resulted in a 10.4% decline in full freighter movements. In response, the Coordination Committee Netherlands has proposed a local rule whereby full freighter operations are given certain priority when it comes to distributing slots that are returned in-season. Implementation of the local rule is expected in 2019.

We note that, despite the decrease in full freighter movements, Schiphol's shipped cargo volume declined by a relatively modest 2.5% during the year, having been offset by higher cargo volumes on passenger flights.

## Digitisation of cargo processes

Schiphol has set itself the target of maintaining the airport's current cargo volume. Working with our partners across the cargo

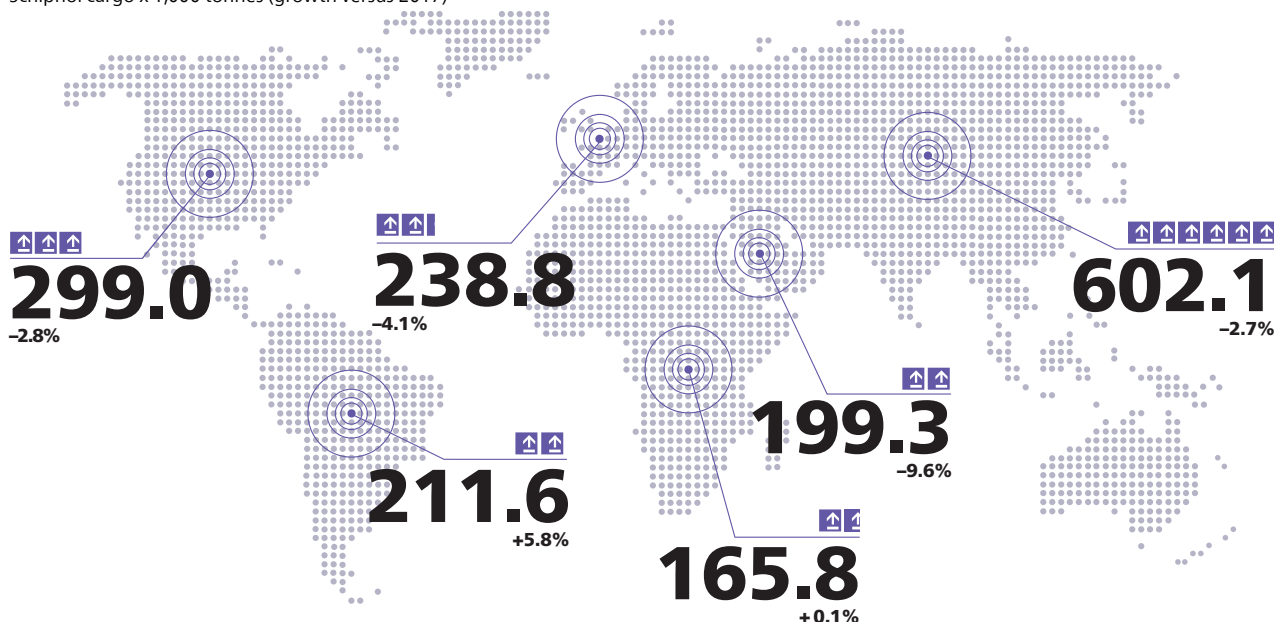
value chain, we have developed the Smart Cargo Mainport Programme (SCMP), with the aim of identifying new ways of improving the flow of cargo through the Schiphol hub. SCMP comprises three pillars: (1) digital information (centrally accessible and fully utilised), (2) landside logistics, and (3) improving the supply chain for flowers, pharmaceuticals and other time- and temperature-sensitive products. All three pillars are underpinned by a transparent system of data exchange.

In 2018, we launched three new innovations, each specifically designed to support one of the respective pillars. The first of these, a trucking app, supports pillar one by giving handlers timely, early-stage information on incoming trucks and cargo, while also allowing them to instruct truckers on when to arrive, or when not to. The goal is to reduce waiting times and enable handlers to manage their resources more efficiently. Our second new cargo innovation is a compliance checker, which makes it possible to correct Air Waybill information at an early stage in accordance with current Customs regulation in the receiving countries. With regard to pillar 3, Schiphol has launched a platform allowing supply chain partners to link critical data on flower shipments to Air Waybill data at the source. Information regarding the number of boxes, flower type and the number of flowers and stems in each box is linked to Air Waybill numbers by the portal. A unique GLN code is then generated, providing all users with access to the data in a centralised location. The platform has been successfully trialled on journeys from Nairobi, Kenya, to Aalsmeer Flower Auction in the Netherlands.

Automated nomination is a further innovation resulting from the SCMP. Instead of manually linking a shipment to an agent, chain partners will be able to perform this task automatically, eliminating unnecessary delays.

## Cargo volumes and growth by continent

Schiphol cargo x 1,000 tonnes (growth versus 2017)



## Airport capacity

As the demand for our services has grown, capacity has become an increasingly critical issue at Schiphol in recent years. We strive to offer our travellers and other visitors an efficient, enjoyable and safe user experience at all times. To ensure these objectives are met, Schiphol Group is undertaking a series of investments and other initiatives aimed at meeting our future capacity needs, both in the immediate future as well as the long term. Our goal is to carry out investment projects and to begin implementing projects relating to the Capital Programme. The latter include various capacity-related projects and initial construction work on the landside roads and new pier. In 2018, construction work on the landside roads and the new pier commenced. We note that not all projects have been realised in accordance with planning, for various reasons.

We will be undertaking major expansion and redevelopment work at the airport over the coming months and years, as we look to add new physical capacity, while also working to improve quality and further optimise our processes.

### Master Plan

A large number of investments are planned, the main ones being our new pier and terminal, the revised landside road infrastructure and the renovation of Departure Hall 1. There are also plans in place to extend the airport's parking facilities.

Taking into account evolving industry and societal trends and developments, we are currently exploring several options for the smart and sustainable development of our airport, both landside

and airside. These spatial developments will be incorporated into a new Master Plan for Schiphol, with a particular focus on the phase to follow the completion of the new pier and terminal. We will, of course, be involving important stakeholders in this process.

Our plans extend further still. The world around us is changing rapidly, and this requires Schiphol to take a proactive, future-focused approach, taking into account key societal issues such as climate change, emissions and, of course, safety and security. Responses to those issues will be detailed in Schiphol's new 'Vision 2050' document, in which we will set out the course we intend to take through to 2050. It will form the basis for Schiphol's spatial development vision and Master Plan. Please consult the Strategy chapter of the annual report for further information on Vision 2050.

### The new pier and terminal

Development of the new pier continued at a steady pace through 2018, building on the groundwork and other preparatory work that took place in 2017. Piling work was completed during the course of the year, and the pier's foundations were subsequently put in place. BN-TAV, a joint venture between Ballast Nedam and TAV Construction, was selected as general contractor for the project. This allowed construction work to begin, starting with the erection of the steel structure of the pier. The pier will become operational next year.

The new pier, which will accommodate large and medium-sized aircraft, will allow a much-needed expansion of our current capacity, enabling us to meet the demand for aircraft stands and gates at Schiphol. Two further stands for large aircraft will be added to the pier at a later stage.

The new terminal will be built on the roof of Baggage Hall South, occupying some of the space where the P2 multi-storey car park was formerly located. A preliminary design was delivered by the terminal designer in November 2018. The new terminal building will feature a connection to the existing terminal, allowing us to continue offering passengers the much-appreciated 'one terminal' concept. Accommodating the new pier and terminal requires the relocation of underground utilities on the Havenmeesterweg, along with adjustments to the adjacent road infrastructure.

Reflecting our ambition to become a zero-emissions airport by 2030, the terminal and new pier will be designed to high sustainability and environmental standards, and both will receive Leadership in Energy and Environmental Design (LEED) Gold certification.

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

We are redeveloping Departure Hall 1 as part of our ongoing efforts to relieve congestion within the terminal and support the growing number of passengers travelling to and from Schengen destinations.

In 2019, we will finalise our plans for redesigning the existing departure halls within the Schiphol terminal. These plans include extending the mezzanine floor above Departure Hall 2 to Departure Hall 1 in order to create an enlarged security floor that will accommodate the Schengen filter. We will also be able to make flexible use of the Departure Hall 1 and 2 security lanes depending on demand, adding speed and comfort for passengers as they go through security. The relocation of the Schengen security filter, currently located on the same level as the check-in desks, will free up space for an extended check-in and bag-drop area.

Preparatory work on the renovation of Departure Hall 1 began in 2018, and we also started creating a temporary security filter to manage passenger flows during the redevelopment project. We are rerouting the passenger walking routes linking Arrivals and Schiphol Plaza to the departure halls on the floor above. The extension of the mezzanine will have consequences for a number of commercial operations.

### **Additional aircraft stands**

The growing trend towards larger aircraft at Schiphol has put increasing strain on the airport's wide-body connected handling capacity, leading us to introduce an additional parameter in the Capacity Declaration (more information on this development can be found in Network of destinations). Meanwhile, we are actively working to address the current shortage of connected gates and parking stands by expanding one of Schiphol's remote holding locations, the Uniform Platform, in a series of stages. Phase 1 of construction was completed in November 2018, adding four new buffer spaces, with a further three spaces still to be built.



## **Coming soon: Fully automated passenger bridge**

Full Automatic Connection, a collaboration between Schiphol, KLM and the supplier of our passenger bridges, CIMC-Tianda, is developing a prototype of a solution that enables the passenger bridge to connect itself automatically to awaiting aircraft. An automatically connecting bridge offers a number of potential advantages: the connection time is shortened to less than a minute, resulting in much-reduced waiting times for passengers boarding or leaving the aircraft; the entire turnaround process is also shortened, and there is a reduced chance of malfunctions or damage due to operational errors.

The fully automated passenger bridge is an entirely new innovation; if the prototype proves successful, Schiphol will be the first airport in the world to use the technology.

The development of six cargo parking places at Schiphol-Southeast also progressed steadily through 2018. In view of the current shortages, the ten temporary remote handling positions that were brought into use at the E, G and J buffers in 2018 will be also made suitable as final positions for remote handling.

### Expanding Taxiway Quebec

Schiphol is in the process of expanding Taxiway Quebec from a singular taxiway into a dual taxiway consisting of two separate lanes. This conversion is part of the wider 'Completion dual taxiway system' project: the entire lane system around the terminal is being converted into a double-lane format in order to expand the airport's ground handling capacity and improve flexibility.

The doubling of Quebec lane will also help improve safety across Schiphol's ground operations, forming part of the Roadmap Safety Improvement Schiphol put in place by the Integral Safety Management System (ISMS) collaboration. Having a two-way traffic flow makes the work of Air Traffic Control far clearer, reducing operational risks. It will also have a direct environmental benefit, with an improved airside flow of traffic enabling a reduction in carbon emissions. Further details of the ISMS and the Roadmap can be found in Safety, within People, environment and community.

Adding the second Quebec taxiway will be complex: a second viaduct must first be built over the A4 motorway, existing infrastructure above and below ground will require modification, and a number of buildings will need to be demolished.

### Mid-Term Plan

In the autumn of 2018 we began work on our Mid-Term Plan, to cover the period up to and including 2027. This will be an integral plan covering airside and landside development. It seeks to supplement the expansion of our physical capacity over the next few years with additional asset, non-asset and digital solutions. We have already communicated our capacity needs up until 2023 with the airlines.

## Proposed 'local rule' moves closer

Severe weather conditions and other extreme events can have a major impact on capacity at our airport. To mitigate this, Schiphol convenes a meeting, involving our home carrier, KLM, as well as Air Traffic Control (ATC) and the weather service, to assess the situation one or two days in advance of anticipated events. Based on the outcome, Schiphol can decide to send out an alert to the airlines one day in advance requesting that they reduce their flight volume during the period in question.

This request for voluntary capacity reduction has been in place for many years; however, rapid growth in air transport movements has left less and less room for such contingency measures. In order to prevent incidences of over demand, Schiphol has proposed a 'local' rule, which would strengthen our response to anticipated capacity issues. Similar to the voluntary procedure, under the proposed rule, the airport can make a request for voluntary schedule adjustments during the impacted period, provided each of the parties agrees. If the requested voluntary schedule adjustments are still deemed insufficient, the airport can force airlines to adjust their schedules, but only as a last resort.

The proposed rule has been discussed by a dedicated task force comprising members of the Slot Performance Committee as well as other key industry representatives. In September 2018, the proposal was approved by a majority of votes at an extraordinary meeting of the Coordination Committee the Netherlands (CCN). The proposal for the local rule is currently awaiting approval by the Dutch Ministry of Infrastructure and Water Management (I&W).



## Accessibility

Dutch airports depend on a sophisticated network of domestic and international multimodal connections to ensure their strong competitive position. Travellers choose an airport primarily based on ticket prices, destinations and flight frequencies, but also on its transport connections and ease of access. Similarly, accessibility is one of the most important factors for businesses when selecting a location for their operations.

As the number of visitors to our airport grows, the roads, railway station and parking facilities at Schiphol are increasingly busy. Meanwhile, security measures are putting additional pressure on our landside infrastructure capacity. More than ever, there is a need for new accessibility options; self-driving cars, car-sharing and other emerging solutions have the potential to add value to our offering, and we are keeping a close eye on future innovations such as the Hyperloop.

The emphasis of our long-term mobility strategy is on collective, clean transport. This strategy includes a re-examination of the layout of the airport's access and drop-off roads and examines ways to improve accessibility by motorcycle, scooter and bicycle. By providing excellent public transport connections, we encourage passengers to travel to and from Schiphol by train. Equally, we dissuade passengers travelling by car from being picked up and dropped off, as this creates four transport movements instead of two.

Further to this, the Schiphol Landside Infrastructure and Mobility (SLIM) programme structure has been put in place to integrate and coordinate all landside development projects at the Schiphol site so that they don't significantly impact accessibility.

### Travelling to Schiphol by train

It is vital for Schiphol to have strong train connections to prime locations such as Amsterdam and surrounding areas, as well as major economic centres across the Netherlands and other parts of Europe. At present, passengers can take the high-speed Thalys train from Schiphol to Antwerp, Brussels and Paris. However, the Eurostar to London doesn't currently stop at Schiphol, and we lack a high-speed connection with Germany. Likewise, a reliable, fast connection between Schiphol and Eindhoven's Brainport region would further strengthen the international business climate of the Netherlands.

### Getting to Schiphol by bus and bicycle

Public bus use to and from Schiphol is on the rise, with demand especially high on the Sarnet route to central Amsterdam. The new express bus connection at Schiphol-East, which we are developing in partnership with local authorities and the Amsterdam Transport Region, has been delayed due to PFOS-contaminated soil. We expect the route to be fully operational from 2024; in the meantime, we are providing public transport



## Travel to Schiphol baggage-free

In 2018, Schiphol extended its baggage home pick-up pilot service in collaboration with PostNL, as well as Corendon and Transavia. The service offered passengers the convenience of being able to check in and 'drop off' their baggage at their home address, allowing them to travel to Schiphol luggage-free and head straight through to security on arriving at the terminal. It is hoped that such a service will encourage the use of public transport to and from Schiphol, while also helping to relieve pressure on the airport's check-in processes.

We aim to explore new ways to expand the baggage collection service in 2019. In addition to home pickup, we are looking for ways to introduce baggage drop-off point at strategically important locations, including conference centres, hotels and cruise terminals. These kinds of innovations are also likely to have an important long-term role in driving sustainable mobility practices.

bicycles to help commuters cover distances between the Schiphol-East High-Quality Public Transport Hub (HOV) and various work locations at Schiphol-East. HOV Schiphol-South will be completed at the Schiphol-Rijk business park in 2019. Connexxion, the transportation company serving Schiphol, has been using electric buses on its routes since April 2018.

### Reaching the airport by road

In 2017, the Ministry of I&W completed the rerouting of the A9 motorway between the Raasdorp junction and Badhoevedorp, which allowed for an entirely new road configuration to be built in 2018. Despite this important development, there is growing pressure on Schiphol's access and drop-off roads. We have had to reroute access to the airport due to the demolition of the P2 parking facility. We are in continued discussions with the Ministry with a view to improving the motorway connection to Schiphol.

In 2018, we made further improvements to a number of road tunnels at the Schiphol site to ensure compliance with the Dutch Tunnel Act, which takes effect in 2019. Renovation of the Loevensteinse Randweg tunnel beneath Runway 09-27 is almost complete, while work has started on the tunnel beneath Runway 06-24 that connects the two cargo zones. Escape routes will be modified and SMART technical systems fitted in order to improve safety in the tunnels.

### Parking

While we encourage our travellers to use public transport where possible, equally, we recognise that good parking facilities are an essential part of Schiphol's accessibility and particularly important to passengers living and working in the Netherlands. To this end, we try to ensure there are always enough available spaces at the Schiphol site for those who want them. There is also an important

sustainability component behind our objectives: passengers who drive themselves to and from the airport are restricted to two car movements, as opposed to the four movements involved when individuals are dropped off and collected by a third party.

Despite the restrictions imposed by the redevelopment of several of our parking facilities in the first half of 2018, we were able to maintain a consistent number of available parking spaces at the Schiphol site during the year. In 2019, we will move ahead with plans to expand our long-stay parking capacity (further details can be found in the Portfolio of services section of Our results). Meanwhile, we will maintain our maximum short-stay parking duration of 48 hours near the Schiphol terminal.

### Improving landside accessibility at Schiphol

Landside accessibility is one of the main challenges we face at Schiphol. This is made clear by the Schiphol Perception Monitor: the airport's accessibility score has remained stable at 74 over the past year; however, we have dropped two places in the European Airport Service Quality (ASQ) benchmark for this metric, to fifth.

Schiphol's railway and bus stations, as well as the main access roads to the terminal, are experiencing increasing capacity problems. Over the past eight years, use of these facilities by people travelling to and from the airport has been growing at an average of 7.8% per year. Meanwhile, ongoing construction work at the Schiphol site presents further obstacles from an accessibility standpoint.

With Schiphol's traveller volume continuing to rise, we are considering a range of short-, medium- and long-term measures that will allow us to continue offering passengers, employees and visitors with safe and reliable landside accessibility options. As

## Future ultrafast connections: The Hyperloop

Schiphol Group is working with various parties to explore new forms of mobility, innovative transportation networks and other developments within the mobility landscape. Against this backdrop, Schiphol recently began participating in the Hyperloop Implementation Programme being led by Hardt Hyperloop, based in Delft. The partnership, which was announced at September 2018's HyperSummit, involves Schiphol working with Hardt to investigate whether the Hyperloop concept can help us meet our future accessibility needs.

The Hyperloop is a proposed mode of ultrafast ground transportation. Currently at a developmental stage, the concept proposes using a system whereby a passenger 'pod' travels through a network of low-pressure tubes at speeds of over 1,000 kilometres an hour. Hardt Hyperloop is currently exploring the feasibility of creating a hyperloop connection between Amsterdam and Frankfurt, which would reduce travel time between the two cities to just 50 minutes.

The concept aligns closely with Schiphol's wider innovation programme and could prove to be a valuable addition to the future transportation landscape. In particular, this technology has the potential to become a sustainable transport mode in the years ahead.

part of the SLIM programme, we are exploring ways to reorganise our accessibility over the coming years, and determining which locations are best suited to specific transport modes.

Using measuring equipment on the roads outside the terminal building, we are analysing the flow of vehicles around Schiphol-Centre and monitoring how much time they spend at the site. We then use this data to resolve traffic bottlenecks. We are looking for temporary measures to improve mobility on the one hand, while also searching for sustainable long-term solutions on the other. Our aim is to introduce such solutions without compromising Schiphol's high levels of customer service.

### Short term

Schiphol Airport railway station is fast approaching maximum capacity. The platforms are extremely busy at peak times, and we are taking measures to avoid safety being compromised. In 2018, additional ProRail staff were deployed to conduct crowd control and improve passenger flows at Platforms 1 and 2, where trains depart for Amsterdam.

Airport staff oversee crowd control at Schiphol Plaza, with particular attention given to the area surrounding the bus station outside the terminal building, where buses intersect passengers crossing the road. To make the area easier to navigate, structures blocking the overview of the Plaza are being relocated, with the train-ticket vending machines moved to a single location. Further measures to improve passenger flow will be introduced over the course of 2019.

### MIRT and station development

Since September 2016, Schiphol Group has been working with the Ministry of I&W, the Amsterdam Transport Region, ProRail and Dutch Railways to draw up the Multi-year Infrastructure, Space and Transport Plan (MIRT). The MIRT is an exploratory study for the development of the Schiphol Multimodal Hub as a means of resolving current bottlenecks at the airport's railway and bus station. The study outlines plans for expanding the capacity of the station while guaranteeing passenger safety and maintaining a high level of customer service.

A preferred scenario for developing the hub is expected in 2019; this plan will be further developed and made ready for implementation over the coming years. Preparatory measures will include adjusting the vertical ascent to the train platforms and improving the layout of Schiphol Plaza.

### Long term

A long-term solution for Schiphol's railway station is being explored via another plan: the MIRT Southwest Amsterdam Schiphol Hoofddorp (ZWASH). Since there is limited scope for expanding the railway infrastructure, Schiphol favours the extension of the North-South metro line from Amsterdam all the way to the airport. The extended metro line could free up space on the railway for additional international trains, encouraging passenger migration from air travel to trains. The extension also offers opportunities for the development of Enter [NL], the economic corridor between central Amsterdam and Hoofddorp. More generally, we see the value of train travel as an alternative to commercial air transport, particularly on shorter distances

## Travelling by train to Schiphol increasingly popular

In 2018, more passengers once again took the train to Schiphol than in the preceding year; this group now accounts for 42.1% of the total (target: 40%). Of the total share of passengers who use public transport (46.3%), 4.2% take the regular bus service (2017: 3.9%).

### Passengers' choice of transport to Schiphol

in %	2018	2017	2016	2013	2010
Public transport	46.3	42.9	42.4	39.2	41.0
Dropped off by car	19.8	22.7	22.5	26.6	28.5
Parked car at airport	10.3	11.2	12.3	13.0	10.6
Taxi	12.7	13.5	11.7	10.0	9.2
Group transport	7.4	6.3	7.4	7.9	7.4
Other	3.5	3.4	3.7	3.3	3.3

within Europe. This substitution brings several advantages, reducing aviation emissions and helping to offset scarce airport capacity.

### Smart mobility

Schiphol is taking the initiative in discussing the current bottlenecks and exploring possible solutions with various transport partners and interest groups. In 2017, we joined the Amsterdam Metropolitan Area (MRA)'s Smart Mobility Front Runner Group. More generally, we continuously look for smart and sustainable mobility solutions together with local authorities, educational establishments and major businesses in the region. Introducing car2go, an electric car-sharing initiative, and Uber to Schiphol's mobility mix are just two examples of future initiatives being considered.

### Developing a digital mobility platform

In November 2018, Schiphol held an expert meeting with all regional public transport suppliers with a view to exploring the use of digitisation to improve travel, as well as travel information, between Schiphol and Amsterdam. The subject of the discussions was creating a joint digital mobility platform through which arriving passengers can buy their train or bus tickets in advance. By downloading the ticket on their phone, travelling to and from Amsterdam will be made easier, resulting in an improved passenger flow at the airport.

## 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. Security at airports involves many parties in and around the terminal: alongside Schiphol and its staff, these include the Royal Netherlands Marechaussee (RNLM: military police), Dutch Customs and private security firms. Our aim is to comply with all security laws and regulations in a customer-friendly and cost-efficient way.

### Landside safety

Guaranteeing the safety of Schiphol's landside areas is a key part of our short- and long-term decision-making. Following a series of terrorist attacks at other airports in recent years, we are working closely with different government parties to minimise the possibility and potential impact of any future attack.

We have a dedicated, multi-year landside safety programme in place to oversee and implement the measures assigned to Schiphol. The programme is based on a thorough threat and risk assessment for public areas, which was carried out under the direction of the public-private platform BPVS. Its purpose is to protect the airport's publicly accessible areas and assets against a possible attack without greatly impacting our day-to-day operations or the airport's welcoming atmosphere. Since

launching the programme in 2017, we have undertaken a number of non-visible measures to improve security and made several physical adjustments to our landside infrastructure. The latter category has included positioning concrete blocks on Jan Dellaertplein to widen the barrier between the front roads and the terminal.

Schiphol has been in close consultation with the Group's regional airports in developing and implementing the landside security programme, and we are also in communication with other international airports. A schedule of requirements has also been established to ensure that any physical security developments meet aviation industry requirements for explosion resistance in line with national and international airport standards.

### Additional security measures for flights to the US

Schiphol currently has additional security measures in place for flights to the United States. The measures are the result of an emergency amendment made to American aviation security protocols by the US government in July 2017. Specifically, we have established a process for carrying out additional checks at relevant security gates in collaboration with the relevant airlines. The measures were further streamlined in preparation for new national legislation on security measures for flights to the US, which will take effect from early 2019. They entail, among others, the use of CT equipment and other technologies implemented over the course of 2018. The use of these new technologies such as CT scans has been well received by passengers and our sector partners at Schiphol.

These technologies and additional procedures are important in the ongoing discussions between the Dutch and US governments on the subject of preclearance. Preclearance is a service involving travellers passing through US border control at the airport of departure, thus avoiding long queues on arrival in the United States.

### Brexit

On 29 March 2019, the United Kingdom plans to leave the EU. This may have an effect on airport operations. As a result, multiple scenarios and their effects on aviation regarding a possible 'no deal' or 'hard Brexit' have been evaluated in close cooperation with all relevant public and private stakeholders, both nationally and internationally. Following on from this, measures to mitigate the effects of possible Brexit scenarios have also been jointly developed. Both Schiphol and the Netherlands government successfully lobbied the European Commission to maintain One Stop Security (OSS) for passengers travelling to the Netherlands from the UK. In November 2018, the EU communicated a contingency action plan, which states that OSS arrangements between the EU and the United Kingdom will remain in force after Brexit, even in the event of a 'no deal' scenario.

One Stop Security is a provision under EU law, whereby passengers and luggage arriving from non-EU countries with

equivalent aviation security measures are not required to undergo additional security measures when transferring at Schiphol. This means that the impact on security operations from even a 'no-deal' scenario will be limited. Disruption to Customs and border procedures to and from the UK continues to feature in all scenarios, however, which is why Schiphol is continuing relevant preparations with all aviation partners. When the UK leaves with an agreed deal, there will be status quo on border and Customs procedures until 1 January 2021.

### **Alleviating pressure on security control and border control points**

Our priority is to enable travellers to pass through security control as quickly as possible without compromising safety. Nevertheless, amid rapid growth in passenger volumes at Schiphol, staff shortages at border control have become a growing problem in recent years. In 2018, additional Royal Marechaussee immigration personnel were made available by the government and in 2019, the number of immigration agents at the airport is set to rise further, to a total of 417. Meanwhile, we are looking for new ways to improve passenger flows at border control points, including reassigning staff from other services during peak periods.

### **Speeding up security through automation**

The ongoing automation of our border processes offers a further solution to Schiphol's security issues. Since 2017, we have been performing automated ID checks based on facial recognition using specially designed No-Q portals. 84 portals are now in place throughout the airport; approximately 12 million non-Schengen passengers made use of this facility in 2018, equivalent to one out of every three travellers through Schiphol. We are currently working with the Netherlands government and the technology supplier, Vision Box, to enhance the stability of the system.

In 2018, we took further steps to enhance passenger security flows by expanding our use of CT hand-baggage scanners. From 2019, all non-Schengen security lanes at Schiphol will be equipped with CT scanners, while our Schengen lanes will steadily introduce the technology over the following year. Our transition to CT scans complies with the requirements of the National Coordinator for Counterterrorism (NCTV). Moreover, it is helping to significantly improve the customer experience at Schiphol, allowing travellers the convenience of leaving liquids and electronics in their bag during security checks. Meanwhile, we have continued our use of 'small bags only' lanes during busy periods to relieve passenger congestion.

The innovations described above are proving successful in reducing wait times and queues, even during peak periods: in 2018, 93% of departing passengers experienced a wait time of ten minutes or less when passing through security.

### **New security lanes in Departures 1**

The newly renovated Departure Hall 1 will see 22 new security lanes added to the Schiphol terminal, to be installed on a new

mezzanine floor. This additional capacity will minimise the time passengers spend in the security filter, resulting in a faster, smoother journey towards the Departure Lounge. The temporary Departure Hall 1A, which was completed in April 2017, continued to be operational throughout 2018 and will remain in place throughout the redevelopment.

### **Drones**

The disruptions experienced at London's Gatwick and Heathrow airports in December 2018 have generated international debate regarding the best approach to prepare for - and deal with - drone-related issues at airports. In the Netherlands, the Ministry of Infrastructure and Water Management (I&W) and the police are jointly responsible for the preparation of anti-drone measures as well as the enforcement thereof.

Schiphol has taken the lead, in collaboration with the aviation sector and the relevant police authorities, in developing a risk-based approach to dealing with the risk of drone incursions. This approach will take into account the impact on aircraft operations and available mitigation measures, including anti-drone activities, bylaws governing the operation of drones in the airport's vicinity, and identifying the geographical boundaries of no-fly zones for drones at and around the airport (especially approach and take-off flight paths). We coordinate closely with the Royal Marechaussee to ensure that any new anti-drone measures do not create unintended safety hazards and unmitigated risks to other manned aircraft, authorised drones and aviation infrastructure. We also maintain close contact with our UK colleagues through Airports Council International (ACI), with a view to sharing experiences and lessons learnt on anti-drone measures and drone-related incidents.

### **Building IT resilience throughout our ecosystem and beyond**

IT and cyber security are key priorities for our Group, reflecting our growing focus on the digitisation of our airport. Schiphol has put in place a dedicated IT security programme, overseen by the Schiphol Cyber Security Center (SCSC), to drive continuous improvement in our IT and information security processes. At the same time, our employees remain our strongest barrier against cyber threats, and we work hard to promote awareness among the workforce through regular campaigns and initiatives. We have also added a responsible disclosure notification feature to the Schiphol website, so that individuals can report IT breaches and vulnerabilities in a safe and structured way.

In 2018, the focus of our security programme shifted from our generic IT infrastructure to protecting our key IT assets. Among other developments, the year saw the launch of our dedicated 24/7 Security Operations Center (SOC), as well as the Incident & Response team (CSIRT), which will allow us to respond more effectively to cyber threats and attacks. Schiphol also participated in ENISA Cyber Europe, an industry event led by the European



Union to test and improve the response of aviation stakeholders to cyber-related crises.

In an increasingly digitised and technology-dependent world, we realise that a single weak link in the chain can have major repercussions for security across the wider ecosystem. More than ever, there is the need for an integrated approach to IT resilience that extends beyond our own business operations or the airport site itself. For these reasons, we play a leading role in the Cyber Synergy Schiphol Ecosystem (CYSSEC): a partnership for improving the cyber security and resilience of all private and public organisations involved in the chain of processes and services at Schiphol, while also exploring economic opportunities. In 2018, the CYSSEC organised a series of knowledge-sharing sessions for stakeholders and made key tools and information available via its online platform.

Schiphol is also a member of the Cyber Security Council, an independent Dutch advisory body tasked with providing advice on issues surrounding IT security and monitoring the execution of the National Cyber Security Strategy.

## Tourism and conference hosting

Tourism and conference hosting make an important contribution to the Dutch economy. The number of inbound tourists to the Netherlands increased by 7% in 2018, to reach 19.1 million. The Netherlands Office for Tourism & Conferences (NBTC) expects tourist inflows to continue rising in 2019 in line with persisting economic growth in key markets, and projects the number of foreign tourists in the Netherlands to grow by at least 50% between now and 2030. However, capacity constraints at Schiphol, combined with perceived tourism pressure on Amsterdam and the rising cost of hotel accommodation, may see growth soften in the short term.

The excellent connectivity of the Netherlands also makes it a popular destination for conferences and exhibitions. According to the latest data of the International Congress and Convention Association (ICCA), the Netherlands ranks tenth globally for the number of international association meetings and is number six for this metric in Europe.

## Regional significance

Airports have a significant economic impact on their surrounding regions. A survey of 500 EU companies found that 42% of businesses consider international transport links to be an important factor when choosing a location for their operations in Europe. Airports also generate employment. For example, Schiphol is home to about 500 companies, which, together with our own activities, currently employ approximately 67,000 people. Schiphol's overall employment contribution - including direct, indirect, induced and catalytic roles - is estimated to be about 300,000 jobs, though these figures vary per study.

Air travel is particularly important to the economy of the Netherlands, which, being the world's fifth-largest exporter, relies on having excellent air connectivity with its trade partners. Indeed, over one-third of Dutch GDP depends on foreign markets, much of this generated through business services, a category which depends heavily on international face-to-face contacts.

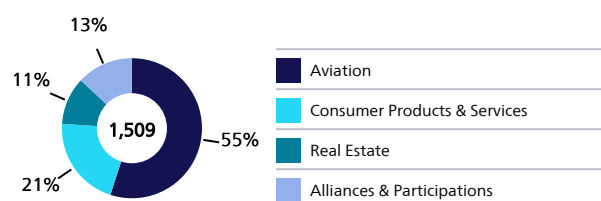
Economic significance applies to both hub and regional airports. The connectivity provided via Schiphol and the airports in our Group offer clear benefits to the businesses located in the Randstad and the Netherlands; our airports are important reasons why numerous multinationals, NGOs and institutions choose this part of the world to base their headquarters or distribution centres. A quick-scan social cost-benefit analysis performed by economic research and consulting company, Decisio, estimates that further development of the Dutch air transport sector would contribute an additional 4% to GDP.

# Portfolio of services

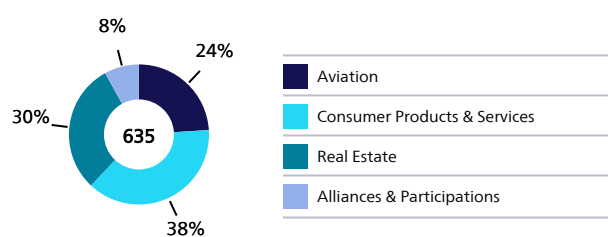
Our services are an important and rapidly evolving component of our core business, and a key driver of overall Group performance. Today, Schiphol is a thriving marketplace serving a growing community of businesses and their employees. Being able to offer our customers world-class retail, real estate, and parking services therefore remains a top priority for Royal Schiphol Group going forward. This area of our operations links directly to our strategic themes of Competitive Marketplace and Excellent Visit Value, and also encompasses several key business areas, including our Consumer Products & Services and Schiphol Real Estate (SRE) divisions.

Despite ongoing discussion around further growth at Schiphol, our retail and other non-aviation services remain a dynamic and fast-developing area of our Group operations. They are also a key source of new innovations and developments: 2018 saw a number of further developments within our real estate portfolio, as well as the launch of new digital innovations and parking products.

**Revenue**  
(EUR million)



**EBITDA**  
(EUR million)





## The Elephant Parade

On 1 September 2018, 34 members of the Elephant Parade paid a visit to Schiphol Airport. The Parade is a travelling open-air exhibition that generates funds for Elephant Family, an NGO helping to preserve and protect endangered Asian elephants. The elephants have been on the road since 2007, and on 12 October they left Schiphol for the next leg of their journey: Rio de Janeiro.

## Consumer Products & Services

With our Consumer Products and Services operation, we aim to create a world-leading airport experience that exceeds the expectations of our guests. To achieve this, we work hard to meet the needs of our customers and develop attractive commercial propositions for passengers, visitors and airport employees alike, all the while supporting the wider ambitions of Royal Schiphol Group.

Given the fast-changing market in which we operate, it is crucial that we continuously improve the way we work in close alignment with our partners, embracing new technologies and ideas where possible. Using a mix of digital solutions and traditional approaches, we remain closely engaged with our customers across all key contact points, as they make use of retail, food and beverage services, and other facilities in the terminal. As we strive for excellent customer satisfaction and a strong NPS score, our focus is on interacting with our customers in a way that is personalised and directly relevant to each individual.

The core activities of Consumer Products and Services include retail, food and beverage, commercial services, parking and mobility services, media, and premium services.

### Retail and food and beverage

Revenues from retail and food and beverage are an important source of non-aviation income. However, in recent years, airside retail earnings have struggled to keep pace with rises in traveller numbers, reflecting a growing trend towards online shopping among consumers. In 2018, Schiphol's per-passenger airside retail spend totalled 13.13 euros, down from 13.35 euros in 2017. Meanwhile, the average individual's airside food and beverage spend grew by 2.7% to 4.81 euros.

### Spend per departing passenger at Schiphol (in EUR)

	2018	2017	Index
Retail airside	13.13	13.35	98.4%
Food & beverage airside	4.81	4.68	102.8%
<b>Total</b>	<b>17.94</b>	<b>18.03</b>	<b>99.5%</b>

Amid changing consumer profiles and behaviours, we strongly believe airports can remain highly attractive platforms for retailers and media campaigns. A stronger focus on new brands and partnerships, a more innovative mindset and more flexibility will improve the appeal and accessibility of airside retail. Services is a growth category, as more and more customers put 'experience' at the core of their commercial spending decisions.

2018 saw a number of such initiatives taking place at Schiphol: over the course of the year, we introduced more than 30 new retail concepts, stores and branded shops, including pop-up stores and temporary outlets. Furthermore, we launched two pilot food-delivery services in partnership with Deliveroo and Thuisbezorgd.nl, allowing passengers to order food to their gate



and office workers to their work address, respectively. Meanwhile, we continue to promote cross-pollination between media and retail through innovative campaigns and concepts.

We continue to develop personalised online marketing via the airport's wifi service. Going forward, we plan to increasingly leverage technology, as well as data and insights, to introduce new retail and dining concepts and develop a high-quality, customer-oriented approach.

#### Number of outlets at Schiphol

	Airside	Schiphol Plaza
Food & beverage	78	32
Retail	137	45
Services	14	7
<b>Total</b>	<b>229</b>	<b>84</b>

#### Parking

In 2018, revenues from parking totalled 80.10 million euros. This is a decline in growth, which was largely attributable to a reduction in our overall parking capacity during the first half of the year following the demolition of the P2 parking facility, in late 2017, to make room for the construction of the new pier and terminal. Fortunately, we were able to reuse 99% of the concrete from the P2 garage for the renovation of the Sierra Platform. This resulted in a 35,000-tonne-reduction in the use of raw materials, saving around 900 truck movements.

In addition, the P3 long-stay parking garage was closed for three months of the year for extensive expansion and renovation work. These capacity constraints were offset by our new P4 basic parking product, introduced in April 2018. The P4 car park offers 2,500 parking places to provide sufficient parking capacity in busy times. In addition, September saw the launch of a new 'free-floating' car-sharing service, car2go, which has made electric cars available to travellers at the P1 WTC Schiphol Airport car park. A number of additional electric charging stations were also installed throughout our car parks during the year.

We will continue to expand our parking product offering in 2019. In particular, the P3 redevelopment project is due for completion in spring. As well as offering 2,500 additional parking spaces, the renovated multi-storey parking garage will include a new canopy, as well as a new 22,000m<sup>2</sup> roof on which 6,072 solar panels will be installed. Combined, the panels will generate a 1.8MWp, power supply, equivalent to 600 households. This feature, which is being developed in collaboration with Dutch energy supplier Eneco, allows Schiphol Parking to source 20% of the power needed to run the airport's parking facilities from locally generated solar energy, including the use of the electric charging points.



## The world's smallest ad agency

On 14 May, the Schiphol Media team opened 'The Smallest Ad Agency in the World' at Jan Dellaertplein. Six teams of two creatives manned the agency for 24 hours in a tiny office in the centre of the square from where they drew up fresh campaign ideas for companies looking to advertise at Schiphol. The advertisers had the option of submitting briefings to the creative team. A total of 90 briefings were received, surpassing all expectations.

By the end of the 24-hour marathon, 19 brand-new campaign concepts had been created. Booking.com, the Van Gogh Museum and Tony's Chocolonely were just some of the satisfied advertisers, along with early-stage companies Ace & Tate, and Chinese electric scooter maker NIU.

Several non-profit organisations and social enterprises also made use of the Media team's services: the Melanoma Foundation wanted a design to inform travellers about the importance of good sun protection, while MISCQ was looking to drive awareness of its innovative plastic substitute made from elephant grass paper. Schiphol is currently working with several of these organisations to put their ideas into practice.



## Pray, meditate and relax in silence

In April 2018, a new Meditation Centre was officially opened on the second floor of Departure Lounge 2 at Schiphol. This is a unique location: no other airport in the world offers a space for silence beyond security that is open to people of all faiths and convictions. The Centre is also the working base of the Airport Chaplaincy and its team of volunteers. Around 60,000 people, mostly travellers, come here during the year to pray, meditate, or receive spiritual support. The Meditation Centre is also used as place of worship for terminal-based employees.

### Expanding Privium and VIP service

Privium, Schiphol's service programme for frequent business travellers, continued to grow over 2018, with the total membership base rising beyond 65,000. A second, temporary Privium lounge, after security control, opened its doors in late 2017 and proved highly popular among members. This lounge will be expanded and renovated in order to create a larger, permanent facility. We also began renovating and enlarging the Privium security and border passage gates in the terminal in the latter part of the year, as a result of which Privium Card holders will soon be able to travel with even greater speed and comfort through Schiphol.

Additional recent enhancements to our Privium service include the introduction of a new centralised database for storing biometrics relating to memberships. The new data storage system, which fulfils all privacy regulation requirements, makes it easier for Privium members to organise and make changes to their membership.

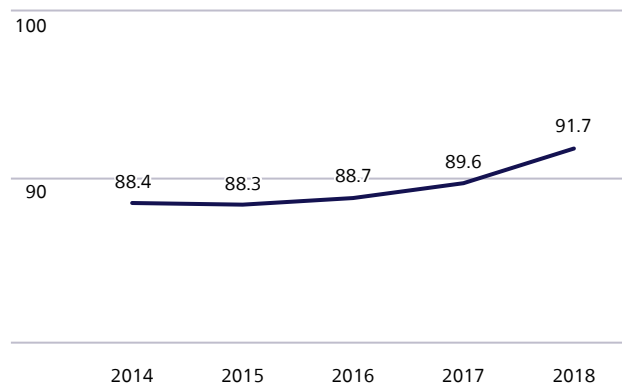
The renewed Schiphol VIP service, an important service proposition aimed primarily at premium business travellers, is also proving highly popular, with more than 17,500 arriving and departing VIP passengers during 2018. We plan to renovate and increase the capacity of the VIP Centre in the short term to accommodate increasing demand for the service.

### Real estate

Driven by a favourable business climate in the Netherlands, demand for premium real estate at prime locations is rising across the Amsterdam Metropolitan Region (MRA). In 2018, Schiphol's overall (commercial and logistics) average occupancy rate rose to 91.1%. Demand was particularly strong in the commercial property segment: we achieved a 91.7% tenant occupancy level across our rented office locations, with occupancy especially high throughout Schiphol's Central Business District. We also welcomed several new globally operating companies as tenants, including Honeywell and Heineken. The occupancy rate for our warehouse buildings, meanwhile, was 93.2%.

### Average occupancy rate of commercial real estate

(in %)

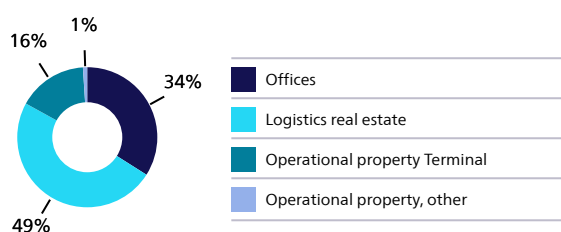




Amid growing demand for office rental properties, we further expanded our commercial real estate capacity during the year with the addition of several new development projects. In December 2018, Schiphol, in collaboration with Microsoft, opened the refurbished 'Outlook' SMART building. Meanwhile, the new The Base D office complex and car park moved closer to completion, with construction work set to finish in the third quarter of 2019. Work also continued on three further projects: the Tristar 1 office block, the new Air Traffic Control the Netherlands (LVNL) building and the KLM Business Lounge for non-Schengen passengers. Several other major projects are in the pipeline for 2019 and beyond. As part of the Terminal 1 redevelopment, Schiphol Real Estate will oversee construction of new offices, business class lounges and other business premises in the terminal. We are also developing a new office building in the Central Business District.

### Real estate portfolio per category

(as a % of total real estate portfolio of 673,066 m<sup>2</sup>)



In the logistics real estate category, we continued to experience excellent occupancy rates across the first-tier cargo buildings at Schiphol. Again, this highlights robust demand from local operators as well as the unique nature of our cargo offering, including the airport's good operational efficiency, its efficient Customs procedure, the excellent connections with the rest of Europe, and Schiphol's strong network of cargo businesses. In 2018, we began preparatory work on a new first-tier cargo building at Schiphol-Southeast. This extensive development will replace much of the logistics space that is being lost through the Taxiway Quebec expansion project, which is resulting in the demolition of several cargo buildings at Schiphol-South. The new development will also include a parking area for heavy goods vehicles, complete with eating and washing facilities, as well as a waiting area for drivers. An innovative call system will also alert drivers when it is time to load or unload goods, minimising wait times and increasing road safety.

### 'Flex and connect'

As well as offering high-quality physical spaces, it is important that we continue enhancing our real estate product by offering value-added services that meet the current expectations and demands of tenants. To this end, SRE has developed a flexible commercial lease concept called 'Flex', through which we offer tenants the opportunity to adjust and scale up their leases according to the changing needs of their business. Furthermore, through new initiatives such as Spacemaker, companies are able to sublet

rooms for meetings and workshops to other users on a short-term basis via an online marketplace. We have also launched a pilot scheme with technology company, Smart Parking, through which customers offer their parking spaces to other tenants on an ad-hoc basis.

Community and networking opportunities are also important drivers of tenant satisfaction and retention. Through the SPOT Schiphol Community, which is part of SRE's wider 'Connect' concept, we have created a collaborative environment where employees of the 500+ companies located on the Schiphol site can meet online and offline to network, share ideas and take part in discussions and events. The SPOT community grew by 25% in 2018 to more than 3,500 individual members. In October 2018, we also launched a pilot version of the Spot Schiphol Smart App, allowing community members to book meeting rooms, register for community events, order meals from the restaurants in Schiphol Plaza, and expand their local network.

### Sustainable, healthy, smart

As we maintain and develop our real estate portfolio, we are conscious of the potential impact on the environment, as well as our responsibility to ensure the health of the people working in these spaces. In this sense, our long-term real estate ambitions are closely aligned with the Group's wider health and sustainability objectives, to become both a zero-waste and zero-emissions organisation by 2030. We are also exploring ways to make our properties energy-positive in the near future. In the short term, we will be strengthening our energy-reduction efforts by installing underground aquifer thermal energy storage (ATES) systems at WTC Schiphol 1 and The Base.

We will continue using the BREEAM assessment method to monitor the overall sustainability performance of our commercial buildings. Steadily, we are introducing state-of-the-art SMART infrastructure technologies that allow us to monitor and support our health and sustainability goals and to promote 'Flexibility, Connectivity and Efficiency' with regard to the use of our properties. Our Healthy Office pilot is already providing valuable insights with a view to improving the wellbeing of our tenants going forward.

Our long-term aim is for all buildings on the Schiphol site to be sustainable by design and to be built using circular, environmentally friendly construction practices. Reaching this objective will be a collaborative process involving various partners across the value chain. In January 2018, we launched the Sustainable Main Contracting initiative to ensure all third-party construction contracts contain clear guidelines with regard to maximising energy-efficiency and climate comfort. Further information on Schiphol's circular transition effort can be found in Raw materials and residual flows, in the People, environment and community section of Our results.



## 'The Outlook': Schiphol's first SMART office

On 1 December 2018, the renovated Outlook building opened its doors, becoming the first SMART office building on the Schiphol site. The building, which houses Microsoft's Dutch headquarters, was extensively redeveloped by the company in collaboration with Schiphol Real Estate. The renovated building uses SMART technology to understand and improve the experiences of both Microsoft employees and building visitors, while also providing a number of important sustainability benefits.

'The Outlook' is equipped with an intricate network of sensors. These gather information on how users interact with the building, measuring occupancy rates and energy usage, as well as key ambient conditions such as noise levels, temperature, CO<sub>2</sub> levels and light. Greater insight into these processes will allow Microsoft to use its workspaces in a way that is healthier and more energy-efficient. The information generated by the building will also assist Schiphol in expanding the SMART concept to other properties around the airport site.

## Digital

High-quality digital processes have become increasingly central to our way of working, and data can now be considered the oxygen of Schiphol's day-to-day airport operations. Working closely with different aviation partners, in 2018 we were able to build on the success of 2017's Digital Airport Programme (DAP) by embedding technology and data even more deeply into our chain of processes. In this way, we are striving to create better experiences for our customers and a smoother operational flow, so that Schiphol remains a safe and pleasant environment for all those who use the airport.

Schiphol's digital strategy is empowering our employees and customers, enabling us to leverage data and technology and introduce new ways of working that directly benefit both of these user groups. In 2018, we took steps to simplify our digital organisational structure and align our digital value streams with key strategic objectives:

- Excellent customer experiences, resulting in improved NPS and passenger revenues.
- Airport and airline performance, supporting on time and safe performance.
- Smart assets and buildings, optimising asset utilisation and sustainability.

### Our digital principles

Further digitisation and digital innovation are crucial in 2019 and beyond if we are to create value and achieve our ambitions. We will continue our transition towards a fully futureproof, value-driven digital airport, by improving how we collect, use and share our data, and by continuing to integrate and embrace new technologies across our different operations.

Our employees stand to play a key role in this transformation, and it is important that, collectively, we welcome this change and feel comfortable working with new tools and technologies. To this end, our Digital Transformation team has been working with different business units across the Group to accelerate their digital knowledge and competences. In October 2018, Schiphol's digital teams hosted the latest instalment of Schiphol's annual Digital Week: a series of different workshops and events aimed at informing employees of the value of digital solutions and new ways of working. Our ultimate vision is for digital solutions to become fully intertwined with our business processes, so that each team or unit takes end-to-end responsibility for its own digital processes.

Schiphol's Chief Digital Officer is responsible for developing a fully sustainable, digital organisation, and is directly supported by the Data & Analytics team, as well as the Transformation team and Innovation hub.

### A seamless passenger experience

As highlighted, one of the core aims of our digitisation programme involves improving how travellers and other users experience our airport. The Seamless Flow project, which we began piloting in 2017, is helping us to streamline the customer journey at Schiphol, from arrival through to check-in, security and boarding. Seamless Flow involves the use of biometrics (the science and technology of analysing human body characteristics) to recognise passengers based on their passports and a facial scan. This allows them to pass swiftly through the various touch-points in the airport terminal without having to show their passports and boarding passes each time.

Working closely with our airlines, as well as the government, Customs and various Schiphol teams, we have continued trialling the technology to better understand its use and the potential benefits. We will expand the pilot in 2019 with a view to eventually making permanent, widespread use of the technology. Importantly, Seamless Flow is GDPR compliant by design and meets the highest standards regarding data protection and privacy. In December 2018, an agreement was reached in principle between Schiphol and the government whereby all costs attributed to the Seamless Flow project will be divided equally between the two parties.

Meanwhile, we are supporting the migration of passengers to digital platforms where they can obtain travel information, plan journeys and make the most of the services provided at Schiphol. In 2018, 38% of passengers made use of the newly redesigned Schiphol.nl website and Schiphol app to access important travel information, while 50% of those using airport parking services reserved their space online. As part of this process, we have taken the decision to close a number of physical information desks in the Schiphol terminal and replace these with a more varied, multichannel approach.

### Schiphol as a data hub

Data is now the starting point for understanding and guiding our different airport processes. As we become increasingly data-driven as an organisation, the information collected via our daily activities has, in turn, become a valuable resource for our aviation partners. By effectively gathering and storing information regarding aircraft movements, passenger flows, security wait times, and countless other data points, Schiphol has become a 'data hub' that other organisations can use to inform and enhance their own processes. For example, through the use of application programming interface (API) software, airlines are able to obtain real-time information around the movements and timings of departing passengers in a process known as 'SmartGate' planning. In total, more than 1.5 billion 'API calls' on our data were made during 2018 by airlines, travel agents and other external parties.

2018 also saw further integration of 'Wilbur' into our planning processes. Wilbur is a customised application developed in-house



## Rolling out the new mobile network

In October 2018, we began the rollout of a comprehensive indoor multi-operator mobile network at the airport, in collaboration with network operators KPN, T-Mobile and VodafoneZiggo. Using a system of more than 30 antenna installations, the new network will ensure excellent mobile coverage throughout all public areas and non-public areas of the airport.

Installation will take place in stages over the course of 2019, with the new network scheduled to be fully operational in 2020. Once in place, all mobile operators will use the same mobile network across Schiphol's terminal and piers, offering users improved reception and quality while also saving space and energy. The network will support new-generation communications systems, such as 5G, and will be integrated with the emergency services network and the radio system used at Schiphol.

## An omnichannel approach to traveller information

From 2019, Schiphol will be using new communication channels to better assist passengers in the terminal who have queries or problems. Our recent customer survey reveals that passengers are keen to make greater use of online channels and chat facilities when looking to access information. They would like to be able to communicate with Schiphol irrespective of their location.

Going forward, passengers will be able to reach a Schiphol member of staff 24 hours a day via a combination of telephone, WhatsApp, chat and 16 physical terminal self-service points. Mobile assistants are also able to attend to passengers in person regarding complex queries or problems. With passengers making less and less use of the seven information desks permanently installed in the terminals, we have decided to begin phasing out this approach from April 2019 onwards. The function of the desks will gradually be taken over by the new 24-hour information services during the course of 2019.

at Schiphol that allows us to harness real-time and predictive information to anticipate potential queues or bottlenecks in different parts of the airport terminal. This insight enables us to adapt the required staffing capacity in real time and up to four hours in advance in order to better manage passenger flows and avoid congestion. We have embedded Wilbur permanently into our chain of processes and will be exploring ways to expand its use over the months ahead.

### Looking after assets and buildings

Increasingly, we are using digital solutions to tackle the physical infrastructure problems encountered in daily airport life. In particular, a core element of Schiphol's digitisation programme involves using smart technology to monitor the state of properties and assets throughout the airport site. We now have 70,000 sensors positioned strategically within the terminal from which we are able to collect real-time information on the performance of elevators and walkways. Any malfunctions are immediately identified and resolved to minimise disruption to passengers, while maintenance can be planned better through analysing how these devices perform over a wider timeframe.

Our Digital team is also working closely with the Real Estate division as well as commercial tenants to integrate smart infrastructure into the built environment at Schiphol.

### Information security and GDPR

In 2018, Schiphol continued its GDPR implementation project in accordance with the General Data Protection Regulation (GDPR), which came into force on 25 May 2018. The project, which is centred on the '10 steps roadmap' developed by the Dutch Data Protection Authority, sets out a series of actions for Schiphol and our regional airports to follow. These include organising a communication programme to raise employee awareness, creating an overview of all processing activities, updating contractual agreements with external parties, running risk assessments on both new and existing processes, and developing procedures regarding the rights of data subjects.

A new governance model has also been introduced to ensure future compliance with GDPR across our Group operations, with more than 25 'privacy champions' assigned to various business units. A new Data Protection Officer has been appointed to oversee the final elements of GDPR implementation in 2019.



## Customer appreciation

Schiphol wants to remain one of Europe's top airports; however, we can only ensure this by continuing to offer quality, comfort and service. Using the Schiphol Perception Monitor as well as individual customer appreciation studies at Eindhoven and Rotterdam The Hague Airports, we monitor our travellers' appreciation levels over time. Schiphol also participates in the

Airport Service Quality (ASQ) benchmark survey, through which Schiphol's appreciation levels are compared with those of 14 medium-to-large hub airports in Europe.

### Amsterdam Airport Schiphol

For 2018, we set ourselves the goal to achieve a Net Promoter Score (NPS) of at least 35 (target 2017: 34). Our travellers' appreciation of Amsterdam Airport Schiphol decreased in 2018, with the airport's NPS falling from 34 to 32. This was mainly due to lower appreciation scores for Schiphol's arrival and transfer processes. In 2019, we are aiming for an NPS of 34.

Specifically, the NPS awarded to the airport's arrival processes fell from 31 to 27. Waiting times, including for baggage reclaim and Customs, as well as wayfinding and walking distances were among the main reasons given for this decline. Appreciation for Schiphol's arrival processes was also influenced by the adjustments to our parking product that followed the demolition of the P2 parking garage. While our customers are steadily familiarising themselves with the airport's new parking offering, these appreciation levels have yet to return to where they were before the P2 closure. The increased use of remote aircraft-handling services, where passengers are transported to the terminal by bus, also had a detrimental impact on the experience of arriving passengers.

We also witnessed a decrease in our NPS from 38 to 36 in relation to transfer passengers. The leading factors cited by travellers included wayfinding, the atmosphere within the terminal, food and beverage and other facilities, general hygiene, waiting comfort, and the number of available seats at departure gates. Increased crowding within the terminal was also mentioned.

The overall appreciation levels shown by Schiphol's departing (OD) passengers remained consistent with 2017. The NPS relating to waiting times at security improved considerably, from 61 to 65. On the other hand, our departing passengers' appreciation for our adjusted parking service is not yet back to its previous level.

The overall decrease in customer appreciation is also reflected in the ASQ benchmark: Schiphol dropped one place in the ranking in 2018, to eighth.

### Measuring airline customer satisfaction

We are in regular contact with airlines and other aviation stakeholders regarding day-to-day operations at Schiphol. We also consult closely with our partners on a tactical and strategic level: through a combination of monthly partner meetings and one-to-one sessions, we keep our airline customers updated on key developments, including issues relating to capacity restrictions. These interactions also help us understand the needs and expectations of airlines operating at Schiphol, as well as those of the wider aviation community.

Schiphol has introduced a new system for gauging airline customer satisfaction. As of 2018, each airline has a dedicated point of contact within Schiphol Group for day-to-day operational matters. Meanwhile, any questions regarding network development are addressed to a second contact person within the Aviation Marketing department. To date, we have largely received positive ratings from the airlines regarding our organisation and how we operate our airport.

These positive ratings are backed up by a new quantitative survey, completed in October 2018, which functions as a baseline measurement. Schiphol received a general satisfaction score between 'good' and 'very good' from the airlines. Schiphol received a similar score for its role as an airport operator. This new measurement system has enabled us to identify several key areas of potential improvement. In particular, many of our customers have expressed concerns surrounding the air traffic movement ceiling at Schiphol, including its potential impact on future flight growth and the quality of the airport's remote-handling operations. Our airline customers also noted the complexity of Royal Schiphol Group as an organisation, with some respondents citing a lack of clear and adequate responses to incidents and complaints. We will be taking concrete steps during 2019 to address these improvement opportunities and further strengthen our relationships with the airlines.

### Real estate tenant satisfaction

Ensuring tenant satisfaction is crucial in achieving a high level of retention among occupants. The results of the 2018 Schiphol Real Estate Resident survey reveal that 86% of office occupiers rate their building as either 'good', 'very good' or 'excellent', maintaining the levels seen in 2017. Schiphol's consistently high tenant satisfaction levels are owed, in large part, to efforts by Schiphol's Real Estate (SRE) division to meet the evolving needs of residents with innovative products and solutions. These approaches are discussed in detail in Portfolio of services.



## Awards

Royal Schiphol Group and its airports received various distinctions in 2018.

### Royal Schiphol Group

- Air Transport Research Society (ATRS): Europe's most efficient airport group
- International Airport Review Award: Technological solution of the year for digital infrastructure
- Randstad employment agency: Most attractive employer
- AWVN Trophy: Most inclusive organisation
- Henri Sijthoff Award: Best annual report 2017 (non-listed category)

### Amsterdam Airport Schiphol

- SKYTRAX: Best Airport Staff Europe
- ACI Europe: Eco-Innovation Award
- Business Traveller UK: Best European Airport (29th consecutive year)
- Business Traveller the Netherlands: Best Airport
- Cargo News Asia: Best Airport Europe
- BTMF Business: Best Airport
- Global Traveler USA: Best Airport in Europe, Best Shopping Airport and Best Duty-Free Shopping in Europe
- TR Business: Travel Retail Award
- Frontier: Best F&B Partnership of the Year (with HMSHost and Portland Design for food court in Departure Lounge 1)
- Trazee Travel: Favorite Airport in Europe and Favorite Airport Shopping
- MSCI European Property Investments Awards: Best performing balanced fund in the Netherlands (for Schiphol Real Estate)
- Hotel Investment Conference London: Single Asset Transaction of the Year (awarded to Schiphol Real Estate for its Hilton transaction)
- Canadian Travel Agents' Choice Awards: Favourite International Airport (14th consecutive year)
- ATRS: Most efficient European airport (more than 40 million passengers category)
- World Routes Airport Marketing Award: Highly Commended (3<sup>rd</sup> consecutive year)
- Children's Council TOP Award: Most equal collaboration
- Computable Award for Digital Airport Programme

### Eindhoven Airport

- Iconic Award: Innovative Architecture (for new departure gates)

# People, environment and community

This section of our results links directly with one of our most important strategic themes: Sustainable and Safe Performance. At Royal Schiphol Group, we realise that the success of our business will increasingly depend on the wellbeing of the world around us. For this reason, safety and sustainability provide us with our licence to operate and to grow. They are also key indicators against which we judge our success and measure performance.

The 2015 Paris Agreement, and the subsequent landmark report issued by the UN Intergovernmental Panel on Climate Change (IPCC) in October 2018 highlight the need for urgent action to prevent global temperatures rising beyond a level that would cause irreparable damage to the planet and its communities. The aviation industry will naturally have a major role to play in meeting this goal. With society's dependence on aviation set to strengthen further in the years ahead, it is vital we respond to this growing demand in a responsible manner.

By working responsibly and collaboratively, key industry players like Schiphol can balance their own performance and goals with the needs of local communities and the wider environment. The 'Smart and Sustainable' action plan recently agreed by the Dutch

aviation industry is a clear example of this collaboration in practice (see Supply chain responsibility section for further information). An important milestone is that we have integrated sustainability within Schiphol's future airport charges structure: landing and take-off charges will give preference to aircraft that are quieter and more environmentally friendly. More information can be found in Supply chain responsibility.

In 2018, Schiphol was involved in a wide range of initiatives aimed at ensuring the positive impact of our activities. Together with other airports and ACI Europe, we share information and collaborate in order to speed up sustainable development. In particular, we highlight the role we are playing within the global aviation sector to drive sustainability and bring about a better future for people and planet.

## Making airports sustainable

Royal Schiphol Group takes the lead in creating a sustainable and responsible environment in which to connect the Netherlands. Our ambition is to operate the most sustainable airports in the



world, while our strategic focus is on four key topics: sustainable aviation, zero emissions, zero waste and wellbeing.

As we work to drive sustainability across our own operations, we are also taking a leadership role in the field of aviation sustainability, setting new standards and best practices for our industry. A good example is the electric platform bus, which Schiphol co-developed in 2015: we are proud to see other airports following our example, with electric buses now operational all around the world. Similarly, we have recently begun integrating electric ground power units (E-GPUs) into our ground-handling operations and expect this innovation to play an important role in driving sustainability in processes in years to come.

Delivering improvements across these different areas through our work with clients and our own business operations, and by engaging our people in this mission will generate social, environmental and financial value. While the path we will take in

reaching our objectives is not yet fully clear, we believe that setting ambitious targets will drive us to discover valuable innovations and insights that will help us to meet our goals.

### **The UN Sustainable Development Goals**

Introduced in 2015 by the United Nations, the UN Sustainable Development Goals (SDGs) relate to the 17 most important opportunities and challenges facing the world towards 2030. In 2016, Schiphol identified the six goals that we will be actively supporting and contributing to over the next two decades. Behind the 17 goals are also 169 key performance indicators (KPIs). To make our SDG approach clearer and more transparent, we have made the decision to publish the relevant KPIs in this year's Annual Report. Please refer to the material aspects described in the table for details of how we are working to contribute to the goals and to continuously improve as an organisation.

## **International recognition of sustainability at Schiphol**

Amsterdam Airport Schiphol has received the 2018 Eco-Innovation Award. This annual prize is awarded by Airports Council International Europe (ACI) to the European airport that best demonstrates excellent and innovative performance with regard to sustainability. According to the jury, Schiphol deserves the award for its comprehensive approach to sustainability, including the airport's CO<sub>2</sub>-neutral business operations, as well as our application of circular economy principles and use of renewable energy.

## UN Sustainable Development Goals

SDG	Contribution Schiphol	Material aspect
SDG 8	<b>Decent work and economic growth</b> <b>8.5</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. <ul style="list-style-type: none"> <li>Gender pay gap: 6%</li> <li>New employees with a distance to the labour market: 0</li> </ul>	Regional significance  Employment practices  Contracting Practices
SDG 9	<b>Industrial innovation and infrastructure</b> <b>9.1</b> Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. <ul style="list-style-type: none"> <li>Passenger and cargo volumes by mode of transport: 71.1 million passengers - 1.7 million tonnes of cargo</li> </ul> <b>9.4</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes. <ul style="list-style-type: none"> <li>CO<sub>2</sub> emission per unit of value added: 0.48 kg CO<sub>2</sub>/passenger</li> </ul>	Network of destinations  Accessibility  CO <sub>2</sub> emissions
SDG 11	<b>Sustainable cities and communities</b> <b>11.6</b> By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. <ul style="list-style-type: none"> <li>Annual mean levels of fine particulate matter (PM10): 26.7µg/m<sup>3</sup> around Schiphol (well below the European annual mean limit of 40µg/m<sup>3</sup>)</li> </ul>	Air quality  Regional significance  Noise  Community engagement
SDG 12	<b>Responsible consumption and production</b> <b>12.2</b> By 2030, achieve sustainable management and efficient use of natural resources. <ul style="list-style-type: none"> <li>Material footprint: 4-11% of used resources was high-value recovered according to circular principles</li> </ul> <b>12.B</b> Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products. <ul style="list-style-type: none"> <li>Combatting wildlife trafficking, protected illegal trade of flora and fauna species</li> </ul>	Raw materials and residual flows  Supply chain responsibility
SDG 13	<b>Climate Action</b> <b>13.2</b> Integrate climate change measures into national policies, strategies and planning. <ul style="list-style-type: none"> <li>Sustainability is integrated within airport charges</li> </ul>	Supply chain responsibility
SDG 17	<b>Partnerships for the goals</b> <b>17.16</b> Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries. <ul style="list-style-type: none"> <li>Development of Smart and Sustainable action plan with aviation partners</li> </ul>	Supply chain responsibility  Also refer to: Material aspects for stakeholders

## Safety

Safety is our key priority, and ensuring a safe and healthy airport environment and workplace is the shared responsibility of all stakeholders. Together with our partners, we are working to safeguard the safety of passengers and other visitors to the Schiphol site while also maintaining the highest workplace safety standards. As the airport operator, Royal Schiphol Group monitors compliance with all relevant regulations.

Day to day, the airports in our Group are faced with varying operational risks, including runway incursions, bird strikes and fire safety, with multiple departments and management systems actively engaged in ensuring and monitoring safety. Their task is to ensure safety consciousness remains top of mind in everything we do, and particularly during large expansion projects involving large numbers of external employees.

### Proactive safety culture

Our goal for 2020 is to develop Schiphol into a High Reliability Organisation (HRO) with a proactive safety culture. In 2016, we launched the Schiphol for Safety (S4S) programme. We measure our progress using Hudson's Health, Safety and Environment (HSE) culture ladder.

In 2017, a baseline measurement was carried out across our organisation to assess the strength of our internal safety practices. The outcome is enabling us to take steps towards a proactive safety culture. A number of initiatives took place over the course of 2018 to support this process. In addition to hosting the annual HRO Academy conference in February 2018, we organised five Schiphol HRO Academy meetings during the course of the year. These events are an opportunity for different departments to learn from each other as well as from other organisations. We made short videos about behaviour and how we organise safety at Schiphol and developed a tool to help departments and employees measure progress on proactive safety behaviour. We also held constructive safety discussions with the airport's facility and security contractors.

### Safety Walks

In 2018, the Management Board and other key managers took part in seven Safety Walks, with members of the Supervisory Board participating in three of the walks. The walks are an opportunity for managers to engage with employees on safety issues and dilemmas, understand the kinds of situations they face in their daily work, and review safety procedures and behaviour. Several management teams also held their own Safety Walks throughout the year; these include a proactive Safety & Security Walk organised by the various security companies operating at Schiphol.

### Integral Safety Management System (ISMS)

Our safety processes are managed and coordinated by the Integral Safety Management System (ISMS), a collaboration between Schiphol Airport, Air Traffic Control the Netherlands, airlines, ground handlers and refuelling services. The system was introduced taking into account the recommendations of the Dutch Safety Board (OvV), which published a report on the safety of air traffic at Schiphol in 2017. In 2018, the ISMS realised a number of key safety improvements, including:

- A fixed connection to the fuel system at the Delta and Echo buffer, which reduces the number of movements of tank trucks to these positions. This is likely to reduce the risk of on-ground safety occurrences.
- Additional guidance lines at the Pier G/H area to the Bravo taxiway. This will enable narrow-body aircraft to pass each other safely when taxiing to and from Pier G/H. This reduces complexity and reduces the likelihood of on-ground safety occurrences.
- Creation of an unequivocal traffic flow to and from the Kilo platform at Schiphol-East. This involved introducing a one-way traffic system and a safer routing for entering and leaving the Kilo platform, eliminating the chance of runway incursions at Runway 04-22 (Schiphol-Oostbaan).

To further drive safety, the ISMS partners have created the 'Roadmap Safety Improvement Schiphol', with nine measures due for implementation during the 2019-2023 period and a further 15 measures currently under review. The Roadmap, published at [www.integralsafetyschiphol.com](http://www.integralsafetyschiphol.com), is a working document aligning all parties on shared goals.

### Safety on and around runways

The Runway Safety Team (RST) is a key component of the ISMS. The RST consists of a team of experts tasked with identifying ways to prevent runway incursions at Schiphol. A runway incursion is, according to the definition of ICAO, any occurrence at an aerodrome involving the incorrect presence of an aircraft, vehicle or person on the protected area of a surface designated for the landing and take-off of aircraft. The team continuously monitors trends to identify locations at the airport where there is a greater likelihood of runway incursions. This has resulted in a number of ongoing studies and implementation projects aimed at structurally reducing the occurrence of runway incursions and the associated risks. In 2018, two runway incursions took place at Schiphol with a potential safety consequence (2017: eight).

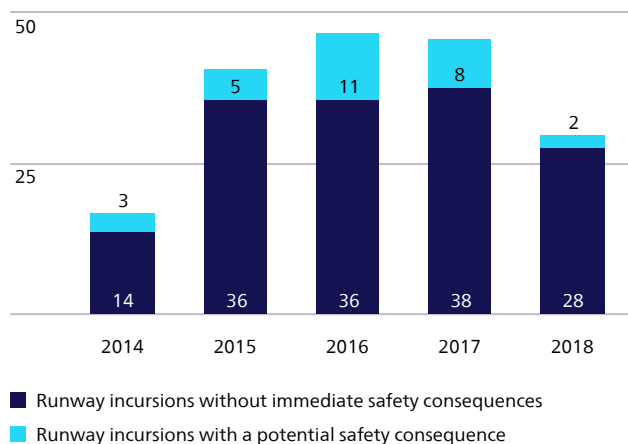
One of these incursions involved a serious incident and is being jointly investigated by the Dutch aviation sector via the ISMS and by the OvV. On Friday 27 July, a runway incursion occurred on runway 18C-36C, 'the Zwanenburgbaan'. An aircraft at the start of the runway was given take-off clearance, while at the same time, another aircraft had been given clearance to enter the same runway at an intersection further along. The take-off of the first aircraft was aborted and the second aircraft stopped in the intersection. 28 further runway incursions took place that fell



under the definition of a runway incursion without immediate safety consequences.

### Runway incursions at Schiphol <sup>1</sup>

(annual number)



<sup>1</sup> The 2018 figures are based on the third version of the European Action Plan for the Prevention of Runway Incursions (EAPPRI 3.0), published in 2018.

### Bird strikes

Birds remain a serious flight safety risk. In order to control this risk, Schiphol employs bird controllers to patrol the landing area 24 hours a day, seven days a week. In 2018, Amsterdam Airport Schiphol experienced 6.6 bird strikes per 10,000 air transport movements (2017: 5.8). Fortunately, none had serious consequences. Due to the warm weather in spring, summer and autumn of 2018, the bird population in the vicinity of the airport has grown significantly in recent months, bringing the downward trend of the past few years to a halt.

We have recently added three new radar stations to Schiphol's bird detection system; there are now four stations, giving us radar coverage of the entire airport area and part of the adjacent grounds. In May 2018, the initial results of the radar data were analysed. These provided valuable insights, enabling both the airport and the Netherlands Control Group for Bird Strikes (NRV) to take decisive action with regard to crops in order to minimise the risk of future strikes. In line with the recommendations of the NRV, the airport only sows grass infected with endophytes that are unpalatable to mice and geese. From 2019, farmers with cropland belonging to the airport will also deploy this measure and will no longer grow grain.

### Bird strikes at Schiphol

(number per 10,000 air transport movements)

2018	6.6
2017	5.8
2016	6.7
2015	8.4
2014	5.8
2013	6.1

### Fire safety

Fire is one of the biggest threats to safety at the Schiphol terminal. We comply fully with the statutory requirements for fire safety, regarding these as the absolute minimum. In 2018, we implemented a new approach to fire safety, the core aims of which are to prevent casualties, avoid damage to assets and ensure the continuity of the operation. As part of the approach, we have established a dedicated Fire Safety Office (FSO) and overseen the development of an Integral Fire Safety Plan (IPB). For now, the FSO will focus primarily on fire safety of current and future terminal buildings, including the Crew Center and Skyport. Its future scope will include all buildings at Schiphol. Increasing cooperation between the FSO, the Schiphol fire brigade, Schiphol Real Estate and other relevant departments is an important aim for 2019, while we will also expand our efforts to drive fire safety awareness among Schiphol's visitors and its employees.

### Safety at work

We work hard to safeguard the wellbeing of the people who work for us and with us, as well as those who visit our facilities. To ensure we continue providing our employees with a safe and healthy work environment, Schiphol periodically carries out inventories of risks in the workplace. Work-related accidents resulting in absenteeism are registered using the Lost Time Injury Frequency (LTIF) system, which measures the number of such incidents per million hours worked. The system makes it possible to compare our performance against that of other companies. While measuring lost time is essential, we believe that any accident is one too many.

In 2018, Schiphol Nederland B.V. (excluding the fire department) recorded an LTIF of 0.3 (2017: 1.0). The LTIF score for the fire department was 16.4 (2017: 25.7). Both scores are below the set limits of 3 and 40, respectively. Over the past five years, the absolute number of incidents leading to injury has fluctuated between 5 and 9, giving an average of 7.3 (2017: 4.8). No fatal incidents involving employees occurred in 2018.

### Safety of travellers and visitors

There were 246 incidents involving injuries to travellers and visitors at the Schiphol terminal in 2018 (2017: 229). In 2018, there were no fatal incidents involving passengers or visitors. Where necessary, our in-house emergency response service attended to these incidents on site. Crowd management is seen by Schiphol

as an important control mechanism for preventing injury-causing risks involving large crowds within the terminal. Crowd-management teams responsible for supervising people flows are deployed to specific hotspots within the terminal, and we also pay close attention to vertical and horizontal walkways, where there is an increased risk of people falling.

### HSE standards

In 2018, Schiphol harmonised the various HSE standards allocated to individual projects or work activities, standardising these into the single, integrated 'HSE standard Schiphol'. Through this action, we aim to further improve safety across our construction and maintenance activities.

This standard will be implemented in early 2019, providing our partners with clear and objective expectations when it comes to guaranteeing safety and protecting the environment. Having a consistent set of standards in place will be increasingly important as construction activity intensifies at Schiphol over the coming years.



Aircraft noise has a major impact on the quality of life of local residents, which is why it has a central role in the environmental rules that apply to Schiphol. Given that the airport has reached its limit of permitted air transport movements, this complex issue is becoming increasingly sensitive. In 2018, we succeeded in staying below the agreed maximum of 500,000 movements. The scarcity of airspace and the relative positions of stakeholders are decisive for the course of negotiations on further developments regarding air transport movements beyond 2020. The intensive and extensive public consultations taking place over 2017-2018 will continue through 2019.

### New Environmental Standards and Enforcement System

The Dutch government is working towards the introduction of the New Environmental Standards and Enforcement System (NNHS). The system establishes guidelines regarding preferential runway use at Schiphol with a view to minimising the effects of noise disturbance on the local community. Specifically, Runway 18R-36L (the Polderbaan) and Runway 06-24 (the Kaagbaan) are recognised as preferred options for take-offs and landings by virtue of being at a greater distance from the residential areas around Schiphol.

Although the NNHS has not officially entered into effect, the aviation sector has been actively preparing for its introduction. In 2018, all flights at Schiphol were undertaken in accordance with the NNHS. Enforcement, however, was carried out according to the old system of enforcement points, consisting of 60 points located around the airport. As a consequence, the noise impact

at four of the enforcement points was greater than the limit value under the old system. All night-time enforcement points remained within the old limit value.

Each quarter, Schiphol reports on the application of the rules in relation to the new system. Two elements will require further elaboration: the rules regarding the use of the fourth runway as well as those limiting night-time air traffic. Solutions to these issues must be found before the new system formally takes effect, and are currently being discussed with the Schiphol Local Community Council (ORS).

The Human Environment and Transport Inspectorate will also take the new system into account in anticipation of its implementation, though no penalties will be imposed on the sector if breaches are found to be the result of the application of the new standards. Because the new system is not yet formally in force, a number of local residents have expressed concerns that they are no longer entitled to legal protection and have requested that their rights be maintained in line with the previous system. The residents have filed a lawsuit against the Human Environment and Transport Inspectorate, though this has not proved successful.

A new Airport Traffic Ruling is required to formally anchor the NNHS and will be determined depending on the outcome of an environmental impact assessment (MER). A draft version of the MER was presented in November 2018, with the finalised version expected in the first quarter of 2019.

### Amending the environmental impact assessment (MER)

As part of the draft MER, Schiphol has examined the environmental impact of the new system. The results show that the airport's development towards 500,000 air transport movements in 2020 is achievable within the environmental limits set out by the Alders agreement. The effects (calculated on the basis of the current housing situation) were mapped out in the draft MER and contain an updated calculation based on the new European 'Doc. 29' calculation method. The new model replaces the old Dutch calculation method and is able to determine the level of noise disturbance with greater accuracy, thereby reinforcing the recommendations provided by the Netherlands Commission for Environmental Assessment (NCEA).

Further to the Alders agreement, the environmental impact of Schiphol's development beyond 2020 has been calculated at the request of the Ministry of Infrastructure and Water Management (I&W). A scenario has been calculated based on 540,000 air transport movements. The MER therefore indicates there is scope for further developing the airport, in principle.

The draft MER serves as input for future ORS agreements regarding Schiphol's development beyond 2020. It is therefore important that all parties fully trust that the current content of

the draft is correct. In view of this, at Schiphol's initiative, the draft MER was tested by various experts, local residents and the North-Holland Nature and Environment Federation (Natuur en Milieufederatie Noord-Holland). This involved careful examination of the agreed framework, as well as the process and the calculation model being used.

## Noise disturbance

Besides determining the rules regarding preferential runway use, the NNHS also sets boundaries regarding the number of people exposed to severe noise disturbance in communities surrounding the airport, with a view to containing them within specific noise contours. The NNHS prescribes the 48 dB(A) and 58 dB(A) Lden noise contours. The figure depicts the contours for 2018 (1 November 2017 until 1 November 2018) as blue and green lines. The contours highlight the areas where the average sound exposure due to aircraft is higher than 48 and 58 dB(a), respectively.

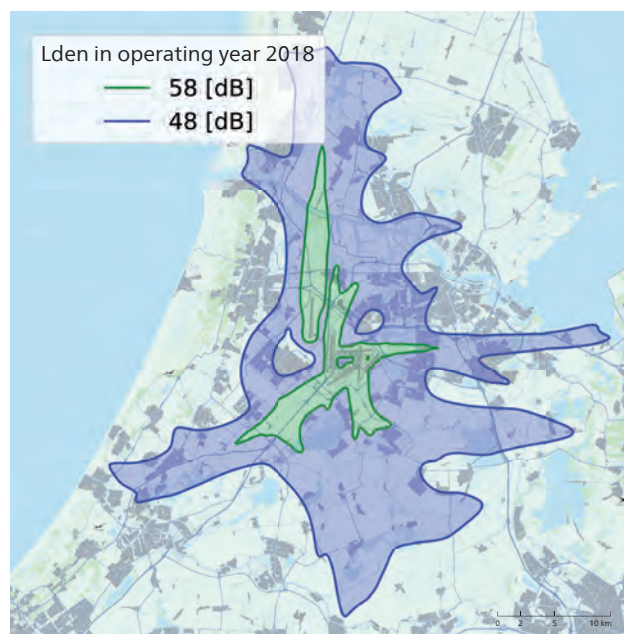
Within the 48 dB(a) contour, the total number of severely affected people is calculated, with the current limit set at 180,000. In 2018, the number of neighbours considered to experience severe noise disturbance totalled 150,000, an increase of 0.7% compared with 2017. Two factors in particular traditionally have an influence on Schiphol's severe noise disturbance figures: runway maintenance and the deployment of the police helicopters stationed at Schiphol-East. In July 2018, unforeseen maintenance work on the Polderbaan had a notable impact on local noise disturbance levels (see Reports by local residents).

## Future residential construction around Schiphol

While Schiphol and the Amsterdam Metropolitan Area (MRA) are highly important to the regional and national economy, the future use of the airport impacts the region's potential as a location for residential construction. Specifically, it is essential that municipalities in the areas surrounding the airport, as well as the provinces of North-Holland and South-Holland, consider existing and future flightpaths when planning new residential developments. The revised Airport Planning Decree (Luchthavenindelingsbesluit), which came into effect in January 2018, contains agreements by the central government, the region and the aviation industry regarding duty of disclosure, complaints handling and the indemnity of aviation stakeholders in the event of any new construction.

## Reports by local residents

The Local Community Contact Centre Schiphol (BAS), a foundation established by Air Traffic Control the Netherlands (LVNL) and Amsterdam Airport Schiphol, provides individuals with details on daily air traffic at, to and from Schiphol, as well as information on runway usage, routes and living near Schiphol. In addition to answering their queries, BAS receives complaints from local residents and makes home visits to those experiencing severe noise disturbance.



Complaints may concern a single aircraft movement or movements over a specific time period, while others may be of a general nature. The focus group, which BAS focuses on in its reports, consists of people submitting 500 notifications or fewer per year, with 99.6% of complainants included in this category. The 2018 figures provided by BAS show a sharp increase in the number of focus group complainants as well as individual reports submitted during the year. Meanwhile, the proportion of habitual complainants (individuals submitting more than 500 reports) fell from 0.43% in 2017 to 0.39%.

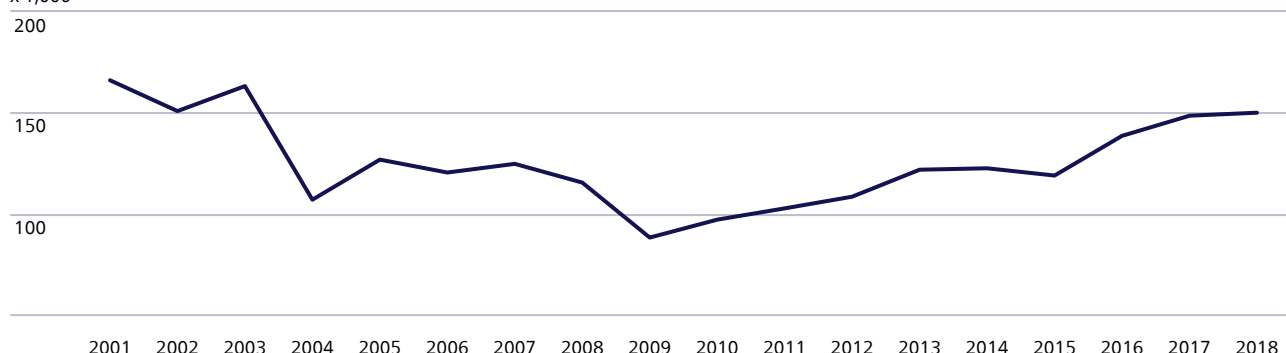
2018 saw the highest number of focus group reports filed since BAS's formation in 2007. The increase is due to the prolonged use of the north runway during the summer months. This unforeseen event was due to Runway the Polderbaan being kept out of use for ten days between 14 and 23 July following the sudden subsidence of one of the lanes leading to the runway. Nearly 1,000 local residents filed a complaint on Sunday, 15 July; this marked the largest volume ever received by BAS in a single day, exceeding the previous record of 636 residents in 2014.

In 2018, the largest share (24%) of complainants originated from the Runway 09-27 (Buitenveldertbaan) 'cluster'. A particular increase was observed in residents from Amstelveen and Amsterdam, who were inconvenienced by the more frequent deployment of the 09-27 and 18C-36C runways for day take-offs while the Polderbaan was out of service, as well as the use of Runway 06-24 for night-time take-offs. Further analysis is available in the BAS annual report at [www.bezoekbas.nl](http://www.bezoekbas.nl).

## Calculated number of people experiencing severe noise disturbance

(norm is 180,000)

x 1,000



■ Calculated number of people experiencing severe noise disturbance

## Number and nature of reports to BAS

	Focus group		Habitual complainants	
	2018	2017	2018	2017
<b>Number of complainants</b>	<b>11,365</b>	8,450	<b>44</b>	36
<b>Number of complaints</b>				
Specific reports	<b>52,795</b>	33,607	<b>131,799</b>	107,781
Period reports	<b>66,685</b>	47,305	<b>16,710</b>	11,607
General reports	<b>1,579</b>	1,180	<b>2,951</b>	7,679
<b>Total number of reports</b>	<b>121,059</b>	<b>82,092</b>	<b>151,460</b>	<b>127,067</b>

For more details, please visit the following websites:

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

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

Carbon emissions contribute to global temperature rises, which can have serious consequences for humans and the environment. We are pursuing an active emissions reduction programme at Schiphol and across our regional airports. Schiphol Group is climate-neutral in its own activities and is transitioning towards becoming a zero-emissions organisation. With the search for long-term climate solutions ever-more urgent, we have now set our sights on a more ambitious target: reaching zero emissions in 2030. This goal means that no carbon and particulates will be emitted in using energy and fuel for our own operations as well as ground operations at airside. This science-based target is in line

with the scale of reductions required to limit the eventual global temperature increase to below 2 degrees Celsius above pre-industrial temperatures.

### 100% Dutch wind energy

In working to meet our goals, we are making increased use of renewable energy sources, including wind energy and green gas. In April 2018, Royal Schiphol Group, Eneco and the municipality of Vianen opened the new Autena wind farm. This important milestone means that 100% of the electricity Schiphol purchases to run its facilities is now sourced from wind power. Additional turbines are also being developed; by January 2019, all of our electricity will be delivered by newly developed Dutch wind farms.

### Green gas

In 2018, we also completed the procurement phase for a new biomethane (or green) gas tender. As a result, green gas will comprise 10-15% of Royal Schiphol Group's total gas consumption over the 2019-2021 period, and 100% of the gas used by Eindhoven Airport. We note that, for now, our current use of green gas as part of our wider energy mix remains constrained by its limited availability in the Netherlands. In light of this, we are working hard to limit our use of natural gas while also reducing

our overall power needs in order to stay within the global carbon budget. We do this by making our facilities more energy efficient. A key example of this is the recent upgrade to energy label A of one of our oldest piers, Pier F. As indicated in the graph, despite

Schiphol's growing passenger numbers, natural gas consumption has fallen to well below 1990 levels. By reducing our gas needs and increasing our use of green gas, we aim to become 'natural-gas-free' by 2030.

### Development of natural gas consumption and passenger numbers



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

In 2009, the Airports Council International introduced a CO<sub>2</sub> benchmark for airports, which Schiphol helped to develop. The benchmark ranks Amsterdam Airport Schiphol among the airports most actively pursuing emission reductions, having retained 3+ status (the highest level that can be attained) for the sixth year in a row in 2018. A key component of this status is that the airport's own activities are CO<sub>2</sub> neutral.

The remaining emissions of Schiphol Group's own activities will be offset through the Guarantee of Origins compensation scheme for electricity, and with the use of green certificates for other fuels. We chose this year for an energy project in India with a Golden Standard certificate.

The positive impact of these initiatives can be seen in improving energy efficiency and CO<sub>2</sub> emission levels at Schiphol Airport. In 2018, we succeeded in meeting our carbon reduction target. This includes emissions from natural gas consumption (Scope 1) and electricity usage (Scope 2), while the overall emissions generated by our activities (according to the terms of our SNBV environmental permit) also fell with respect to 2017. Likewise,

Schiphol's per-passenger emission levels notably improved during 2018, falling to 0.48 kg CO<sub>2</sub>. This means we have achieved our 2020 goal of 1.35 kg CO<sub>2</sub> per passenger ahead of time.



### Energy efficiency

Total energy consumption at Schiphol Airport decreased further in 2018 to 1,901 TJ (2017: 1,990 TJ), reflecting the continuing impact of our energy conservation programme. Schiphol attained an energy-efficiency rate of 6.06%, which is above our target of 5.92%.

Due to the opening of the new pier and terminal, we expect our energy usage to rise over the next few years, though we aim to offset this increase through our energy savings programme. More generally, we expect to see energy reduction gains levelling off from 2020-2021 onwards, given that most of our equipment will



## CO<sub>2</sub> emissions at Amsterdam Airport Schiphol

(in tonnes)

	Caused by	2018	2017	2016	2015	2014
Scope 1	Natural gas consumption under the SNBV licence	16,530	15,668	16,279	19,954	16,190
Scope 2	Electricity	17,098 <sup>1</sup>	87,130	85,916	78,681	81,426
<b>Total CO<sub>2</sub> emissions</b>		<b>33,628</b>	<b>102,798</b>	<b>102,195</b>	<b>98,635</b>	<b>97,616</b>
Passengers x 1,000		70,546	67,696	62,705	57,581	54,549
CO <sub>2</sub> kg/passenger		0.48	1.52	1.63	1.71	1.79
Scope 3	Among others, electricity and gas third parties, all road traffic to and from the airport, and fuels related to aircraft handling and the landing and take-off cycle	n.a. <sup>2</sup>	1,336,381	1,318,419	1,248,957	926,382

<sup>1</sup> Scope 2 emissions are based on the market-based method. The location-based Scope 2 emissions for 2018 totalled 97,839 tonnes. This number has increased compared to 2017, due to the changed national emissions factor.

<sup>2</sup> 2018 data will be reported with a one-year delay.

probably have been replaced with energy-saving technology by this point.

### Emissions in our value chain

As Scope 3 includes data provided by third parties, figures relating to 2018 will be made available during the course of 2019.

In 2017, overall emissions (Scope 3) increased by 1.4% compared with 2016. This was due to the growth in passengers and air transport movements at Schiphol, as well as road freight movements and passenger journeys to and from the airport.

Despite our success in driving sustainability across our own operations, the fact remains that the majority of CO<sub>2</sub> emissions at Schiphol (Scope 3) are caused by external organisations outside of our immediate sphere of influence. The majority of these emissions are caused by the landing and take-off cycle, followed by road traffic, as well as fuels related to aircraft handling. The transition to zero-emissions vehicles and sustainable aviation fuels would reduce these carbon emissions. We are working closely with our partners across the value chain to resolve this long-term challenge as part of our wider sustainability transition (see Supply chain responsibility for further details).

## Air quality

Schiphol Group is dedicated to ensuring clean air at and around its airports, and we aim to lead the sector when it comes to reducing NO<sub>x</sub> and emissions of ultra-fine particles (PM<sub>10</sub> and PM<sub>2.5</sub>). These efforts are important in view of our commitment to safeguarding the health of employees at Schiphol as well as 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 for this category in the 2018 operating year. We apply performance indicators that involve input measurements, 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 distinguish clear causal links between other parties' activities and air quality, and our own.

Schiphol has 225 aircraft stands for passenger aircraft, cargo aircraft and buffer positions. These include 127 fixed aircraft stands and 98 stands without a direct connection to the terminal. In 2018, 73 of Schiphol's fixed aircraft stands were connected to fixed electrical ground power, unchanged from the previous year. With fixed electrical ground power, aircraft do not need to use a generator or the auxiliary engine in their tails during ground handling procedures, thereby reducing NO<sub>x</sub> emissions.

In 2018, the number of flights handled using fixed electrical ground power rose in absolute terms compared with 2017, while remaining the same in percentage terms (54%).

### Ultra-fine particles

While scientists recognise the potentially serious health effects of ultra-fine particles (UFPs), little is known at present about their specific impact. Furthermore, there is a lack of clarity around how to accurately measure UFP levels, or what constitutes a safe level of exposure for humans.

The Dutch National Institute for Public Health and the Environment (RIVM) is investigating the health risks to residents in the communities around Schiphol more closely. This follows an

earlier exploratory study by the RIVM into risks associated with UFPs around Schiphol, which gave no indication that the mortality rates of local residents are any different from similar parts of the Netherlands. The (then) Ministry of Infrastructure and the Environment commissioned a comprehensive health study within the Schiphol region. The RIVM is collaborating with the Amsterdam Municipal Health Service (GGD), the Institute for Risk Assessment Sciences (IRAS), Utrecht University, TNO (formerly ECN), and other parties.

The new study, which runs until mid-2021, will identify the UFP exposure of local inhabitants and any associated short-term or long-term health risks. Part of the research will involve pupils at two neighbouring primary schools. A further study involving adult volunteers examines the potential effects on blood pressure of inhaling UFPs over short periods, as well as on the lungs and heart. This part of the research is carried out by the RIVM in collaboration with the pulmonary department of the Academic Medical Center (AMC) in Amsterdam and the University of Southern California (USC). The concentrations of ultra-fine particles on and around the airport site will also be mapped as part of the research programme.

The first measurement results were published in 2017 at [www.luchtmeetnet.nl](http://www.luchtmeetnet.nl), with further updates made available via the website. Schiphol is giving its full support to these studies in the hope that the research will help advance international understanding of ultra-fine particles and their effects. We are also working on a plan which, regardless of the outcome of the research, aims to improve local air quality. Collaborating with experts as well as our sector and regional partners, in 2019 we intend to deliver a joint action plan aimed at reducing the presence of UFPs at and around the Schiphol site. We are also pursuing a clean mobility strategy for our travellers and employees.

## Clean mobility

Schiphol actively promotes clean mobility solutions as part of our efforts to improve air quality at the airport and in surrounding areas. To this end, we maintain close control of our own mobility as well as the mobility of companies working at Schiphol. We have a dual objective: (1) replacing vehicles run on fossil fuels with electric transport, and (2) reducing fuel consumption.

### Buses

The number of electric buses in operation at and around Schiphol is steadily expanding. Since 2015, 35 electric buses have been operating on the apron, with a total of 15 million passengers transported from the terminal to the aircraft and vice versa over the past three and a half years. The introduction of the buses has directly resulted in 1,743 tonnes of avoided carbon emissions, as well as 2.9 tonnes of avoided NO<sub>x</sub> output. In spring 2018, 100 VDL Citea electric buses were put into service at and around Schiphol Airport as part of the Amstelland-Meerland public transport

concession, representing the largest electric bus fleet in Europe at the time. By 2021 this number will have risen to around 250.

### Taxis

Taxi traffic from the airport is also increasingly electric. Schiphol's official taxi concession holders, the BIOS Group and BBF, have been bringing passengers to Amsterdam and other destinations in the Netherlands in Tesla taxis since 2014. Our regular partners operate a sustainable fleet of 170 electric Tesla taxi cabs as well as 30 biogas-powered taxi vans. Meanwhile, we require other taxis operating from the stand to join the Taxi Control Foundation and to meet certain quality requirements. This additional taxi fleet includes a further 511 zero-emissions vehicles, bringing the total number of electric taxis serving Schiphol to 681.

### Ground Support Equipment

Special vehicles known as Ground Support Equipment (GSE) operate on and around the airport aprons. These vehicles, which include cleaning vehicles, catering trucks and aircraft tractors, are used to prepare aircraft for departure or to handle them on arrival. An increasing number are electrically powered, and, since 2015, Schiphol has been helping ground handling companies to reduce their reliance on fossil fuels by investing in electric charging stations. Approximately 150 new charging stations were commissioned in 2018, bringing the total to around 400, with a further 150 due for delivery in 2019.

While the growing emergence of electric GSE is a clear sign of progress, the use of diesel-powered GSE will remain unavoidable for the foreseeable future as certain types of equipment are not yet available in electric form. Diesel engine emissions (DEE) are more harmful than emissions from engines powered by other fuels. As such, we are developing a company standard with a view to limiting the negative effects of emissions produced at Schiphol. In 2017, the Diesel Engine Emissions working group issued a set of recommendations, and we will be implementing these over the course of 2019 as part of a dedicated action programme.



## Supply chain responsibility

Schiphol Group plays a coordinating role in driving supply chain responsibility, and we share the ambition of our partners to create a clean and healthy environment. To this end, we seek to increase the sustainability of our own business operations. We also provide incentives for passengers to make sustainable travel choices while encouraging suppliers within the chain to improve their impact on working conditions and the environment. Aside from sustainability, we work with our supply chain partners to tackle a number of other important issues, such as the illegal trade of protected flora and fauna species, and safety. Inspired by the need to think and take action together, we endeavour to always go the extra mile in terms of our commitment to supply chain responsibility.

### Fleet renewal

The aircraft fleet composition at Schiphol is constantly changing. A recent trend sees airlines opting for next-generation aircraft that create less noise disturbance and lower emissions. For example, the Boeing 737 and Airbus 320 models are gradually being replaced by the Boeing 737 MAX and the Airbus 320neo, respectively. Similarly, in the larger aircraft category, models such as the Boeing 747-400 and Airbus 340 are being succeeded by more sustainable versions: KLM, TUI, Aeromexico and Kenya Airways recently introduced the quiet and fuel-efficient Boeing 787 on flights to and from Schiphol. Several of these new, larger aircraft are being ordered in large quantities for delivery within the next five to ten years, though many will be used to expand fleets rather than acting as replacements for older models.

Whether through fleet renewal or retrofitting, Schiphol strongly encourages the transition to quieter and more sustainable aircraft, as reflected in our revised airport charges structure for 2019-2022 (see box below). At the same time, we note that many of the aircraft currently flying, despite not offering the latest technology, are only a few years old and still meet high sustainability standards. In this respect, these models represent a considerable improvement on the versions they replaced only a few years ago.

### Advancing electric aviation

Schiphol Group has an active interest in the possibilities offered by electric aircraft. While commercial aviation's transition to fully electric flights remains some way off, there are clear signs of progress: easyJet, for example, plans to begin introducing electric carriers into its core fleet in 2027 with a view to becoming 100% electric by 2037, and expects to trial a nine-seater electric aircraft in 2019.

July 2018 saw the launch of the General Aviation e-platform, a collaboration aimed at bringing electric aircraft, hybrid fuel systems and other sustainable energy sources to the attention of the Dutch business community and the wider public. Schiphol is involved in these discussions: over the past few years, we have been advocating the approval of an electric aircraft in Dutch airspace and, in July 2018, we were pleased to witness the first electric flight in the Netherlands at the 'Elfwegentocht' event. During the event, Schiphol, together with our aviation partners, took part in an electric aviation roundtable chaired by the Ministry of Infrastructure and Water Management (I&W).

### Sustainable aviation fuels

With kerosene being a major contributor to aviation CO<sub>2</sub> emissions, sustainable aviation fuels have the potential to greatly alleviate the environmental impact of air travel. We have prolonged our participation in the KLM Corporate BioFuel Programme, through which we are supporting KLM in its efforts to scale up the use of biokerosene.

Looking further ahead, we are also investigating the possibilities presented by another future sustainable fuel: synthetic kerosene. Plans were recently announced to conduct a feasibility study for a synthetic kerosene pilot plant at Rotterdam The Hague Airport. Please refer to the Regional airports chapter for further information.

### Single European Sky

The Single European Sky (SES) initiative advocates a single, unified European airspace free from national borders that will be able to support the region's long-term aviation capacity needs. Royal Schiphol Group and its European partners actively promote the accelerated introduction of SES, which has the potential to

## Transitioning to electric GPUs for remote aircraft handling

Schiphol Group is investing in electric ground power units (E-GPUs) at many of its airports as part of our wider sustainability and carbon-emission objectives. E-GPUs supply zero emission power to aircraft on the ground, offering an alternative to traditional diesel-based units.

We have designed and tested the equipment in collaboration with ITW GSE and Nissan. Four E-GPUs are currently in use at Amsterdam Airport Schiphol, and, in time, all of Schiphol's diesel generators will have been replaced. Several of our other airports, including Eindhoven, Rotterdam and Brisbane, have also received their first E-GPUs, with one unit now operating at each airport. These first E-GPUs contain a new battery; in time, E-GPUs will be supplied with recycled batteries that have been used in cars for several years.

E-GPUs are used to supply power to aircraft docking at remote aircraft stands. In this way, they supplement the fixed electrical ground power supply through which aircraft are electrically operated at 73 of the fixed aircraft stands in place at Schiphol. Our investment directly supports the CO<sub>2</sub>-emission-reduction targets for Dutch airports as outlined in the aviation industry's 'Smart & Sustainable' action plan.

modernise Europe's air traffic control system and drive efficiency across ground processes, aircraft handling and airport use. Optimising the region's airspace will improve safety, increase capacity, shorten flight paths, and reduce costs and fuel consumption as well as aviation emissions. In fact, if all the activities outlined in the Single European Sky ATM Research (SESAR) programme end up being implemented, they stand to reduce Europe's aviation CO<sub>2</sub> emissions by as much as 10%.

Schiphol is implementing many of the airport-focused objectives outlined by the SESAR in collaboration with our partners, including taking steps to improve our ground-handling operations. In 2019, our focus is on the construction of an Airport Operations Center (APOC) from where operational managers (including the airport, air traffic control, airlines and ground-handling teams) can work together to jointly manage our different aviation processes.

#### Expansion of CDM at Schiphol

In May 2018, the aviation parties at Amsterdam Airport Schiphol were connected to the European CDM (Collaborative Decision Making) network managed by Eurocontrol's NMOC (Network Manager Operation Centre). Schiphol now joins 27 other European airports in becoming an official 'CDM Airport'. CDM is a collaborative aviation network designed to alleviate congestion in Europe's airspace through efficient and accurate sharing of information on flight status and schedules between different operational partners.

Schiphol has had a local Airport CDM system in place since November 2015; during this period, CDM has enabled us to increase the predictability of aviation operations and make more efficient use of our capacity, both on the ground and in the air. With our connection to the European CDM network, our focus has now shifted to improving predictability across the wider European airspace. Furthermore, by implementing Eurocontrol's B2B Web service, our airport meets an important future requirement as outlined by the SESAR. To learn more about CDM, visit [www.schiphol.nl/cdm](http://www.schiphol.nl/cdm).

#### Combatting trafficking in protected species

As a member of the Airports Council International (ACI) Wildlife Trafficking Taskforce, we work closely with our partners to tackle illegal trade of protected flora and fauna species. Among other responsibilities, our role sees us participate in data exchanges to help identify actual and potential smugglers and pinpoint illicit animal and plant material. Our efforts align with those of Customs at Schiphol, which carries out thorough checks on potential movements of protected species and is regarded as a frontrunner in the fight against wildlife trafficking.

Nevertheless, with smugglers becoming more sophisticated in their approaches (for example, many now carry eggs of protected species on their person in order to hatch them in another country), extreme vigilance is increasingly required across the entire

## New airport charges: A step forward for sustainability

On 31 October 2018, we updated the airport charges structure for Amsterdam Airport Schiphol, with the aim of promoting the use of newer, more environmentally friendly aircraft that produce less noise. The new structure, which takes effect from 1 April 2019 and runs until 31 March 2022, effectively raises the discount rate for more sustainable aircraft, namely the difference between the noisiest and most silent categories.

Under the new system, airlines will pay 180% of the basic rate for take-off and landing fees for the noisiest, most polluting aircraft by 2021. Take-off and landing charges for the cleanest, quietest aircraft will be 45% of the basic rate. This policy will also apply to night flights.

As part of the new structure, Schiphol also brings its aircraft categorisation model into line with recent advancements in aircraft noise technology. We hope that incentives offered for fuel-efficient aircraft translate into lower CO<sub>2</sub> emissions from aviation activities at our airport. Further evolution of the new fee structure will be analysed for the following charges period, as outlined in the aviation industry's 'Smart and Sustainable' action plan.

aviation value chain. It is our responsibility to inform customers and partners about wildlife trafficking and to raise awareness, and we regularly publish articles and reports on this important topic for sharing among the aviation community. In 2019, we will continue stepping up efforts to combat this crime: we aim to sign the Buckingham Palace Declaration during the ACI World Annual General Assembly in April, where we will also present the work being done by Schiphol and Customs against wildlife trafficking.

### **Implementation of Integral Safety Management System**

Our safety processes have been further strengthened with the implementation of the Integral Safety Management System (ISMS). Building on the success of the previous system, Safety Platform Schiphol, which ended in June 2018, the ISMS is a unique collaboration between Schiphol Airport, Air Traffic Control the Netherlands, airlines, ground handlers and refuelling services. In July 2018, a covenant was signed with the Ministry of I&W outlining the future development of ISMS. In 2018, risk analysis concerning runway combination changes and infrastructural developments were carried out, along with two joint incident investigations. The results were subsequently followed up on by

the TOP Safety Action Group of ISMS, which includes a number of Schiphol operational executives. The improvement measures resulting from ISMS are detailed in the Safety Improvement Roadmap Schiphol.

The first of its kind for the industry, the ISMS partnership is tasked with overseeing and improving safety management processes across the Dutch aviation landscape. Importantly, the ISMS does not replace the existing safety management systems of individual companies, rather it complements them by focusing on the overall risks involved with Schiphol's operations. In this way, safety risks and improvement opportunities beyond the remit of individual parties are quantified, while the various aviation parties at Schiphol jointly decide on measures to further improve safety.

### **Fire-fighting foam contamination**

Before its effects were fully understood, a non-biodegradable toxic fluorine, PFOS, was frequently used in fire-fighting foam and other industrial products. As is the case in other worldwide locations, the soil at Schiphol is now PFOS-polluted to the extent that concentrations in some areas of the airport exceed the clean-up limit set by the province of North-Holland. Independent safety

## **Making aviation more sustainable**

Royal Schiphol Group has been invited to take part in the sustainable aviation branch of the so-called 'Mobility climate table': one of five roundtable sessions set up by the Dutch government to investigate routes to a 49% reduction in the country's CO<sub>2</sub> emissions by 2030. Each round table will concentrate on a different sector of the economy, with the outcomes helping to form the new climate law (Klimaatwet), which is due to come into effect in 2019. The participants taking part in the roundtable on sustainable aviation were allocated to one of six focus areas, ranging from fleet renewal to sustainable aviation fuel.

### **The 'Smart and Sustainable' action plan**

In addition, in October 2018, Schiphol, along with other Dutch aviation parties, presented the Ministry of I&W with their 'Smart and Sustainable' action plan. The action plan is a multi-year strategy aimed at reducing carbon emissions generated from international aviation activities in the Netherlands to 2005 levels by 2030. This effective 35% reduction will form an important milestone in reaching the International Air Transport Association (IATA) target of a 50% decrease in aviation emissions by 2050. The strategy will also provide input for the sustainable aviation roundtable taking place in spring 2019.

Realising this plan will require a joint effort. Royal Schiphol Group is among 20 partners working together to reach the following seven objectives:

1. Optimising flight routes and procedures
2. Encouraging cleaner aircraft by levying airport fees
3. Introducing sustainable fuel
4. Radical fleet renewal
5. Deploying international train services and other sustainable means of transport over short distances
6. Emissions-free airports
7. A fast and efficient journey to and from the airport

We have already begun taking steps to address these ambitions; for example, by accelerating the transition towards green gas and the usage of E-GPUs.



assessments by Schiphol's contractors have concluded the contaminated soil so far poses no significant health risk to those who come into contact with it. Nevertheless, we continue to make every effort to find a long-term solution to this issue.

Schiphol examines the environmental threat of PFOS on a case-by-case basis. Contaminated soil is typically excavated in the event of construction and development projects; however, the ban on dumping requires us to store the affected material on site rather than removing or recycling it. As such, approximately 100,000 cubic metres of soil excavated from the Schiphol site is currently stored in depots awaiting redistribution or decontamination. By applying the municipal reuse policy, we were able to re-purpose approximately 50,000 cubic metres of soil for land reclamation or other uses during 2018. We have also held discussions with the Ministry of I&W regarding a proposed national policy for managing PFOS-contaminated land. Our hope is that such a policy would eliminate the requirement to store soil, while also alleviating the substantial delays and costs associated with PFOS disposal. We will continue to monitor developments over 2019.

## **Raw materials and residual flows**

The earth cannot endlessly supply raw materials, so it is essential that, as an organisation, we make the shift from a linear economy to a circular economy. To this end, Schiphol Group takes a responsible approach to our use of natural resources and other materials, and we are committed to operating zero-waste airports by 2030. This means that any raw materials, components or products we use are reused or recycled to the highest possible standard, preferably at our own locations, or else as close to our airports as possible. In light of our vision, we refer to 'residuals' and not 'waste', since every residual retains some form of value. As we work towards our goal, we are adapting our activities in line with the circular economy. These processes include construction and design, as well as our use of raw materials and our management of residual flows.

Accordingly, we are working to speed up the integration of recycling and other circular concepts; however, we recognise that Schiphol still has a long way to go in making this transition. A key step in this process involves taking responsibility for how we use and dispose of materials across our operations. From reducing our dependency on raw materials and changing how we design and construct assets to strengthening our waste separation and recycling processes, we will be working with our stakeholders and partners over the coming years to make positive, long-term changes to our airport processes.

### **Mindful resource use**

As a starting point, we have been looking critically at our construction methods, our waste processes and our use of materials to better understand them and the impact on the

environment. Schiphol is currently working with Milgro, a cleantech company that uses ICT platforms to help organisations monitor and manage waste and resources in a more efficient way. In 2018, we ran a pilot programme for customers using the business class lounges of British Airways and SwissPort to test the registration system provided by Milgro. The aim was to determine whether the system provides sufficient insight into the residual flows from companies located within the terminal and to establish the basis for a reward system for sustainable and circular behaviour. Unfortunately, we had to terminate the pilot earlier than planned due to organisational issues. We will resume our measuring activities in 2019.

Schiphol also undertook a number of proactive efforts to drive passenger awareness around waste separation over the course of the year. Despite our efforts to promote best practice, it is unrealistic to expect to be able to influence the actions of many millions of passengers each year. In particular, it is now apparent that we will not achieve significantly higher separation percentages in the terminal than the current 40-45% level (we have been able to achieve 80% separation at our offices as we have greater influence over our employees' behaviour). As such, Schiphol and Suez are researching post-separation technology to help identify different routes to reaching the separation targets.

### **Design for disassembly**

A central element of our zero-waste approach will involve the gradual integration of circular building design and construction methods into our assets and real estate development strategy. Our ultimate goal is to implement design for disassembly principles for all new constructions, allowing physical assets and materials to be easily salvaged and repurposed for new projects. Schiphol's Circular Economy (CE) Task Force, which was set up in 2017, had a pivotal role in driving this approach.

A key recent focus of Schiphol's design for disassembly strategy has involved identifying bottlenecks within our organisation that may be holding back the advancement of circular building approaches. In particular, much was learned from the Pier C renovation project: while circular concepts were used in designing the renovated pier, unfortunately, we were ultimately unable to utilise circular processes as part of the project. Nevertheless, the project proved to be a valuable learning exercise that will inform future developments.

### **Closing the loop: Advancing strategic resource management**

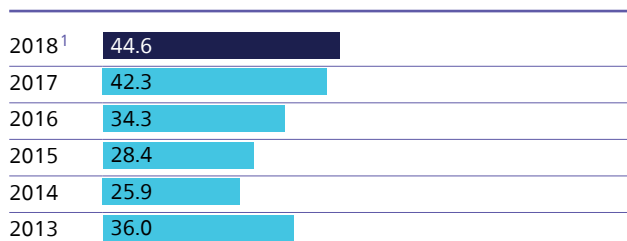
For Schiphol to become its own fully circular economy, it is imperative that all of our value chain partners are equally engaged in this mission and 100% aligned in their goals. In 2018, we continued to adapt our contracting and tendering practices to reflect this need. Circularity was a decisive factor in selecting a new display supplier (Display As A Service) and a visual docking guidance system provider.

In addition to partnering with like-minded companies on site, we are also working to spread circular knowledge and practices to other organisations in our region. 2018 saw the launch of C-creators: a partnership between Royal Schiphol Group, Rabobank Regio Schiphol and the municipality of Amsterdam to advance circular construction in the Amsterdam Metropolitan Area (MRA). The programme organises masterclasses and events and supports relevant construction projects throughout the region. Indeed, Schiphol's Flexoffice and Innovation Lab are among the initiatives to have already received support from C-creators.

Equally, we recognise the value that other organisations can add to our own circular processes and methodologies, and we are increasingly looking to bring new skills and tools into the airport environment. In 2018, Schiphol joined a pilot led by Excess Materials Exchange (EME), a digital marketplace where companies can exchange surplus products and materials. Through this innovative pilot, we have gained further insight into the residual flows of shops and catering outlets in the terminal, putting us in a stronger position to identify the optimal recycling options for all of our residual flows. We will conduct further research into our flows in 2019.

We are working with our strategic partner, Suez, to ensure these flows are reused or recycled to the maximum extent possible. By 2020, we aim to recycle at least 70% of the operational residual flows at Schiphol, up from 44.6% in 2018 and 42.3% in 2017. Construction and demolition waste and CAT1 waste from aircraft are not included in these targets, as they are separated and processed by business partners at our location.

**Percentage of separated operational residual flows**  
(per year at Amsterdam Airport Schiphol)



<sup>1</sup> Excluding CAT1 aircraft waste.

## Community engagement

At Schiphol, we make every effort to listen to the needs and wishes of our local communities and are keen that residents view us as a good neighbour. As we work to fulfil our mission of strengthening Mainport Schiphol, it is more important than ever that we listen closely to the concerns of families, individuals and businesses affected by our activities. We recognise the negative effects of our

business, such as noise and emissions, and continue working hard to ensure we have a positive impact on our region.

As in previous years, Schiphol organised a range of initiatives and events throughout 2018 aimed at fostering engagement with local neighbourhoods, setting ourselves the target of organising at least four stakeholder dialogues. Our community engagement programme remains a key focus in 2019, and we will continue to explore ways to promote dialogue with our neighbours and engage different stakeholder groups.

### Schiphol Aviation Community

Schiphol stimulates regional employment through initiatives such as the Schiphol Aviation Community: a partnership with KLM and the Regional Training Centre (ROC) of Amsterdam aimed at developing and organising working and learning programmes for the aviation industry. The key focus in 2018 was on the development of IT skills; over the next few years, the Community will concentrate on labour security, vitality and attractive employment practices. One of its major successes since formation has been the 'one-stop desk' programme where employers across the Amsterdam Metropolitan Regions (MRA) are connected with potential employees through speed dates, job markets and inventories of talented people.

The Community also plays a coordinating role in the Aviation Inclusive programme: an initiative supporting people who have difficulty accessing employment. The programme took shape in 2016; since then, participation has expanded to include 36 employers at the Schiphol site. A great many individuals have found work through the scheme, including over 50 people in 2018 alone.

### Projects for young people

Young people today are increasingly outspoken, and many are keen to have a say on issues affecting their local communities. As part of our efforts to engage with future generations, we reach out to children in nearby communities through educational activities at the Schiphol site and by involving them in discussions relating to the airport's future. We have also created a Schiphol teaching package aimed at introducing school children aged 11 to 12 to our airport in a fun way. The module consists of teaching materials for the students and a manual for teachers; further information can be found on the ['You and Schiphol' website](#).

Schiphol is also a longtime supporter of JINC, a non-profit organisation working with children aged 8 to 16 from deprived areas to ensure they make a smooth entry into the world of work. The JINC programme offers the children an insight into different professions and encourages them to explore roles that fit their talents. Schiphol plays an active role, from organising insight days at the airport to 'language trips' where children with language difficulties are given help developing their vocabulary.

## The Polderbaan experience

In July 2018, we closed Runway 18R-36L, known as the Polderbaan, for three weeks, in order to undertake essential maintenance. As the Polderbaan is one of our preferential runways, closing it meant potentially relying on other runways located closer to residential areas, with people living under these flight paths likely to experience more noise than usual.

We decided to reach out to the local community about the issue. On 7 April 2018, we welcomed 250 of our neighbours to Schiphol to take part in a unique event: the Polderbaan Experience. The day saw children and their parents participate in games and activities and meet representatives from different operational teams at Schiphol. It was an opportunity for families to have fun and learn about the day-to-day workings of the airport.

In 2019, we will continue our efforts to engage with our local community on the subject of runway maintenance, and plans are under way for a similar event to take place during the six-week closure of the Zwanenburgbaan during March and April. Our ultimate goal is not only to involve parents and their children in this important issue, but to engage the local community as a whole.

## Schiphol Fund

The Schiphol Fund (Stichting het Schipholfond) exemplifies the airport's social involvement with the local community. 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 2018, total donations worth 327,042 euros were

made across 44 separate initiatives. These donations were used to purchase new equipment for the athletics club in the nearby town of Assendelft, for example, as well as floodlights for the Vennep Flyers, a local baseball team.

## Stakeholder engagement

Schiphol Group is expected to inform its stakeholders in a timely manner of the wider social impact of its activities. Maintaining a strong local support base and mutual dependence, especially between sector partners, requires the airport to be a trustworthy partner with a long-term vision. We create trust by informing stakeholders and engaging in dialogue about our dilemmas. Sharing information helps us to inspire each other and provides us with concrete guidance through which we are able to define our role and our strategy. We learn to understand our stakeholders' priorities; this enables us to seek joint solutions for social issues and, where possible, follow up on questions and advice obtained from this dialogue.

The development of public space around Schiphol is discussed intensively with regional authorities and other local parties to ensure neighbouring communities are taken into account with regard to future capacity developments. We meet with resident groups within the Schiphol Local Community Council (ORS), while the Local Community Contact Centre (BAS) liaises with individual inhabitants. 2018 brought the launch of an extensive public consultation regarding the development of Schiphol after 2020. The consultation involves local and regional authorities, as well as local residents, various ministries and other stakeholders. In addition, Schiphol has a seat on the governing body of the Amsterdam Metropolitan Area (MRA) to improve accessibility

## Local environmental quality projects

Working closely with the province of North-Holland, Schiphol has established the Schiphol Quality of Life Foundation (Stichting Leefomgeving Schiphol), in accordance with the medium-term agreements outlined in the Covenant on local environmental quality. Led by an independent management board, the Foundation oversees two initiatives: an improvement programme focused on area-specific projects, and a programme focused on individual measures, including mitigation in cases of noise-related distress.

The Quality of Life Foundation receives its funding from the province of North-Holland, as well as the Ministry of Infrastructure and Water Management (I&W) and Royal Schiphol Group. Schiphol made 10 million euros available for the first phase of the programme and another 10 million for the second phase. This funding tranche will mainly be allocated to the individual measures programme, the second phase of which began in 2017.

The second phase of the area-specific programme was launched in early 2018, for which 20 million euros is available in principle. This programme encompasses 27 projects in the municipalities of Aalsmeer, Uithoorn, Haarlemmermeer and Haarlemmerliede, and has been developed in collaboration with the respective municipalities and their residents. Both the area-specific and individual measures programmes must be implemented no later than 2020. Further details can be found at [www.stichtingleefomgeving.nl](http://www.stichtingleefomgeving.nl).



## The Children's Council

Schiphol has a Children's Council (Raad van Kinderen). In 2018, the Council consisted of pupils from the 1st Montessori school in Hoofddorp between the ages of 10 and 12. For eight weeks, the Council, working in groups as well as with the local community, set about answering the following question: how can Schiphol minimise the negative impact of the airport on local residents and enhance the positives? Their investigations produced a number of original insights and sparked a lively debate.

and mobility within the region and is a consulting partner to various other bodies.

Further to this, Schiphol Group maintains regular and close contact with political and governmental stakeholders at a local, regional, national and international level. Among the topics discussed are current and future legislation and regulation, external factors that may influence our position or reputation, and actions that Schiphol Group or these stakeholders can take. Matters discussed in relation to Europe include the consequences of Brexit for airports and other aviation parties, and joint EU negotiations on landing rights with countries outside the European Union. Meanwhile, we continue to address topics such as Single European Sky, a European emissions trading system, and passenger rights, through our participation in ACI Europe (a leading airport trade association), as well as other channels.

As part of our stakeholder conversations, we conduct frequent surveys to measure the customer experience and carry out regular employee surveys as well. In 2016, we conducted our first reputation survey to canvass the views of local residents, as well as the media and the wider public. We repeated the survey in 2018; on this occasion, it was directed at local residents and the Dutch public, and solicited opinions on the development of Lelystad Airport as well as Schiphol. These studies help us to identify subjects that are important to our stakeholders and gauge our performance in relation to these issues. We intend to repeat these surveys on a regular basis.

## Overview of 2018 stakeholder dialogues

Alongside the formalised contact moments, every year we also identify material aspects for stakeholders. The material aspects are used as input for an in-depth analysis, including through dialogue. We feel 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 a range of other industries to broaden our awareness.

Schiphol organised five stakeholder dialogues in 2018, thereby meeting our target of hosting four stakeholder dialogues in 2018. Members of the Management Board were present at three dialogue sessions. CEO Dick Benschop entered into conversation with the councils of five surrounding municipalities.

### Stakeholder dialogue on sustainable energy

Forming part of our climate action efforts (SDG 13), 16 April 2018 saw the opening of the Autena wind farm from which Eneco supplies sustainable energy to Schiphol Group. To mark the development, Schiphol and Eneco organised a dialogue session with local residents and business owners. The topics under discussion were 'sustainable connections and the community',

'sustainable living', and 'local sustainable entrepreneurship'. Schiphol CCO André van den Berg took part in the debate on behalf of the Group. The event underlined the importance of involving the neighbouring community in harnessing new innovations to meet society's energy needs. Furthermore, investment from both the government and the private sector is essential in establishing large-scale electric transport and gas-free residential areas.

### Discussions with the Children's Council

Schiphol actively seeks new partnerships as part of our efforts to fulfil the goals (SDG 17). One such partnership is with the Children's Council (Raad van Kinderen), which advises Schiphol Group. In 2018, the Council spent eight weeks offering ideas and suggestions as to ways the airport can reduce the negative impact of its activities on local residents while enhancing the positives. The project ended on 4 April with an open dialogue involving Schiphol CFO Jabine van der Meijs.

Our interactions with the Council have taught us that Schiphol doesn't always put itself across to the outside world as well as it could, and we have been offered tips to help us tell our story more clearly. Children also look at problems in a different way: from the perspective of what's possible, unlike 'the adult way of what's not possible'. Schiphol has begun actioning these valuable insights and will be providing feedback to the Council in 2019.

### Expert dialogue on mobility

Ensuring excellent landside accessibility is one of our biggest future challenges. Schiphol is developing a new bus and railway station for the longer term. However, in the meantime, the airport has to manage large numbers of travellers making their way to Amsterdam. In November 2018, Schiphol organised a meeting with transport partners in the region with a view to finding new solutions to the issue.

One of the outcomes of the discussions is a new study that will investigate the possibilities around digitising travel information and ticket sales. With a joint mobility platform, passengers will be able to buy their ticket in advance and download it on their phone. The hope is that this will result in a less stressful and more seamless transfer of passengers between Schiphol and Amsterdam's public transport system.

### Aviation Day

On 8 December 2018, some 600 people took part in Amsterdam's Aviation Day. The event formed part of an extensive public consultation on Schiphol's development beyond 2020, which is being led by the Ministry of Infrastructure & Water Management (I&W) and the Schiphol Local Community Council (ORS). Over the course of the day, Schiphol subject-matter experts led a range of workshops on topics such as ultra-fine particles, climate-related issues and flight routes.

Another key discussion examined the positive impact of aviation in driving employment and the local economy. Schiphol CEO Dick Benschop spoke with residents during a series of so-called 'living room sessions'. While, in general, the attendees were critical of the further growth of Schiphol, the open exchange of information was appreciated, as was Schiphol's position with regard to the issue.

### A conversation with the new municipal councils

With several new city councils being formed in 2018, Schiphol Group invited representatives of the municipal authorities situated in Schiphol's vicinity to visit the airport. The aim was to get to know the council members and provide an overview of future developments and challenges relating to Schiphol. During their visit, representatives from the municipal councils of Haarlemmermeer, Aalsmeer, Uithoorn, Amsterdam and Amstelveen took part in an extensive open discussion with Schiphol CEO Dick Benschop. This was followed by a tour of the Schiphol site, which offered the visitors an insight into day-to-day operations at the airport and Schiphol's many sustainable airside initiatives.

### Stakeholder dialogue on Brexit

On 21 December, Royal Schiphol Group and the Netherlands British Chamber of Commerce (NBCC) held a stakeholder dialogue session on Brexit and its potential impact on the aviation sector. The discussion involved representatives from the Ministries of I&W and Foreign Affairs, as well as Dutch Customs, the British Embassy, British Airways, KLM, and a number of other key aviation partners.

The dialogue addressed the legal implications of Brexit for the aviation sector, with KLM, Customs and Schiphol also discussing the wider consequences of the UK leaving the EU. The attendees found the mutual exchange of information especially useful. The NBCC will examine the need for further stakeholder guidance and may organise a follow-up meeting in mid-2019.

### What do our stakeholders think of us?

In 2018, we commissioned a study examining the views on Schiphol and the development of Lelystad Airport among local residents and the general public at large. The survey was largely a repeat of a previous study conducted in 2016; the key variation was the involvement of local residents around Lelystad Airport.

The average score awarded to Schiphol by the survey respondents indicates that the public's general perception of Schiphol Group is satisfactory. However, residents living in the vicinity of Amsterdam Airport Schiphol awarded the airport a lower score for social entrepreneurship, communication and relationship than that provided by respondents from other parts of the Netherlands. Meanwhile, stakeholders living close to Lelystad were evenly divided over the need for an overflow airport.



More generally, the research indicates decreasing support among local residents for expanding aviation in the Netherlands, though, equally, a high percentage of people acknowledge the importance of the sector to the Dutch economy. Paradoxically, people appear to agree on both issues.

# Our regional airports

## Passenger numbers

Eindhoven Airport: 6.2 million (+9.4%)

Rotterdam The Hague Airport: 1.9 million (+12.2%)

## Direct destinations

Eindhoven Airport: 87

Rotterdam The Hague Airport: 43

## Air transport movements

Eindhoven Airport: 38,642 (+6.0%)

Lelystad Airport: 103,355 (general and business aviation):  
(+22.7%)

Rotterdam The Hague Airport: 15,649 (+8.8%)

## Eindhoven Airport

### Exploring a path for future development

Air traffic demand at Eindhoven Airport increased further in 2018, driven partly by robust, 4.9% year-on-year growth in the economy of the Brainport region. Total passenger throughput surpassed 5 million in 2017, meaning that Eindhoven Airport joins Schiphol Airport in being subject to national aviation regulation governing airport charges. After a series of consultations, Eindhoven Airport has agreed on charges with relevant stakeholders for the period 1 April 2019 to 31 March 2020.

With activity at the airport set to continue rising over the coming years, 2018 saw increased attention given to the airport's long-term growth strategy and what this means for the surrounding regions. In particular, the licence for the civilian joint use of Eindhoven Air Base will expire on 31 December 2019. A new permit is therefore required to continue to make civil aviation possible. Meanwhile, the airport is approaching the ceiling for the number of permitted aircraft movements, currently set at 43,000 movements per year. While Eindhoven Airport has put measures in place to delay reaching the limit, it remains likely to hit this ceiling by end-2020.

The questions surrounding Eindhoven's future development are linked to wider discussions around the long-term vision for aviation in the Netherlands and, in July 2018, it was announced that Eindhoven Airport will be used as a 'test case' that will help to set a sustainable future path for the Dutch aviation industry. The six-month trial, which is being led by the Dutch Ministry of Infrastructure and Water Management (I&W), will explore innovative measures for the development of Eindhoven Airport in a healthy and sustainable way for the benefit of the region's economy as well as local communities and the environment. Results of the test case will be made available in April 2019 and will be used as input for the forthcoming Aviation White Paper ('Luchtvaartnota').





Eindhoven Airport



Eindhoven Airport once again achieved the highest possible accreditation level (CO<sub>2</sub>-neutral) within the Airport Carbon Accreditation benchmark provided by Airport Council International (ACI), a level it has held since 2012. For the sixth year in a row, Eindhoven Airport retained its 3+ status in the benchmark, despite the growth in the number of passengers and flights. One of the requirements of this status is that the airport's own activities are CO<sub>2</sub>-neutral. Eindhoven Airport is committed to maintaining this status going forward.

Aside from the question of managing overall aviation capacity, further consideration is being given to the accessibility of Eindhoven Airport, a discussion which will be central to the airport's development over the 2020-2030 period. Current suggestions include improving the airport's public transport connectivity by building a new NS railway station at Eindhoven-Noord on the existing Eindhoven-Den Bosch route. Discussions on this development are ongoing, and a decision is not expected in 2019.

### Innovations and other developments

In 2018, Eindhoven Airport continued to feel the effects of the collapsed P1 multistorey parking in front of the airport terminal. The collapse, which occurred in May 2017, delayed a number of scheduled projects, including construction of the new airport boulevard. A report on the incident was published by the Dutch Safety Board (OVV) in October 2018 and will be evaluated closely over the coming months. In December, a settlement was reached with construction company, BAM, with regard to financial damages relating to the incident.

Rebuilding work has begun, with the P1 parking facility set to resume operations from October 2019. The main access area in front of the airport terminal was also restored during the course of 2018. A further physical enhancement to the airport came in the form of a new covered walkway that shelters passengers moving on foot between the aircraft and the terminal building. Additional covered walkways may be installed depending on the success of this first construction.

2018 also saw the creation of a new foundation, Stichting Leefbaarheid Luchthaven Eindhoven, which supports projects aimed at improving the lives of individuals living in the vicinity of the airport. Eindhoven Airport has so far committed 200,000 euros to the foundation, with a further 680,000 euros made available through State contributions as well as donations from North Brabant province and the municipality of Eindhoven. One of the first projects receiving funding is a measuring system for emissions of ultra-fine particles.

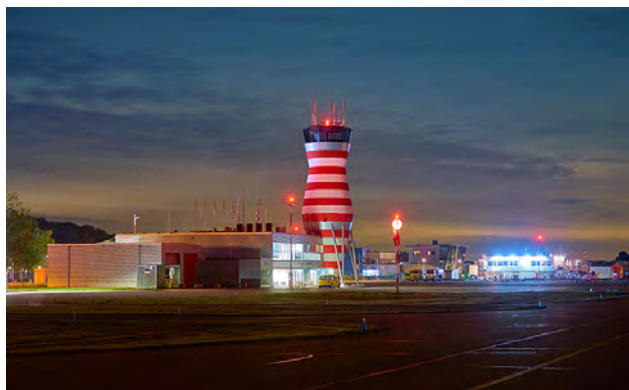
## Lelystad Airport

### Ready to open in 2020

The 1 April 2019 deadline set for the opening of Lelystad Airport to passenger traffic has been further extended, with the airport now scheduled to become operational in 2020. The new launch date is contingent on approval being provided in the form of the amended Airport Decree. To this end, in 2018, a revised environmental impact assessment (EIA) for Lelystad Airport was put forward by the Ministry of Infrastructure and Water Management (I&W). The updated EIA included an adjustment to the 'noise assessment', with the number of local residents impacted by aircraft noise found to be lower than initially thought. Based on these assessments, the number of annual air transport movements at Lelystad has been capped at 45,000. The Airport Decree was adopted by the Council of Ministers at the end of 2018; it must now undergo a public opinion procedure to allow it to come into effect in September/October 2019.

2018 saw Lelystad Airport make significant progress in preparing the airport for commercial aviation activity. In March, a project to widen and lengthen the airport runway was completed, and the airport's control tower was raised to its new height of 22 metres in July, having previously stood at 9 metres. The outer structure of the new passenger terminal was finalised in September 2018, along with accompanying public parking facilities and new access roads. The interior of the terminal building can now be developed during the course of 2019 with a view to welcoming passengers in 2020.

Development of the Lelystad Airport terminal and other works are being undertaken using sustainable, circular methods, aligning with the wider Schiphol Group's long-term sustainability aims. In particular, the runway expansion project has been undertaken using non-invasive, trenchless construction methods, preventing an estimated 10,000 lorry journeys and resulting in a CO<sub>2</sub>-emissions saving of 500 tonnes. The new terminal will also include sustainable temperature-control systems and low-energy



Lelystad Airport

lighting, as well as an automated, energy-efficient baggage-handling system known as FLEET. Once finished, the building will be eligible for 'Gold' category LEED certification, becoming the first airport in Europe to receive this leading sustainability accreditation. Lelystad Airport is also a climate-neutral operation.

Work is also taking place to improve access to the airport, with Flevoland Province overseeing a project to broaden the A6 Almere-Lelystad motorway. An additional junction is also being planned to connect the road to the airport as well as a future business park being built in the vicinity. A tendering process is also in place to create a fast bus connection between Lelystad Centrum train station and the airport.

### Innovations and other developments

Lelystad Airport aims to play a central role in driving employment in Flevoland Province, which has one of the highest rates of unemployment in the Netherlands. To this end, the tendering process for the terminal renovation and other projects will give preference to local companies and employees located within a 30-kilometre radius of the airport site. The structural employment benefit of the airport during the current construction phase will be equivalent to about 60 full-time jobs, rising to around 100 full-time positions each year over the next 10-15 years once Lelystad Airport is operational. This will include some 300 part-time positions in areas such as construction, maintenance of the airport buildings and grounds, as well as day-to-day aviation processes.

Further to this, the airport has made a commitment to helping people with limited opportunities in the labour market in collaboration with the Werkbedrijf Lelystad programme. Lelystad has also partnered with Stichting Campus Amsterdam Lelystad Airport (SCALA) and the regional training centre, ROC van Amsterdam, to jointly promote and provide training initiatives and work placements. In 2018, the first 120 students began training in airport facility management and travel and hospitality management.

## Rotterdam The Hague Airport

### Terminal renovation begins

In January 2018, renovation work began on the passenger terminal at Rotterdam The Hague Airport. The project aims to resolve three major bottlenecks in the airport's chain of processes: (1) congestion in the security passage, (2) inefficient processing of outgoing hold baggage, and (3) passenger congestion within the gate area behind the security check. More generally, the terminal building will be enlarged by more than 10 metres to allow for a smoother passenger flow. The aesthetics of the building will also be improved, with a view to creating a brighter and more welcoming atmosphere. The new design takes sustainability into account, with the moss sedum layer set to be added to the roof to improve insulation.

The first piles for the new terminal building went into the ground in September 2018, and Rotterdam The Hague Airport has begun making further modifications to the security filter in time for the May 2019 holiday. Unfortunately, the scheduled December 2018 completion date for the project has not been met. The overrun is due to the discovery of asbestos in the terminal, which must first be remediated, as well as other setbacks in the construction process.

Rotterdam The Hague Airport notes that the delay has had a disruptive impact on day-to-day terminal operations, which has in turn affected the overall customer experience (the airport's Net Promoter Score (NPS) fell accordingly in mid-2018). By expanding our 'Certified Smile' hospitality training programme for frontline airport employees, the airport is taking steps to improve key aspects of our customer service. The programme, which is delivered through Hotelschool The Hague, will provide Rotterdam The Hague Airport and aviation partner employees with additional skills to help maintain the best possible experience for airport passengers during the renovation project. Areas of focus will include delivering up-to-date information to travellers and managing special situations in the departure hall.

### Innovations and other developments

In 2018, Rotterdam The Hague Airport laid strong foundations for our two core 2019 sustainability objectives: (1) 45% energy self-sufficiency, and (2) a 45% use of environmentally friendly transport modes within the airport's overall transport mix (the airport already operates on a climate-neutral basis). Solar panels have been installed on the roof of the terminal building as well as the arrivals hall and baggage-handling building, with a view to the airport achieving 22% energy self-sufficiency by the year's end. July 2018 also saw the first electrical Ground Power Unit (GPU) put into use at the airport.

Plans were also announced for a feasibility study for a synthetic kerosene pilot plant on the airport site. The product, which has the potential to be a sustainable alternative to fossil kerosene, will be made using CO<sub>2</sub> extracted from the air via a process known as



Rotterdam The Hague Airport

direct air capture. This is a process by which carbon atoms are directly subtracted from the air. Another key component, hydrogen, will be recovered through electrolysis, while the plant itself will be powered using solar energy generated by panels located at Rotterdam The Hague Airport. The plant, which is hoped to come online in 2021. Partners in this project are the municipality of Rotterdam, the province of South-Holland, and other parties.

In November 2018, Rotterdam The Hague Airport began trialling a new automated baggage-handling system named FLEET. The system, which has been designed by VanderLande, is a flexible and sustainable solution that uses autonomous vehicle technology to create a faster and more efficient baggage-handling process. Among its many benefits, FLEET adds value by eliminating the need for fixed sorting systems, while the system consumes 50% less energy than traditional baggage-handling systems. November also saw the launch of the new Rotterdam The Hague Airport app. The rebooted platform offers travellers a fresh, user-friendly design as well as a range of enhanced features, including real-time arrival and departure information.

Going forward, our sustainability and wider innovation efforts will be driven in large part by the Rotterdam The Hague Innovation Airport (RHIA) initiative, which was officially launched in March 2018. The campaign, developed in partnership with the municipalities of Rotterdam and The Hague, as well as knowledge institutions and private-sector partners, aims to promote sustainable innovation and digital advancement within aviation. RHIA will also involve the airport working with local communities to encourage skill development and entrepreneurship.



## Our international activities

# Eyes open to the world

As an airport company, we want to create sustainable value. We do this in an innovative, reliable and efficient way. Our international activities add value to our core business operations in the Netherlands and provide meaningful opportunities to start joint initiatives, to work in an international context and to share best practices for our employees.

Our Group has been internationally active for decades. Trade and a focus towards the outside world are in our corporate DNA. In 2018, Royal Schiphol Group revitalised its international strategy. In addition to strengthening our current partnerships and participations, we will pursue new opportunities worldwide. In doing so, we are well placed to benefit from the international trade agenda of the Netherlands. The focus of our new strategy will be on developing partnerships where we can maintain a high level of involvement through participations and management contracts, and where we can offer critical knowledge and expertise on developing, improving and operating an airport.

There are two strategic reasons why international activities are relevant for our future: they provide opportunities to strengthen our position as an airport operator, on the one hand, while also contributing to our financial robustness on the other.

Entering into international ventures also challenges us to continue improving our products and services and, in this way, enhance the quality of our staff across the Group. In particular, operating internationally generates valuable learning opportunities across a wider range of airports, allowing staff to get to know different geographical and cultural settings and gain exposure to new business models. The knowledge and know-how gained across the Group serves to strengthen all of our airports.



Our international activities already account for a significant portion of Schiphol Group's revenues, while also contributing to our financial solidity and spreading business risks. As such, these activities help ensure the robustness required to finance our future ambitions and invest in Amsterdam Airport Schiphol. Our investments in Groupe ADP, Brisbane Airport Corporation and our other international activities contributed 37.0% to our net result in 2018.

## Schiphol International

Schiphol Group holds board positions in all three airport companies. Schiphol has also nominated CEOs for both Brisbane and New York.

### Brisbane Airport Company Holding (BACH)

Schiphol has been involved with Brisbane Airport as a minority shareholder since the privatisation of the airport in 1997, joining Australia-based financial investors, supranational fund managers and institutions. Schiphol Group has delivered knowledge as well as operational and strategic support to help transform the airport into one of the best in Australia. Today, Brisbane is the third-largest airport in Australia, facilitating the passengers and flights of 33 carriers serving 51 domestic destinations and 32 international destinations. With more than 2,700 hectares of land, Brisbane Airport is the location of more than 450 different businesses, which supported nearly 24,000 employees in 2018. Jobs at and around the airport site are expected to double over the next ten years.

At the end of 2018, the Qantas and Virgin leases and operations in the domestic terminal were transferred to Brisbane Airport Corporation. Construction of the new parallel runway is well underway, with delivery scheduled for 2020.

Read more at: <https://bne.com.au/corporate>.

### Groupe ADP (Aéroports de Paris)

In 2008, Schiphol Group signed a strategic industrial alliance and entered into an 8% cross-shareholding with Groupe ADP, the main activity of which is the operation of Paris' two international airports: Charles de Gaulle and Orly. Through the alliance, we aim to optimise processes for Air France-KLM at their respective hubs, focusing on knowledge exchange, staff exchange and synergies involving joint procurement and innovation.

The French State is currently investigating options to further privatise Groupe ADP by selling part of, or its entire, majority stake in order to finance the national innovation fund announced by the Macron administration. Schiphol Group is closely following this process.

Read more at: [www.adp.fr](http://www.adp.fr).

### JFKIAT (JFK Terminal 4, John F. Kennedy Airport, New York)

JFKIAT, an affiliate of Schiphol Group, has been the operator of Terminal 4 since 1997. During this time, we have provided expertise for the development of a new terminal, which opened in 2001. Since 2010, Schiphol has been collaborating with Delta Air Lines, a member of SkyTeam and a joint-venture partner of KLM, to renovate the terminal and to develop additional gates to accommodate Delta's hub operation. Terminal 4 currently accounts for one-third of all air traffic at JFK, making it the primary international gateway to New York City and the United States as a whole. It is known for its convenience and commercial offering. The terminal has also been awarded Leadership in Energy and Environmental Design (LEED) Gold certification.

In 2018, the Governor of New York announced a transformation plan for JFK, earmarking 13 billion US dollars. JFKIAT participated in a tender to develop the south side of JFK Airport. In October 2018, it became clear that JFKIAT was not selected as the preferred party for the project. JFKIAT is currently assessing the potential extension of the A-concourse and further terminal redevelopment.

Read more at: [www.jfkia.com](http://www.jfkia.com).

### Other international activities

Royal Schiphol Group also is active at Aruba Queen Beatrix International Airport. Schiphol Group nominated the CEO for Aruba Airport and delivers technical support. Furthermore, Royal Schiphol Group has a strategic partnership with Incheon Airport in South Korea.

## Participations of Royal Schiphol Group

Airport	Passenger numbers	Our role
Brisbane Airport, Australia	23.6 million	Shareholding of 18.7%
Groupe ADP, Paris, France	105.3 million	Cross-shareholding of 8%
- Charles de Gaulle	72.2 million	
- Orly	33.1 million	
JFK Terminal 4, New York, USA	21.6 million	Management contract



# Financial and business performance

In 2018, the number of passengers at Amsterdam Airport Schiphol increased to 71 million and the number of air transport movements reached the permitted maximum of 500,000. Additional operational measures were taken in order to streamline growing passenger flows, which resulted in an increase in operating expenses. With the longer term in mind, investments are being made across a number of major projects, including the new pier and terminal, with a view to delivering the required capacity.

In 2018, Royal Schiphol Group's net result decreased by 0.4% to 278 million euros (2017: 280 million). As in previous years, market developments in the real estate sector were highly positive, leading to positive other results from investment property of 107 million euros (compared with 42 million euros in 2017), mainly due to an increase in the value of our real estate portfolio. When adjusted for results from investment property (mainly fair value gains) and several other one-off results in both 2017 and 2018, which are explained further on this chapter, the net result increased by 3.3%, with a decrease in the operating result (11 million euros) and an increased share in the results of associates (14 million euros).



## Revenue

Revenue increased by 51 million euros (3.5%), from 1,458 million euros in 2017 to 1,509 million euros in 2018. Higher revenue, mainly from airport charges, concessions, and rents and leases, was partially offset by the loss of revenue from hotel activities due to the sale of the Hilton Hotel in December 2017.

### Revenue

EUR million	2018	2017	%
Airport charges	890	832	7.0
Concessions	212	206	3.1
Rent and leases	168	160	5.1
Parking fees	125	123	1.0
Advertising	19	18	4.0
Services and activities on behalf of third parties (incl. ST)	23	23	-2.7
Hotel activities	4	33	-88.8
Other	69	62	10.1
<b>Net Revenue</b>	<b>1,509</b>	<b>1,458</b>	<b>3.5</b>

Revenue from airport charges is generated by Amsterdam Airport Schiphol, Eindhoven Airport, and Rotterdam The Hague Airport. In 2018, revenue from airport charges at Amsterdam Airport Schiphol increased by 6.8% to 821 million euros. This can be attributed to a 5.4% increase in airport charges as of 1 April 2018 and a 3.7% increase in passenger numbers compared to 2017. Pursuant to the Aviation Act, Schiphol Group must settle surplus income or deficits with the industry. To this end, an amount to the value of approximately plus or minus 2 million euros will be reflected within the airport charges set for the 2020-2022 period.

The number of air transport movements increased from 496,748 in 2017 to 499,444 in 2018, having reached its permitted maximum of 500,000. Cargo volumes fell 2.5% to 1.7 million tonnes.

Passenger numbers at Eindhoven Airport continued to develop positively in 2018, with an increase of 9.4% to 6.2 million. The number of air transport movements rose by 6.0% to 38,642. The rise in both passenger numbers and air transport movements contributed to an 8.9% increase in revenue from airport charges generated by Eindhoven Airport, to 41.3 million euros.

The number of passengers served by Rotterdam The Hague Airport rose by 12.2% to 1.9 million, and the number of air transport movements increased by 8.8% to 15,649. These positive developments caused revenue from airport charges at Rotterdam The Hague Airport to increase by 10.3% to 26.8 million euros.

The total revenue generated by concessions increased by 3.1% in 2018, reaching 212 million euros. This was mainly due to the growth in passenger numbers at Amsterdam Airport Schiphol and the regional airports. Average retail spending per departing

passenger at Amsterdam Airport Schiphol fell by 1.6%, from 13.35 euros in 2017 to 13.13 euros in 2018. Average spending per departing passenger on food and beverage rose from 4.68 euros to 4.81 euros (2.7%).

Total revenue from rents and leases rose by 5.1% to 168 million euros. This increase is mainly attributable to a positive trend in the lease of office buildings at Schiphol-Centre. The commercial real estate occupancy rate in 2018 was 91.7% (2017: 89.6%).

Total parking revenue increased by 1.0% to 125 million euros in 2018. Amsterdam Airport Schiphol saw a small decrease of 1.2 million euros, despite the increased real estate occupancy level and the rise in the number of passengers. The decrease was mainly attributable to less parking capacity being available at Schiphol-Centre due to demolition of a large parking facility to make room for the construction of the new pier and terminal. The growth in passenger numbers at Eindhoven Airport and Rotterdam The Hague Airport led parking revenues outside Amsterdam Airport Schiphol to increase by 2.1 million euros.

Revenues from hotel activities decreased compared to 2017 following the sale of the Hilton Hotel at the end of 2017.

## Other income and results from investment property

Other results from investment property amounted to 107 million euros (2017: 42 million euros). The large increase in the value of our investment property from 2015 onwards can be attributed to ongoing favourable market developments and higher occupancy rates, especially for the offices at Schiphol-Centre.

In 2017, the results from investment property included a loss of 42 million euros in the value of two cargo buildings. These buildings will have no direct apron access in the future, as the apron will be used to accommodate additional aircraft stands so as to provide the extra capacity required. Adjusted for this loss, the total fair value gains amounted to 84 million euros in 2017.

### Fair value gains and losses on the real estate portfolio (EUR million)

<b>2018</b>	<b>107</b>
2017	42
2016	71
2015	67
2014	-2

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 (BACH). These two transactions made a positive

contribution to other income in 2017 of 26 million euros and 12 million euros, respectively.

## Operating expenses

### Operating expenses

EUR million	2018	2017	%
Outsourcing and other external costs	546	509	7.3
Depreciation, amortisation and impairment	267	264	1.1
Employee benefits	229	213	7.8
Security	205	193	6.4
Other operating expenses	1	2	-26.8
<b>Operating expenses</b>	<b>1,248</b>	<b>1,179</b>	<b>5.8</b>

Total operating expenses rose by 69 million euros (5.8%), from 1,179 million to 1,248 million euros. When adjusted for the sale of the Hilton Hotel in December 2017, which caused costs from hotel activities to decrease by 23 million euros, the increase in operating expenses amounted to 92 million euros. This increase was mainly due to continued growth in the number of passengers while the existing infrastructure is operating at full capacity. To ensure the quality and safety of operations, relatively costly operational measures are being implemented. These include the deployment of extra floor management, security and other staff. In order to ensure the operational availability of intensively used assets, higher costs are incurred with regard to maintenance, cleaning and utilities. Finally digitisation caused IT costs to increase.

Depreciation, amortisation and impairment increased by 3 million euros to 267 million euros in 2018. The major increase in capital expenditure continued in 2018. However, most of the new, large assets that will provide additional capacity will come into operation during the next few years. Project related costs (included under outsourcing and other external costs) increased from 15 million euros in 2017 to 19 million euros in 2018.

Employee benefits rose by 16 million euros due to a 6.7% increase in the number of employees, costs of restructurings in several departments, an increase in pension premiums (increase in 2018 of 1.4 percentage point, to 22.9%) and the movement in negotiated wages (increase of 2.5% as per 1 April 2018).

## Operating result

### Operating result

EUR million	2018	2017	%
Aviation	-39	-39	1
Consumer Products & Services	209	216	-3.2
Real Estate	172	138	24.6
Alliances & Participations	26	43	-40.5
<b>Operating result</b>	<b>368</b>	<b>359</b>	<b>2.6</b>

The operating result increased by 9 million euros, from 359 million euros in 2017 to 368 million euros in 2018. The operating result in 2018 was positively influenced by increased other results from investment property (107 million euros in 2018, compared with 42 million euros in 2017). The operating result in 2017 included one-off other income of 38 million euros (on the sale of the Hilton Hotel and the valuation of the performance shares in BACH) and operating results from the Hilton hotel of 6 million euros. When adjusted for these items, the operating result decreased by 11 million euros to 261 million euros in 2018 (2017: 272 million euros).

The operating result from Aviation stabilised at a loss of 39 million euros. An increase in revenues of 57 million euros (mainly due to the increase in airport charges as of 1 April 2018 and the increase in passenger numbers) was offset by increased expenses, which were mainly attributable to operational measures taken to facilitate passenger growth and fleet development within capacity constraints (costs of security, workforce and outsourced activities), digitisation (IT costs), project-related costs and restructurings.

The operating result posted by Consumer Products & Services fell by 7 million euros in 2018. The decrease in revenue from parking fees at Schiphol, as a consequence of the demolition of P2 in the final quarter of 2017, was offset by increased revenue from commercial services, the leasing of advertising locations, car rental and Premium Services. Operating costs increased mainly due to higher costs for the new Parking products (P6 Valet, P4 Basic Parking), as well as higher costs of employee benefits and depreciation.

The operating result from Real Estate increased by 34 million euros (24.6%). When adjusted for other results from investment property (mainly fair value gains) and income from both operations and sale of the Hilton Hotel in 2017, the operating result from Real Estate increased by 4 million euros in 2018, due to higher revenues from rents and leases. The higher rental income is attributable to improved occupancy in standing buildings and newly issued leaseholds on land.

The operating result for Alliances & Participations in 2017 included a one-off result from the valuation of performance shares held in Brisbane Airport Corporation Holdings of 12 million



euros. When adjusted for this, as well as for the higher other results of investment property of 2 million euros, the operating result attributable to Alliances & Participations decreased by 8 million euros in 2018. This was largely due to a higher operating result of Eindhoven Airport N.V. being more than offset by lower operating results from other activities and higher allocated costs.

## Financial income and expenses

The net financial income and expenses increased by 4 million euros to 90 million euros in 2018. This increase is mainly attributable to a loss of 9 million euros from the recalculation of the financial lease obligation with respect to The Base office building. The recalculation was triggered by the decision in 2018 to opt for a contractual early repayment option in 2019. At early repayment, penalty interest is due, which is recognised as a 2018 expense. The aforementioned loss is partly offset by an increase in capitalisation of borrowing costs of 3 million euros.

## Share in results of associates

The share in the results of associates increased from 73 million euros to 97 million euros. Results from Schiphol's largest two associates, Groupe ADP and BACH, both improved considerably, by 15 million euros and 4 million euros, respectively. Furthermore, Schiphol Logistic Park C.V. issued land in long leases during 2018, contributing an additional 6 million euros to the share in the results of associates.

### Share in results of associates

EUR million	2018	2017	%
Groupe ADP	59	44	34.1
Brisbane Airport Corporation Holdings	29	25	17.4
Other results of associates	9	4	>100
<b>Result of associates</b>	<b>97</b>	<b>73</b>	<b>33.9</b>

## Corporate income tax

Corporate income tax amounted to 90 million euros in 2018, compared with 60 million euros in 2017. The effective tax rate in 2018 was 24.0%, up 6.6 percentage points from 2017 (17.4%). The increase in the effective tax rate in 2018 is caused by the one-off tax expense triggered by the step-by-step reduction in the nominal income tax rate from 25% in 2019 to 20.5% in 2021, which is part of the Belastingplan 2019 and the underlying legislation which was approved by the House of Representatives and the Senate in December 2018. The reduction in the nominal income tax rate caused a revaluation of deferred tax assets and liabilities, which resulted in a one-off tax charge of 17 million euros (compared with a one-off tax gain, also due to changing tax

rates, of 5 million euros in 2017). As was the case in prior years, the application of the participation exemption to the results of associates meant a reduction of the effective tax rate.

Of the tax burden totalling 90 million euros, 88 million euros comprises Dutch corporate income tax (2017: 61 million euros) and 2 million euros US corporate income tax (2017: -1 million euros).

## Net result

As a result of the developments mentioned above, the net result for 2018 decreased by 2 million euros to 278 million euros (2017: 280 million euros). The return on equity (ROE) amounted to 7.0% in 2018 (2017: 7.2%).

## Investments

In 2018, Schiphol invested 581 million euros in property, plant and equipment, up 18.5% compared with 2017 (490 million euros). Of the total investment in 2018, 108 million euros related to the development of the new pier and terminal and the associated infrastructure, 37 million euros to terminal 1 redevelopment, 25 million euros to the extension of the P3 parking garage, 25 million euros to Lelystad Airport, and 41 million euros to the expansion of aprons.

### Schiphol Group investments

(EUR million)

<b>2018</b>	<b>581</b>
2017	490
2016	303
2015	439
2014	396

## Movement in the consolidated statement of financial position

Schiphol Group's balance sheet total increased by 10.5% to 7,354 million euros (2017: 6,655 million euros). Shareholders' equity increased by 139 million euros to 4,117 million euros, largely on account of the addition of the 2018 net result of 278 million euros, after payment of the 150-million-euro dividend for 2017.

Non-current assets increased by 453 million euros, mainly within assets under construction or development (282 million euros due to high capital expenditure), investment property (139 million euros due to an increase in fair values) and investments in associates (36 million euros due to the high share in results of associates less dividends received). This was partly offset by a decrease in net deferred tax assets as a consequence of higher

deferred tax liabilities (due to the high increase in fair values of investment property) and lower deferred tax assets (due to the reduction in the income tax rate from 25% to (ultimately) 20.5% in 2021).

Current assets increased by 246 million euros, largely as a result of deposits totalling 455 million euros compared to 290 million euros in 2017. The higher balance is the result of 500 million euros in green bonds, which were issued by Schiphol Group in November 2018. The deposits are reported in part under trade and other receivables, or under cash and cash equivalents, depending on their initial term.

The 500-million-euro green bond issuance is also the main reason for the increase in non-current and current liabilities of 569 million euros. The decision in 2018 to opt for contractual early repayment in 2019 caused the financial lease obligation with respect to the office building The Base to move from non-current to current liabilities.

## Cash flow developments

Cash flow from operating activities increased by 69 million euros to 526 million euros as a result of the development in working capital of 35 million euros positive in 2018, compared with 9 million euros negative in 2017, and interest received on BACH redeemable preference shares of 23 million euros.

Cash flow from investing activities was positively influenced in 2017 by the sale of the Hilton Hotel for 144 million euros. Excluding this one-off income item, cash flow from investing activities amounted to 626 million euros negative in 2017, compared to 620 million euros negative in 2018. The increase in 2018 by 6 million euros was mainly caused by higher investments in fixed assets of 118 million euros and lower investments in deposits of 115 million euros.

Net cash flow from operating and investing activities - free cash flow - amounted to 94 million euros negative in 2018, compared with 25 million euros negative in 2017. Cash flow from financing activities was 311 million positive (2017: 55 million euros negative) mainly as a result of 440 million euros in net new financing (balance of repayments and borrowings) and a total dividend payment of 150 million euros. Net cash flow in 2018 amounted to 217 million euros positive (2017: 80 million euros negative). Consequently, the net amount of cash balances increased from 170 million euros at the end of 2017 to 387 million euros at the end of 2018.

## Financing

The total amount of outstanding loans and lease liabilities rose by 463 million euros in 2018 to 2,622 million euros. The increase

was mainly the result of 500 million euros in green bonds launched by Schiphol Group in 2018 to invest in increasing the sustainability of its airports. These senior unsecured bonds are due 5 November 2030 and carry an annual coupon of 1.5%.

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, of which 1,839 million euros was outstanding as of 31 December 2018. In addition, Schiphol Group has a Euro Commercial Paper (ECP) programme with a limit of 750 million euros and committed undrawn facilities of 400 million euros. This solid financing position is an important asset in view of Schiphol's increased financing needs in the years ahead as a result of the current and envisaged high level of investment.

## Ratios

The most important financing ratios set out in our financing policy are the FFO/total debt and FFO/interest coverage ratios. Funds from operations (FFO) is the cash flow from operating activities adjusted for operating working capital. In 2018, FFO increased from 467 million euros to 491 million euros.

As a consequence of the green bonds issued in November 2018, the FFO/total debt ratio decreased to 18.7% at the end of 2018, compared with 21.6% at end-2017.

The FFO/interest coverage ratio in 2018 was 6.6x, a slight deterioration relative to the 6.9x recorded in 2017. 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 38.9% (2017: 35.2%). Both FFO/interest coverage ratio as well as leverage satisfy the internal requirements of a value higher than 4.0x and between 30.0% and 50.0%, respectively.

## Financial solidity

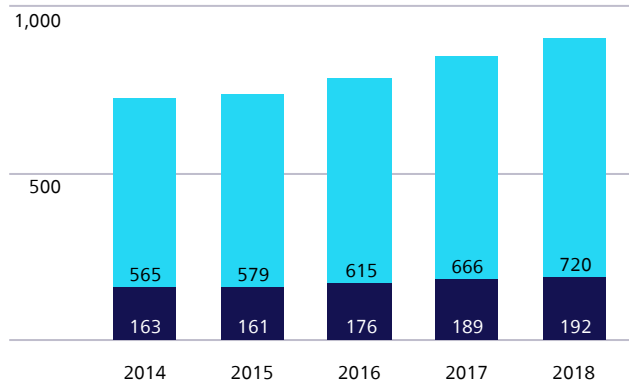
Royal Schiphol Group's financial policy seeks to ensure a solid financial position and good creditworthiness with at least an A rating from two reputable credit rating agencies. This is vital to our ability to finance the necessary large-scale investments. Profitability is an essential factor in maintaining 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.

### Creditworthiness

Schiphol Group independently raises financing through the capital markets and banks. Good creditworthiness is a prerequisite for safeguarding this ability and being able to make

## Aviation business area costs

EUR million



■ Depreciation & amortisation  
■ Operating expenses (excl. D&A)

the necessary long-term investments in capacity and quality. The long-term credit rating issued by Standard & Poor's in 2018 remained unchanged at A+ with a stable outlook. Similarly, Moody's long-term rating of A1 remained unchanged with a stable outlook.

## Return

Generating a sufficient return is also important to maintain the ability to independently raise financing, as this will enable us to secure access to the capital markets with favourable conditions. The return requirement applied by the Dutch State consists of a return on equity of 5.6%. 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. The new Aviation Act contains a mechanism permitting Schiphol Group to employ a portion of the return exceeding the standard return to lower the airport charges. With a return on equity of 7.0% in 2018, Schiphol Group satisfies the return requirement.

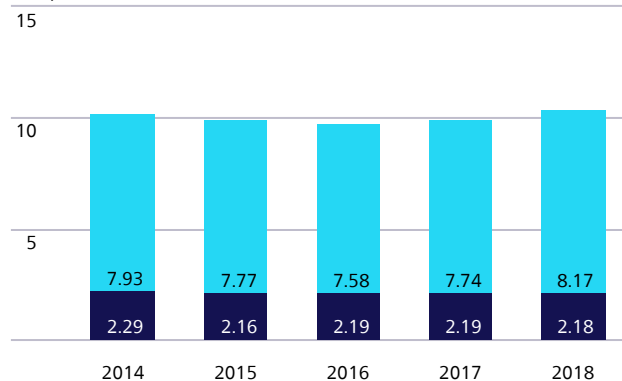
## Focus on cost control

In order to improve returns 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. 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 the controlled development of costs while maintaining the necessary quality and performance, we endeavour to maintain our financial flexibility and resilience.

Over 50% of all Aviation costs are directly related to the infrastructure and 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 enhancement of contract management procedures further

## Costs per WLU (Aviation)

EUR per WLU



■ Depreciation & amortisation per WLU  
■ Operating expenses (excl. D&A) per WLU

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 where relevant.

We monitor the development of our costs via the Work Load Unit indicator (WLU: one passenger or 100 kilogrammes of cargo). In recent years, the costs per WLU at Amsterdam Airport Schiphol indicate a rising trend, with per-WLU operating expenses returning to 2014 levels in 2018. The ongoing growth in the number of passengers gives rise to relatively costly operational measures, which are needed to ensure the quality and safety of operations.

## Contracting practices

Royal Schiphol Group is one of the largest semi-public commissioning authorities in the Netherlands. As an organisation, we play a coordinating role that sees us work with a wide range of different parties on a daily basis. Our tendering policy reflects our standards and values pertaining to Corporate Responsibility, and underpins our management decisions.

## Mutual trust

At the initiative of the Commissioning Authorities Forum, in which Royal Schiphol Group takes part, the Dutch construction and civil engineering sector has reached agreement on four leading principles for good contracting practice. The underlying aim is to ensure that collaboration throughout the chain promotes (1) pride, (2) professionalism and (3) job satisfaction, resulting in (4) a successful project. The key pillars of this approach are mutual trust and reliability. Through this philosophy, the

commissioning authorities and relevant market participants are able to generate greater added value for society at lower public cost. Schiphol also implements its own vision with regards to market participation, which supports and underlines the basic principles described above.

### Continuous improvement

Mutual trust makes us an attractive client; however, we cannot take it for granted that potential suppliers view us in this light nor that they consider us a preferred client. We have therefore commissioned a study into preferred customership to better understand how Schiphol is seen by the contracting community and how we compare with other commissioning authorities. We will be reviewing this feedback over the coming months and exploring how best to implement it.

We have also undertaken an assessment to help us improve the maturity level of our Group procurement practices with a view to introducing a new procurement operating model in 2019. The results of the study suggested that Schiphol can improve the contribution from the market and performance of its supply chain by taking the next step in terms of our contract management, category management, supplier relationship management, and Procure 2 Pay processes.

### Goals of the tendering and purchasing policy

We apply a goal-oriented tendering and purchasing policy with the aim of ensuring each tendering process results in the best quality at a competitive price. We prepare a strategy in advance, outlining how the contract directly contributes to Schiphol's ambitions, as well as specifying the resulting contract objectives and how the contract can be designed to ensure these are achieved. The strategy seeks to answer two key questions: (1) how can we ensure we achieve our goals, and (2) how will contracting parties implement their processes and coordinate these with Schiphol Group, as well as upstream suppliers and other relevant stakeholders.

We ensure that contracting parties adhere to the Dutch labour agreement. Royal Schiphol Group does not allow competition on employment terms, and we use the collective labour agreement as a minimum level as well as rules on working conditions and safety. We pay careful attention to signals from workers of our contracted partners about working conditions and labour agreements and we continue the dialogue.

As part of our efforts to communicate with our suppliers, Schiphol has a complaints desk for external parties involved in tendering procedures. The complaints committee received and examined seven complaints in 2018; these provided valuable insights as to how we can further simplify and improve our purchasing processes going forward.

### Corporate Responsibility in tenders

To increase the sustainability value of our activities, and those of our wider supply chain, we have set ourselves the goal of integrating our Corporate Responsibility ambitions into 100% of our European tenders. In this way, our aim is to ensure all sustainability options are considered for every one of our projects. We believe that even the smallest incentive can lead to innovative and more sustainable ways of doing business.

An example of this approach involves a current project to renovate two tunnels that run under Schiphol's runways: the Buitenveldertunnel and the Kaagbaantunnel. Energy-efficient technology, including LED and smart lighting, will be used in the tunnels. Traffic signs around the tunnels will also be solar powered, and the tunnels will have a materials passport. Furthermore, all construction work will be fully carbon neutral and undertaken with the help of seven individuals who have difficulty accessing employment.

Not all tenders at Schiphol are successful; we treat each one as a learning process with a view to improving for next time (we were unable to fully meet all of our sustainability targets in constructing the new pier, for example). In light of this, Schiphol has set up a technical committee to review the sustainability features of the architect's blueprints during the tendering stage. Examples of projects tendered in 2018 for development over the coming years include the circular demolition of a cargo building at the Schiphol site, as well as a sustainable clothing initiative.

### Scope for innovation

Schiphol provides scope for innovation and sustainability in its tendering processes. We aim to be a launching customer and to allow our contractors scope to explore new ways of creating value. In 2018, the focus was on digitisation; this led to successful pilots for the use of self-propelled passenger bridges and electric ground power units (E-GPUs). We also signed a new eight-year partnership with a Display-as-a-Service (DaaS) service provider in alignment with Schiphol's transition to a circular economy. The agreement, which comes into effect in early 2019, sees the supplier entrusted with managing the entire supply chain of approximately 3,000 digital display screens in the terminal. The provider is also responsible for ensuring the screens' components are reused where possible.

### Best Value Procurement

Building on its successful application at Lelystad Airport, Royal Schiphol Group now applies the Best Value Procurement (BVP) method when tendering for new main contractors. This concerns all maintenance works at the Schiphol site, as well as selected investment projects pertaining to construction and infrastructure. Our medium-term ambition is to introduce a 'predictive maintenance' element to these contracts. This will involve digitisation in the preparation phase, followed by virtual construction and data-driven maintenance. These innovations

will help us to improve how we prepare, implement and maintain construction projects in order to reduce risks as well as costs.

At Lelystad Airport, the use of the best value method for airside and landside infrastructure has so far resulted in a substantially lower cost level. However, this approach proved to be no more advantageous than traditional procurements methods in the case of the new terminal construction.

### Selection of main contractors

BAM, Heijmans and VolkerWessels have been selected as the main contractors for major construction, renovation and infrastructure maintenance projects at the Schiphol site, establishing them as our strategic partners for the next nine years. The focus of the tendering process was on cost optimisation, improving business operations, sustainability, and the application of digital solutions and other innovations. Our engagement with the companies is based on a performance-led approach, which ultimately determines the share of the project portfolio awarded to each firm.

Our contractors share our focus on sustainability and are keen to play an important role as we work towards achieving climate-neutral and zero-waste status by 2030. As well as fully meeting our standard contracting requirements, the construction companies demonstrate a high level of ambition and are keen to share responsibility in helping Schiphol become a circular operating airport.



## Integrity

We insist that all Group employees act with the utmost integrity at all times. To this end, we have established a robust compliance policy with a view to monitoring and preventing potential risks to our company. The policy is focused on upholding the good reputation of Royal Schiphol Group and achieving our ambition to become Europe's preferred airport.

As outlined in our code of conduct, another priority is ensuring that our people behave ethically at all times. As a minimum, Schiphol employees must refrain from undesirable behaviour, including sexual harassment, discrimination and bullying. Staff must also adhere to all applicable laws and regulations, including anti-discrimination, competition, public procurement, privacy, fraud, corruption and bribery laws. All Schiphol employees are required to complete an online training session on the code of conduct once a year.

While Schiphol's managers are expected to set the tone and lead by example, all workers play a role in monitoring compliance with the code of conduct and reporting inappropriate behaviour. Any issues are reported via the Integrity Committee, which is responsible for investigating reports and undertaking necessary

actions as required. The Committee reports its anonymised findings to Schiphol's Corporate Compliance Officer on an ongoing basis, and also reports to the Central Works Council once a year on the number and nature of cases and the actions taken. The Committee also reports to the Supervisory Board's Audit Committee on an annual basis, as well as the Management Board and Schiphol's external auditor.

In 2018, 23 issues were reported to the Integrity Committee (2017: 26), none of which concerned bribery, corruption or material fraud. 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.

### Preventive behavioural programme

In 2018, we continued rolling out a new behavioural programme that was put in place in 2017. A collaboration between Schiphol Group and social psychologists, the programme aims to prevent future compliance and integrity incidents by providing teams within the individual departments with a set of actions aimed at achieving the desired employee behaviour. More than half of the designated departments have completed the programme so far, with evaluation interviews held during the final quarter of the year to assess its impact. Other departments initiated the programme in 2018 or will do so in 2019.

### Compliance & Ethics Officer

In the third quarter of 2018, we created a new position: Compliance & Ethics Officer. The role is part of Schiphol's continuing efforts to build a solid integrity culture; the holder is tasked with shifting the focus from simply creating awareness of issues relating to compliance and ethics, towards achieving tangible changes in employee behaviour. Liaising closely with HR, Audit, Risk and other relevant departments, the newly appointed officer will be working to create a comprehensive, aligned approach to compliance and ethics, by bringing together the different cultural programmes in place across the Group.

### Suppliers

The majority of our business partners are situated and operational in the Netherlands, as our purchases primarily relate to infrastructural and construction works, personnel and facilities. As a commissioning organisation, we can only ensure our integrity if our suppliers also subscribe to ethical business principles. It is therefore essential that we take care when selecting our suppliers. In particular, we note that there is a risk of bribery and corruption in contracting practices related to large tenders and contracts. Furthermore, some countries are prone to human rights violations, which is a factor we must bear in mind when purchasing goods or services from overseas.

Royal Schiphol Group has a Supplier Code that clearly states what we expect from our suppliers in terms of integrity and Corporate



Responsibility. Specifically, the Code outlines the requirements regarding working conditions, human rights, anti-corruption and anti-bribery. This follows the line of the OESO as well as the ILO guidelines. Under the terms of the Code, suppliers must report instances of negligent or unethical behaviour through their contact person or Schiphol's Integrity Committee. They must also agree to cooperate in any investigations into (suspected) violations of the Code. In the event of a possible violation or vulnerable markets, we perform audits.

Contractors who knowingly breach the law (e.g. with regard to discrimination or sub-standard working conditions) or who violate Schiphol's own rules of conduct have their contracts terminated immediately. This stipulation is made clear in our Corporate Purchasing Policy. Meanwhile, we maintain ongoing dialogues with our suppliers with a view to introducing integrity into our collaborative relationships more effectively. Going forward, we aim to formalise our process for monitoring the activities of our suppliers and their compliance with our Supplier Code and Corporate Purchasing Policy.

## Employment practices

One of Schiphol Group's strongest assets is our diverse, high-quality workforce. Schiphol supports a wide range of careers, ranging from various transport and retail positions to roles at our head office, and with companies located nearby. Overall, about 67,000 people work at the Schiphol site, including individuals of all ages and with varying years of service. Around 60% live in the province of North-Holland, while approximately one-third of Schiphol's total headcount lives in Amsterdam, Haarlemmermeer and Almere.

Royal Schiphol Group operates in an environment that is constantly changing, requiring us to be agile and to be able to respond quickly to trends and developments when needed. New roles are constantly being created, many of these involving specialist, futureproof skillsets in IT and other areas. As we evolve as an organisation, we also require greater flexibility on the part of our employees; sustainable employability and vitality are therefore increasingly important for our organisation.

In October 2018, Schiphol signed a new labour agreement with the trade unions covering a two-year period until 1 April 2020. Among other points, the new agreement includes an indexation of the collective agreement to wages, with retroactive effect from 1 April 2018, and from 1 April 2019. Agreements were also made on the application of the Sustainable Employability budget.

### Employees in figures

In 2018, the number of full-time equivalents (FTEs) employed by Schiphol Group rose to 2,324 (2017: 2,180). We conclude

individual agreements with employees who fall outside the scope of a collective labour agreement.

In 2018, the absenteeism rate for Schiphol rose from 4.5% to 4.7%. This increase was largely caused by a number of long-term absences through illness. The Verbaan standard for Schiphol Nederland B.V., which indicates a realistic level of absenteeism, is 3.5%. Absenteeism due to illness at Rotterdam The Hague Airport was 4.3% (2017: 2.7%). At Eindhoven Airport, the absenteeism figure for 2018 was 5.4% (2017: 2.1%). The 2018 absenteeism figure at Lelystad was 7.5% (2017: 1.4%).

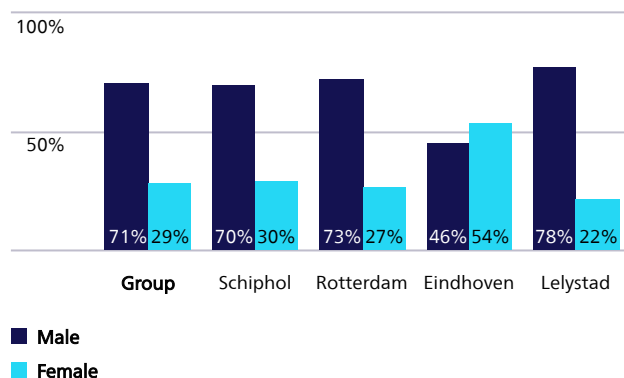
### Total workforce in 2018

(Per location, in % of total average FTEs)



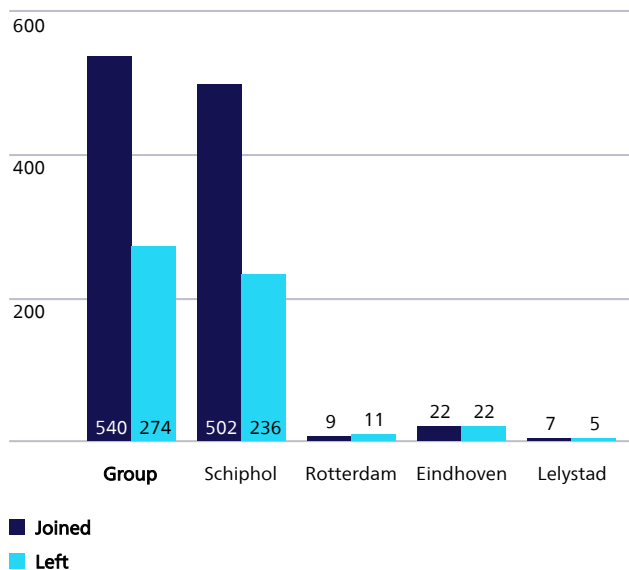
### Gender split

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



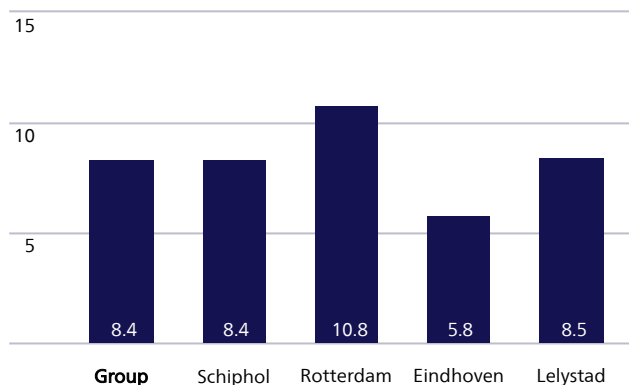
## Employee turnover

(Numbers per location)



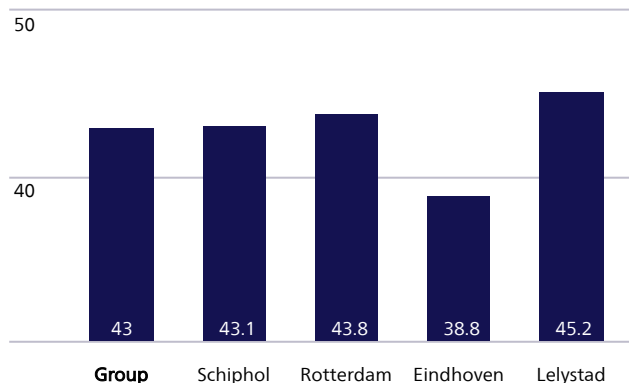
## Average length of service at Schiphol Group

(Years per location)



## Average employee age

(Years per location)



## HPO

Schiphol works hard to be a High Performance Organisation (HPO) where employees and managers are given all the support they need to grow and develop professionally. Our end goal is a flexible, open and dynamic work environment that promotes learning and self-improvement. In 2018, our focus was on implementing the recommendations of the 2017 HPO measurement, which called for a stronger results- and team-oriented approach to managing our employees. Accordingly, we have been paying increased attention to our people management processes across our various activities.

## Sustainable employability

Schiphol actively promotes internal mobility as a means of keeping our employees productive and engaged, an approach that goes hand in hand with our efforts to accelerate the digitisation of our company. We firmly believe that employees will be happier and more productive if afforded the opportunity to change jobs at the right time. Our goal is for 15% of our employees to change jobs per year, including internal personnel exchanges and secondments, as well as moves to other organisations. In 2018, we achieved this with a mobility percentage of 17.1% (2017: 21.7%) at Schiphol, with a total of 43 employees taking part in secondments. These included shorter placements, such as employees being temporarily stationed at Lelystad in preparation for the expected opening of the airport.

We value the contributions made by our more experienced employees. In 2018, we extended a pilot scheme where workers aged 50 and over are offered training on ways to stay motivated and continue adding value up until retirement. We also launched the 'Redeem your talent' programme where experienced employees are encouraged to take control of their careers by setting a clear course for the coming years. Shift workers also received special attention: as of April 2018, employees aged 60 and above are no longer required to work night shifts unless by choice, in accordance with agreements made in 2012 with the trade unions.

More widely, Schiphol employs a number of measures to support the physical and mental wellbeing of its workers. With initiatives such as our vitality programme, our employees have regular access to health checks as well as life coaching and mental health services. In 2018, we also gave priority to tackling the causes of absenteeism, by making counselling available to workers and raising awareness around workplace stress and its causes.

## Inclusive business practice

At Royal Schiphol Group, we value people for who they are, their qualities and talents, while working hard to promote an inclusive environment for all employees regardless of their cultural or work background, gender, sexual orientation or physical disability. In upholding these values, Schiphol Group actively looks to hire individuals who, for whatever reason, struggle to find

employment. One person with this background joined our organisation in 2018.

We also strive to attract employees from a variety of cultural backgrounds. In 2018, we filled 11.0% of new vacancies with applicants from non-Western backgrounds (as per the CBS definition) versus our 10% target for the year at Schiphol Group. Under a new system introduced in 2017, employees can choose not to state their parents' country of birth on joining the company, which explains the relatively low figure. Our aim for 2019 is to reach 10% once again.

### Work for young people

We believe a steady influx of young people is essential for an inclusive and balanced workforce. However, recruiting younger workers to our organisation can be challenging, particularly given current labour market shortages in the Netherlands and elsewhere. In 2018, we filled 14.0% of positions within Royal Schiphol Group with people aged 27 and under, thus not achieving the 20% goal set at the start of the year.

While we do not enter into employment contracts with those below the age of 18, Schiphol undertakes a range of initiatives aimed at building relationships with students and other young people. In 2018, we supervised 119 interns and also organised a number of one-day orientation courses, as part of the Youth Covenant to improve employment opportunities for young people in the Netherlands. We also participate each year in the ECHO mentoring programme aimed at helping Dutch students from non-Western backgrounds to take their first steps into the job market. In the past year, we have also launched a second mentoring scheme organised by Emma at Work, an organisation helping young people with chronic illness or physical disability to find fulfilling work.

### Gender split

Schiphol strives for a healthy balance of male and female employees across its higher management layers. Since September 2014, Schiphol Group has had a 50:50 gender split within the Management Board.

Until April 2018, the gender split within the Supervisory Board was 37.5:62.5 female/male. As per the General Meeting of Shareholders in April 2018, the final term of two Supervisory Board members, one of whom was female and the other male, expired. Both were succeeded by a male and a female director, respectively.

Due to an international job offer, Ms Caroline Clarke thereafter also resigned from the Supervisory Board. After diligent consultation with the Management Board, the Supervisory Board decided to wait to fill in this position in order to allow the two new members of the Supervisory Board, as well as the new CEO, time to settle into their new roles. Furthermore, the board also wanted to reassess its profile. As such, 29% of the Supervisory Board is currently female, putting Schiphol slightly short of the 30% target set by the Management and Supervision Act. We expect the vacancy on the Supervisory Board to be filled in 2019. A key priority going forward will be to ensure a balanced gender split at all levels and across all roles within the Group. The vacancy of the Supervisory Board will be filled in with a strong consideration of the diversity of the Supervisory Board on different aspects, including gender.

### Digital developments for employees

Innovation, digitisation and human attention are crucial to our organisation's development. Likewise, it is important that our people have the skills they need to develop careers at Schiphol and elsewhere. Through regular training programmes, including our recently launched 'agile' development curriculum, we encourage our staff to continuously improve their IT skills and develop a strong digital mindset. We also organise events such as

## Environmentally friendly commuter traffic

In 2018, the Group's Management Board approved plans for a new mobility policy for Schiphol employees. The proposed programme, which aligns with our wider carbon reduction ambitions, aims to help staff make greater use of environmentally friendly transport modes during their work commute. The proposed measures include encouraging the use of public transport, expanding the number of electric vehicle charging points at the Schiphol site (currently equivalent to about 5% of total parking spaces), and making electric bicycles available to employees living locally.

Cycling plays a central role in the policy: Schiphol has appointed a 'bike ambassador', whose role involves encouraging employees to cycle to and from work as opposed to driving, and is working to re-introduce an employee bicycle plan. Further proposals include phasing out Schiphol's employee car-leasing programme in favour of a general mobility card for all employees. Currently, all new hires are given a free, three-month public transport subscription on starting work. Discussions surrounding the new mobility policy will continue during 2019.

Digital Week, where employees are given insights into emerging trends, including futureproof leadership, artificial intelligence, robotics, data science and design thinking.

### **Working conditions**

Although the risk of human rights violations must always be kept in mind, most Schiphol Group employees work in the Netherlands and are therefore subject to Dutch laws and regulations. Working conditions and hours are clearly defined in the collective labour agreement of the Netherlands, with our employees also free to participate in trade unions. Furthermore, we also apply the Global Compact Principles as part of our standard working practices.

When it comes to working with third parties, we ensure that our contractors adhere to the agreement as a minimum standard of practice, supplementing this with our own rules on working conditions and safety. Schiphol does not allow competition on employment terms when it comes to tendering.





# Governance



# Report of the Supervisory Board

## Annual Report

The Supervisory Board is pleased to present the annual report, which includes the financial statements for 2018. 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 117 million euros on the issued share capital. The remaining portion of the net result of 161 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 16 April 2019. 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 supervises and advises the Management Board in setting and achieving the strategic objectives. In this report, the Supervisory Board explains how it has fulfilled its role over the past year. Looking back, the Supervisory Board views 2018 as a year of contrasts. On the one hand, Schiphol welcomed a record number of over 71 million passengers; on the other hand, society seems to have adopted an increasingly critical attitude towards the aviation sector.

2018 can also be regarded as a transitional year. In May 2018, Dick Benschoop was appointed as President and CEO of Royal Schiphol Group. Together with the Management Board, Mr Benschoop has



set the following priorities for 2018: (1) safety, (2) quality, innovation and sustainability, (3) capacity and development of the airport and (4) the organisation and culture. These priorities are consistent with Schiphol Group's current strategy.

Mr Benschop and the team at Schiphol immediately started preparing for discussions on the development of the airport system in the Netherlands from 2020 onwards. In this respect, an intensive process has taken place, involving many conversations with the members of the Omgevingsraad Schiphol (ORS), as well as local residents, local politicians and other relevant representatives. Schiphol Group and the aviation sector together took a clear position that the current socio-economic climate does not justify more than a controlled, moderate growth of the airport system at both Schiphol and Lelystad Airport. Even though no agreement has been reached between the parties in the ORS, the Supervisory Board is impressed with the efforts made, the relationships built with various stakeholders and the tone expressed in the discussions and conversations. The Supervisory Board hopes that the Minister of Infrastructure and Water Management (I&W) will be able to strike the right balance between the interests of all involved parties when deciding on further development. The opening of Lelystad Airport to accommodate leisure traffic from Schiphol and create room for the development of ICA and transfer traffic will also be key in executing the agreements made in 2008.

Furthermore, a 'Vision 2050' document, setting out the long-term focus of Royal Schiphol Group, is currently being drafted and will be available in 2019. The outcome of this extensive research will also be shared with the Ministry of I&W as input for the Aviation White Paper, which is expected to be published in the second half of 2019. The Supervisory Board has been informed as to the headlines of the vision and is looking forward to receiving the final version of the document.

The Supervisory Board was closely involved in addressing the major challenges that the Management Board is facing. The Supervisory Board is aware that the Management Board operates in a complex stakeholder environment where interests must be carefully balanced. Throughout the year, the Management Board updated the Supervisory Board on its consultations and discussions with ministries, surrounding municipalities, local residents, the aviation sector and other stakeholders. Recurring items in these discussion sessions were transparency and mutual understanding.

The 2019-2022 Tactical Plan and the objectives of the Management Board, which are addressed in the Management Agenda 2018, reflect the objectives of the Management Board and set the framework for the supervision exercised by the Supervisory Board as well as the assessment of the performance of the Management Board of Schiphol Group.

## Main points of attention

### Safety

Safety is a key item and permanently on the agenda. In 2018, the Supervisory Board was updated on safety in a general sense each quarter. Major developments in the field of safety included the Integral Safety Management System (ISMS) and the internal Schiphol4Safety programme. The ISMS is a collaborative initiative through which Air Traffic Control the Netherlands (LVNL), airlines, refuelling services, ground handlers and Schiphol collaborate closely in order to ensure optimal safety. In October 2018, the ISMS published the 'Roadmap Safety Improvement Schiphol' at [www.integralsafetyschiphol.nl](http://www.integralsafetyschiphol.nl). The roadmap contains 30 safety measures that have recently been implemented, are currently being studied, or are currently implemented. The sector specifically focused on further reducing runway incursions, minimising risks involved in runway combination changes and runway crossings, optimising collaboration between the various sector parties and the optimal arrangement of infrastructure and services within this infrastructure. The Supervisory Board is satisfied with the integrated approach being taken by the ISMS partners and acknowledges that this collaboration makes the Netherlands a world leader in aviation safety.

In addition, Schiphol Group organised a number of Safety Walks with Supervisory Board members in which attention was paid to specific safety-related topics, as well as potential risks and measures needed to mitigate these risks. The Supervisory Board was, furthermore, regularly updated with regard to Schiphol Group's follow-up on the 2017 report of the Dutch Safety Board (OvV).

The Supervisory Board will closely monitor both the progress of the ISMS and the follow-up of the report of the Dutch Safety Board.

### Sustainability

In monitoring the strategy pursued by Schiphol Group, the Supervisory Board has paid particular attention to sustainability. For the Supervisory Board, it is extremely important that concrete sustainability objectives are developed for the organisation. 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. Among other things, the Supervisory Board was updated on the sustainability plan published by the Dutch aviation sector ('Sectorplan Slim en Duurzaam'). Although the plan should be regarded as a starting point for further discussions regarding sustainability, the Supervisory Board believes that the joint action agenda provides a clear message from the sector. The Supervisory Board recognises some of Schiphol's achievements in 2018, including 100 electrical buses on landside, an agreement with Eneco to source 100% electrical Dutch wind power, the green bond issue, the incentives for sustainability in airport charges, and the inclusion of sustainability as an important focus area in the draft Vision 2050. As part of this, the sustainability team

formulated a number of indicators that are related to the UN Sustainable Development Goals (SDGs). The Supervisory Board encourages Schiphol Group to continue taking a leading position and remain a frontrunner in the field of sustainability and the societal and health impact of aviation.

### May holiday power disruption

Following the extremely busy May holiday in 2017, additional measures were taken in preparation for the equivalent 2018 holiday period, in order to manage the high numbers of passengers that were anticipated. Unfortunately, during the first weekend of the 2018 May Holiday, a voltage drop in TenneT's high-voltage net occurred, resulting in disruption to a number of important operational processes and leading to delays for passengers. In order to prevent similar consequences in the future, Schiphol Group instructed the Netherlands Organisation for Applied Scientific Research (TNO) to make recommendations on how similar problems can be prevented or risks can be mitigated in future. The recommendations involve conducting adequate testing of systems at Schiphol, ensuring identical procedures for temporary and permanent facilities and establishing a multidisciplinary technical response team. The TNO report, the follow-up actions on the TNO recommendations, as well as Schiphol Group's press releases, have been shared and extensively discussed with the Supervisory Board. The evaluation of the functioning of the internal crisis organisation was also shared and discussed with the Supervisory Board. It was agreed that the Management Board will update the Supervisory Board's Safety, Sustainability & Stakeholders Committee on the follow-up of the recommendations.

### Capital Programme

The Supervisory Board has been updated regularly on the progress of the Capital Programme (the capital investments in the new 'Pier A' and the new terminal). This took place during the meetings of the full Supervisory Board, as well as in the meetings of the Capital Programme, Operations & Investments Committee of the Supervisory Board. Topics discussed included the terminal design, the progress on the construction of the pier, the programme director's (voluntary) resignation and the search for a successor, digital aspects, and budgets for (parts of) the Capital Programme in general. It has been agreed with the Management Board that the Supervisory Board will be kept updated in 2019 through monthly meetings of the Capital Programme, Operations & Investments Committee.

### Lelystad Airport

The developments regarding Lelystad Airport received significant publicity during the past year. Based on the 2008 Alders Agreement, Lelystad Airport was envisaged to serve as an overflow airport ('overloopluchthaven') for Schiphol, accommodating leisure traffic from Schiphol in such way that the room created at Schiphol could be used for flights to destinations that contribute to Schiphol's hub function. The Supervisory Board has been informed regularly on the developments and issues

regarding Lelystad Airport. Political discussions on the required air traffic distribution ruling ('verkeersverdelingsregel') are still ongoing. The Supervisory Board appreciates the efforts of the Management Board and the team of Lelystad Airport to create political and societal support and to be fully prepared for the opening of the airport for commercial air traffic on 1 April 2020.

### Top 8 performance indicators Schiphol organisation

In December 2018, the Management Board presented to the Supervisory Board the headlines of the new performance indicators framework for the Schiphol Group organisation. These new indicators are meant to provide renewed focus for the organisation and form the basis of the Management Agenda for 2019. The Supervisory Board advised the Management Board to adjust the performance indicators to ensure that passenger satisfaction would be the first mentioned indicator and complimented the Management Board on the framework.

### Socio-economic commitment and responsibility

#### General

Schiphol's socio-economic function 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 find the appropriate balance between the various stakeholder groups, even though their interests may differ considerably in some cases. The Management Board discussed various topics in this area with the Supervisory Board. One such topic remains the significant shortage of Royal Netherlands Marechaussee (immigration) staff, which resulted in long queues at border passages for flight arrivals at the airport. The availability of immigration staff will remain a challenge in 2019, particularly in light of Brexit.

### Schiphol Local Community Council

As indicated in the introduction of this chapter, a major objective in 2018 involved reaching an agreement with the Schiphol Local Community Council (ORS) on a noise legislation framework to be implemented in the Schiphol Airport Decree. Accordingly, the outcome of these discussions has an impact on the strategy for the forthcoming years. The starting point for the discussions was expected to be the updated environmental impact assessment (MER), which was scheduled for mid-2018, and would set out, among other things, the growth potential. However, the MER publication was postponed as it contained minor flaws. A draft MER was published in October 2018 and used as the basis for further discussion with the ORS parties. The Management Board informed the Supervisory Board that it would not propose to the ORS to make full use of the available growth potential as per the MER outcome, but rather that the aim would be a controlled growth path, taking into account the opening of Lelystad Airport. The Supervisory Board was updated regularly on the progress of the meetings and the outcomes thereof.

## Strategic issues and projects

### Terminal 4 - John F. Kennedy Airport

JFKIAT, an affiliate of Schiphol Group and operator of Terminal 4 of JFK Airport, participated in a tender to develop the south side of JFK Airport. After discussing the proposal, the Supervisory Board acknowledged that the ambition and the proposal aligned with the objectives and ambitions of the international strategy. At the same time, the Supervisory Board advised caution regarding the position of a Schiphol Group US affiliate as the developer for the project. The Management Board took into account the Supervisory Board's concerns and initiated a search for a local development partner. After further discussion, the Supervisory Board supported the submission of a financial proposal by JFKIAT for this project. In October 2018, the Management Board and the Supervisory Board were informed that Schiphol Group had, unfortunately, not been selected as the preferred party for the project. JFKIAT is currently assessing the possible extension of the A-concourse and further terminal development. As major shareholder in JFKIAT, Schiphol Group will closely monitor these further developments.

### Groupe ADP

The contemplated privatisation of Groupe ADP was discussed, given that this may have consequences for the existing industrial cooperation between Groupe ADP and Schiphol, and the related cross-shareholding. A prerequisite for the privatisation is the adoption of the French 'Loi Pacte', allowing the French state to sell its controlling stake in Groupe ADP. The Pacte law is currently expected to become effective during the course of 2019. Schiphol Group is preparing for the various scenarios that may occur.

### Main contracts

The Management Board informed the Supervisory Board on the process of selecting its 'main contractors'. In January 2019, Schiphol commenced long-term contracts with BAM, Heijmans and VolkerWessels. The construction firms will be able to carry out assignments at Schiphol with a total estimated value of 2.5 to 3.5 billion euros over a maximum period of nine years. The assignments will focus on maintaining and investing in existing infrastructure at the airport. The new contracts will be effective from 1 April 2019.

### Brexit

The potential impact of Brexit and Schiphol's strategy in response to this development were discussed extensively in the Supervisory Board. The main impact of Brexit is considered to be in the field of security. It is currently envisaged that One Stop Security will remain in place for passengers travelling to and from the United Kingdom. The Supervisory Board has the view that Schiphol is well prepared for any scenario, but aware that there may be consequences for passengers.

### Mandatory non-aviation contribution

As per the new Aviation Act, the shareholders must set a mandatory contribution to help smooth major increases or

decreases in the aviation charges. The Ministry of Finance, in its capacity as representative of the Dutch government as majority shareholder of Schiphol Group, shared a proposal for the contribution amongst all shareholders. The shareholders meeting adopted the contribution as per the proposal of the Dutch government.

### Revised design for the new terminal

The design of the new terminal, which will be constructed as part of the Capital Programme, was adjusted from an origin and destination terminal to a transfer terminal. This was in order to improve efficiency, flexibility and to enable the airport to manage future developments effectively. The Management Board presented the adjusted design, as well as the reasons and the consequences thereof, to the Supervisory Board in an additional meeting in July 2018. The discussion included, among other things, timing, stakeholders, design style, future developments and technology. The Supervisory Board supported the proposal. The amended design and corresponding budget increase were approved by Schiphol Group's shareholders by way of a written shareholder resolution.

### Project Quebec

Project Quebec concerns the development of a second taxiway 'Quebec' and a viaduct in order to complete Schiphol's circular double taxiway. The Management Board presented the project to the Supervisory Board in its meeting of 5 October 2018. The Supervisory Board agreed with the Management Board that the construction of a second taxiway is required for safety reasons, among other factors, and approved the project. As Project Quebec is a complex project (particularly due to the construction of the viaduct and the overlap with other projects), the Supervisory Board requested an update from the Management Board once a further assessment of the project phasing had been completed. Project Quebec was approved by Schiphol Group's shareholders by way of a written shareholder resolution.

### Projects that have been approved by the Supervisory Board

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 Project Quebec, the following project proposals were approved by the Supervisory Board in 2018:

*Explosion Detection System Cabin Baggage:* As a result of new directives, Schiphol has been obliged to replace all 79 screening machines for cabin baggage with screening machines equipped with an Explosive Detection System.

*Refinancing The Base:* The Supervisory Board approved the early termination of the financial lease agreement for The Base building and the corresponding termination payment.

*Additional investment approval Apron South-East:* The budget for the construction of the South-East Apron was adjusted in view of additional and initially unforeseen costs in connection with the clearance of PFOS-contaminated soil. PFOS is non-biodegradable toxic fluorine, which was used in fire-fighting foam, as well as in other substances. It has been classified as a possibly dangerous substance.

### Commercial revenues

The Management Board discussed the revenues from retail and food and beverage outlets and parking with the Supervisory Board. Although the spend per passenger decreased, revenues increased in absolute terms as a result of an increased number of passengers. The Supervisory Board believes this is a positive trend.

### International strategy

In December 2018, Schiphol Group's updated international strategy framework was discussed with the Supervisory Board. The main objective of the strategy is to improve Schiphol Group's financial robustness and strengthen Schiphol Group as an airport operator. The Supervisory Board supports the strategy and approved it, but advised that the international strategy should not distract from the matters at hand on a national level.

### Other topics

#### Amendment to the Supervisory Board Rules

The Supervisory Board Rules, including the Supervisory Board committee charters, were amended and approved on 31 August 2018, and a few further (minor) amendments were approved on 14 December 2018. The rules can be found in the [Investor Relations](#) section at [www.schiphol.nl](http://www.schiphol.nl).

### ACM commitments

In 2017, the Netherlands Authority for Consumers and Markets (ACM) published a draft decision on commitments made by KLM and Schiphol Group, at the request of ACM, to eliminate competition risks. These commitments aim to ensure a level playing field for competitors at Schiphol. As part of the agreement, Schiphol and KLM will not discuss the positions of other airlines, and Schiphol committed to independently developing its own plans regarding our investments, charges, and marketing strategy. The commitments were declared binding in February 2018. The Supervisory Board was informed of the final decision by ACM. The topic is discussed by the Management Board and Supervisory Board on a regular basis.

### Financial reporting and risks

Throughout 2018, the Management Board provided monthly financial reports to the Supervisory Board in which Schiphol Group's actual financial results were compared to the 2018

budget, the latest estimate for 2018 and the results for 2017. These reports were discussed by the Supervisory Board. There were also extensive discussions on risk management. External developments impacting on the risk profile are discussed annually as are developments regarding Schiphol Group's main risks.

### Tactical Plan

The 2019-2022 Tactical Plan was discussed by the Supervisory Board in August 2018 and finally approved in October 2018, after informing the shareholders of the new tactical plan. A difference from earlier Tactical Plans was that Schiphol Group had to plan three years ahead as a result of the airline consultation process under the new Aviation Act. The Supervisory Board compliments Schiphol Group for the manner in which it has conducted and completed the new consultation process.

### No conflicting interest

There were no transactions in 2018 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 Schiphol Group and/or the relevant parties.

## B. Quality Assurance

### Members

At year-end 2018, the Supervisory Board had two female and five male members. The Management Board had 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. 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 following 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 (Schedule 2 to the Supervisory Board Regulations). In January 2019, the Supervisory Board updated the Supervisory Board Profile. 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 be taken into account when filling any new vacancies that arise.



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

	L. Gunning-Schepers <sup>1</sup> (Chair)	J.G. Wijn (Vice-Chair)	E.R.P. Arkwright	S.G. Brummelhuis
Year of birth and nationality	1951, Dutch	1969, Dutch	1974, French	1965, Dutch
First appointed in	2014	2012	2016	2018

### Fields of knowledge

1. Aviation business			•	
2. Commercial				•
3. Finance / Accountancy / Risk Management		•	•	•
4. International experience	•	•	•	•
5. Digitisation	•			•
6. Government and stakeholders Schiphol	•	•	•	
7. Corporate governance	•	•		•
8. Human Resource Management		•		
9. Corporate responsibility	•	•	•	•
10. Project management			•	

<sup>1</sup> CEO experience

	D. Collier <sup>1</sup>	R.J. van de Kraats	A.B.M. Olsson <sup>1</sup>
Year of birth and nationality	1955, Irish	1960, Dutch	1957, Swedish
First appointed in	2018	2015	2015

### Fields of knowledge

1. Aviation business	•		
2. Commercial	•	•	•
3. Finance / Accountancy / Risk Management	•	•	
4. International experience	•	•	•
5. Digitisation		•	•
6. Government and stakeholders Schiphol	•		
7. Corporate governance	•	•	•
8. Human Resource Management		•	•
9. Corporate responsibility	•	•	•
10. Project management	•		

<sup>1</sup> CEO experience

All members of the Supervisory Board are independent within the meaning of best practice provision 2.1.8 of the Corporate Governance Code, except for Mr Arkwright, who is Deputy CEO at Groupe ADP.

Mr Arkwright has French nationality, Mr Olsson has Swedish nationality and Mr Collier has Irish 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 regulatory framework, the impact of the new Dutch Aviation Act and cyber security developments.

### Evaluation

The Supervisory Board decided to initiate an external evaluation of the performance of the board. In early 2019, interviews with all Supervisory Board members, the Management Board members and the Company Secretary will take place with an external adviser. In spring 2019, the results of the evaluation will be discussed within the Supervisory Board and later with the Management Board as well. The evaluation will - among other things - be used to allow the Supervisory Board to optimise its composition and role.

## C. Other matters

### Appointments and reappointments

#### Management Board members

On 9 March 2018, Dick Benschop was appointed to succeed Jos Nijhuis as CEO and President and member of the Management Board, effective 1 May 2018. The Supervisory Board considers Mr Benschop very well suited for this position. He has relevant experience in managing stakeholders, and a political background in addition to recent and extensive leadership experience with a large company. He has a personal connection with the airport and understands the challenges it faces. Furthermore, he has a good reputation and was highly recommended for appointment. On 6 April 2018, Birgit Otto was reappointed as Chief Operations Officer (COO) and member of the Management Board for a second term of four years, effective 1 September 2018. The Works Council issued positive advice in respect of both (re)appointments.

#### Supervisory Board members

At the general meeting of shareholders on 17 April 2018, Mr Collier was appointed as a member of the Supervisory Board. He has international experience in aviation, large investment projects, and is the former CEO of London City Airport. At that same meeting, Simone Brummelhuis was appointed as a member of the Supervisory Board following a recommendation from Schiphol Group's Central Works Council. She possesses, among her other qualities, relevant experience in the field of digital transformation and corporate governance. The Supervisory Board is delighted to have added these two members to address the next phase that Schiphol Group is facing. Mr Collier and Mrs Brummelhuis succeed Herman Hazewinkel and Margot Scheltema respectively. Both Mr Hazewinkel and Mrs Scheltema have contributed significantly to the Supervisory Board and the development of Schiphol Group in general.

The composition of the committees changed in December 2018, as shown in the table below.

	L.J. Gunning-Schepers (Chair)	J. Wijn (Vice-Chair)	E.R.P. Arkwright	S.G. Brummelhuis
Supervisory Board	•	•	•	•
Audit Committee		•	•	
People Committee	•	•		
Capital Programme, Operations & Investments Committee				•
Safety, Sustainability & Stakeholders Committee	•(c)			•
	D.Collier	R.J. van de Kraats	A.B.M. Olsson	
Supervisory Board	•	•	•	
Audit Committee	•	•(c)		
People Committee			•(c)	
Capital Programme, Operations & Investments Committee	•(c)		•	
Safety, Sustainability & Stakeholders Committee			•	

### Meetings

The Supervisory Board met on nine occasions in 2018. Management Board members attended all of those meetings. Prior to its regular meetings, the Supervisory Board held private consultations. The various committees of the Supervisory Board held 12 formal meetings in total over the course of 2018. Please see the schedules that follow for a full overview of the number of meetings per committee and the attendance of Supervisory Board members. It should be noted that the People Committee has been established in August 2018. Prior to that, the Supervisory Board had a separate Selection & Appointment Committee and a Remuneration Committee. The Selection & Appointment

Committee met six times prior to August 2018. These meetings were attended by all committee members. The Remuneration Committee met twice prior to August 2018. These meetings were also attended by all committee members.

In addition to its formal meetings, the Capital Programme, Operations & Investments Committee (from August 2018 until December 2018, known as the Capital Programme & Investments Committee), held monthly informal meetings to discuss the progress of the Capital Programme, covering topics such as the construction of the new pier and terminal. It is envisaged that this committee will hold monthly formal meetings in 2019.

## Attendance in 2018

Attendance	L. Gunning-Schepers	E. Arkwright	C. Clarke	H. Hazewinkel
Supervisory Board	9 of 9	5 of 9	1 of 2	3 of 3
Audit Committee	n/a	0 of 4	n/a	n/a
Capital Programme, Operations & Investments Committee	n/a	n/a	n/a	n/a
People Committee <sup>1</sup>	2 of 2	n/a	n/a	n/a
Selection & Appointment Committee <sup>1</sup>	6 of 6	n/a	n/a	6 of 6
Remuneration Committee <sup>1</sup>	n/a	n/a	n/a	2 of 2
Safety, Sustainability & Stakeholders Committee	3 of 3	n/a	n/a	n/a

<sup>1</sup> In August 2018, the Selection & Appointment Committee has been combined with the Remuneration Committee to form the new 'People Committee'.

Attendance	R.J. van de Kraats	M. Olsson	M. Scheltema	J. Wijn
Supervisory Board	8 of 9	9 of 9	3 of 3	7 of 9
Audit Committee	3 of 4	n/a	1 of 1	4 of 4
Capital Programme, Operations & Investments Committee	n/a	1 of 1	n/a	n/a
People Committee <sup>1</sup>	n/a	2 of 2	n/a	2 of 2
Selection & Appointment Committee <sup>1</sup>	n/a	n/a	n/a	6 of 6
Remuneration Committee <sup>1</sup>	n/a	2 of 2	2 of 2	n/a
Safety, Sustainability & Stakeholders Committee	n/a	3 of 3	1 of 1	n/a

<sup>1</sup> In August 2018, the Selection & Appointment Committee has been combined with the Remuneration Committee to form the new 'People Committee'.

Attendance	S. Brummelhuis	D. Collier
Supervisory Board	6 of 6	6 of 6
Audit Committee	n/a	2 of 2
Capital Programme, Operations & Investments Committee	1 of 1	1 of 1
People Committee	n/a	n/a
Selection & Appointment Committee	n/a	n/a
Remuneration Committee	n/a	n/a
Safety, Sustainability & Stakeholders Committee	2 of 2	2 times as observer

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 four meetings in 2018. The committee spoke at length with the Chief Financial Officer (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), the internal control framework and the internal and external audit plans.

In 2018, the Audit Committee focused on the Enterprise Risk Management Framework and the related Risk & Audit operating model. Key risks and controls were discussed in relation to several areas, primarily the reliability and continuity of information, health, safety and environment, and finance. 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 Digital Airport Programme and the Capital Programme. 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 identified risks, including fraud risks, 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.

#### Capital Programme, Operations & Investments Committee

Following the investment decision relating to the A-area of 2016, an informal committee of the Supervisory Board has met with the COO and the director of the Capital Programme on a monthly basis. In 2018, the decision was taken to make this committee a formal committee of the Supervisory Board. The committee advises the Supervisory Board and prepares its decision-making regarding the company's large investment programme (Capital Programme, including the development of the new pier and terminal), the performance of key operational processes and other capital investments. The main focus of the committee in 2018 has been the progress of the Capital Programme and, specifically, the construction of the new pier, the terminal design and procurement, and the terminal enabling works. Safety and safety culture were also discussed, as well as audit findings and conclusions regarding the programme. In relation to airport operations, the key focus areas for 2019 were discussed. The committee also discussed the investment proposals that are outside the scope of the Capital Programme and that were approved by the Supervisory Board.

#### People Committee

In August 2018, it was decided that the Selection & Appointment Committee would be combined with the Remuneration Committee to form the new 'People Committee'. The People Committee will focus on selection and appointment of Managing Directors and Supervisory Directors, the size and composition of the Management Board and the Supervisory Board, the performance of individual Managing Directors and Supervisory Directors, succession of Managing Directors and Supervisory Directors, remuneration, talent management and succession planning for key positions in the company, diversity and the company's values and culture. The People Committee met twice

in 2018, mainly focusing on the mid-year performance review, the proposed reappointment of Robert Jan van de Kraats and Mikael Olsson as members of the Supervisory Board, and a number of policies and procedures (talent management, matrix of competencies Supervisory Board, the new People Committee Charter and the annual agenda for the committee).

Prior to the formation of the People Committee, the Selection & Appointment Committee met 6 times. In these meetings, the succession of the CEO was the main topic.

The former Remuneration Committee met twice during the first half of 2018. The main topics were the performance review of 2017, the Management Agenda for 2018 and the remuneration report. The chair of the Remuneration Committee and the chair of the Supervisory Board jointly conducted the annual appraisal interviews with the Management Board members.

#### Safety, Sustainability & Stakeholders Committee

The Safety, Sustainability & Stakeholders Committee (formerly known as the Public Affairs and Corporate Responsibility Committee) met three times in 2018. Much attention was devoted to safety in a broad sense. Schiphol Group's safety programme, the Dutch Safety Board (OVV) report, the recommendations included in the report and the follow-up actions taken were discussed, as well as the Integral Safety Management System. The committee is satisfied with the HSE report as is presented to the Supervisory Board, in which serious incidents, runway incursions, bird strikes, crowd management, non-detonated explosives, fire safety and LTIF rates are addressed, among other issues. Schiphol Group's CR targets, CR activities and CR reporting in the annual report were also discussed. Each quarter, the CR report is discussed with the members of the Supervisory Board and discussed in this committee. Also, time was spent on inclusion of employees with distance to the labour market, ambition on CO<sub>2</sub> reductions and Smart and Sustainable sector action plan.

Meetings	Number
Supervisory Board	9
Additional Supervisory Board meeting without Management Board members attending	[0]
Audit Committee	4
Capital Programme, Operations & Investments Committee	1
People Committee	4
Safety, Sustainability & Stakeholders Committee	3
<b>Total</b>	<b>21</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. A special word of thanks is expressed to the team and staff of Lelystad Airport, for keeping up the positive spirit and their hard work in working towards the opening of the airport in 2020.

A special word of thanks is also due to Jos Nijhuis, who has made a major and valuable contribution to the airport during a period of almost 10 years and to Herman Hazewinkel and Margot Scheltema for their respective and long-term contributions to the Supervisory Board.

Schiphol, 14 February 2019

The Supervisory Board  
Louise Gunning-Schepers, Chair  
Joop Wijn, Vice-Chair  
Edward Arkwright  
Simone Brummelhuis  
Declan Collier  
Robert Jan van de Kraats  
Mikael Olsson



# Supervisory Board



## Ms L.J. Gunning-Schepers

(1951, Dutch nationality)

### Chair

First appointed in 2014  
Second term expires in 2022

- 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
- Board member of Adore Foundation
- Former Crown-appointed member of the Executive Board of the Netherlands Social and Economic Council
- Former CEO and Dean of UvA AMC
- Former Chair of the Executive Board of the University of Amsterdam

## Mr J. G. Wijn

(1969, Dutch nationality)

### Vice-Chair

First appointed in 2012  
Second term expires in 2020

- Chief Strategy and Risk Officer of Adyen N.V.
- Former Member of the Management Board of ABN AMRO Bank N.V.
- Former Minister of Economic Affairs
- Former State Secretary of Finance
- Former State Secretary of Economic Affairs

## Mr E.R.P. Arkwright

(1974, French nationality)

First appointed in 2016  
First term expires in 2020

- Deputy CEO of Groupe ADP
- Chair of TAV Airports
- Chair of Hub One
- Chair of Cercle de l'Harmonie - Jérémie Rhorer Orchestra
- Chair of ADP International
- Chair of ADP Invest
- Member of the Management Board of ESSEC business school

## Ms S.G. Brummelhuis

(1965, Dutch nationality)

First appointed in 2018  
First term expires in 2022

- Member of the Supervisory Board and Chair Audit Committee of TMG N.V.
- Member of the Supervisory Board of Stern N.V.
- Member of the Supervisory Board of Rabo Amsterdam
- Member of Advisory Board of Erasmus Centre of Entrepreneurship
- Non-executive Director of Annona Investment Fund
- Member of the Advisory Board of Erasmus University
- Knowledge Partner Hemingway Board programme
- Founding Director The NextWomen & The NextWomen Fund

**Mr H.J. Hazewinkel**, RA (Male, 1949, Dutch nationality) was Vice-Chair of the Supervisory Board and member from 2009-2018. Mr Hazewinkel has been succeeded by Mr, J.G. Wijn. During his last term, Mr Hazewinkel was Vice-Chair of the Supervisory Board of Koninklijke Boskalis Westminster NV, 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 BV and Former Chair of the Management Board of VolkerWessels.



### Mr D. Collier

(1955, Irish nationality)

First appointed in 2018  
First term expires in 2022

- Chair TCR International NV
- Chair Office of Rail & Road
- Non-Executive Director Crowdvision Ltd.
- Immediate Past President of Airports Council International (ACI) World
- Former Council member of the Confederation of British Industry
- Former Board Director of London First
- Former Non-Executive Director of Allied Irish Banks (AIB) Group
- Former Chief Executive of Dublin Airport Authority
- Former Chairman of AER Rianta International (ARI)

### Mr R.J. van de Kraats

(1960, Dutch nationality)

First appointed in 2015  
First term expires in 2019

- Non-Executive Chairman of TMF Group
- Non-Executive Director of OCI N.V.
- Non-Executive Director of VEON
- Former CFO and Vice-Chair of the Executive Board of Randstad Holding N.V.

### Mr A.B.M. Olsson

(1957, Swedish nationality)

First appointed in 2015  
First term expires in 2019

- Non-executive Director of Tesco plc, member of the remuneration committee and the corporate responsibility committee
- Member of the Supervisory Board of Ikano S.A.
- Member of the Board of Directors of Lindengruppen AB
- Member of the nomination committee of Volvo Cars Group
- Former President & CEO of IKEA Group/Ingka Holding B.V.

**Ms C. Clarke** (Female, 1964, British nationality) was a member of the Supervisory Board from 2015-2018. During her term, Ms Clarke was Executive Vice-President & CEO of Philips ASEAN Pacific and Former EVP & CEO of Philips Business Group Population Health Management.

**Ms drs. M.A. Scheltema** (Female, 1954, Dutch nationality) was a member of the Supervisory Board from 2010-2018. During her last term, Ms Scheltema was 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.

# Management Board



## D.A. Benschop

(1957, Dutch nationality)

### President & CEO

since 1 May 2018

First term expires on 30 April 2022

- Chairman of the Board of the Oranje Fonds

## 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 member of the Board of Directors of Brisbane Airport Corporation PTY Ltd
- Non-executive Director, Supervisory Board member & Chair of the Audit Committee of Kendrion N.V.

 **Alliances & Participations**

## 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

- Member of the Supervisory Board of Rochdale
- Member of the Supervisory Board of Cargonaut Holding B.V.

 **Consumer Products & Services**

 **Real Estate**

## B.I. Otto

(1963, Dutch nationality)

### Member of the Management Board and COO

since 1 September 2014

Second term expires on 31 August 2022

- Member of the Supervisory Board of Eindhoven Airport N.V.
- Member of the Board of ACI Europe
- Member of the Board of Next Generation Infrastructure
- Chair of the Schiphol Security and Public Safety Steering Group
- Chair of the joint sector Safety Review Board

 **Aviation**

It should be noted that any remuneration earned by Management Board members in relation to (supervisory) board positions in group companies is received by the company and not by the individual Management Board members.

**Mr J.A. Nijhuis** (1957, Dutch nationality) was President & CEO from January 1, 2009. Mr Nijhuis left Schiphol Group per 1 June 2018 and has been succeeded by Mr Benschop. During his employment, Mr Nijhuis was a member of the ACI Europe Board and ACI World Governing Board. Mr Nijhuis still holds the positions of non-executive member of the Board of Directors of Groupe ADP and non-executive member of the Board of Directors of Brisbane Airport Corporation PTY Ltd. These will be transferred to Mr Benschop in March 2019. Mr Nijhuis holds various positions in Governing and Supervisory Boards in the Netherlands.



# Corporate Governance

Royal Schiphol Group N.V. , also trading as Luchthaven Schiphol and Schiphol Group, is a public limited liability company with a two-tier board regime. The shareholders of Schiphol Group are the State of the Netherlands, the municipality of Amsterdam, Groupe ADP and the municipality of Rotterdam. Schiphol Group's corporate governance structure is based on Dutch law, the Corporate Governance Code, its articles of association and several internal regulations.

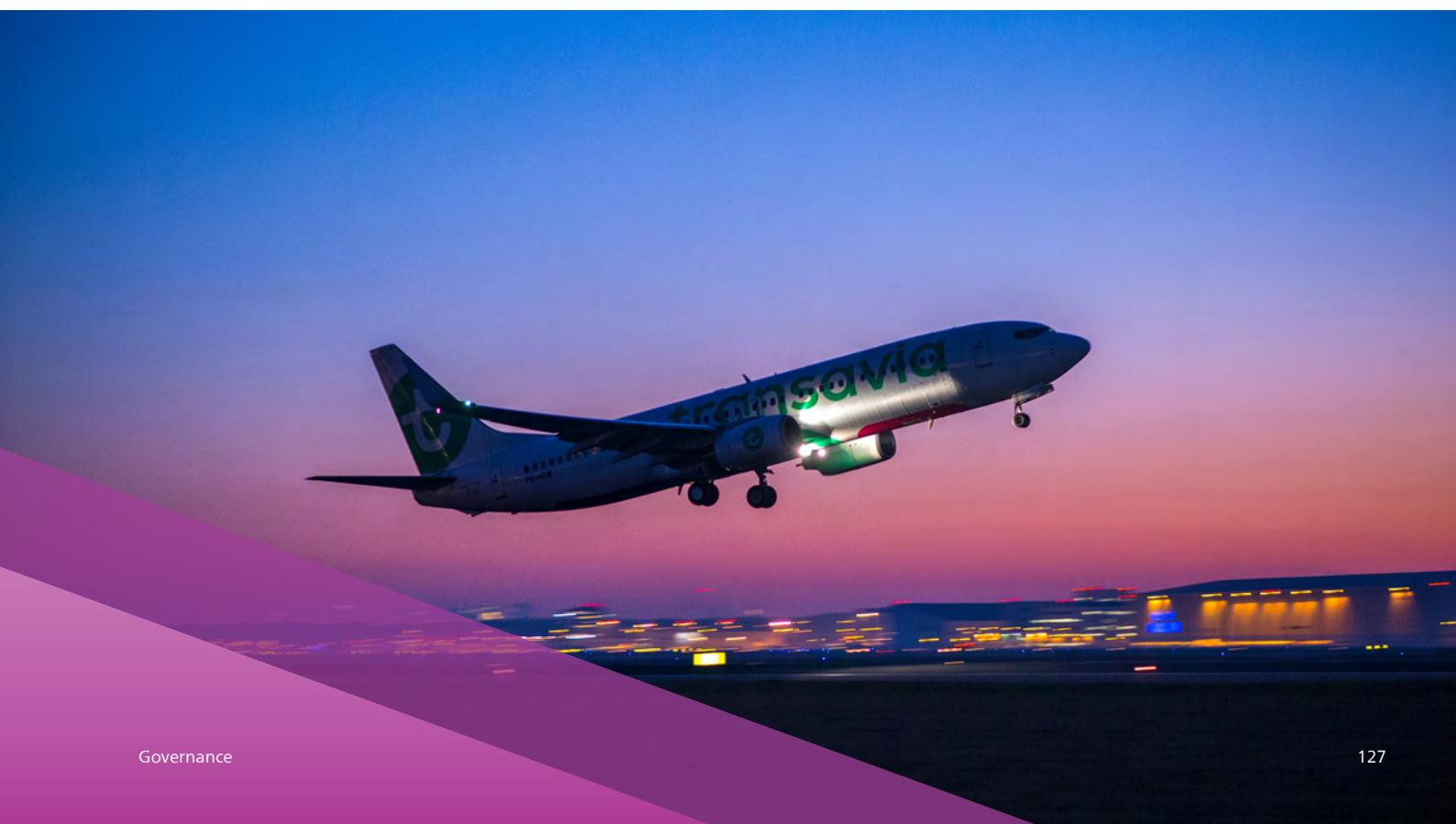
## General

Schiphol Group's articles of association have been recently updated so that these reflect applicable law and, to the extent possible and/or appropriate, the Corporate Governance Code 2016.

As of 2004, Schiphol Group applies the Corporate Governance Code. Schiphol Group has implemented the Code's principles and best practice provisions wherever possible and/or appropriate in its articles of association and regulations. Since 2016, Schiphol Group reports on its compliance with the Corporate Governance Code, by way of a 'comply or explain' overview.

Schiphol Group's internal regulations include the Management Board regulations, Supervisory Board regulations, including charters regarding the Supervisory Board's permanent committees, and regulations regarding Inside Information and the Holding of Securities and Securities Transactions, and Reporting Misconduct (see below).

All documents referred to in this paragraph are published on [www.schiphol.nl](http://www.schiphol.nl) under 'Schiphol Group, Investor Relations'.



## Management Board

Schiphol Group's Management Board consists of four members, a President and Chief Executive Officer (CEO), a Chief Financial Officer (CFO), a Chief Operational Officer (COO) and a Chief Commercial Officer (CCO). They are jointly responsible for the management and general affairs of Schiphol Group. Notwithstanding the foregoing, each Management Board member accepted responsibility for a particular area.

As from 1 March 2019, the portfolio allocation within the Management Board has been adapted. The portfolio of Mr Benschop has been expanded to include innovation. Ms Van der Meijs is responsible for International, which is a new department. Ms Otto's portfolio now also includes Consumer Products & Services, and Digital. Mr Van den Berg is responsible for all activities related to large projects and IT.

## Supervisory Board

The Supervisory Board is entrusted with the supervision of Schiphol Group's management and general affairs. In addition, it supports the Management Board with its advice. The Supervisory Board consists of at least five, and at most eight, members and meets at least four times a year.

The Supervisory Board has four permanent committees:

- The Audit Committee informs the Supervisory Board's decision-making in respect of the internal risk management and control systems, and the integrity and quality of the financial reporting.
- The Capital Programme, Operations & Investments Committee prepares the Supervisory Board's decision-making in respect of the investment programme which involves (inter alia) a new pier, terminal and related infrastructure (the Capital Programme) and operations and investments in general.
- The People Committee prepares the Supervisory Board's decision-making in respect of nomination, appointment and remuneration.
- The Safety, Sustainability & Stakeholders Committee prepares the Supervisory Board's decision-making in respect of safety, sustainability and stakeholder-related matters.

The duties and internal proceedings of each of these permanent committees are set out in charters which are part of the Supervisory Board rules that are published on [www.schiphol.nl](http://www.schiphol.nl) under 'Schiphol Group, Investor Relations'.

Mr Arkwright is not classified as independent within the meaning of best practice provision 2.1.8 of the Corporate Governance Code in his position of Deputy CEO of Groupe ADP. As the other Supervisory Board members are independent, Schiphol Group complies 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. Schiphol Group explicitly agreed with Mr Arkwright that he shall not participate in any discussions and decision-making regarding Groupe ADP.

## Securities transactions

Even though Schiphol Group shares are not listed on a stock exchange, Schiphol Group has regulations governing Inside Information and the Holding of Securities and Securities Transactions, as it 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 (President & CEO until 1 June 2018) 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. Mr Nijhuis will transfer his board position at Groupe ADP to Mr Benschop in March 2019.

## Corporate responsibility (CR)

### Governance

The President and CEO of Schiphol Group is primarily responsible for CR. The Management Board defines the CR vision and policy and is for that purpose assisted by the Supervisory Board's Safety, Sustainability & Stakeholders Committee. The CR programme manager is part of Schiphol Group's Corporate Development department and reports directly to the President and CEO in order to enable Schiphol Group to effectively integrate CR throughout the company and to ensure its impact on strategy. The achievement of CR targets is one of the elements of the remuneration policy for the Management Board.

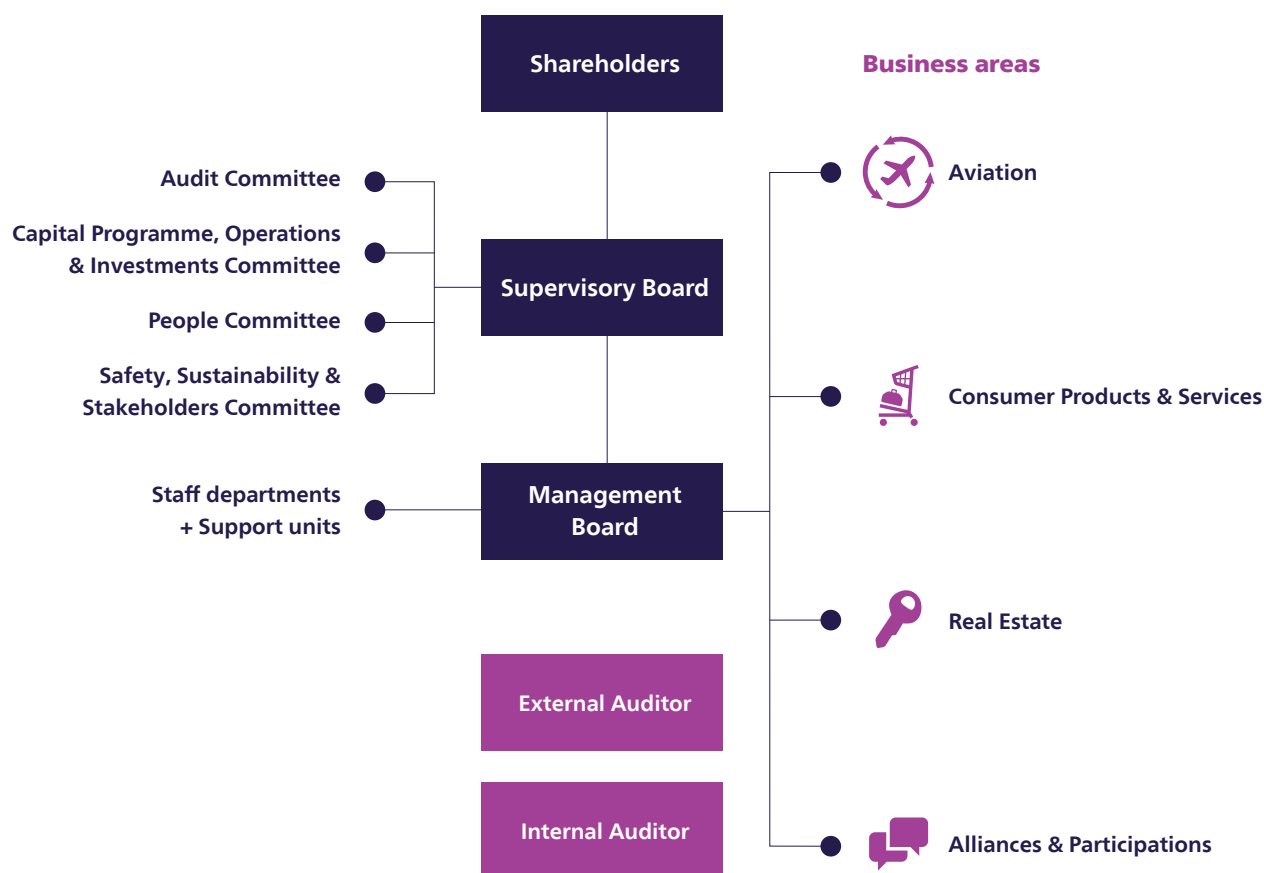
The COO acts as the airport manager and is in that capacity responsible for ensuring that applicable legislation, in particular relating to safety and environment, is complied with. Such legislation is often airport specific.

### Sustainability

With the material aspects 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, we have the ambition to become the most sustainable airport operator in the world, while paying particular attention to four key topics: (1) sustainable aviation, (2) zero-emissions, (3) zero-waste, and (4) wellbeing. We collaborate with partners on these themes and we



## Corporate Governance Structure



have defined two longterm goals: ensuring the airports operated by Schiphol Group are zero-waste and zero-emissions by 2030.

Each quarter, the Management Board discusses sustainability developments in general. Senior management of the departments that have the most impact regularly discuss these themes to ensure fulfilment of sustainability ambitions that transcend the individual department, as an integrated approach guarantees optimal coordination. Workshops regarding sustainability are regularly scheduled throughout the company to create awareness. In addition, a Circular Economy Taskforce has been set up to accelerate the transition to a circular economy.

Sustainability is a fixed component in Schiphol Group's investment strategy. As a matter of principle, sustainability is, to the extent possible, a selection criterion in Schiphol Group's tender processes.

### Safety and environmental risk control

Schiphol Group's objectives, tasks, responsibilities, authorisations and working agreements regarding safety control and environmental risks are implemented in safety management systems. Monitoring health safety and environment (HSE)

performance within the departments takes place via the relevant line organisation. A central HSE office was set up in 2017 to assist the line managers and to ensure a strong, uniform HSE organisation within Schiphol Group.

The COO and relevant senior management are represented in a Safety Review Board (SRB). The SRB aims to sharpen the focus on strategic objectives of safety performance at the airport and to comply with European Aviation Safety Agency (EASA) requirements. The SRB manages key safety risks, shares safety and environmental dilemmas and monitors the development of safety culture within Schiphol through the Schiphol4Safety programme.

Partly in response to recent recommendations of the Dutch Safety Board (*Onderzoeksraad voor de Veiligheid*), the Integral Safety Management System (ISMS), a sector-driven initiative to improve safety at Amsterdam Airport Schiphol, has been established. 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. On 30 October 2018, the ISMS published an online roadmap for safety improvement at [www.integralsafetyschiphol.nl](http://www.integralsafetyschiphol.nl).

In 2017, Schiphol Group refined its internal rules (the Schiphol Rules) in order to further improve safety on the airport grounds. The Schiphol Rules are published on the airport's website. All persons at the airport must comply with the Schiphol Rules. Schiphol Group's COO supervises compliance with the Schiphol Rules and can impose sanctions if necessary.

### Compliance with 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 (I&W) 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.

## ACM Commitments

In February 2018, the Authority for Consumers and Markets (ACM) formally accepted the commitments offered by Schiphol and KLM to eliminate competition risks. These commitments aim to ensure a level playing field for competitors at Schiphol. As part of the agreement, Schiphol and KLM will not discuss the positions of other airlines, and Schiphol will independently develop its own plans regarding our investments, charges, and marketing strategy.

We have secured the commitments in a separate compliance programme, which is part of Royal Schiphol Group's wider compliance programme, Mind Your Step. All relevant departments have been informed and awareness training will continue to take place over 2019.

**Tabel responsibilities material aspects<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 construction Development of Lelystad Airport	Airport capacity
	Accessibility	COO	Improve accessibility by road and rail	Accessibility
	Safety & Security	COO	Development of HRO culture  More stringent security requirements	Safety  Security
	Regional significance	CEO	Maintain Mainport position Continue our intensive dialogue with stakeholders	Regional significance
	Digital	CEO	Make optimum use of the fast-growing digital potential	Digital
	Customer appreciation	CCO	Maintain and enhance quality perception (despite construction and renovation)	Customer appreciation
	Noise	CEO	Agreements on development post-2020 in Schiphol Local Community Council	Noise
	CO <sub>2</sub> emissions	COO	Development into zero emissions airport in 2030  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
	Supply chain responsibility	CFO	Exerting influence across the entire chain	Supply chain responsibility
	Raw materials and residual flows	CCO	Development into zero waste airport by 2030	Raw materials and residual flows
	Community engagement	CEO	Strengthen support for sustainable development	Community engagement
	Financial solidity	CFO	Maintain good credit ratings	Financial solidity
	Contracting practices	CFO	Effective and professional contracting practices under high pressure of time	Contracting practices
	Integrity	CFO	Compliance and promotion of integrity within own organisation	Integrity
	Employment practices	CEO	Development of HPO culture  Inclusive business practice	Employment practices

<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.

## 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 further four-year term. Mr Benschop and Ms Van der Meijs have a fixed-term employment contract with Royal Schiphol Group N.V. Ms Otto and Mr Van den Berg are employed by Royal Schiphol Group N.V. on the basis of an open-ended employment contract.

In 2018, the Management Board was composed of the following persons:

	Position	Term	Term ends on
Jos Nijhuis	CEO	Third	30 April 2018 <sup>1</sup>
Dick Benschop	CEO	First	1 May 2022
Birgit Otto	COO	Second	31 August 2022
André van den Berg	CCO	First	31 March 2020
Jabine van der Meijs	CFO	First	30 April 2021

<sup>1</sup> The employment contract ended on 30 June 2018.



## General

Schiphol's remuneration policy primarily aims to offer remuneration at a level and with a structure that will attract and retain qualified and capable directors (including those from within the organisation). The remuneration policy 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. In addition to the financial objectives, the strategic and public objectives of Schiphol as a major international airport ([The Management Agenda](#)) consist of key performance indicators.

The remuneration policy meets the best-practice provisions on remuneration defined in the Dutch 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 State Participations Policy ('Nota Deelnemingenbeleid'), including the April 2016 remuneration policy principles as applied by the Ministry of Finance in the revised remuneration policy for state participations. The state participations policy and the remuneration policy principles apply strict standards, for instance, with regard 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 awarded for a definite period of time. In the event that 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 third term of appointment initially ran from 1 January 2017 to 31 December 2018, announced his intention to step down voluntarily in the first quarter of 2018. At the request of the Supervisory Board, Mr Nijhuis remained in his post until 1 July 2018 in order to ensure a diligent handover of duties. Mr Nijhuis' employment agreement ended as per this date. No termination fee has been agreed with Mr Nijhuis. The Supervisory Board asked Mr Nijhuis to retain his international board positions on behalf of Schipol Group until 1 April 2019. In return for these services, Mr Nijhuis receives a market-based remuneration, which is in line with the Schiphol Group remuneration policy.

## Remuneration package structure

A summary of the employment arrangements and the amounts constituting the total remuneration of each Management Board member in 2018 are provided below.

### Fixed salary

Based on the current remuneration policy, the CEO's fixed salary amounts to 431,731 euros in total. This amount includes a 2.5% indexation implemented as of 1 April 2018 (this increase is in conformity with the collective labour agreement as of that date). With regard to the other Management Board members, the maximum fixed salary is 85% of the CEO's. This salary, in 2018, was as follows:

	Position	Fixed salary (EUR)
Jos Nijhuis <sup>1</sup>	CEO	210,601
Dick Benschop <sup>2</sup>	CEO	287,821
Birgit Otto	COO	364,734
André van den Berg	CCO	364,734
Jabine van der Meijs	CFO	364,734

<sup>1</sup> Pro rata until 1 July 2018.

<sup>2</sup> Pro rata from 1 May 2018.

### Variable remuneration

#### General

There is also a variable component in the remuneration structure. The variable remuneration is intended to increase the commitment of Management Board members to Schiphol's performance and to reward outstanding performance. The variable remuneration has a further goal of striking a 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. Those objectives are both qualitative/substantive in nature and related to the financial results achieved (quantitative).

#### 1. Qualitative

The qualitative objectives, which are determined on an annual basis, apply in full to the Management Board. This illustrates the importance the Supervisory Board attaches to joint responsibility. No individual targets have been set.

The targets are derived from the [Management Agenda](#) as 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 qualitative objectives for the variable remuneration for the Management Board as a whole.

The targets jointly represent 14% of the maximum level of variable remuneration to be earned of 20% (of the total fixed salary). The extent to which the qualitative objectives are deemed to have been achieved and the way in which they are assessed is at the discretion of the Supervisory Board.

## 2. Quantitative

The remaining 6% of the maximum variable remuneration available 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.<sup>4</sup>

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

The targets set by the Supervisory Board are assessed at the end of the first quarter in light of transport figures and special developments, and adjusted where necessary. The Supervisory Board takes these measures in order to ensure that its budgetary and other objectives remain as challenging and realistic as possible. These objectives were not adjusted in 2018.

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.

The resulting figures are as follows:

Target	STI percentage
Quantitative - Financial	6%
Qualitative - Personal/Team	14%
<b>Total</b>	<b>20%</b>

## Clawback

The variable remuneration is subject to a clawback clause and the possibility of the Supervisory Board adjusting 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, which the ABP calculates each year, consists of an employer's share and an employee's share. The pension base used to calculate the premium is made up of fixed-pay elements only. The variable portion of the income did not count towards the pension base for Management Board members in 2018. 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 105,075 euros<sup>5</sup>. In conformity with general practice in the Netherlands, Schiphol has decided to compensate the employees concerned (including the Management Board members) for this reduced pension accrual.

## Other benefits

The fringe benefits consist of appropriate expense allowances, a lease car (including the possible use of a driver) and allowances for telephone costs. 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. Acceptance of ancillary positions 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 79,476 euros in 2018 (2017: 76,514 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 Messrs Benschop and Nijhuis in 2018<sup>6</sup>, totalling 584,205 euros (2017: 552,048 euros), equates to a remuneration ratio of 1:7.4 (2017: 1:7.2).

## Retiring and new Board members

Mr Nijhuis stepped down from the Board in 2018 and was succeeded by Mr Benschop, who joined the Management Board as of 1 May 2018.

## Management Board Remuneration for 2018

The Supervisory Board reviewed the performance of the company in 2018 against the agreed Management Agenda. Of the

<sup>4</sup> From 2019 the targets in table below (ROE percentage and STI percentage) will be more stretched and more linear.

<sup>5</sup> The maximum amount for tax purposes applicable in 2018.

<sup>6</sup> Taking account of the overlap between the employment terms of Messrs Nijhuis and Benschop.

qualitative targets around three quarters have been met. The operational performance, the digital programme and sustainability initiatives contribute to that result. The execution of capital investments requires continued attention. This leads to a score of 11% on the qualitative targets (out of a maximum of 14%). The financial performance in 2018 led to a return on equity (ROE) of 7.0% and adjusted for fair value gains and losses on investment property an ROE of 5.4%. This gives a score of 5% of the quantitative targets (out of a maximum of 6%). The total variable remuneration therefore amounts to 16% (2017: 15%).

The total remuneration received by Management Board members in 2018 is specified in the [remuneration section of the annual accounts](#).

## 2019 Management Agenda.

The [2019 Management Agenda](#) is simplified and the Supervisory Board has agreed on the Top 8 strategic performance indicators and 17 'major deliverables'.

## Supervisory Board Remuneration

### General

A 2.5% indexation of the remuneration for Supervisory Board members has been implemented as of 1 April 2018. On the same date, the committees' remuneration was indexed accordingly. The remuneration of the Chair of the Supervisory Board amounts to 38,429 euros per annum, with effect from 1 April 2018 (2017: 37,492 euros). The ordinary members' remuneration is 25,268 euros per annum (2017: 24,652 euros). All members of the Supervisory Board also receive an annual expense allowance of 1,643 euros, which has not been indexed. Members of a Supervisory Board committee are entitled to an additional fee. Each member of the Audit Committee receives 6,317 euros per annum, with effect from 1 April 2018 (2017: 6,163 euros), and each member of one of the other committees is entitled to 5,264 euros per annum (2017: 5,136 euros).

The actual remuneration for Supervisory Board members in 2018 was as follows:

Remuneration component	Amount (EUR)
Chair remuneration	38,195
Ordinary members' remuneration	25,114
Audit Committee remuneration	6,279
Other committees' remuneration	5,232

## Remuneration of the Supervisory Board for 2018

Information on the remuneration of the Supervisory Board for 2018 can be found under '[Related parties](#)' in the notes to the consolidated financial statements.

Schiphol, 14 February 2019

# Risk management

As a result of its role as an important element of Dutch infrastructure and as a financially robust 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 as part of these 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 and 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 Royal Schiphol Group is prepared to take risks to achieve its objectives differs according to each objective and risk category. Risk limits are set out in various policy documents, handbooks and company regulations, which define the specific limits and tolerances of the various operational activities.

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 and Reporting	low	Schiphol has a low risk appetite with respect to financial reporting risk. Reliability and transparency are key values. 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	very low	Schiphol Group strives to comply with all applicable laws and regulations, with a particular focus on environmental, competition, tendering, privacy/information security laws and the European Aviation Safety Agency (EASA) requirements.

## 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 achieve 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;
- 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').

Line managers are responsible for the implementation of risk management for the processes for which they are responsible. Financial reporting risks and related mitigating actions are recorded, tested and monitored in our risk management information tool.

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 reported to and discussed with the Audit Committee of the Supervisory Board in February 2019.

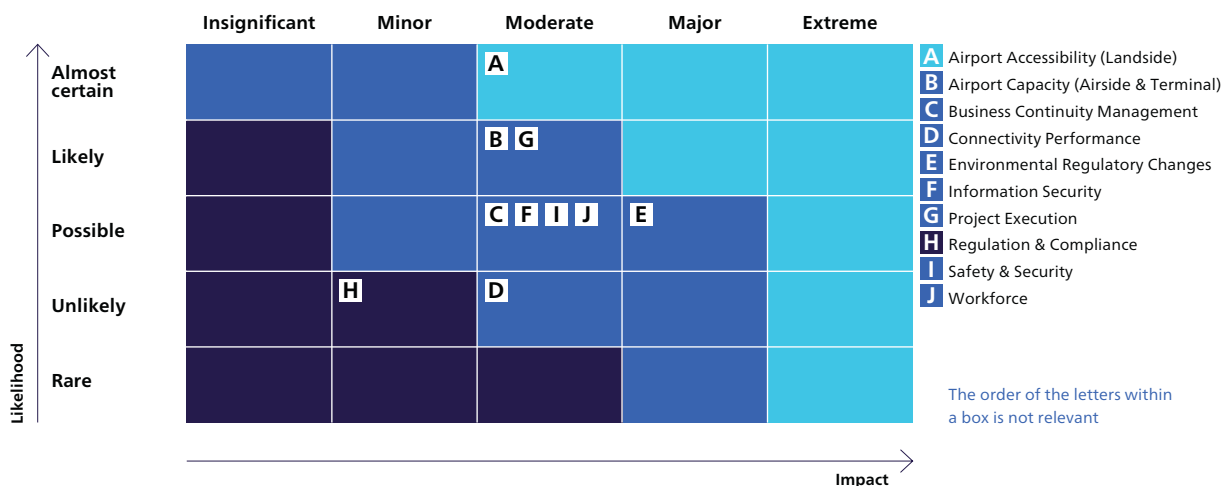
## Assessment of the most important risks

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. High risks have a

potential impact on Schiphol's EBITDA of 25 million euros or more, or have a large non-financial impact; for example, on reputation. We have plotted the 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 = Likelihood x Impact (Impact is both financial impact and impact on reputation)



Risk description	Risk drivers	Mitigation in place
<b>A. Airport Accessibility (Landside)</b> Accessibility by rail and road is under pressure and is not meeting the desired level of quality	<ul style="list-style-type: none"> <li>Congestion and passenger volumes continuing to grow</li> <li>Various major construction and renovation projects are taking place at the same time in a relatively small area</li> <li>No direct metro connection between Schiphol and Amsterdam</li> <li>Pick-up and drop-off, as it creates four transport movements instead of two</li> <li>More stringent security requirements</li> </ul>	<ul style="list-style-type: none"> <li>Crowd control management. Refer to: Safety of travellers and visitors</li> <li>Digital Airport Programme (ongoing) and New road configuration (A9). Refer to: Improving landside accessibility at Schiphol in Accessibility</li> </ul>
<b>B. Airport Capacity (Airside &amp; Terminal)</b> Limited capacity to achieve qualitative objectives	<ul style="list-style-type: none"> <li>Congestion and passenger volumes continuing to grow</li> <li>The accelerated growth in market demand for air transport, combined with the limit imposed on air transport movements, has led to a significant increase in the number of wide-body aircraft movements. The increased presence of larger aircraft resulted in shortages in our wide-body connected handling capacity</li> <li>As Schiphol has reached the capacity cap of 500,000 flights a year, there is a greater probability of airlines not being allocated the requested slots</li> <li>Contraction in cargo movements due to lack of slot rights</li> <li>Dependence on third-party service providers (e.g. Royal Marechaussee and baggage handlers)</li> </ul>	<ul style="list-style-type: none"> <li>Speeding up security through automation. Refer to: Speeding up security through automation</li> <li>New security lanes in Departure Hall 1. Refer to: New security lanes in Departures 1 - Airport Capacity</li> <li>Temporary extra departure hall. Refer to: The best connections</li> <li>New aircraft apron (M apron) officially in use since December 2017</li> <li>Gap in the wide-body capacity per hour. Refer to: Quality: Busy days require investment and Wide-body restrictions in Network of destinations</li> </ul>
<b>C. Business Continuity Management</b> Disruption of critical business processes or functions due to a long-term or permanent loss of key facilities, utilities, IT infrastructure, personnel or key suppliers	<ul style="list-style-type: none"> <li>Cyber and terrorist attack</li> <li>Technical failure</li> <li>Electrical outage</li> <li>Fire in the Terminal</li> <li>Crowd/congestion</li> <li>Strikes</li> <li>Climate change (drought, excessive rain)</li> <li>Major projects</li> <li>Failure points and contingency risks within the supply chain</li> <li>Infrastructure limits have been reached, making Schiphol vulnerable to business continuity disruptions</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Business Continuity Management Programme (ongoing)</li> <li>IT Security Programme (ongoing). Refer to: Building IT resilience</li> <li>Landside Security Programme (ongoing). Refer to: Landside safety</li> <li>Emergency Power Generators</li> <li>Integral Fire Safety Plan (ongoing). Refer to: Fire safety</li> <li>Crowd control management. Refer to: Safety of travellers and visitors</li> </ul>



Risk description	Risk drivers	Mitigation in place
<b>D. Connectivity Performance</b> Connectivity performance under pressure	<ul style="list-style-type: none"> <li>The 500,000 air transport movements limit reached well in advance of 2020</li> <li>No new slots available</li> <li>Shrinking support base for growth beyond 2020 in connection with concerns on sustainable performance</li> <li>Increasing competition from other hub airports within Europe/ME that have undergone rapid growth</li> <li>Cargo flights under pressure due to slot scarcity</li> </ul>	<ul style="list-style-type: none"> <li>Operational measures aimed at noise and emissions reductions</li> <li>Coordination with sector to reduce environmental impact (e.g. via 'Smart and Sustainable' action plan)</li> <li>Permanent dialogue with political and public authority stakeholders at local, regional, and national level</li> <li>Exploring opportunities with airlines to optimise network</li> <li>Support airlines in route and business development to maintain network</li> <li>Support maintaining cargo volumes</li> </ul>
<b>E. Environmental Regulatory Changes</b> Impact of new/increased environmental regulation	<ul style="list-style-type: none"> <li>New Climate law (2019) - no inclusion of international aviation yet</li> <li>Lack of national policy for managing PFOS-contaminated land</li> <li>Air Quality Act (ultra)fine particles</li> <li>Multi-year agreement Energy efficiency (ends in 2020)</li> <li>Environmental Standards and Enforcement System - interpretation of WHO advice on noise</li> <li>Buildings Decree. New and existing offices must have energy label C by 2023</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder dialogues on various issues related to new and existing environmental regulation</li> <li>Plan for ultra-fine particles</li> <li>Schiphol sustainability strategy</li> <li>Participate in consultations</li> </ul>
<b>F. Information Security</b> Failure to implement or update technologies, processes and practices designed to protect networks, computers, programmes and data from attack, damage or unauthorised access (e.g. denial of service attacks, data exfiltration)	<ul style="list-style-type: none"> <li>Unauthorised access (e.g. cyber attack)</li> <li>Use by third parties</li> <li>Data integrity</li> </ul>	<ul style="list-style-type: none"> <li>IT Security Programme (ongoing). Refer to Refer to: Building IT resilience:</li> <li>Life-cycle Management</li> <li>Change Management</li> <li>Back-up and restore</li> <li>Logical access</li> </ul>
<b>G. Project Execution</b> Failure to deliver project benefits on time, within budget and with the required quality	<ul style="list-style-type: none"> <li>Unrealistic tactical (project) planning (lack of a masterplan, overly ambitious forecasting, poor initial risk assessment, high pressure from stakeholders)</li> <li>Inability to define all relevant project requirements at the start of the project due to complex multi-stakeholder specification process</li> <li>Significant changes in requirements during design and/or construction stage of a project</li> <li>Failure to deliver the requirements</li> <li>Failure to identify, assess, manage relevant project risks</li> <li>Buoyant market results in fewer bids being received during the tender processes</li> <li>Lower supplier risk appetite. RSG contract risk perceived as too high</li> <li>Contractors/consultants not performing as required</li> <li>Lack of required resources during project delivery</li> </ul>	<ul style="list-style-type: none"> <li>Project Portfolio Management</li> <li>Risk-based tactical and project planning</li> <li>Project Change and Risk Management processes</li> <li>Quality management processes</li> <li>Performance management (new) Main Contractors</li> <li>Professional project management and development capabilities</li> <li>Safety Management System</li> <li>Market consultation processes</li> </ul>
<b>H. Regulation &amp; Compliance</b> Violation of laws, internal policies, or Code of Conduct	<ul style="list-style-type: none"> <li>Aviation Sector is highly regulated</li> <li>The high number of operating parties</li> <li>Lack of awareness of laws &amp; regulations</li> <li>Compliance and integrity incidents</li> </ul>	Refer to: material aspect Integrity
<b>I. Safety &amp; Security</b> Risk of a serious safety & security incident	<ul style="list-style-type: none"> <li>Bird Strikes</li> <li>Construction failures</li> <li>Crowd</li> <li>Fire in the Terminal</li> <li>Major projects</li> <li>Runway incursions</li> <li>Terrorist and cyber attacks</li> </ul>	Refer to: material aspect Safety & Security
<b>J. Workforce</b> Inability to attract and retain personnel	<ul style="list-style-type: none"> <li>Tight labour market conditions (IT, Digital capabilities)</li> <li>Inability to attract the right capabilities</li> <li>High number of external personnel</li> <li>Mismatch between available jobs and personnel</li> <li>Digital transformation</li> <li>High turnover of young professionals</li> </ul>	Refer to: material aspect Employment practices

## 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 the 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.

For a more detailed description of financial risk management, reference is made to [note 29](#) of the financial statements.

## Statement of the Management Board

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 the 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.



# 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. As such, we have elaborated on the elements of the EU Directive regarding non-financial information in this report.

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. The next edition of the Transparency Benchmark will cover annual reports relating to 2018 and will therefore be published in 2019.

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 performance indicators 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 2018 Annual Report, Schiphol Group limits its reporting to the [results](#) achieved for the material aspects. 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 2018, a so-called 'light' update was carried out. Over the past year, we have 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 is 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.

Our general approach is to include all entities that are fully consolidated in the financial statements in the socio-economic accountability statements. The exceptions are mentioned above. In 2018, no new material (des)investments have occurred which were eligible for inclusion in the socio-economic reporting.

### 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 aspects over which Schiphol Group has full control. Performance reported in these areas also concerns our partners in the chain.

### Developments in 2018

In 2018, 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](https://www.schiphol.nl) and [schiphol.nl/cr](https://www.schiphol.nl/cr).

### Drafting of the annual report and data gathering process

Schiphol Group begins drafting its annual report each autumn. Based on the internal materiality analysis, the theme experts are charged with compiling draft texts or providing input and data for each material aspect. A team of Schiphol Group employees and an external copywriter compile the text of the annual report. The performance indicators are reviewed internally by specialists and Group control. The 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, Corporate Audit Services, 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 financial and non-financial results adopted in January have been included in 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 aspect	Performance indicator	2018		2017
		Result	Target	Result
CO <sub>2</sub> emissions	CO <sub>2</sub> emissions from Group activities (kg CO <sub>2</sub> /passenger) <sup>1</sup>	<b>0.44</b>	<1.43	1.43
Raw materials & residual flows	Separated operational waste <sup>2</sup>	<b>42.7%</b>	43.0%	40.7%
Employment practices	Absenteeism due to illness	<b>4.7%</b>	3.5%	4.3%
Safety	Work-related accidents followed by absence	<b>LTIF: 0.3</b> <b>LTIF SNBV Fire Service: 16.4</b>	LTIF: 3.0 LTIF Fire Service: 40.0	LTIF: 0.9 LTIF Fire Service: 25.7
Supply chain responsibility	Corporate Responsibility consultation during tenders	<b>100%</b>	100%	100%
Accessibility	Public transport to airport for O&D passengers <sup>3</sup>	<b>46.3%</b>	40.0%	42.9%
Safety	Bird strikes (number per 10,000 air transport movements)	<b>6.5</b>	<6.7	5.6
Safety	Runway incursions <sup>4</sup>	<b>50</b>	<46	53
Employment practices	Limited opportunities in the labour market	<b>1</b>	5	2
Employment practices	Young people (under age 27)	<b>14.0%</b>	20.0%	21.8%
Employment practices	Non-Western background	<b>11.0%</b>	10.0%	4.8% (adjusted for 11.5% response rate)

<sup>1</sup> Consistent with prior years, for Amsterdam Airport Schiphol and Rotterdam The Hague Airport the CO<sub>2</sub> emissions indicator is based upon an operating year. For the year 2018, this means that emissions for the period November 2017 up to and including October 2018 are taken into account. For Eindhoven Airport, the emissions data for the period January 2018 up to and including December 2018 is shown

<sup>2</sup> Excluding CAT1 aircraft waste

<sup>3</sup> Relates only to the Schiphol location

<sup>4</sup> The 2018 figures are based upon the in 2018 published third version of the European Action Plan for the Prevention of Runway Incursions (EAPPRI 3.0)

## 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 2018 calendar year. For practical reasons, the indicator for CO<sub>2</sub> emissions from Group activities is based on the operating year.

### Definitions and measurement of the performance indicators

Below we have provided a summary of the definitions and measurement methods with respect to the performance indicators.

#### 1. CO<sub>2</sub> emissions from airport activities

Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport calculate and report 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 a significant part of all emissions. Schiphol Group has opted to report using the market-based method since 2018. In addition to the figures provided under the market-based approach, which are shown in the performance indicator table, the location-based CO<sub>2</sub> emissions for Schiphol Group (kg CO<sub>2</sub>/passenger) is 1.53.

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. As of 1 January 2018, Eneco supplies renewable energy to Amsterdam Airport Schiphol, Rotterdam The Hague Airport, Eindhoven Airport and Lelystad Airport. This has led to our CO<sub>2</sub> emissions decreasing significantly compared with prior years. For more detailed information, including information on our goals and Schiphol Group's efforts to reduce emissions, see section [CO<sub>2</sub> emissions](#).

#### 2. Separated operational waste

A waste-processing company collects waste at various locations at Schiphol. Agreements are in place with the waste processor regarding how the waste is to be processed and recycled after collection.

The recycling percentage 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

Amsterdam Airport Schiphol, 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

Amsterdam Airport Schiphol, 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.

In 2018, Amsterdam Airport Schiphol (excluding the fire department and contractors) recorded an LTIF of 0.3 (2017: 1.0). The LTIF score for the fire department was 16.4 (2017: 25.7). Both scores are below the set target of 3 and 40, respectively. Because the airport fire brigade consists of approximately 152 employees, any incident will typically cause a substantial decrease or increase in the relative indicator LTIF. There were no fatal incidents involving employees in 2018.

We strive to obtain a 0 LTIF rate for Amsterdam Airport Schiphol, Rotterdam The Hague Airport and Eindhoven Airport, and to achieve a downward trend with regard to 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 internal collection of the

information required to reach a sound decision in the selection and contract award phase. In 2016, Schiphol Group also provided transparency regarding the degree to which the recommendations received were actually considered in the tendering. Our policy on suppliers is featured in the sections on [Supply chain responsibility](#) and [Integrity](#).

## 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 a minimum level of 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 for 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 the number 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 is 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 is 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 increase in the number of bird strikes recorded in 2018 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 without immediate safety consequences. The vast majority of runway incursions at Schiphol fall into this category. In 2018, a third version of the European Action Plan for the Prevention of Runway Incursions (EAPPRI 3.0) was published, providing additional guidance aimed at improving the overall consistency of runway incursion definition. As a result, stop bar violations are no longer considered as runway incursions and as such are not included in the figures as per 2018. In 2018 the number of runway incursions are as follows Amsterdam Airport Schiphol 30 (2017: 46), Rotterdam The Hague Airport 10 (2017: 5) and Eindhoven airport 10 (2017: 2).

For Amsterdam Airport Schiphol and Rotterdam The Hague Airport, Air Traffic Control the Netherlands (LVNL) registers runway incursions. The airport reports on this performance indicator, but relies on LVNL for compiling a complete notification as well as 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.

We aim to achieve a downward trend for this performance indicator. For more information on safety on and around runways, see the section on [Safety](#).

## 9. Diversity

Schiphol Group stimulates the creation of jobs for people with limited opportunities in 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 in the labour market.

Schiphol signed the Youth Covenant in 2014, an initiative aimed at improving opportunities for young people in the labour

market. The continuous intake of young people contributes to a balanced workforce.

We aim to attract employees from different cultural backgrounds to Schiphol Group, and use the definition provided by Statistics Netherlands (CBS) to determine whether a person has a non-Western background. See [Employment practices](#) for more information regarding diversity.

## 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 company		No
G102-3	Location of headquarters		Evert van de Beekstraat 202, 1118 CP Schiphol	No
G102-4	Location of operations	Our company		No
G102-5	Ownership and legal form	Corporate governance		No
G102-6	Markets served	Our company		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: 1,258 Consumer Products & Services: 111 Real Estate: 64 Operating Unit: ICT: 287 PLUS: 112 Staff: 300 Amsterdam Airport Schiphol total: 2,132 Entities: Lelystad Airport: 22 Eindhoven Airport: 68 Rotterdam The Hague Airport: 102 Other information is not material	Yes
G102-41	Collective bargaining agreements		93.9% of employees covered by CLAs	Yes
G102-9	Supply chain	Passenger and airline journey		No
G102-10	Significant changes to the organisation 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 Material aspects for 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 Yes
G102-47	Overview of material topics to determine report content and scope	Material aspects for stakeholders Socio-economic accountability		Yes 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		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
				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 Community engagement		Yes Yes
<b>Reporting details</b>				
G102-50	Reporting period	Socio-economic accountability	01-01-2018 - 31-12-2018	Yes
G102-51	Date of most recent previous report (if any)	Published on 9-3-2018	<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		crhelpdesk@schiphol.nl	Yes
G102-54-5	GRI Content Index 5	Reporting guidelines		Yes
G102-56	Assurance report	Assurance report		Yes
		Governance		No
<b>Governance</b>				
G102-18	Organisational governance structure	Report of the Supervisory Board Corporate governance Supervisory Board Management Board		No
<b>Ethics and integrity</b>				
G102-16	Values, principles, standards, and norms of behaviour	Integrity		Yes
G102-17	Mechanisms for advice and concerns about ethics	Integrity		Yes
<b>Management approach</b>				
G103-1	Topic boundary inside and outside the organisation for each material subject	Material aspects for stakeholders Socio-economic accountability Value creation model		Yes
				Yes Yes
G103-2	Management approach and underlying components	Cohesion Material aspects for stakeholders Socio-economic accountability  Financial solidity Network of destinations Airport capacity Accessibility CO <sub>2</sub> emissions Air quality Raw materials and residual flows Contracting practices Supply chain responsibility Employment practices Safety Security Noise Regional significance Customer appreciation Digital Integrity	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 Our strategy to connect the Netherlands: Five themes.	Yes Yes Yes  Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes Yes
G103-3	Evaluation of management approach	Material aspects for stakeholders Our results	Schiphol Group consciously weighs the interests of people, planet and profit. This approach is reflected in our investment	Yes Yes

Ref.	Description	Chapter	Information and reference	External assurance section
		Corporate Governance Socio-economic accountability	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 Yes

Ref.	Description	Chapter	Information and reference	External assurance section
------	-------------	---------	---------------------------	----------------------------

## Material topics

### Financial solidity

G201-1	Direct economic values	Financial Statements		Yes
G203-1	Development and impact of infrastructure investments and services provided primarily for public benefit	Financial and business performance	We invested 581 million euros in 2018. 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 and business performance		Yes No

### Network of destinations

AO1	Number of passengers handled over the course of one year, categorised according to international and domestic flights and O&D and transfer passengers, including transit-direct passengers	Network of destinations	Amsterdam Airport Schiphol Passengers (excl. transit-direct): 71,045,189 European: 49,979,656 Intercontinental: 21,065,533  OD passengers (total): 44,992,618 European O&D: 34,675,266 OD Intercontinental: 10,317,352  Transfer (total): 25,964,126 European transfer: 15,304,390 Intercontinental transfer: 10,659,736  Transit-direct passengers: 193,106	Yes
AO2	Number of air transport movements over the course of one year, categorised into day and night-time flights, and commercial, non-commercial and cargo flights	Network of destinations	Amsterdam Airport Schiphol Air transport movements (total): 499,444 Cargo flights (commercial): 15,942 Passenger flights (commercial): 483,502 General aviation (non-commercial): 18,293 Night-time flights (total): 19,882	Yes
AO3	Cargo volume	Network of destinations	Amsterdam Airport Schiphol: 1,716,497,108 kg	Yes

### Airport capacity

	Airport capacity	Airport capacity Corporate Governance	This topic is qualitatively evaluated	Yes No
--	------------------	--	---------------------------------------	-----------

### Accessibility

	Passengers' choice of transport to and from Schiphol	Accessibility		Yes
--	--	---------------	--	-----

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

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 Yes
G305-2	Greenhouse gas emissions - Scope 2	CO <sub>2</sub> emissions Performance indicators Socio-economic accountability		Yes Yes Yes

### Air quality

	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	Yes
--	-------------------------	-------------	--	-----

Ref.	Description	Chapter	Information and reference	External assurance section
------	-------------	---------	---------------------------	----------------------------

between regional activities and air quality is not always one to one.

### Raw materials and residual flows

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
--------	-------------------------------	---	--	------------

Ref.	Description	Chapter	Information and reference	External assurance section
------	-------------	---------	---------------------------	----------------------------

### Contracting practices

	Contracting practices	Supply chain responsibility Contracting practices	Contracting practices are monitored qualitatively	Yes Yes
--	-----------------------	--	---	------------

### Supply chain responsibility

G308-1	Percentage of new suppliers in tenders that were screened using environmental criteria	Supply chain responsibility Socio-economic accountability		Yes Yes
--------	--	--	--	------------

### Employment practices

G401-1	Number of new employees and staff turnover	Employment practices	Division into categories is not material	Yes
--------	--	----------------------	--	-----

### Safety and security

A09	Number of animals involved in wildlife strikes per 10,000 air transport movements	Safety Socio-economic accountability	Bird strikes are material	Yes Yes
G403-9	Lost Time Injury Frequency (LTIF)	Safety Socio-economic accountability	Lost Time Injury Frequency and absenteeism are material	Yes Yes

### Noise

AO7	Number of people living in noise-affected areas	Noise	In the 2018 Usage Forecast, it was anticipated that 126,500 people would experience severe noise disturbance at levels of 48 dB(A) Lden or higher. Ultimately, the actual number was 150,000. The usage forecast for 2018 is also available online.	Yes
-----	---	-------	---	-----

### Regional significance

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>	Yes 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 2018 did not require any relocations	Yes

### Customer appreciation

	Customer satisfaction (NPS)	Customer appreciation		Yes
--	-----------------------------	-----------------------	--	-----

### Digital

	Digital	Digital	This topic is qualitatively evaluated	Yes
--	---------	---------	---------------------------------------	-----

### Integrity

	Number of issues reported to the Integrity Committee	Integrity		Yes
--	--	-----------	--	-----

## Global Compact

### Global Compact principles

### Included in

#### Human rights

1. Schiphol supports and respects human rights	Codes of conduct Procurement practices 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 practices 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 practices See also: Employment practices
5. Schiphol eliminates child labour	Schiphol does not conclude employment agreements with people under the age of 18 Procurement practices See also: Employment practices
6. Schiphol eliminates discrimination in respect of employment and occupation	Equal remuneration for men and women Code of Conduct on Undesirable Behaviour Integrity Committee Procurement practices See also: Employment practices

#### Environment

7. Schiphol focuses on environmental challenges as a precautionary measure	CO <sub>2</sub> emissions Accessibility Raw materials and residual flows Community, noise and air quality ACI ACA benchmark SIM Innovative Mainport Alliance Knowledge and Development Center (KDC) Procurement practices See also: Sustainable & Safe Performance
8. Schiphol takes initiatives to enhance responsibility for the environment	CO <sub>2</sub> emissions Accessibility Raw materials and residual flows Noise Air quality Community engagement ACI ACA benchmark SIM Innovative Mainport Alliance Knowledge and Development Center (KDC) Schiphol Quality of Life Foundation (Stichting Leefomgeving Schiphol) Local Community Contact Centre (Bas) Procurement practices See also: Sustainable & Safe Performance
9. Schiphol promotes the development and introduction of environmentally friendly technologies	CO <sub>2</sub> emissions Accessibility Raw materials and residual flows Noise Air quality ACI ACA benchmark SIM Innovative Mainport Alliance Knowledge and Development Centre (KDC) Supply chain practices See also: Sustainable & Safe Performance

#### Anticorruption

10. Schiphol combats all forms of corruption, including bribery and extortion	Code of conduct Internal reporting regulations Procurement practices Integrity Committee See also: Integrity
---	--



# Assurance report of the independent auditor

To: the Readers of the Annual Report of Royal Schiphol Group N.V.

## Our conclusion

We have reviewed the socio-economic reporting in the Annual Report 2018 of Royal Schiphol Group N.V. (hereafter 'Schiphol Group') based in 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 reporting criteria as included in the section 'Reporting criteria' below.

The socio-economic reporting consists of the section 'Material aspects for stakeholders' in the chapter 'Our strategy', the sections 'Network, capacity and security', 'Portfolio of services', 'People, environment and community', 'Our regional airports' and the paragraphs 'Contracting practices', 'Integrity' and 'Employment practices' in the section 'Financial and business performance' in the chapter 'Our results' and the section 'Socio-economic accountability' of the Annual Report 2018 (hereafter: 'the report').

The socio-economic reporting comprises a representation of the policies of Schiphol Group with regard to socio-economic performance and related business operations, events and achievements during the year.

## 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 ('Assurance-opdrachten inzake maatschappelijke verslagen'), which is a specified Dutch standard based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'.

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 Code of Ethics for Professional Accountants ('Verordening inzake de onafhankelijkheid van accountants bij assurance-





opdrachten', ViO), a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Dutch Code of Ethics ('Verordening gedrags- en beroepsregels accountants', VGBA).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Reporting criteria**

The socio-economic reporting needs to be read and understood together with the reporting criteria. Schiphol Group is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the socio-economic reporting are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI): core option and the applied supplemental reporting criteria as disclosed in the section 'Socio-economic accountability' of the report.

### **Limitations to the scope of our review**

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 achievability of prospective information in the socio-economic reporting.

References to external sources or websites in the socio-economic reporting are not part of the socio-economic reporting itself as reviewed by us. We therefore do not provide assurance on this information.

### **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 reporting criteria as included in the section 'Reporting criteria', 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 report.

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 the reporting process of Schiphol Group.

### **Our responsibilities for the review of the socio-economic reporting**



Our objective is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and vary in nature and timing from, and are less in extent than, a reasonable assurance engagement. The level of assurance obtained in a review engagement with a limited level of assurance is therefore substantially less than the 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', NVKS) 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 included amongst others, the following procedures:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the socio-economic reporting. This includes the evaluation of the results of stakeholder dialogue and the reasonableness of estimates made by the Management Board;
- Obtaining an understanding of the reporting processes for the socio-economic reporting, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the socio-economic reporting with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the socio-economic reporting responsive to this risk analysis. These procedures included, among others:
  - Interviewing management and relevant staff at corporate level responsible for the socio-economic strategy, policy and results;



- Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the data in the socio-economic reporting;
- Determining the nature and extent of review procedures for the regional airports. This is based on their nature, size and risk profile. Based thereon we selected the components and locations to visit. Visits to Rotterdam The Hague Airport and Eindhoven Airport were aimed at validating source data and evaluating the design and implementation of internal controls and validation procedures at the local level;
- Obtaining assurance information that the socio-economic reporting reconciles with underlying records of the company;
- Reviewing, on a limited test basis, relevant internal and external documentation;
- Performing an analytical review of the data and trends.
- Evaluating the consistency of the socio-economic reporting with the information in the report which is not included in the scope of our review;
- Evaluating the presentation, structure and content of the socio-economic reporting;
- To consider whether the socio-economic reporting as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We have communicated to the Management Board and the Supervisory Board regarding the planned scope and timing of our review and any significant findings therefrom.

Amstelveen, 14 February 2019  
KPMG Accountants N.V.

E. Eeftink RA



# Financial Statements

# Contents

## Consolidated financial statements

<b>Consolidated statement of income for the year ended 31 December 2018</b>	<b>159</b>
<b>Consolidated statement of comprehensive income for the year ended 31 December 2018</b>	<b>160</b>
<b>Consolidated statement of financial position as at 31 December 2018</b>	<b>161</b>
<b>Consolidated statement of changes in equity for the year ended 31 December 2018</b>	<b>163</b>
<b>Consolidated statement of cash flow for the year ended 31 December 2018</b>	<b>164</b>
<b>Notes to the consolidated financial statements</b>	<b>166</b>
<b>Notes to the consolidated statement of income</b>	<b>188</b>
<b>Notes to the consolidated statement of financial position</b>	<b>192</b>
<b>Related party disclosures</b>	<b>224</b>
<b>Events after the balance sheet date</b>	<b>228</b>

## Company financial statements

<b>Company income statement for the year ended 31 December 2018</b>	<b>229</b>
<b>Company balance sheet as at 31 December 2018</b>	<b>230</b>
<b>Notes to the company financial statements</b>	<b>231</b>
<b>Other Information</b>	<b>236</b>



## Consolidated statement of income for the year ended 31 December 2018

(in thousands of euros)	Note	2018	2017
<b>Revenue</b>	1	<b>1,508,988</b>	<b>1,457,542</b>
Other results from investment property	2	106,964	42,477
Other income	3	-	37,957
<b>Other income and results from investment property</b>		<b>106,964</b>	<b>80,434</b>
Cost of outsourced work and other external costs	4	750,783	701,236
Employee benefits	5	229,041	212,528
Depreciation, amortisation and impairment	6	266,660	263,715
Other operating expenses	7	1,343	1,836
<b>Total operating expenses</b>		<b>1,247,827</b>	<b>1,179,315</b>
<b>Operating profit</b>		<b>368,125</b>	<b>358,661</b>
Financial income		10,303	10,686
Financial expenses		-100,467	-96,297
<b>Financial income and expenses</b>	29	<b>-90,164</b>	<b>-85,611</b>
Share in result of associates and joint ventures	13	97,412	72,767
<b>Profit before tax</b>		<b>375,373</b>	<b>345,817</b>
Income tax expense	12	-89,999	-60,277
<b>Profit for the year</b>		<b>285,374</b>	<b>285,540</b>
Attributable to:			
Non-controlling interests		6,923	5,837
Shareholders (net result)		278,451	279,703
<b>Basic earnings per share (in euros)</b>		<b>1,496</b>	<b>1,503</b>
<b>Diluted earnings per share (in euros)</b>		<b>1,496</b>	<b>1,503</b>

## Consolidated statement of comprehensive income for the year ended 31 December 2018

(in thousands of euros)	Note	2018	2017
<b>Profit for the year</b>		<b>285,374</b>	<b>285,540</b>
Foreign currency translation differences	21	-5,928	-12,278
Changes in fair value on hedge transactions	21	14,934	1,110
Share of OCI of associates after taxes	13, 21	-399	-7,226
<b>Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods:</b>		<b>8,607</b>	<b>-18,394</b>
Remeasurements of defined benefit liability	21	-1,938	-528
Share of OCI of associates after taxes	13, 21	-1,616	640
<b>Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods:</b>		<b>-3,554</b>	<b>112</b>
<b>Other comprehensive income for the year</b>		<b>5,053</b>	<b>-18,282</b>
<b>Total comprehensive income for the year</b>		<b>290,427</b>	<b>267,258</b>
Attributable to:			
Non-controlling interests		6,923	5,837
Shareholders (net result)		283,504	261,421

## Consolidated statement of financial position as at 31 December 2018

(in thousands of euros)	Note	31 December 2018	31 December 2017
<b>Assets</b>			
Intangible assets	8	101,376	88,091
Assets used for operating activities	9	2,855,652	2,864,347
Assets under construction or development	10	700,043	418,130
Investment property	11	1,642,285	1,503,744
Deferred tax assets	12	95,989	144,813
Investments in associates and joint ventures	13	957,395	921,317
Loans to associates	14	50,678	53,436
Other non-current receivables	15	89,427	46,420
<b>Non-current assets</b>		<b>6,492,845</b>	<b>6,040,298</b>
Trade and other receivables	17	460,573	426,678
Current income tax assets	12	13,983	17,646
Cash and cash equivalents	18	386,556	170,370
<b>Current assets</b>		<b>861,112</b>	<b>614,694</b>
<b>Total assets</b>		<b>7,353,957</b>	<b>6,654,992</b>

(in thousands of euros)	Note	31 December 2018	31 December 2017
<b>Equity and liabilities</b>			
Issued share capital	19	84,511	84,511
Share premium	19	362,811	362,811
Retained profits	20	3,697,968	3,570,069
Other reserves	21	-76,606	-81,179
<b>Equity attributable to owners of the company</b>		<b>4,068,684</b>	<b>3,936,212</b>
Non-controlling interests	22	48,673	41,972
<b>Total equity</b>		<b>4,117,357</b>	<b>3,978,184</b>
Borrowings	23	2,366,235	2,074,627
Employee benefits	24	50,465	42,137
Provisions	25	55,900	36,912
Deferred tax liabilities	12	14,977	16,651
Other non-current liabilities	26	92,683	133,407
<b>Non-current liabilities</b>		<b>2,580,260</b>	<b>2,303,734</b>
Borrowings	23	200,655	35,220
Current income tax liabilities	12	155	780
Trade and other payables	27	455,530	337,074
<b>Current liabilities</b>		<b>656,340</b>	<b>373,074</b>
<b>Total liabilities</b>		<b>3,236,600</b>	<b>2,676,808</b>
<b>Total equity and liabilities</b>		<b>7,353,957</b>	<b>6,654,992</b>

## Consolidated statement of changes in equity for the year ended 31 December 2018

(in thousands of euros)	Note	Attributable to shareholders				Non-controlling interests	Total
		Issued share capital	Share Premium	Retained profits	Other reserves		
<b>Balance at 1 January 2017</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		-	-	-33	33	-	-
<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>
IFRS 9 adjustment		-	-	-296	-	-	<b>-296</b>
<b>Balance at 1 January 2018</b>		<b>84,511</b>	<b>362,811</b>	<b>3,569,773</b>	<b>-81,179</b>	<b>41,972</b>	<b>3,977,888</b>
Profit for the year		-	-	278,451	-	6,923	<b>285,374</b>
Other comprehensive income for the year	21	-	-	-	5,053	-	<b>5,053</b>
<b>Comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>278,451</b>	<b>5,053</b>	<b>6,923</b>	<b>290,427</b>
Payments of dividends	20	-	-	-150,256	-	-222	<b>-150,478</b>
Other	21	-	-	-	-480	-	<b>-480</b>
<b>Balance at 31 December 2018</b>		<b>84,511</b>	<b>362,811</b>	<b>3,697,968</b>	<b>-76,606</b>	<b>48,673</b>	<b>4,117,357</b>
					dividend for 2017, paid in 2018	dividend for 2016, paid in 2017	
Dividend attributable to shareholders (in euros)					<b>150,256,000</b>	148,439,000	
Average number of shares in issue during the year					<b>186,147</b>	186,147	
Dividend per share (in euros)					<b>807</b>	797	



## Consolidated statement of cash flow for the year ended 31 December 2018

(in thousands of euros)	Note	2018	2017 <sup>1</sup>
<b>Result for the year</b>		<b>285,374</b>	<b>285,540</b>
Income tax expense recognised in profit or loss	12	89,999	60,277
Share in result of associates and joint ventures	13	-97,412	-72,767
Financial income and expenses	29	90,164	85,611
		<b>82,751</b>	<b>73,121</b>
<b>Operating result</b>		<b>368,125</b>	<b>358,661</b>
Adjustments for:			
Depreciation and amortisation expenses	6	268,960	263,715
Impairment loss	6	1,000	-
Impairment reversal		-3,300	-
Result on disposal of investment property	2	-1,380	-
Result on disposal of subsidiaries	3	-	-26,039
Fair value changes of investment property	2	-105,585	-42,477
Other non-cash changes in other receivables and liabilities		4,097	3,950
Change in employee benefits and other provisions		6,943	6,740
		<b>170,735</b>	<b>205,889</b>
<b>Operating result after adjustments</b>		<b>538,860</b>	<b>564,550</b>
Movements in working capital		34,816	-9,400
<b>Cash flow from operations</b>		<b>573,676</b>	<b>555,150</b>
<b>Cash flow from operating activities</b>			
Income taxes paid		-46,439	-54,699
Interest paid		-75,716	-74,457
Interest received		1,471	832
RPS receipts	14	23,477	-
Dividends received		49,817	30,286
<b>Cash flow from operating activities</b>		<b>526,286</b>	<b>457,112</b>
<b>Cash flow from investing activities</b>			
Payments for intangible assets	8	-30,000	-29,577
Payments for property, plant and equipment	10, 11	-530,232	-413,117
Proceeds from disposals of investment property		1,380	-
Proceeds on disposal of subsidiaries	3	-	144,457
Share capital withdrawals (contributions) to associates	13	1,080	3,853
Receipts from cancellation performance share	17	12,360	-
Repayment on other loans		148	2,422
Investments in deposits		-265,000	-290,000
Proceeds from deposits		190,000	100,000
<b>Cash flow from investing activities</b>		<b>-620,264</b>	<b>-481,962</b>
<b>Free cash flow</b>		<b>-93,978</b>	<b>-24,850</b>

<sup>1</sup> The comparative figures have been adjusted. For more details refer to the accounting policies.

(in thousands of euros)	Note	2018	2017 <sup>1</sup>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	23	491,620	118,845
Repayment of borrowings	23	-52,000	-18,727
Settlement derivative financial instruments		2,167	-4,815
Dividend paid	20	-150,478	-148,661
Other non-current liabilities paid		-56	-59
Finance lease instalments paid		-2,634	-1,916
Cash flows from collaterals		22,530	-
<b>Cash flow from financing activities</b>		<b>311,149</b>	<b>-55,333</b>
<b>Net cash flow</b>		<b>217,171</b>	<b>-80,183</b>
Cash and cash equivalents at beginning of the year	18	170,370	250,767
Net cash flow		217,171	-80,183
Exchange and translation differences		-985	-214
<b>Cash and cash equivalents at the end of the year</b>		<b>386,556</b>	<b>170,370</b>

<sup>1</sup> The comparative figures have been adjusted. For more details refer to the accounting policies.

# Notes to the consolidated financial statements

## General information

Royal Schiphol Group N.V. is a public limited liability company with its registered office in the municipality of Haarlemmermeer at Evert van de Beekstraat 202, 1118 CP, Schiphol, the 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; Amsterdam Airport Schiphol is its main airport. The airports of the group create value for the Dutch economy and for society at large.

Schiphol Group's mission is Connecting the Netherlands: facilitating optimal connections with the rest of the world in order to contribute to prosperity and well-being in the Netherlands and elsewhere. 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 14 February 2019 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 16 April 2019.

## 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.

### Changes in the accounting policies

Schiphol Group has elected to implement a change in accounting policies for the classification of movements in investments in deposits with an original maturity exceeding three months within the consolidated statement of cash flow. These investments are reported under trade and other receivables and movements were previously reported under cash flows from operating activities in movements in working capital in the consolidated statement of cash flow. However, given the purpose of these investments (which is to finance capital expenditure in the short term) reporting of the cash movements as part of cash flow from investing activities provides more relevant information. The comparative figures have been adjusted for this reclassification.

(in thousands of euros)	2017		Δ
	Adjusted	Previously reported	
<b>Cash flow from operating activities</b>			
<b>Result for the year</b>	<b>285,540</b>	<b>285,540</b>	-
Operating result	358,661	358,661	-
<b>Operating result after adjustments</b>	<b>564,550</b>	<b>564,550</b>	-
Movements in working capital	-9,400	-199,400	190,000
<b>Cash flow from operations</b>	<b>555,150</b>	<b>365,150</b>	<b>190,000</b>
Paid income tax, interest and dividends received	-98,038	-98,038	-
<b>Cash flow from operating activities</b>	<b>457,112</b>	<b>267,112</b>	<b>190,000</b>
Investments in deposits	-290,000	-	-290,000
Proceeds from deposits	100,000	-	100,000
Repayment on other loans	2,422	2,422	-
Other cash flows from investing activities	-294,384	-294,384	-
<b>Cash flow from investing activities</b>	<b>-481,962</b>	<b>-291,962</b>	<b>-190,000</b>
<b>Free cash flow</b>	<b>-24,850</b>	<b>-24,850</b>	-
Cash flow from financing activities	-55,333	-55,333	-
<b>Net cash flow</b>	<b>-80,183</b>	<b>-80,183</b>	-
Opening balance of cash and cash equivalents	250,767	250,767	-
Net cash flow	-80,183	-80,183	-
Exchange and translation differences	-214	-214	-
<b>Closing balance of cash and cash equivalents</b>	<b>170,370</b>	<b>170,370</b>	-

## New and amended standards that are mandatory with effect from 2018

Schiphol Group applies two new standards with effect from 1 January 2018: IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers.

### IFRS 9

IFRS 9, Financial Instruments has replaced IAS 39, Financial Instruments Measurements & Recognition and contains new requirements for the classification, measurement, impairment and hedge accounting of financial instruments. The classification is based on the business model and the cash flow characteristics of the instrument and comprises three main categories for the classification of financial assets: measured at amortised cost, at

fair value through other comprehensive income and at fair value through profit or loss. The existing requirements of IAS 39 for the classification of financial liabilities are largely unchanged under IFRS 9. Furthermore, IFRS 9 contains a new impairment model based on expected credit losses as opposed to incurred credit losses. This will result in earlier recognition of credit losses for financial assets.

### Classification and measurement

The table below sets out the changes in the classification and measurement of financial instruments. The change in the measurement to the carrying amount as at 1 January 2018 can be attributed in full to additional recognised expected credit losses, as discussed in the following paragraph.

(in thousands of euros)	Classification IAS 39	Classification IFRS 9	Carrying amount IAS 39	Carrying amount IFRS 9
Borrowings <sup>1</sup>	Other financial liabilities	Amortised cost	2,064,874	2,064,874
Borrowings <sup>2</sup>	Fair value through profit and loss (designated)	Fair value through profit and loss (designated)	44,973	44,973
Trade payables <sup>1</sup>	Other financial liabilities	Amortised cost	120,809	120,809
Interest payable <sup>1</sup>	Other financial liabilities	Amortised cost	32,191	32,191
<b>Liabilities</b>			<b>2,262,847</b>	<b>2,262,847</b>
Loans to associates, BACH RPS <sup>3</sup>	Held to maturity	Amortised cost	-53,436	-53,418
Loans to associates, dividend BACH RPS <sup>3</sup>	Loans and receivables	Amortised cost	-22,449	-22,449
Performance shares BACH <sup>4</sup>	Fair value through profit and loss	Fair value through profit and loss	-12,169	-12,169
Loans to associates <sup>3</sup>	Held to maturity	Amortised cost	-8,767	-8,767
Loans to third parties <sup>3</sup>	Held to maturity	Amortised cost	-607	-607
Derivatives financial instruments <sup>5</sup>	Fair value - hedging instrument	Fair value - hedging instrument	-20,022	-20,022
Trade receivables <sup>6</sup>	Loans and receivables	Amortised cost	-120,336	-120,039
Cash and cash equivalents (incl. deposits) <sup>6</sup>	Loans and receivables	Amortised cost	-360,371	-360,290
<b>Assets</b>			<b>-598,157</b>	<b>-597,761</b>
<b>Total</b>			<b>1,664,690</b>	<b>1,665,086</b>

- Liabilities classified as 'other financial liabilities' under IAS 39 are presented as 'financial liabilities at amortised cost' under IFRS 9. The initial valuation is carried at fair value less attributable transaction costs. Subsequently, the loans are valued at the amortised cost price. This is unchanged compared to IAS 39.
- One financial liability was already classified under IAS 39 as measured at fair value through profit and loss, which remains unchanged under IFRS 9. This prevents an inconsistency in the accounting for changes in the value of the loan on the one hand and the related real estate portfolio on the other.
- Loans to associates were classified under IAS 39 as financial assets held to maturity. Under IFRS 9, these financial assets are classified as a financial asset at amortised cost. The objective of these assets is to collect contractual repayments and interest. The initial valuation is carried at fair value less attributable transaction costs. Subsequently, the loans to associates are valued at the amortised cost price. This is unchanged compared to IAS 39.
- This asset is measured at fair value. Net gains and losses are recognised in profit or loss.
- Schiphol Group only holds derivatives for the purpose of hedging currency and interest rate risks. As under IAS 39, these derivatives are valued at fair value and changes are recognised in the reserve for hedging transactions that is part of equity.
- Trade receivables, cash and cash equivalents, deposits and other receivables were classified under IAS 39 as loans and receivables, under IFRS 9 as financial assets at amortised cost. The objective of these assets is to collect contractual repayments and (possibly) interest. In the valuation methodology of these assets, there is no change due to the implementation of IFRS 9.

### Credit losses

IFRS 9 replaces the 'incurred credit losses' model in IAS 39 with an 'expected credit losses' model. This new model applies to financial assets measured at amortised cost comprising receivables from and loans to associates, trade receivables, cash and cash equivalents and deposits.

### Loans to associates, cash and cash equivalents and deposits

Under IFRS 9, Schiphol Group measures the expected credit losses on loans to associates, cash and cash equivalents and deposits on the basis of possible situations and developments that may lead to a counterparty defaulting within a period of 12 months.

However, if a significant change has occurred in the credit risk,

expected credit losses are based on possible situations and developments during the expected total lifetime of the receivable that may lead to the associate or bank defaulting. A significant increase in the risk is deemed to have occurred if payment is more than 30 days past due. The debtor is in default if payment is more than 90 days past due. Relevant information that is accessible without undue cost or effort is used to determine (twice a year) whether the credit risk has actually increased significantly and to measure expected credit losses. This includes both quantitative and qualitative information as well as historical and prospective information.

The change in the credit losses recognised for each financial asset as of 1 January 2018 is specified in the table below.

(in thousands of euros)	Carrying amount IAS 39	Carrying amount IFRS 9
BACH Redeemable Preference Shares	53,436	53,418
BACH Dividend on Redeemable Preference Shares	22,449	22,449
<b>Loans to associates<sup>1</sup></b>	<b>75,885</b>	<b>75,867</b>
<b>Loans to third parties<sup>2</sup></b>	<b>607</b>	<b>607</b>
<b>Other loans to associates<sup>2</sup></b>	<b>8,767</b>	<b>8,767</b>
<b>Cash and cash equivalents (incl. deposits)<sup>3</sup></b>	<b>360,371</b>	<b>360,290</b>

- For measurement of the expected credit losses on the Redeemable Preference Shares (RPS), alignment was sought with debt paper issued by BACH and the expected credit losses that is reported under the credit rating of this debt paper. The expected credit losses on RPS were derived from this information, taking into account deviations in duration and risk profile. The receivables arising from the dividend on the RPS is fully received in the month of June 2018. Also for this reason, no expected credit loss was taken into account for this receivable as of 1 January 2018.
- For four out of five loans to associates and third parties, the expected credit loss, based on the information available to us with reasonable costs and effort, is estimated at nil. For one of these loans, there was an increased credit risk as at 31 December 2017, which was however already adequately taken into account in the valuation of this loan as of that date.
- The financial institutions with which Schiphol Group does business have a high credit rating (at least a S&P credit rating in the A category). The expected credit losses with regard to the deposits are determined based on the probability of default according to the credit default curves that are available for these institutions. Given the direct solvency of cash at these institutions, the expected credit loss on cash is estimated at nil.

### Trade receivables

Under IFRS 9, Schiphol Group opts to base its measurement of expected credit losses relating to trade receivables on all possible situations and developments that may lead to default of the debtor during the expected total lifetime of the receivable. This is primarily derived from a provisions matrix based on historical data on credit losses per business area. Additionally, the measurement of credit losses is based on information accessible without undue costs and effort about current developments and expectations with regard to the market and significant trading relationships. The provision covers 100% of the receivables owed by debtors that are in bankruptcy or have applied for a suspension of payments, as well as receivables older than one year.

Assessment of the expected credit losses as at 1 January 2018 based on the method described above led to an increase in the provision as at that date of 0.3 million euros.

(in thousands of euros)	Weighted average loss rate	Gross carrying amount	Loss allowance	Carrying amount
Current (not past due)	0.4%	101,394	374	101,020
1-30 days past due	0.8%	13,075	103	12,972
31-60 days past due	7.4%	3,773	278	3,495
61-90 days past due	9.9%	1,935	192	1,743
91-180 days past due	20.6%	742	153	589
181-365 days past due	66.6%	659	439	220
>365 days past due	100.0%	1,360	1,360	-
Bankruptcies	100.0%	1,869	1,869	-
	<b>3.8%</b>	<b>124,807</b>	<b>4,768</b>	<b>120,039</b>

As the financial effect (income or expense) of the periodic assessment of expected credit losses on financial assets is not material, this effect is not disclosed as a separate line item in the consolidated statement of income but as part of depreciation, amortisation and impairment. For more details reference is made to note 6. Depreciation, amortisation and impairment expenses.



## Hedge accounting

Schiphol Group has opted to apply the new requirements relating to hedges under IFRS 9. The current hedge accounting relationships are intended to hedge 100% of the currency risk on an outstanding receivable in Australian dollars and a loan in Japanese yen. This is in line with the Company's financial risk management policy. The hedging relationships meet the requirements of IFRS 9 for hedge accounting. The translation differences on the hedged financial instruments and changes in the fair value of the hedging instruments are initially accounted for in the hedge reserve and both are transferred to profit or loss when the hedge accounting relationship is settled. Forward points are accounted for on a straight-line basis over the term of the hedging relationship in the statement of income as costs of hedging and are recognised, until the hedge accounting relationship is settled, within other reserves. For more details reference is made to note 21. Other reserves.

## Transition

Schiphol Group makes use of the option not to adjust comparative figures for the effects of IFRS 9 on the classification, measurement and impairment of financial assets and liabilities. IFRS 9 also entails no changes in comparative figures in connection with hedge accounting. There are minor changes in the carrying amounts of financial assets with effect from 1 January 2018 that are fully attributable to additional expected credit losses recognised. These changes are accounted for in the retained profits as at that date. Therefore, while the comparative figures as presented for 2017 comply with IAS 39 they do not necessarily also comply with IFRS 9.

## IFRS 15

IFRS 15, Revenue from Contracts with Customers replaces the current IAS 11, Construction Contracts, IAS 18, Revenue Recognition and the Related Interpretations as from 1 January 2018 and is applied retrospectively from 1 January 2017. The basic principle of IFRS 15 is that an entity is required to recognise revenue when control of the good or service delivered transfers to the customer. Determining when control transfers from Schiphol Group to the customer requires judgment to be exercised by management. Most of the revenue of Schiphol Group is revenue from the provision of services. Based on an extensive analysis of material revenue streams, it has been determined that IFRS 15 entails no changes in the method of revenue recognition as applied until the end of 2016 under the previous standards. IFRS 15 therefore has no impact on results and equity.

Implementation of IFRS 15 gives rise to one minor reclassification within trade and other receivables in the consolidated statement of financial position. Included in the item accrued income is revenue from airport charges and concessions that is in fact as unconditional as trade receivables are. The only difference is that the invoice had not been issued yet. Under IFRS 15 Schiphol Group will present this accrued income as part of trade receivables. The composition of the trade and other receivables was adjusted to reflect this change per 31 December 2017 (for the amount of 28.2 million euros) and per 31 December 2018 (for the amount of 36.7

million euros). As such the comparative figures comply with both the old standards and IFRS 15.

## Other standards

There are a number of other standards besides IFRS 9 and IFRS 15 that apply as from 1 January 2018:

- IFRS 2, Classification and Measurement of Share-Based Payment, amended (adopted by the European Union as of 26 February 2018);
- Amendments to IAS 40, Transfers of Investment Property (adopted by the European Union as of 14 March 2018);
- IFRIC 22, Foreign Currency Transactions and Advance Consideration (adopted by the European Union as of 28 March 2018);
- Amendments within the framework of the 2014-2016 Annual Improvements Project (adopted by the European Union as of 7 February 2018).

These standards have been determined to have no impact on the financial reporting of Schiphol Group.

## New standards and amended standards that are mandatory with effect from 2019 or later

Schiphol Group has not voluntarily applied in advance new or amended standards or interpretations that will not be mandatory until the 2019 financial year or later.

## IFRS 16

Schiphol Group finalised its examination of the consequences of IFRS 16, Leases, which is effective for financial years commencing on or after 1 January 2019. The standard replaces the current guidance in place for leasing, including 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. 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. Based on the examination mentioned above, it is concluded that the additional assets and lease liabilities that need to be recognised as per 1 January 2019 due to the implementation of IFRS 16 are not material. The accounting for lessors will not change as they will continue to classify leases as either finance or operating leases.

Schiphol Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. Schiphol Group plans not to apply the practical expedient to grandfather the definition of a lease on transition. This means that Schiphol Group will apply IFRS 16 to all contracts entered into before 1 January 2019 to assess whether contracts are, or contain, a lease.

## Other standards

Schiphol Group is currently examining the consequences of other new standards and interpretations and amendments to existing standards listed below, which will be mandatory as from the 2019 financial year or later (as stated):

- Amendments to IFRS 9, Prepayment Features with Negative Compensation (adopted by the European Union as of 22 March 2018);
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement (issued on 7 February 2018);
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures (issued on 12 October 2018);
- IFRIC 23, Uncertainty over Income Tax Treatments (issued on 7 June 2017);
- Annual Improvements to IFRS 2015-2017 Cycle (issued on 12 December 2017).

It is expected that these will not have a significant impact on the consolidated financial statements.

## Intangible assets

Intangible assets include 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 and subsequently against the cost price thus determined less accumulated amortisation and impairment. Contract-related assets 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 explanation.

## Assets used for operating activities

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 assets under construction or development:

- (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 of at least one 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. Impairment testing is performed as explained in the section 'Depreciation, amortisation and impairment'. When the assets are ready for use, they are transferred at historical cost less impairments to 'assets used for operating activities', which is also when the straight-line depreciation at the expense of the income statement commences.

Accounting policies for assets under construction or development for investment property (category c) are included under 'Investment property'.

See notes 8 and 10 for a more detailed numerical explanation.

## Investment property

Investment property is measured at fair value. In order to prevent double counting the fair value of investment property as presented in the balance sheet takes into account granted lease incentives. These incentives are recognised separately as assets on the balance sheet under other non-current receivables (remaining term of more than 1 year) or trade and other receivables (remaining term of less than 1 year). 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 on disposal of assets, i.e. differences between carrying amount and net selling price, are recognised in the income statement in the year the transaction is executed. Investment property is not depreciated.

Investment property under construction or development is measured at fair value provided that the fair value can be measured reliably. As long as this is not possible, the property is measured at historical cost until the moment that the fair value can be determined reliably. Any difference between fair value and historical cost is recognised in the income statement under 'other income and results from investment property'. On completion, the property is transferred at fair value to '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 buildings in the portfolio are appraised twice a year by independent valuers (at 30 June and at 31 December). Land is appraised based on internal valuations and also by independent external valuers. Each year a different part of the land positions is appraised by independent external valuers. 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).

See note 11. [Investment property](#) for a more detailed explanation.

## Depreciation, amortisation and impairment

Intangible assets and assets used for operating activities are amortised and depreciated on a straight-line basis according to the schedule below. Goodwill, investment property, assets under construction and land are not amortised or depreciated.

## 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

The book value of non-current assets is tested against the recoverable amount if there are indications of an impairment. The recoverable amount is the greater of an asset's net realisable value and its value in use. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Value in use is based on the present value of the estimated future cash flows from continuing use of an asset and from its disposal at the end of its useful life. This test is 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, associates and joint ventures

### General

Where necessary, the accounting policies of subsidiaries, associates and joint ventures 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.

### Subsidiaries

The financial information of Schiphol Group and its subsidiaries is included in the consolidated financial statements. Subsidiaries

are companies that are controlled by Schiphol Group. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and is able to influence 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.

### 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 recognised at acquisition. 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 were to 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 (at fair value with changes in fair value reported through the income statement) from the date on which the company ceases to have significant influence or control.

### 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.

### 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 other financial interest. 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 can result in amounts previously recognised in other comprehensive income being reclassified to profit or loss.

### 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.

### Financial assets

The company classifies financial assets in the categories of amortised costs (loans to associates, trade receivables, cash and cash equivalents) and fair value - hedging instrument (derivative financial instruments). The classification is based on the business model and the cash flow characteristics of the financial asset.

### Derivative financial instruments

In line with the company's financial risk management, derivative financial instruments are used to hedge the risk of changes in future cash flows connected with periodic interest payments and repayments of funding resulting from movements in market interest rates and exchange rates. The instruments used to hedge these risks are interest rate swaps and currency swaps. At inception of designated hedging relationships, the company documents the risk management objective and strategy for undertaking the hedge as well as the economic relationship between the hedged item and the hedging instrument, including

whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Derivative financial instruments are measured at fair value. To the extent the hedging relationship is effective, fair value changes on derivative financial instruments are recognised in other comprehensive income and accumulated in the hedge reserve, which is part of equity. The non-effective part of fair value changes is recognised in the income statement. The cumulative amount recognised in the hedging transactions reserve is recycled to the income statement in the same period in which the hedged transaction is recognised in the income statement. In cash flow hedging relationships, only the change in fair value of the spot element of forward exchange contracts is designated as the hedging instrument. The change in fair value of the forward element is accounted for as a cost of hedging, the related costs of hedging reserve is part of the hedging transactions reserve.

If a hedging instrument expires, is sold, terminated or exercised or ceases to satisfy the hedge accounting criteria, hedge accounting is discontinued prospectively. 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 expected to occur, the amounts accumulated in the hedging reserve and the costs of hedging reserve are immediately reclassified to the income statement.

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.

### Loans to associates

The objective of loans to associates is to collect contractual repayments and interest. Loans to associates are initially measured at the fair value of the loans less attributable 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.

### Trade and other receivables

The objective of trade and other receivables is to collect contractual repayments and interest. 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

The objective of cash and cash equivalents is to collect contractual repayments and interest. Cash and cash equivalents are measured at amortised cost, which is normally the nominal value. Cash and cash equivalents include all cash balances, deposits held at call at financial institutions, and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Liquid investments with an original maturity exceeding three months are excluded from cash and cash equivalents and reported under trade and other receivables. Bank overdrafts are included in the short-term payables.

See note 18. [Cash and cash equivalents](#) for a more detailed explanation.

### Expected credit losses

Expected credit losses on loans to associates and cash and cash equivalents are measured on the basis of possible situations and developments that may lead to a counterparty defaulting within a period of 12 months. However, if a significant change has occurred in the credit risk, expected credit losses are based on possible situations and developments during the expected total lifetime of the receivable that may lead to the associate or bank defaulting. A significant increase in the risk is deemed to have occurred if payment of repayment and/or interest is more than 30 days past due. The debtor is in default if payment is more than 90 days past due. Relevant information that is accessible without undue cost or effort is used to determine (twice a year) whether the credit risk has actually increased significantly and to measure expected credit losses. This includes both quantitative and qualitative information as well as historical and prospective information.

Schiphol Group opted to base its measurement of expected credit losses relating to trade receivables on all possible situations and developments that may lead to default of the debtor during the expected total lifetime of the receivable. This is primarily derived from a provisions matrix based on historical data on credit losses per business area. Additionally, the measurement of credit losses is based on information accessible without undue costs and effort about current developments and expectations with regard to the market and significant trading relationships. The provision covers 100% of the receivables owed by debtors that are in bankruptcy or have applied for a suspension of payments, as well as receivables older than one year.

Expected credit losses incurred are reported in the income statement as part of depreciation, amortisation and impairment.

### 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.

### 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.

### Shareholders' equity

#### 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.

#### Share premium reserve

The share premium reserve is the amount paid up on the shares issued in excess of their nominal value.

#### Retained profits

Retained profits 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.

#### Other reserves

Other reserves are the exchange differences reserve, the hedging transactions reserve, the share in other comprehensive income of associates reserve and the reserve for actuarial gains and losses.

The policies on the hedging transactions reserve and cost of hedging 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.

### Employee benefits

There are four categories of employee benefits:

- short-term employee benefits;
- post-employment benefits;
- other long-term employee benefits;
- termination benefits.

These categories are explained below, along with descriptions of the Schiphol Group employee benefits included in these categories.

#### 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).

#### Post-employment benefits

These are employee benefits that may be due after completion of employment. They include pensions and job-related early retirement 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 data, 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 obligation covering job-related early retirement benefits is 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.

#### 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 amongst others supplementary disability benefits, long-service awards and sustainable employment budget.

The expected costs of supplementary disability benefits are recognised in full in the statement of income from the date on which an employee is declared partially unfit for work. The liabilities with respect to supplementary disability benefits, long-service awards and sustainable employment budget are measured at the present value of the obligation.

### 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. Termination benefits are recognised at the present value of the obligation.

See note 24. [Employee benefits](#) for a more detailed explanation.

### 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 measured by discounting the expected future cash flows.

See note 25. [Provisions](#) for a more detailed explanation.

### Leases

#### 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).

#### 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.

#### 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. 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.

#### Schiphol Group as lessor in a finance lease

Assets subject to 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.

#### Schiphol Group as lessor in an operating lease

Assets subject to 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. In the case of prepaid 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.

### Financial liabilities

The company classifies financial liabilities in the categories of amortised cost (borrowings, trade payables and interest payable) and designated at fair value through profit and loss (borrowings).

#### Borrowings

This item relates to bonds, private placements and amounts owed to credit institutions. Borrowings are initially measured at fair value less attributable 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.

One borrowing concerns 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 by external appraisers. To prevent inconsistency between the accounting for changes in the value of the loan on the one hand and the related real estate portfolio on the other, this borrowing is designated at fair value through profit and loss.

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.

#### Trade and other payables

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 recognised at the obligating event.

See note 27. [Trade and other payables](#) for a more detailed explanation.

## Revenue

Nearly all of Schiphol Group's activities comprise the provision of services. The Group recognises revenue when it transfers control over a service to the customer. Revenue is either measured based on the consideration consulted and set according to the Aviation Act (airport charges), specified in a contract with the customer (e.g. concessions, rent and leases) or based on rates published publically (e.g. parking fees). Each of the charges and rates relates to distinct services and does not contain financing components.

Revenues from the handling of flights, aircraft, passengers and baggage and from the provision of parking space (reported as airport charges and parking fees) qualify as revenue from contracts with customers. The airport charges are recognised at a point in time and parking fees are recognised over time. Revenue from the granting of concessions and letting of investment property and retail space qualifies as revenue from leases and is recognised on a straight-line basis over the contract period.

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.

As regards the main activities of Schiphol Group, 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. Revenue is recognised at a point in time. Given this method of revenue recognition, there are no performance obligations with regard to the revenues from airport charges as at the balance sheet date. Airport charges are invoiced on a weekly basis and the standard, contractual payment term is three weeks.

The activities of the Aviation business area (at Amsterdam Airport Schiphol) are regulated. This means that the 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, which takes place every three years to set the tariffs for a three-year period. When setting the aviation charges, the Aviation business area's profitability is capped at an average weighted cost of capital for regulated assets; both the asset base and the cost of capital must be determined in compliance with the Aviation Act.

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.

Under the Aviation Act, Schiphol Group must settle surpluses and deficits from specified income and expenses with the industry. Settlement takes 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. Surpluses and deficits eligible for settlement in the airport charge rates are not presented as assets and liabilities in the balance sheet.

As the regional airports are not regulated up to the five million passenger limit, the above regulatory procedures do not apply to the 2018 airport charges of Rotterdam The Hague Airport, Eindhoven Airport and Lelystad Airport, which are accounted for in the Domestic Airports reporting segment. However, as Eindhoven Airport has now reached this limit, the tariffs of this airport will be regulated as of 2019.

### 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 qualifies as variable lease payments, since it depends 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 estimate of the expected revenue and scale will be made and recognised. In these instances, revenue is also recognised on a straight-line basis. Concessions are invoiced on a monthly basis and the standard, contractual payment term is two weeks.

### Rent and leases

Income from rent and leases relates to the letting of investment property and retail space, as in general, next to the concession agreement, a separate contract is entered into with concession holders in which a fixed rent is payable for the retail space rented by the concession holder. Income from rent and leases is recognised as revenue in the income statement on a straight-line basis over the contract term of the agreement. Rent and leases are invoiced in advance, mostly on a quarterly basis, and the standard, contractual payment term is two weeks.

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 costs allocated to property investments which have not been let is recognised as an expense in the income statement.

### Parking fees

Parking fees are recognised over time, in proportion to the service supplied at the reporting date. Parking revenues are for the most part collected immediately after the service has ended. A smaller part is collected at the moment the service is reserved ahead online. Revenues from business parking are invoiced on a monthly basis and the standard, contractual payment term is two weeks. As a consequence of the above, with regard to the majority of revenues from parking fees, there are no performance obligations as at the balance sheet date.

### Other activities

Revenue from other activities mainly consists of revenue from advertising, transport of electricity, gas and water, telecommunication services and other services and activities on behalf of third parties. Most of this revenue qualifies as revenue from contracts with customers and is recognised over time, 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 over time on a basis that takes into account the effective yield on the loans granted or liabilities. 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 taxes' comprises current tax payable and deferred tax. Income taxes are recognised in the income statement unless they relate to items credited or charged directly to equity or other comprehensive income, in which case the tax is charged or credited directly to equity or other comprehensive income as well.

### Current tax payable or receivable

Current tax payable or receivable 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. The tax payable or receivable is computed on the basis of tax rates and laws enacted or substantially enacted at the reporting date. Income taxes include all taxes based on taxable profits and losses including non-deductible taxes payable by subsidiaries, associates or joint ventures. Current tax assets and liabilities are offset only if certain criteria are met.

### Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amount of assets and liabilities according to tax legislation 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 offset, allowing the assets to be utilised.

No deferred tax assets or liabilities are recognised for:

1. temporary differences resulting from transactions that do not qualify as a business combination and that affect neither the result for reporting purposes nor the result for tax purposes at the time of the transaction; and
2. temporary differences associated with investments in subsidiaries, associates, joint ventures and contract-related intangible assets to the extent that 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; and
3. taxable temporary differences arising on the initial recognition of goodwill.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Existing deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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 at 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

### 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.

### 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 effective. The ineffective portion is recognised in the income statement under financial income and expenses.

### 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 outside the euro zone are recognised directly in equity under the exchange differences reserve. On disposal of subsidiaries 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.

### Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents within the cash flow statement consist of all cash balances, deposits held at call at financial institutions, and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Liquid investments with an original maturity exceeding three months are reported under trade and other receivables. Given the purpose of these investments (to finance capital expenditure in the short term) the movements in these investments are not reported as part of movement in working capital but as part of cash flow from investing activities.

Cash flows from short-term credit facilities are classified as cash flows from financing activities. Cash flows in foreign currencies are translated at an estimated average rate. Currency differences on cash and cash equivalents are 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 a cash flow from investing activities for the part that was paid in cash. 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 under 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 the year ended 31 December 2018](#) 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 recognised under investment property is appraised twice a year by management through the deployment of independent external valuers. The fair value of land recognised under investment property is appraised primarily on the basis of internal valuations. In addition each year a different part of the land positions is appraised by independent external valuers. 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 the accounting policies on investment property and 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 are expected to generate future economic benefits. A distinction is made between operating activities and investment property. Asset used for 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 uses 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. [Provisions](#).

### Claims and disputes

Schiphol Group is the subject of various claims and disputes, which are part of its business operations. Group's 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 claimant. 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](#).

## Change in consolidation

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. have no longer been 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 cash received in respect of the sale amounts to 144.5 million euros.

(in thousands of euros)

13 December 2017

Assets used for operating activities	122,166
Cash and cash equivalents	2,912
Trade and other receivables	1,768
<b>Assets held for sale</b>	<b>126,846</b>
Deferred tax liabilities	2,255
Trade and other payables	2,600
<b>Liabilities held for sale</b>	<b>4,855</b>
<b>Net assets and liabilities held for sale</b>	<b>121,991</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	-1,024
Disposed net assets and liabilities	-121,991
<b>Total result on disposal of controlling interest</b>	<b>26,039</b>

In 2018 there were no changes in consolidation.

## 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.

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. The same rationale applies to the incomes taxes which are also reviewed and monitored at group level rather than at segment level. Transactions between the segments have been consistently conducted at arm's length over the years. Group overhead costs are allocated to the segments largely on the basis of their relative share in the direct costs of Schiphol Group. The system of allocations and settlements has been applied consistently over the past years.

Since Schiphol Group's current activities are concentrated almost entirely in the Netherlands (approximately 99% of consolidated revenue in 2018), there is no geographical segmentation. Around 31% (approx. 473 million euros) of revenue relates to one external customer and is generated primarily in the Aviation and Security segments.

### Aviation

The Aviation business area operates at Amsterdam Airport Schiphol and provides services and facilities to airlines, passengers and handling agents. It 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).

### Consumer Products & Services

The activities of the Consumer Products & Services business area consist of granting and managing concessions for shops, food and beverages and service outlets (Concessions segment, generating variable revenue from concessions and fixed revenue from leasing retail locations), operating car parks (Parking segment, generating revenue from parking charges) and advertising opportunities at Amsterdam Airport Schiphol (Other segment, generating revenue from providing advertising space). Only the majority of parking revenues comes from passengers and visitors to the airport directly (business to consumers), with a minor part

being generated online through parking space being reserved ahead. All other revenues, including the revenues from the other reporting segments, come from services to other companies (business to business).

### Real Estate

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).

### Alliances & Participations

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 and dividends as accounted for in share in results and through the interest paid on loans. This includes stakes in Groupe ADP and Brisbane Airport Corporation Holdings Ltd. The stake in JFKIAT Member LLC is recognised as a contract-related asset and contributes to the group result through management fees that are recognised as part of revenue from other activities. The other participations segment consists of, among others, Schiphol Telematics and Utilities. 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.

## 2018

(in thousands of euros)	Aviation	Consumer Products & Services	Real Estate	Alliances & Participations	Total
Airport charges	821,438	-	-	68,849	890,287
Concessions	15,660	186,008	1,168	9,336	212,172
Rent and leases	304	17,761	171,701	4,510	194,277
Parking fees	-	100,860	4,874	20,723	126,457
Other activities	35,984	33,674	4,408	100,322	174,388
<b>Total revenue</b>	<b>873,386</b>	<b>338,304</b>	<b>182,151</b>	<b>203,741</b>	<b>1,597,581</b>
Intercompany revenue	-2,248	-2,240	-26,622	-57,483	-88,593
<b>Revenue</b>	<b>871,138</b>	<b>336,064</b>	<b>155,529</b>	<b>146,258</b>	<b>1,508,988</b>
Other income and results from investment property	-	-	104,049	2,915	106,964
Depreciation and amortisation <sup>1</sup>	-192,055	-31,316	-20,465	-24,810	-268,646
Impairment	-	-	2,300	-	2,300
Operating profit	-39,148	209,372	172,377	25,524	368,125
Share in results of associates <sup>2</sup>	908	813	7,118	95,625	104,464
Total assets	2,984,483	496,324	2,418,659	1,454,491	7,353,957
Total non-current assets (excl. deferred tax)	2,596,850	431,860	2,104,518	1,263,628	6,396,856
Investments in associates and other financial interests	3,492	18,654	96,400	838,848	957,395
Capital expenditure <sup>3</sup>	360,558	86,287	69,204	64,554	580,602

<sup>1</sup> This amount is excluding expected credit losses

<sup>2</sup> The share in results 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>3</sup> These capital expenditures include assets under construction for operating activities, investment properties and intangible fixed assets.



## 2017

(in thousands of euros)	Aviation	Consumer Products & Services	Real Estate	Alliances & Participations	Total
Airport charges	769,367	-	-	62,645	832,012
Concessions	15,186	181,160	1,275	8,209	205,830
Rent and leases	253	17,212	168,124	4,803	190,392
Parking fees	-	102,499	4,402	18,612	125,513
Other activities	31,443	30,197	33,389	89,788	184,817
<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	-81,022
<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	80,434
Depreciation and amortisation	-188,797	-29,751	-24,527	-20,640	-263,715
Impairment	-	-	-	-	-
Operating profit	-38,876	216,373	138,295	42,869	358,661
Share in results of associates <sup>1</sup>	868	501	1,711	77,641	80,721
Total assets	2,717,847	415,099	2,172,595	1,349,451	6,654,992
Total non-current assets (excl. deferred tax)	2,417,016	369,152	1,932,375	1,176,942	5,895,485
Investments in associates and other financial interests	3,339	19,770	94,727	803,481	921,317
Capital expenditure <sup>2</sup>	301,217	53,566	51,297	83,720	489,800

<sup>1</sup> The share in results 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 include assets under construction for operating activities, investment properties and intangible fixed assets.

## Aviation

(in thousands of euros)	Aviation		Security		Total	
	2018	2017	2018	2017	2018	2017
Airport charges	503,541	480,512	317,897	288,855	821,438	769,367
Concessions	15,660	15,186	-	-	15,660	15,186
Rent and leases	94	91	210	162	304	253
Other activities	29,825	27,238	6,159	4,205	35,984	31,443
<b>Total revenue</b>	<b>549,120</b>	<b>523,027</b>	<b>324,266</b>	<b>293,222</b>	<b>873,386</b>	<b>816,249</b>
Intercompany revenue	-1,386	-1,146	-862	-680	-2,248	-1,826
<b>Revenue</b>	<b>547,734</b>	<b>521,881</b>	<b>323,404</b>	<b>292,542</b>	<b>871,138</b>	<b>814,423</b>
Depreciation and amortisation	-149,264	-146,823	-42,791	-41,974	-192,055	-188,797
Operating profit	-20,515	-12,770	-18,633	-26,106	-39,148	-38,876
Share in results of associates <sup>1</sup>	908	868	-	-	908	868
Total assets	2,607,327	2,349,616	377,155	368,231	2,984,483	2,717,847
Total non-current assets (excl. deferred tax)	2,268,681	2,089,544	328,169	327,472	2,596,850	2,417,016
Investments in associates and other financial interests	3,492	3,339	-	-	3,492	3,339
Capital expenditure	317,363	262,279	43,195	38,938	360,558	301,217

<sup>1</sup> The share in results 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	
	2018	2017	2018	2017	2018	2017	2018	2017
Concessions	178,960	175,063	7,048	6,097	-	-	186,008	181,160
Rent and leases	17,258	16,780	503	432	-	-	17,761	17,212
Parking fees	-	-	100,860	102,499	-	-	100,860	102,499
Other activities	975	281	1,736	1,952	30,964	27,964	33,674	30,197
<b>Total revenue</b>	<b>197,192</b>	<b>192,124</b>	<b>110,147</b>	<b>110,980</b>	<b>30,964</b>	<b>27,964</b>	<b>338,304</b>	<b>331,068</b>
Intercompany revenue	-393	-428	-1,613	-1,367	-233	-207	-2,240	-2,002
<b>Revenue</b>	<b>196,799</b>	<b>191,696</b>	<b>108,534</b>	<b>109,613</b>	<b>30,731</b>	<b>27,757</b>	<b>336,064</b>	<b>329,066</b>
Depreciation and amortisation	-14,575	-13,870	-13,619	-12,794	-3,122	-3,087	-31,316	-29,751
Operating profit	147,064	147,901	52,793	59,686	9,515	8,786	209,372	216,373
Share in results of associates <sup>1</sup>	813	501	-	-	-	-	813	501
Total assets	223,702	183,704	253,970	213,541	18,652	17,854	496,324	415,099
Total non-current assets (excl. deferred tax)	194,647	163,371	220,983	189,904	16,229	15,877	431,860	369,152
Investments in associates and other financial interests	18,654	19,770	-	-	-	-	18,654	19,770
Capital expenditure	42,598	17,192	41,303	34,307	2,386	2,067	86,287	53,566

<sup>1</sup> The share in results 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.

## Real Estate

(in thousands of euros)	2018	2017
Concessions	1,168	1,275
Rent and leases	171,701	168,124
Parking fees	4,874	4,402
Other activities	4,408	33,389
<b>Total revenue</b>	<b>182,151</b>	<b>207,190</b>
Intercompany revenue	-26,622	-30,722
<b>Revenue</b>	<b>155,529</b>	<b>176,468</b>
Other income and results from investment property	104,049	67,830
Depreciation and amortisation	-20,465	-24,527
Impairment	2,300	-
Operating profit	172,377	138,295
Share in results of associates <sup>1</sup>	7,118	1,711
Total assets	2,418,659	2,172,595
Total non-current assets (excl. deferred tax)	2,104,518	1,932,375
Investments in associates and other financial interests	96,400	94,727
Capital expenditure	69,204	51,297

<sup>1</sup> The share in results 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

	International airports		Domestic airports		Other subsidiaries		Total	
(in thousands of euros)	2018	2017	2018	2017	2018	2017	2018	2017
Airport charges	-	-	68,849	62,645	-	-	68,849	62,645
Concessions	-	-	9,336	8,209	-	-	9,336	8,209
Rent and leases	-	-	4,506	4,797	4	6	4,510	4,803
Parking fees	-	-	20,723	18,612	-	-	20,723	18,612
Other activities	11,843	13,062	7,946	5,311	80,534 <sup>1</sup>	71,415	100,322	89,788
<b>Total revenue</b>	<b>11,843</b>	<b>13,062</b>	<b>111,361</b>	<b>99,574</b>	<b>80,538</b>	<b>71,421</b>	<b>203,741</b>	<b>184,057</b>
Intercompany revenue	-66	-3	-1,481	-1,621	-55,936	-44,848	-57,483	-46,472
<b>Revenue</b>	<b>11,776</b>	<b>13,059</b>	<b>109,879</b>	<b>97,953</b>	<b>24,602</b>	<b>26,573</b>	<b>146,258</b>	<b>137,585</b>
Other income and results from investment property	-	11,918	2,915	686	-	-	2,915	12,604
Depreciation and amortisation	-1,311	-1,365	-11,006	-10,361	-12,492	-8,914	-24,810	-20,640
Operating profit	8,009	21,829	18,688	16,364	-1,174	4,676	25,524	42,869
Share in results of associates <sup>2</sup>	95,154	76,642	-	-	470	999	95,625	77,641
Total assets	1,070,763	1,026,822	306,588	261,562	77,140	61,067	1,454,491	1,349,451
Total non-current assets (excl. deferred tax)	929,874	912,473	266,633	232,610	67,121	31,859	1,263,628	1,176,942
Investments in associates and other financial interests	835,572	800,878	-	-	3,277	2,603	838,848	803,481
Capital expenditure	-	-	40,536	70,167	24,018	13,553	64,554	83,720

<sup>1</sup> The other activities include revenues from Utilities (supply of gas, electricity and water) and telecommunication services.

<sup>2</sup> The share in results 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

(in thousands of euros)	2018	2017
Passenger service charges	374,574	346,346
Security service charges	328,270	302,079
Aircraft-related fees	182,960	178,951
Aircraft parking fees	4,483	4,636
<b>Total airport charges</b>	<b>890,287</b>	<b>832,012</b>

The activities of the Aviation business area (at Amsterdam Airport Schiphol) are regulated. Under the Aviation Act, Schiphol Group must settle surpluses and deficits from specified income and expenses with the airlines. In accordance with the accounting policies, surpluses and deficits eligible for settlement in the airport charge rates are not presented as assets and liabilities in the balance sheet. There was a surplus for the 2016 financial year of 54.5 million euros, which was included in the charges as from 1 April 2018. For the 2017 financial year the surplus amounted to 22.2 million euros, which will be included in the charges for the 2019-2021 period. An amount to the value of approximately plus or minus 2 million euros will be reflected within the airport charges set for the 2020-2022 period.

#### Concessions

(in thousands of euros)	2018	2017
Shops Retail Airside	113,159	111,596
Food and beverage	47,443	45,110
Oil companies	15,660	15,186
Shops Plaza	9,148	8,109
Other	26,762	25,829
<b>Total concessions</b>	<b>212,172</b>	<b>205,830</b>

Schiphol Group's Concessions reporting segment, which is part of the Consumer Products & Services business area, had 111 effective concession contracts in 2018 (2017: 106) for a range of commercial activities at Amsterdam Airport Schiphol. The following table provides an overview of the period to expiry of these contracts:

	2019	2020	2021	2022	2023	>2023
Percentage of contracts that will expire	39%	13%	13%	11%	6%	18%

Revenue of 15.7 million euros from concessions included in the Aviation segment (15.2 million euros in 2017) and 7.0 million euros in the Parking segment (6.1 million euros in 2017) relates to concession agreements for the third-party supply of aviation fuel and car rental services at the airport respectively. Concession revenue received from Schiphol Airport Retail B.V. is 28.5 million euros (2017: 29.2 million euros).

#### Rent and leases

(in thousands of euros)	2018	2017
Investment property: buildings, including service charges	98,694	89,329
Operating property, including service charges	41,706	41,632
Investment property: land	27,950	29,285
Intercompany revenue	25,927	30,146
<b>Total rent and leases</b>	<b>194,277</b>	<b>190,392</b>

The average occupancy in the Real Estate segment was 91.1% 2018 (89.6% in 2017). The following table provides an overview of the moment at which the current rent and lease contracts will expire for activities at Amsterdam Airport Schiphol:

	2019	2020	2021	2022	2023	>2023
Percentage of contracts that will expire	42%	20%	15%	8%	7%	8%

Property management expenses divided into occupied and unoccupied buildings can be broken down as follows:

(in thousands of euros)	2018	2017
Occupied buildings	43,826	34,652
Unoccupied buildings	4,276	4,470
<b>Total property management expenses</b>	<b>48,102</b>	<b>39,122</b>

If buildings are partially leased, the property management expenses have been apportioned based on floor area.

#### Parking fees

(in thousands of euros)	2018	2017
Short-stay parking	39,253	48,936
Long-stay parking	40,851	34,112
Business parking	23,755	21,706
<b>Total parking fees</b>	<b>103,858</b>	<b>104,754</b>
Parking at other locations	20,723	18,612
Intercompany revenue	1,876	2,147
<b>Total parking fees</b>	<b>126,457</b>	<b>125,513</b>

Parking revenues at other locations relate to parking at the airports in Rotterdam, Eindhoven and Lelystad and are included in the Domestic Airports segment.

As part of the business parking fees an amount of 4.9 million euros (2017: 4.4 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)	2018	2017
Advertising	18,739	18,011
Telecommunication services	17,695	19,665
JFKIAT related fees	8,420	9,608
Electricity, gas and water	6,127	5,823
Services and activities on behalf of third parties	4,854	3,520
Hotel activities	3,707	33,207
Other operating income	54,108	46,236
Intercompany revenue	60,738	48,747
<b>Total other activities</b>	<b>174,388</b>	<b>184,817</b>

Schiphol Hotel Holding B.V. was sold on 13 December 2017. Of the 2017 total revenue from hotel activities, 29.8 million euros was realised by the Hilton Hotel. The revenue-related cost of the hotel activities is included in the operating expenses under 'Outsourcing and other external costs'.

## 2. Other results from investment property

(in thousands of euros)	2018	2017
Gain/ (loss) on disposal of land	1,380	-
<b>Result on sale of property</b>	<b>1,380</b>	<b>-</b>
Gain/ (loss) on changes in fair value of land	34,962	21,110
Gain/ (loss) on changes in fair value of buildings	68,055	21,247
New ground leases granted	2,567	120
<b>Total fair value gains and losses</b>	<b>105,584</b>	<b>42,477</b>
<b>Total other revenues from investment property</b>	<b>106,964</b>	<b>42,477</b>

### Fair value gains and losses

Investment property is measured at fair value. The fair value of buildings recognised under investment property is appraised twice a year by management through the deployment of independent external valuers. The fair value of land recognised under investment property is appraised primarily on the basis of internal valuations. In addition each year a different part of the land positions is appraised by independent external valuers. Fair value gains and losses are recognised in the statement of income in the year in which they arise. The assumptions applied in determining the market value are explained in note 11. [Investment property](#).

The fair value adjustment to buildings was 68 million euros positive in 2018. This positive fair value development is driven by increased appetite in the Dutch real estate market and specifically in the Schiphol central business district area, resulting in a

decrease of net initial yields compared to previous year. 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 amounted to 84 million euros in 2017.

The fair value gains of land of 35 million euros in 2018 is also caused by positive market developments which drives the gross yield compression.

The gains from granting new ground leases were related 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.

## 3. Other income

(in thousands of euros)	2018	2017
Result on performance shares BACH	-	11,918
Result on sale of Schiphol Hotel Holding B.V.	-	26,039
<b>Total other revenues</b>	<b>-</b>	<b>37,957</b>

The other income in 2017 includes the result of performance shares in Brisbane Airport Corporation Holdings (hereafter 'BACH') of 11.9 million euros and the one-off effects from the sale of Schiphol Hotel Holding B.V. of 26.0 million euros.

In 2017, BACH decided to withdraw the performance shares. Schiphol Group was the sole holder of these shares, which entitled Schiphol to performance shares dividend. The amount of this dividend depended on the performance of the company. The overall 2017 result from these shares was 11.9 million euros, of which 2 million euros was realised and received in 2017. The fair value of the performance shares held as per reporting date was 12.2 million euros, which amount was received in 2018. From the total value of 12.2 million euros, 18.72%, which equals our share in BACH, was deducted from the investment in this associate and the profits from associates. The remaining part was recorded as other income.

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. 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. The sale generated a positive result of 26 million euros in 2017, which was recorded as part of other income. The net cash received amounts to 144.5 million euros. For more information see [Changes in the scope of consolidation](#).

## 4. Outsourcing and other external costs

(in thousands of euros)	2018	2017
Security	204,805	192,517
Subcontracted activities	136,753	125,029
Maintenance	115,584	107,189
Hired temporary staff	77,899	63,894
Cleaning	38,335	36,541
Advisory and audit fees	26,322	21,192
Insurance and government levies	21,137	21,790
Energy and water	19,945	18,030
Costs related to investments	19,490	15,267
Commercial expenses	15,100	14,544
Hotel activities	2,563	20,242
Other expenses (such as general expenses, rents and leasing)	72,850	65,001
<b>Total cost of outsourced work and other external costs</b>	<b>750,783</b>	<b>701,236</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 with reduced mobility process and the lost & found process.

### Auditor's fees

(in thousands of euros)	2018	2017
Audit of the financial statements	892	913
Other audit services	675	489
<b>Total auditor's fees</b>	<b>1,567</b>	<b>1,402</b>

The auditor's fees concern 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 includes the consolidated financial statements and the audit of the entities that are part of the consolidation. The other audit services rendered by the auditor include the assurance report on Socio-economic Accountability, a review of interim financial information, an audit of financial statements for regulatory purposes, several agreed upon procedures for regulatory purposes and procedures for the EMTN prospectuses. The fees of KPMG Accountants N.V. amount to 1.5 million euros (2017: 1.2 million euros) while the activities performed by other members of the KPMG network amount to 0.1 million euros (2017: 0.2 million euros).

## 5. Employee benefits expense

(in thousands of euros)	2018	2017
Short-term employee benefits	174,067	166,137
Post-retirement benefits	27,814	25,157
Other long-term employee benefits	2,417	3,668
Termination and unemployment benefits	9,957	2,285
Other staff costs	14,786	15,281
<b>Total employee benefits</b>	<b>229,041</b>	<b>212,528</b>

(in thousands of euros)	2018	2017
Salaries	178,380	167,061
Social charges	17,978	15,881
Internal hours capitalised	-22,291	-16,805
<b>Total short-term employee benefits</b>	<b>174,067</b>	<b>166,137</b>

Pension charges (defined contribution plans)	26,886	23,614
Early retirement benefits	928	1,543
<b>Total post-retirement benefits</b>	<b>27,814</b>	<b>25,157</b>

Jubilee benefits	-93	915
Long-term management bonuses	98	397
Other employee benefits	2,412	2,356
<b>Total other long-term employee benefits</b>	<b>2,417</b>	<b>3,668</b>

The average number of employees at Royal Schiphol Group N.V. and its subsidiaries on a full-time equivalent basis was 2,324 (2017: 2,180).

Termination and unemployment benefits in 2018 includes an amount of 8.3 million euros of costs Schiphol Group expects to incur in respect of restructurings in a few of its departments. The restructurings were announced in 2018 and implementation is ongoing or will commence in 2019.

The internal hours capitalised relate to time spent by employees in the development phases of investment projects. Other staff costs include training costs and travel expenses. The costs of post-retirement benefits, other long-term employee benefits and termination and unemployment benefits are explained in more detail in note 24. [Employee benefits](#). 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)	2018	2017
Contract-related assets	1,287	1,357
ICT development	8,717	8,349
Software licences	7,629	6,995
<b>Intangible assets</b>	<b>17,633</b>	<b>16,701</b>
Runways, taxiways and aprons	28,854	27,221
Paved areas and roads	13,159	13,141
Buildings	60,457	58,589
Installations	107,856	103,993
Other assets	39,478	37,400
<b>Assets used for operating activities</b>	<b>249,804</b>	<b>240,344</b>
<b>Depreciation and amortisation in relation to disposals</b>	<b>1,209</b>	<b>6,670</b>
<b>Impairments related to financial assets<sup>1</sup></b>	<b>314</b>	<b>-</b>
<b>Impairments</b>	<b>1,000</b>	<b>-</b>
<b>Impairments reversal</b>	<b>-3,300</b>	<b>-</b>
<b>Total depreciation, amortisation and impairments</b>	<b>266,660</b>	<b>263,715</b>

<sup>1</sup> Please note that comparative figures are not included since IFRS 9 was implemented as per 1 January 2018

See note 8. [Intangible assets](#) for information on the amortisation of contract-related assets and note 9. [Assets used for operating activities](#) for information on depreciation of assets. Information on impairments is provided in note 11. [Investment property](#).

## 7. Other operating expenses

Other operating expenses in 2018 amount to 1.3 million euros (2017: 1.8 million euros).

## Notes to the consolidated 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 2017</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>
<b>Movements in 2018</b>						
Additions	-	-	-	-	30,000	<b>30,000</b>
Completions	-	-	12,439	11,451	-23,890	-
Amortisation	-	-1,287	-8,717	-7,629	-	<b>-17,633</b>
Reclassification	-	-	-51	-4	-	<b>-55</b>
Disposals	-	-	-201	-333	-	<b>-534</b>
Exchange differences	-	1,507	-	-	-	<b>1,507</b>
<b>Total movements in the year</b>	-	<b>219</b>	<b>3,470</b>	<b>3,485</b>	<b>6,110</b>	<b>13,285</b>
<b>Analysis as at 31 december 2018</b>						
Cost	849	38,361	55,207	45,097	30,495	<b>170,009</b>
Accumulated amortisation and impairment	-849	-5,170	-34,122	-28,492	-	<b>-68,633</b>
<b>Carrying amount as at 31 December 2018</b>	-	<b>33,191</b>	<b>21,085</b>	<b>16,605</b>	<b>30,495</b>	<b>101,376</b>

Contract-related assets concern the interest in JFKIAT Member LLC acquired upon the acquisition of activities from third parties. The activities concern the service concession arrangement between the Port Authority of New York and New Jersey (hereafter 'Port Authority') and JFKIAT LLC (a subsidiary of JFKIAT Member LLC). Under the arrangement, JFKIAT LLC provides airport terminal and retail management services in terminal 4 at JFK International Airport. It is established that, through the contractual provisions in the arrangement, the Port Authority has control over these activities. As a consequence, the interest in JFKIAT LLC is not consolidated, but reported as a contract-related asset.

The asset is amortised on a straight-line basis over the remaining term of the arrangement, being 24.5 years. Income realised under the arrangement is for the most part fixed and reported under 'revenue from other activities'. Schiphol Group has no obligations to make additional contributions.

## 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 2017</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>2,864,347</b>
<b>Movements in 2018</b>						
Completions	41,050	21,027	56,379	77,050	40,580	<b>236,086</b>
Depreciation	-28,854	-13,159	-60,457	-107,856	-39,478	<b>-249,804</b>
Disposals	-	2	-65	-196	-415	<b>-675</b>
Reclassification	-531	4,288	1,885	-	55	<b>5,697</b>
<b>Total movements in the year</b>	<b>11,665</b>	<b>12,158</b>	<b>-2,258</b>	<b>-31,002</b>	<b>742</b>	<b>-8,695</b>
<b>Analysis as at 31 December 2018</b>						
Cost	841,837	724,205	1,783,644	2,140,611	462,747	<b>5,953,044</b>
Accumulated depreciation and impairment	-447,380	-229,463	-751,435	-1,372,509	-296,605	<b>-3,097,392</b>
<b>Carrying amount as at 31 December 2018</b>	<b>394,457</b>	<b>494,743</b>	<b>1,032,209</b>	<b>768,102</b>	<b>166,142</b>	<b>2,855,652</b>
<b>During the year, the following projects were (partly) completed:</b>						
KLM ICA Lounge	-	-	21,300	-	-	<b>21,300</b>
Expansion Uniform platform	12,748	3,615	-	1,159	-	<b>17,522</b>
Upgrade piers	-	-	8,387	1,270	4,830	<b>14,487</b>
Capital Programme	-	6,566	5,662	1,307	939	<b>14,474</b>
Terminal maintenance	-	-	1,579	12,142	454	<b>14,174</b>
Hold baggage screening	-	-	-	10,220	-	<b>10,220</b>
Other	28,302	10,846	19,451	50,952	34,357	<b>143,908</b>
<b>Total completions during the year</b>	<b>41,050</b>	<b>21,027</b>	<b>56,379</b>	<b>77,050</b>	<b>40,580</b>	<b>236,086</b>

The other assets include amongst others inventory and vehicles.

The book value as at 31 December 2018 includes an amount of 8.3 million euros (2017: 9.4 million euros) in assets that Schiphol Group has acquired in the form of a finance lease.



## 10. Assets under construction or development

(in thousands of euros)		Assets under construction for operating activities
<b>Carrying amount as at 1 January 2017</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	
Reclassified as assets held for sale	-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>Movements in 2018</b>		
Capital expenditure	516,824	
Capitalised construction period borrowing cost	3,236	
Completed assets	-236,086	
Reclassification	-2,094	
Other	33	
<b>Total movements in the year</b>	<b>281,913</b>	
<b>Carrying amount as at 31 December 2018</b>		<b>700,043</b>
<b>Capital expenditures relate to the following projects:</b>		
Capital Programme	108,025	
Redevelopment Terminal 1	37,504	
Expansion parking spaces	25,109	
Lelystad Airport	24,633	
Terminal maintenance	23,156	
Platform development Sierra	22,983	
Tunnel safety	21,874	
Expansion Uniform platform	17,860	
Other	235,679	
<b>Total capital expenditures in the year</b>	<b>516,824</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 2018, the rate varied between 1.67% and 1.81% on an annual basis.

At 31 December 2018 assets under construction or development in respect of Lelystad Airport amount to 56 million euros. The 1 April 2019 deadline set for the opening of Lelystad Airport to passenger traffic has been further extended by the Ministry of Infrastructure and Water Management (I&W), with the airport now scheduled to become operational in 2020.

The exact opening date is expected to be determined during the first half of 2019. Meanwhile, all parties involved, including Lelystad Airport, the Ministry of I&W, LVNL and CLSK, as well as the Dutch government and relevant provincial and municipal governments, are continuing their preparations for this opening.

Schiphol Group's management is confident that Lelystad will be opened to commercial traffic in 2020. An assessment of the business case based on this assumption indicates that an impairment of the investments made by Schiphol in relation to Lelystad Airport is not necessary.

## 11. Investment property

(in thousands of euros)	Buildings	Land	Assets under construction	Total
<b>Carrying amount as at 1 January 2017</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	16,192
Capitalised construction borrowing cost	-	-	86	86
Completions	5,713	332	-6,045	-
Fair value gains and losses	21,247	15,250	5,980	42,477
Reclassification	-385	-2,360	-5,813	-8,558
Other	-	-	65	65
<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>Movements in 2018</b>				
Capital expenditure	-	-	33,777	33,777
Capitalised construction borrowing cost	-	-	457	457
Completions	14,862	5,331	-20,193	-
Fair value gains and losses	64,389	37,529	3,666	105,584
Impairments	-	-	-1,000	-1,000
Impairment reversal	-	-	3,300	3,300
Reclassification	9,241	-7,642	-5,202	-3,604
Other	-	-	27	27
<b>Total movements in the year</b>	<b>88,492</b>	<b>35,218</b>	<b>14,832</b>	<b>138,541</b>
<b>Carrying amount as at 31 December 2018</b>	<b>1,097,612</b>	<b>436,104</b>	<b>108,569</b>	<b>1,642,285</b>
<b>Measured at</b>				
Cost model	-	-	46,433	46,433
Fair value model	1,097,612	436,104	62,136	1,595,852

### Investment property under construction

Assets under construction for the development of investment properties are measured at fair value if the value can be measured reliably. The investment property under construction includes land positions held for future investment property development or land with undetermined future use (operational or commercial development). Since the development plans are subject to annual changes, they are inadequate to determine the fair value on a continuing basis. For this reason, the land positions are measured in accordance with the cost model.

### Buildings and land

All building and land properties are measured at fair value. The fair value is based on the market value being 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. 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 granted. After all, the lease incentives are recognised separately as assets on the balance sheet under other non-current receivables (12.9 million euros as at 31 December 2018) and trade and other receivables (3.6 million euros as at 31 December 2018).

As at 31 December 2018, 100% of the buildings and 15.9% 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 include an amount of 159 million euros (31 December 2017: 145 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 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, tasked with safeguarding and enhancing the quality of appraisers. The general behaviour and professional rules and regulations of the NRVT are the new market standard with which appraisers have to comply. These standards are based on IFRS and international valuation guidelines. All our external appraisers are NRVT 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	
	2018	2017	2018	2017	2018	2017
<b>Schiphol-Centre</b>						
Offices	303	284	288	286	4.70%	5.35%
Business premises	n/a	n/a	n/a	n/a	n/a	n/a
<b>Schiphol-North and East</b>						
Offices	159	135	157	159	7.62%	7.75%
Business premises	n/a	115	n/a	101	n/a	6.80%
<b>Schiphol-Southeast</b>						
Offices	139	84	143	167	9.38%	10.00%
Business premises	127	125	105	110	5.16%	6.58%
<b>Schiphol-South</b>						
Offices	167	158	126	156	n/a	6.75%
Business premises	97	92	76	84	6.94%	6.49%
<b>Rotterdam The Hague Airport</b>						
Offices	144	196	160	178	6.47%	7.05%
Business premises	91	90	75	94	6.16%	7.04%

### Significant assumptions for buildings

The significant assumptions used in the valuation model comprise:

#### Buildings

	2018	2017
Inflation rate	1.85% - 2.01%	1.30% - 2.00%
Average market rent development	0.00% - 1.80%	0.00% - 1.85%
Net initial yield	4.30% - 9.38%	4.30% - 10.10%

### 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 shorter (longer), the occupancy rate is higher (lower), the rent holidays are shorter (longer) 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 installment minus an annual redemption. The annual redemption is equal to the total installment divided by the lease period plus the discounted value of the estimated installment 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

	2018	2017
Inflation rate	1.60% - 2.00%	1.30% - 2.00%
Discount rate	4.75% - 7.75%	6.35% - 7.85%

## 12. Income taxes

This note contains further details on all items in the financial statements with regard to income tax, being 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)

	2018		2017	
Profit before tax	375,373		345,817	
<b>Income tax calculated at the domestic tax rate</b>	<b>93,843</b>	<b>25.0%</b>	86,454	25.0%
Share of profit of associates	-24,353	-6.5%	-18,192	-5.3%
Share of profit of associates in limited partnerships that are not independently taxable	1,387	0.4%	430	0.1%
Decrease corporate income tax rate	17,332	4.7%	-4,827	-1.4%
Participation exemption on disposal of subsidiaries	-	0.0%	-1,653	-0.5%
Participation exemption on performance shares	-	0.0%	-3,085	-0.9%
Different rate for foreign subsidiaries / associates	605	0.2%	1,612	0.5%
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-189	-0.1%
Change in recognised temporary differences	98	0.0%	-	0.0%
Tax results previous years	1,172	0.3%	-356	-0.1%
Other	-85	0.0%	83	0.0%
<b>Income tax expense in income statement (effective)</b>	<b>89,999</b>	<b>24.0%</b>	<b>60,277</b>	<b>17.4%</b>

The effective tax rate in 2018 was 24.0%, up 6.6 percentage points from 2017 (17.4%). The increase in the effective tax rate in 2018 is caused by the one-off tax expense triggered by the step-by-step reduction of the nominal income tax rate from 25% in 2019 to 20.5% in 2021 as part of the *Belastingplan 2019*, for which the underlying legislation was approved by the House of Representatives and the Senate in December 2018. The reduction of the nominal income tax rate triggered a recalculation of deferred tax assets and liabilities which resulted in a one-off tax charge of 17 million euros. As was the case in prior years, the application of the participation exemption to the results of associates results in a decrease of the effective tax rate.

Besides this in 2017 the effective income tax rate was below nominal due to the exempted one-off effect of the sale of Schiphol Hotel Holding B.V., the exempted result on performance shares and a decline per 1 January 2018 of the income tax rate in the United States by approximately 10%, which has a positive impact on the deferred tax liability.

There are no unused tax losses as per balance sheet date.

### Income tax in the statement of income

(in thousands of euros)

	2018	2017
<b>Current income tax</b>		
Income tax current year	46,834	50,745
Adjustment for prior years	1,172	-356
<b>Total current income tax</b>	<b>48,006</b>	<b>50,389</b>
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	24,661	14,715
Decrease corporate income tax rate	17,332	-4,827
<b>Total deferred income tax</b>	<b>41,993</b>	<b>9,888</b>
<b>Total income tax</b>	<b>89,999</b>	<b>60,277</b>



### 2018 - Reconciliation of effective tax rate per tax jurisdiction

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	368,739		6,259		376		375,373	
<b>Income tax calculated at the nominal rate</b>	<b>92,185</b>	25.0%	<b>2,159</b>	34.5%	<b>105</b>	27.9%	<b>94,448</b>	25.2%
Results of associates	-22,966	-6.2%	-	0.0%	-	0.0%	-22,966	-6.1%
Decrease corporate income tax rate	17,332	4.7%	-	0.0%	-	0.0%	17,332	4.6%
Change in recognised temporary differences	466	0.1%	-	0.0%	-368	-97.9%	98	0.0%
Tax results from previous years	172	0.0%	-	0.0%	1,000	266.3%	1,172	0.3%
Other	41	0.0%	10	0.2%	-136	-36.2%	-85	0.0%
<b>Income tax expense in profit or loss (effective)</b>	<b>87,229</b>	<b>23.7%</b>	<b>2,169</b>	<b>34.6%</b>	<b>601</b>	<b>160.0%</b>	<b>89,999</b>	<b>24.0%</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		345,817	
<b>Income tax calculated at the nominal rate</b>	<b>84,251</b>	25.0%	<b>3,697</b>	45.9%	<b>182</b>	27.9%	<b>88,130</b>	25.5%
Results of associates	-17,762	-5.3%	-	0.0%	-	0.0%	-17,762	-5.1%
Participation exemption on disposal of subsidiaries	-1,653	-0.5%	-	0.0%	-	0.0%	-1,653	-0.5%
Participation exemption on performance shares	-3,085	-0.9%	-	0.0%	-	0.0%	-3,085	-0.9%
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-	0.0%	-182	-24.0%	-182	-0.1%
Change in recognised temporary differences	-	0.0%	-4,827	-59.9%	-	0.0%	-4,827	-1.4%
Tax results from previous years	-356	-0.1%	-	0.0%	-	0.0%	-356	-0.1%
Other	11	0.0%	-	0.0%	-	0.0%	11	0.0%
<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>60,277</b>	<b>17.4%</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. Up to 1 January 2019, 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 JFKIAT 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, they 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 (68.3 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)	2018	2017
<b>Deferred tax assets (fiscal unity)</b>		
Assets used for operating activities	141,526	172,595
Assets under construction or development	53,497	65,001
Derivative financial instruments and borrowings	14,444	19,803
Employee benefits	4,076	4,977
Investment property	-117,690	-117,877
	<b>95,853</b>	<b>144,499</b>
<b>Deferred tax assets (outside fiscal unity)</b>		
Investment property	136	314
<b>Deferred tax liabilities (outside fiscal unity)</b>		
Contract-related assets	-14,301	-13,089
Investment property	-	-99
Derivative financial instruments and borrowings	-676	-3,463
	<b>-14,977</b>	<b>-16,651</b>
<b>Total deferred tax</b>	<b>81,012</b>	<b>128,162</b>
Non-current (settlement is not expected)	68,285	83,274
Non-current (expected to be recovered or settled after more than 1 year)	11,181	48,351
Current (expected to be recovered or settled within 1 year)	1,546	-3,463
	<b>81,012</b>	<b>128,162</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 2017</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	-9,888
Deferred tax recognised in equity	-	-	-	-2,337	176	-	-2,161
Reclassification	21,661	-1,485	-24,818	46	35	-	-4,561
Other movements	-	-	-	-	-	2,477	2,477
<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>
<b>Movements in 2018</b>							
Deferred tax recognised in the income statement	-31,069	-11,504	108	1,281	-809	-	-41,993
Deferred tax recognised in equity	-	-	-	-6,640	-93	-	-6,733
Reclassification	-	-	-	2,787	-	-	2,787
Other movements	-	-	-	-	-	-1,212	-1,212
<b>Total movements in the year</b>	<b>-31,069</b>	<b>-11,504</b>	<b>108</b>	<b>-2,572</b>	<b>-901</b>	<b>-1,212</b>	<b>-47,151</b>
<b>Carrying amount as at 31 December 2018</b>	<b>141,526</b>	<b>53,497</b>	<b>-117,554</b>	<b>13,768</b>	<b>4,076</b>	<b>-14,301</b>	<b>81,012</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	-5,928	-	-5,928
Changes in fair value on hedge transactions	21,575	-6,640	14,934
Remeasurements of defined benefit liability	-1,845	-93	-1,938
Share in other comprehensive income of associates	-2,495	-	-2,495
<b>Total unrealised 2018</b>	<b>11,306</b>	<b>-6,733</b>	<b>4,573</b>
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>

## Current income tax positions

(in thousands of euros)	2018	2017
<b>Income tax receivable</b>		
Fiscal unity	11,678	16,839
Dutch subsidiaries outside the fiscal unity	435	-
Income tax in foreign jurisdictions	1,871	807
<b>Total income tax receivable</b>	<b>13,983</b>	<b>17,646</b>
<b>Income tax liability</b>		
Dutch subsidiaries outside the fiscal unity	-155	-780
<b>Total income tax liability</b>	<b>-155</b>	<b>-780</b>
<b>Total income tax</b>	<b>13,828</b>	<b>16,866</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 2018 with regard to the fiscal unity, an amount of 3.2 million euros relates to 2018 and 8.4 million euros to 2017. Final tax assessments have been imposed and settled for the tax years prior to 2017. 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)	2018	2017
Investments in associates	888,118	852,065
Investments in joint ventures	69,277	69,252
<b>Carrying amount as at 31 December</b>	<b>957,395</b>	<b>921,317</b>

#### Associates

(in thousands of euros)	2018	2017
<b>Carrying amount as at 1 January</b>	<b>852,065</b>	<b>826,237</b>
<b>Movements in 2017</b>		
Result for the year	96,031	72,355
Dividends	-46,996	-25,601
Capital contributions (repayments)	-3,156	-4,274
Share of OCI	-2,015	-6,586
Direct equity movement	-480	-
Reclassifications	-338	-
Other	-	-3,328
Exchange differences	-6,994	-6,738
<b>Total movements in the year</b>	<b>36,053</b>	<b>25,828</b>
<b>Carrying amount as at 31 December</b>	<b>888,118</b>	<b>852,065</b>

#### Joint ventures

(in thousands of euros)	2018	2017
<b>Carrying amount as at 1 January</b>	<b>69,252</b>	<b>69,108</b>
<b>Movements in 2018</b>		
Result for the year	1,381	412
Dividends	-2,821	-3,663
Capital contributions (repayments)	1,284	3,746
Exchange differences	34	-560
Other	67	-49
Reclassifications	80	258
<b>Total movements in the year</b>	<b>25</b>	<b>144</b>
<b>Carrying amount as at 31 December</b>	<b>69,277</b>	<b>69,252</b>

Of the interests held by Schiphol Group in associates and joint ventures, only those in Groupe ADP and BACH can be regarded as material.

		2018	2017
Groupe ADP	Paris France	8%	8%
Brisbane Airport Corporation Holdings Ltd. (BACH)	Brisbane Australia	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 Groupe ADP's 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.

On the following page 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.

The carrying amount of the associates at 31 December 2018 includes 244 million euros of goodwill relating to Groupe ADP and 27 million euros of goodwill relating to Brisbane Airports Corporation Holding Ltd.

In 2018 Groupe ADP contributed an income of 59.3 million euros (income of 44.0 million euros in 2017) to Schiphol Group's financial result, 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 2018 is 16.4 billion euros (31 December 2017: 15.7 billion euros). Schiphol Group's share in this is 1.3 billion euros (31 December 2017: 1.3 billion euros).

The share in the results of associates in 2018 includes a contribution of 28.8 million euros from Brisbane Airports Corporation Holding Ltd. (2017: a contribution of 24.7 million euros).

Schiphol Group is not directly liable for other material obligations of associates. A complete list of associates and joint ventures has been filed with the Amsterdam Chamber of Commerce.

## Associates

(in millions of euros)	Groupe ADP <sup>1</sup>		Brisbane Airport <sup>2</sup>	
	2018	2017	2018	2017
<b>Income statement</b>				
Revenues	4,478	3,617	492	453
Interest income and expenses	206	179	71	76
Depreciation, amortisation and impairments	804	615	74	73
Income tax	335	260	63	49
Result from continuing operations	695	614	146	120
Other comprehensive income	7	-25	-17	16
<b>Financial position</b>				
Fixed assets	12,890	11,139	3,617	3,591
Current assets	1,121	1,225	55	47
Cash and cash equivalents	2,056	1,912	72	63
Non-current liabilities	7,656	6,983	2,562	2,414
Current liabilities	2,610	1,859	201	287
Equity	5,801	5,434	460	452
<b>Equity attributable to owners of the Company</b>	<b>4,850</b>	<b>4,577</b>	<b>460</b>	<b>452</b>
Group's share % of equity	388	366	86	85
Goodwill	244	244	27	34
Other adjustments	75	64	8	2
<b>Carrying amount as at reporting date</b>	<b>707</b>	<b>674</b>	<b>122</b>	<b>121</b>

1 Based on the financial statements as of December 31, 2018

2 Based on the financial statements as of June 30, 2018

## 14. Loans to associates

(in thousands of euros)	2018	2017
<b>Carrying amount as at 1 January</b>	<b>53,436</b>	<b>74,200</b>
<b>Movements</b>		
Accrued interest	7,052	7,954
Exchange differences hedging transactions	-2,261	-2,395
Dividend received	-1,028	-2,285
Other exchange differences	-1,086	-1,589
Reclassification to current assets	-5,415	-22,449
Expected credit loss	-19	-
<b>Total movements in the year</b>	<b>-2,758</b>	<b>-20,764</b>
<b>Carrying amount as at 31 December</b>	<b>50,678</b>	<b>53,436</b>

The loans to associates relate exclusively to the Redeemable Preference Shares (RPS) in BACH held by Schiphol Group. The RPS carry entitlement to a cumulative dividend. The formal maturity date of this loan is 30 June 2022. Under the contractual terms the

RPS of AUD 91.3 million (56.1 million euros including accumulated dividend) are classified as a loan to an associate and the dividend on these shares is treated as financial income.

RPS are measured at amortised costs and, as there has been no significant change in credit risk, expected credit losses are determined on the basis of possible situations and developments that may lead to a counterparty defaulting within a period of 12 months. In establishing the expected credit losses, the rating of other debt issued by BACH (currently rated at BBB) is taken into account. The change in expected credit losses is reported under costs of depreciation, amortisation and impairment.

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 the part of the loan and 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 (including accumulated dividend) at 31 December 2018 is 60.0 million euros (AUD 97.6 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)	2018	2017
Derivatives	40,631	17,541
Lease incentives	12,933	14,496
Prepayments on fixed assets	6,702	6,415
Other loans to associates	6,889	4,489
Purchased long leases	2,782	2,872
Loans to third parties	490	607
Other	19,000	-
<b>Total other non-current receivables</b>	<b>89,427</b>	<b>46,420</b>
<b>Other loans to associates</b>		
(in thousands of euros)	2018	2017
<b>Carrying amount as at 1 January</b>	<b>4,489</b>	<b>7,880</b>
Redemptions	-600	-
Reclassification to current assets	-600	-3,391
Reclassification from current assets	3,600	-
<b>Total movements in the year</b>	<b>2,400</b>	<b>-3,391</b>
<b>Carrying amount as at 31 December</b>	<b>6,889</b>	<b>4,489</b>

The other 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 0.6 million euros (31 December 2017: 0.8 million euros), is presented under current assets.

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.

The other non-current receivables include an amount of 19.0 million euros which Schiphol Group paid to Chipshol in 2007, for which additional guarantees have been granted. This receivable was previously reported under trade and other receivables.

For information on derivatives, see note 29. [Management of financial risks and financial instruments.](#)

## 16. Assets and liabilities held for sale

In December 2017, Schiphol Group sold its interest in Schiphol Hotel Holding B.V. and related subsidiaries. For more details, see note [Changes in the scope of consolidation.](#)

## 17. Trade and other receivables

(in thousands of euros)	2018	2017
Cash deposits	264,945	190,000
Trade receivables	125,040	120,336
Value-added taxes	24,625	7,927
Accrued income	15,321	16,921
Prepaid expenses	13,754	16,114
Receivable from associates	5,415	22,449
Other loans to associates	601	4,019
Lease incentives	3,600	4,860
Derivatives	2,125	2,481
Inventories	595	2,250
Performance shares BACH	-	12,169
Other receivables	4,552	27,151
<b>Total trade and other receivables</b>	<b>460,573</b>	<b>426,678</b>

The balance in cash deposits as at 31 December 2018 related to deposits whose original maturity exceeds three months. The average interest rate on the deposits reported under trade and other receivables as at 31 December 2018 is -0.30% (31 December 2017: -0.34%).

The balance in receivable from associates as at 31 December 2018 of 5.4 million euros is related to accumulated dividends on the BACH redeemable preference shares (RPS). The 2017 RPS amount, as well as the receivable from BACH performance shares of 12.2 million euros, were both received in cash in June 2018.

The balance in trade receivables includes expected credit losses of 3 million euros (31 December 2017: 4 million euros). For a more detailed explanation, please refer to note 29. [Management of financial risks and financial instruments.](#)

## 18. Cash and cash equivalents

Cash and cash equivalents amounts to 386.6 million euros at 31 December 2018 (31 December 2017: 170.4 million euros), including deposits of 190 million euros with an original maturity of less than three months at balance sheet date (31 December 2017: 100 million euros). The average interest rate on the deposits reported under cash and cash equivalents as at 31 December 2018 is -0.36% (31 December 2017: -0.33%).

Cash deposits that have an original maturity longer than three months (265.0 million euros at 31 December 2018 compared to 190.0 million euros at 31 December 2017) are classified as part of note 17. [Trade and other receivables](#).

## 19. Issued share capital and share premium

The authorised share capital as at 31 December 2018 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 2018.

## 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 150.3 million euros over 2017. This amount was deducted from retained profits when paid in 2018. The dividend for 2016, which amounted to 148.4 million euros, was paid out and deducted from the retained profits in 2017.

Given the legal obligation to recognise a Revaluation reserve and Other Statutory reserves an amount of 145.3 million euros was subtracted from the Retained profits and added to the Revaluation reserve and Other Statutory reserves in 2018 as detailed under [Shareholders' equity](#). The proposed dividend over 2018 is 117.4 million euros, or 631 euros 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 2017</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	-	-	-	-12,278
<b>Currency and interest hedge JPY loan payable</b>					
Exchange differences on hedged borrowings	-	14,800	-	-	14,800
Deferred tax on fair value changes on hedged borrowings	-	-3,700	-	-	-3,700
Fair value movements on derivatives	-	-21,164	-	-	-21,164
Deferred tax on fair value movements on derivatives	-	5,291	-	-	5,291
<b>Hedging of cash flow interest-rate risk</b>					
Recycling of cash flow hedges to profit and loss	-	9,725	-	-	9,725
Deferred tax on recycling of cash flow hedges	-	-2,358	-	-	-2,358
<b>Currency hedge AUD loan receivable</b>					
Exchange differences on hedged loans to associates	-	-2,395	-	-	-2,395
Fair value movements on derivatives	-	2,481	-	-	2,481
Deferred tax on fair value movements	-	-1,570	-	-	-1,570
Other comprehensive income associates	-	-	-6,586	-	-6,586
Actuarial gains and revaluations	-	-	-	-704	-704
Tax effect on actuarial results	-	-	-	176	176
Other	-	-	-	33	33
<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>
<b>Movements in 2018</b>					
Exchange differences	-5,928	-	-	-	-5,928
<b>Currency and interest hedge JPY loan payable</b>					
Exchange differences on hedged borrowings	-	-11,103	-	-	-11,103
Deferred tax on fair value changes on hedged borrowings	-	2,776	-	-	2,776
Fair value movements on derivatives	-	23,089	-	-	23,089
Deferred tax on fair value movements on derivatives	-	-5,772	-	-	-5,772
<b>Hedging of cash flow interest-rate risk</b>					
Recycling of cash flow hedges to profit and loss	-	9,725	-	-	9,725
Deferred tax on recycling of cash flow hedges	-	-2,358	-	-	-2,358
<b>Currency hedge AUD loan receivable</b>					
Exchange differences on hedged loans to associates	-	-2,261	-	-	-2,261
Fair value movement derivative	-	2,125	-	-	2,125
Deferred tax on fair value movements	-	89	-	-	89
Other comprehensive income associates	-	-	-2,015	-	-2,015
Equity movement associates	-	-	-480	-	-480
Actuarial gains and revaluations	-	-	-	-1,845	-1,845
Tax effect on actuarial results	-	-	-	461	461
<b>Other</b>					
Impact decrease corporate income taxes	-	-1,374	-	-554	-1,928
<b>Total movements in the year</b>	<b>-5,928</b>	<b>14,934</b>	<b>-2,495</b>	<b>-1,938</b>	<b>4,573</b>
<b>Balance as at 31 December 2018</b>	<b>-5</b>	<b>-40,959</b>	<b>-25,858</b>	<b>-9,784</b>	<b>-76,606</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 effective. In cash flow hedging relationships, only the change in fair value of the spot element of forward exchange contracts is designated as the hedging instrument. The change in fair value of the forward element is accounted for as a

cost of hedging and is part of the hedging transactions reserve. The cost of hedging included as part of the hedging reserve is 1.6 million euros at 31 December 2018 (31 December 2017: 2.0 million euros).

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 2018	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	35,919	7,075	28,844	28,844	-
Lehman derivative - settlement 2008	5,694	291	5,403	1,163	4,240
Exchange difference on hedged JPY loan	30,961	-	30,961	-	30,961
CCIRS derivative hedge Yen loan	-32,302	-	-32,302	-	-32,302
AUD derivative	616	616	-	-	-
Other	71	71	-	-	-
<b>Total</b>	<b>40,959</b>	<b>8,053</b>	<b>32,906</b>	<b>30,007</b>	<b>2,899</b>

(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>

## 22. Non-controlling interests

Non-controlling interests at 31 December 2018 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 [Related party disclosures](#).

## 23. Borrowings

(in thousands of euros)	Carrying amount		Fair value		Year of maturity	Interest rate
	2018	2017	2018	2017		
EMTN programme	<b>1,839,429</b>	1,363,399	<b>2,005,400</b>	1,539,896	2019-2038	1.12%-4.97%
European Investment Bank	<b>482,500</b>	491,500	<b>542,377</b>	560,604	2024-2031	2.12%-4.14%
KfW IPEX-bank	<b>99,809</b>	99,772	<b>111,438</b>	113,240	2024	2.80%
Schuldschein	<b>60,979</b>	60,822	<b>64,454</b>	67,960	2019	5.50%-5.75%
Namensschuldverschreibung	<b>24,839</b>	24,799	<b>30,666</b>	31,686	2023	5.07%
Other borrowings	<b>59,334</b>	69,555	<b>59,334</b>	69,540		
<b>Total</b>	<b>2,566,890</b>	<b>2,109,847</b>	<b>2,813,669</b>	<b>2,382,926</b>		

(in thousands of euros)	Currency	Face value	Carrying amount		Fair value		Year of maturity	Interest rate
			2018	2017	2018	2017		
XS1900101046	EUR	500,000	<b>491,738</b>	-	<b>507,500</b>	-	2030	1.50%
XS0621167732	EUR	438,447	<b>430,075</b>	426,487	<b>481,722</b>	500,478	2021	4.43%
XS1301052202	EUR	400,000	<b>404,229</b>	404,720	<b>428,832</b>	434,440	2026	2.00%
XS0378569247	JPY	20,000,000	<b>158,731</b>	147,617	<b>219,024</b>	197,271	2038	3.16%
XS1437013870	EUR	150,000	<b>149,775</b>	149,745	<b>149,522</b>	146,838	2028	1.12%
XS0459442710	EUR	85,000	<b>84,986</b>	84,969	<b>88,129</b>	93,370	2019	4.97%
XS0459479399	EUR	50,000	<b>49,983</b>	49,963	<b>51,761</b>	54,895	2019	4.94%
XS0983151282	EUR	40,000	<b>39,954</b>	39,948	<b>45,258</b>	46,555	2025	3.08%
XS0997565436	EUR	30,000	<b>29,959</b>	29,953	<b>33,652</b>	34,501	2025	2.94%
XS0167622454	EUR	30,000	-	29,997	-	31,548	2018	5.16%
<b>EMTN programme</b>			<b>1,839,429</b>	<b>1,363,399</b>	<b>2,005,400</b>	<b>1,539,896</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 2018. 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 2018.

At year-end 2018, borrowings under the programme totalled 1,839 million euros (31 December 2017: 1,363 million euros). In 2018 Schiphol Group issued 500 million euros in green bonds to invest in the sustainability of its airports. The senior unsecured bonds are due 5 November 2030 and carry an annual coupon of 1.5%.

Schiphol Group has two facility agreements with the European Investment Bank for a total of 550 million euros, which have been drawn in full (and of which 67.5 million euros has since been repaid). Schiphol Group could be obliged to redeem the loan early if (in addition to the usual circumstances) other loans are repaid early or equity declines below 30% of total assets. Additional security will be demanded if the credit rating drops to BBB or lower (S&P) or to Baa2 or lower (Moody's). The loan agreement also contains a 'change of control' clause.

Schiphol Group entered into an agreement with KfW IPEX-Bank for a facility of 100 million euros, which was fully drawn in 2014 and has a maturity of ten years. Schiphol Group has issued two Schuldschein notes (fixed-interest loans with terms of seven and ten years) with a nominal value of 61 million euros (31 December 2017: 61 million euros). Both notes will be redeemed in the first half of 2019. 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 tranche of 175 million euros and an uncommitted tranche of 175 million euros. In addition, Schiphol Group has a Euro-Commercial Paper (ECP) programme with a limit of 750 million euros. As per 31 December 2018 no use has been made of these two facilities.

Borrowings under the EMTN programme, the ECP programme, the EIB facility and the KfW facility are not subordinate to other liabilities.

Schiphol Group has access to a 300 million euro syndicated and committed facility with a term 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 36 million euros, of which 12 million euros had been drawn as at 31 December 2018.

Of the total loans, an amount of 158.7 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 2018 of 200.7 million euros (31 December 2017: 35.2 million euros) is recognised under current liabilities.

In 2018 Schiphol Group met the agreed covenants included in the various contracts.

The average interest rate of outstanding borrowings in 2018 was 3.0% (2017: 4.1%).



The remaining terms of the borrowings as at 31 December 2018 are as follows:

(in thousands of euros)	Total	<= 1 year	> 1 year	> 1 year and <= 5 years	> 5 years
EMTN programme	1,839,429	130,917	1,708,512	433,395	1,275,116
European Investment Bank	482,500	9,000	473,500	36,000	437,500
KfW IPEX-bank	99,809	-38	99,847	-150	99,997
Schuldschein	60,979	60,979	-	-	-
Namensschuldverschreibung	24,839	-39	24,877	24,877	-
Other borrowings	59,334	-165	59,499	59,499	-
<b>Total borrowings</b>	<b>2,566,890</b>	<b>200,655</b>	<b>2,366,235</b>	<b>553,622</b>	<b>1,812,613</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 2017</b>	<b>2,010,773</b>	<b>4,927</b>	<b>2,015,700</b>
<b>Movements in 2017</b>			
New borrowings	118,845	-	118,845
Fair value movement	4,950	-	4,950
Transferred to current liabilities	-44,727	44,727	-
Repayments	-	-18,727	-18,727
Exchange differences	-14,800	-	-14,800
Other movements	-414	4,293	3,879
<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>
<b>Movements in 2018</b>			
New borrowings	491,620	-	491,620
Fair value movement	2,621	-	2,621
Transferred to current liabilities	-213,736	213,736	-
Repayments	-	-52,000	-52,000
Exchange differences	11,103	-	11,103
Other movements	-	3,699	3,699
<b>Total movements in the year</b>	<b>291,608</b>	<b>165,435</b>	<b>457,043</b>
<b>Carrying amount as at 31 December 2018</b>	<b>2,366,235</b>	<b>200,655</b>	<b>2,566,890</b>

For more details regarding the fair value movement, please 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 2018</b>				
Liability defined contribution	26,166	16,518	7,781	50,465
<b>Liability in the balance sheet</b>	<b>26,166</b>	<b>16,518</b>	<b>7,781</b>	<b>50,465</b>
<b>Carrying amount as at 31 December 2017</b>				
Liability defined contribution	24,311	16,177	1,649	42,137
<b>Liability in the balance sheet</b>	<b>24,311</b>	<b>16,177</b>	<b>1,649</b>	<b>42,137</b>

The balance in the provision for termination benefits at the end of 2018 includes among others the costs Schiphol Group expects to incur in respect of restructurings in a few of its departments. The restructurings were announced in 2018 and implementation is ongoing or will commence in 2019.

Post-employment benefits consist of pension plans and job-related early retirement benefits. Other long-term employee benefits consist of long-service awards, disability benefit supplements and sustainable employment budget. The movements in post-employment benefit liabilities during the year were as follows:

(in thousands of euros)	2018	2017
<b>Carrying amount as at 1 January</b>	<b>24,311</b>	<b>23,668</b>
Total net benefit expense for the year	1,264	1,339
Benefits paid during the year	-1,314	-1,222
Actuarial changes presented in other comprehensive income	1,845	704
Other movements	60	-178
<b>Total movements in the year</b>	<b>1,855</b>	<b>643</b>
<b>Carrying amount as at 31 December</b>	<b>26,166</b>	<b>24,311</b>

The table below gives an overview of actuarial assumptions and estimates applied. Given the minimal impact, a significant

variance in the balance sheet position as a result of other assumptions is unlikely.

#### Actuarial assumptions and estimates

	31 December 2018	31 December 2017
Discount rate	1.30% - 1.40%	1.30% - 1.50%
Return on plan assets	1.50%	1.50%
Inflation	2.00%	1.50%
General salary increase	1.50%	1.50%
Life expectancy	Forecast table 2017 with adjustment factors geared to the company's average salary level	Forecast table 2016 with adjustment factors geared to the company's average salary level
Individual pay rises, depending on age	3.00% (to age 36), 2.00% (to age 47), 1.00% (to age 56), 0.00% (to age 67)	3.00% (to age 36), 2.00% (to age 47), 1.00% (to age 56), 0.00% (to age 67)
Age difference	Men 3 years older than female partners	Men 3 years older than female partners
Incapacity risk	In and outflow of WIA, based on 2006 to 2011	In and outflow of WIA, based on 2006 to 2011
Termination probability, depending on age	4.20% (age 35) to 0.10% (age 64)	4.20% (age 35) to 0.10% (age 64)
Continued service probability (job-related early retirement scheme)	100%	100%

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 2019 is 30.0 million euros. ABP's funding ratio was 97.0% as at 31 December 2018 (104.4% as at 31 December 2017).

## 25. Provisions

(in thousands of euros)	Decommissioning provision	Environmental provision	Onerous contracts	Other	Total
<b>Carrying amount as at 1 January 2017</b>	-	-	7,399	10,280	17,679
<b>Movements in 2017</b>					
Addition to provision	1,426	13,550	835	3,702	19,513
Other	-	-	-	-280	-280
<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>
<b>Movements in 2018</b>					
Addition to provision	290	21,883	-	4,512	26,686
Use of provision	-	-1,800	-834	-4,991	-7,626
Other	-	-72	-	-	-72
<b>Total movements in the year</b>	<b>290</b>	<b>20,011</b>	<b>-834</b>	<b>-479</b>	<b>18,988</b>
<b>Carrying amount as at 31 December 2018</b>	<b>1,716</b>	<b>33,561</b>	<b>7,400</b>	<b>13,223</b>	<b>55,900</b>

The timing of the outflow of resources for the total amount of the provisions outstanding per balance sheet date is uncertain except for an amount of 2.5 million euros recorded as part of the other provisions which is expected to be settled within a two year time frame.

The decommissioning provision of 1.7 million euros relates to obligations in respect of demolition and or repair work after the use of the asset.

Perfluorooctane sulfonic acid (PFOS) contamination of the soil was detected during excavations in the context of development projects at Amsterdam Airport Schiphol. The environmental provision of 33.6 million euros concerns the expenditures to be incurred in connection with the temporary storage and decontamination and or depositing of the contaminated soil. The addition to the provision in 2018 mainly relates to the development of new aprons.

The 7.4 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.

Included in the provisions in the category 'other' is a claim of 10.0 million euros concerning a dispute with Chipshol on the consequences of the ban on the development of the Groenenberg site in place from 19 February 2003 to 28 June 2007. It is not clear when the Amsterdam Court of Appeal will deliver a final judgement. 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 15. [Other non-current receivables](#).

## 26. Other non-current liabilities

(in thousands of euros)	2018	2017
Prepaid long leases	86,266	83,895
Financial lease liabilities	3,457	46,229
Unrealised profit on contribution in kind Schiphol Logistics Park C.V.	1,500	2,820
Other movements	1,460	463
<b>Total other non-current liabilities</b>	<b>92,683</b>	<b>133,407</b>

Prepaid long leases are rent instalments which Schiphol Group has received in advance on land leases to third parties. This item is recognised through profit or loss over the term of the underlying contracts.

Financial 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. Based upon current interest rates early repayment in 2019 seems advantageous, as a consequence of which the premises will become the property of Schiphol Group. The financial lease obligation was recalculated, taking into account the penalty interest due, and transferred in full to the current liabilities. The penalty interest amounts to 8.8 million euros and is recognised at the expense of 2018.

(in thousands of euros)	The Base	Vehicles	Total
Liability < 1 year	50,300	1,781	52,081
Liability 1 year and < 5 years	-	3,457	3,457
<b>Carrying amount of financial lease liabilities</b>	<b>50,300</b>	<b>5,238</b>	<b>55,538</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 the reporting date, 3.1 million euros of this amount was realised when parts of the land were sold.

## 27. Trade and other payables

(in thousands of euros)	2018	2017
Trade payables	168,126	120,809
Accruals	100,278	99,258
Deferred income	56,398	52,871
Financial lease liabilities	52,081	3,093
Interest payable	31,997	32,191
Cash collateral JPMorgan	30,937	8,407
Payable in respect of wage tax and social security contributions	10,393	11,639
Prepaid long leases	1,843	1,843
Payable in respect of pensions	104	2,482
Other payables	3,373	4,481
<b>Total trade and other payables</b>	<b>455,530</b>	<b>337,074</b>

The deferred income includes, among other things, income from rent and leases for which Schiphol Group has already received consideration but the services still have to be provided (contract liability). For more information on the financial lease liabilities see note 26. [Other non-current liabilities](#).

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 PFOS contaminated extinguishing foam, released during an incident at a KLM hangar in Schiphol-Southeast and stored it in reservoirs made available by Schiphol. The Water Board had been granted a permit for this by the province of North-Holland. Although the contaminated 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 to prevent it from causing any further contamination. Monitoring confirmed that the screen was 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 measures are related to the construction of a bentonite 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 soil into an adjacent ditch.

KLM, Schiphol and Rijnland each financed a third of the costs of the control measures taken without any party acknowledging its responsibility for the damage incurred. 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 the 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. Evides, KLM and Schiphol took measures in 2014/15 to protect the quality of the surface water in the ditch next to the waste water purification plant. Based on an 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 2017 does not influence the current situation either. KLM, Schiphol and Rijnland have agreed to postpone discussions on a financial settlement until remediation techniques for the cleaning of contaminated soil become available. As a result it is currently not possible to determine an reliable estimate of the expected costs.

### 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 Stichting Leefomgeving Schiphol, a foundation 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 10 dB. A reduction of 7 dB has been realised thus far by installing sound-absorption ribs. Schiphol is in consultation with the municipality of Haarlemmermeer and the residents delegation Vrijschot Noord about measures to be considered for realising the remaining reduction of 3 dB.

### 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 a future obligation to contribute 19.2 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

PFOS contamination of the soil was detected during excavations in the context of development projects at Amsterdam Airport Schiphol. 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.

### Settlement of airport charges

The activities of the Aviation business area (at Amsterdam Airport Schiphol) are regulated. Under the Aviation Act, Schiphol Group must settle surpluses and deficits from specified income and expenses with the airlines. In accordance with the accounting policies, surpluses and deficits eligible for settlement in the airport charge rates are not presented as assets and liabilities in the balance sheet. For further information, reference is made to note 1. [Revenue](#).



## Commitments arising from long-term contracts

(in thousands of euros)	Total 2018	< 1 year	> 1 year and < 5 years	> 5 years
Commitments relating to:				
Security, maintenance and cleaning	671,988	310,644	348,917	12,427
Development of Schiphol (incl. Capital Programme)	493,609	137,743	344,755	11,111
Development of Lelystad Airport	15,704	9,371	-	6,333
Electricity and gas	25,811	8,959	16,852	-
Rents and leases (operating lease)	1,356	425	931	-
Other capital projects	11,617	9,367	2,250	-
<b>Total</b>	<b>1,220,085</b>	<b>476,509</b>	<b>713,705</b>	<b>29,871</b>

(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 of Schiphol (incl. Capital Programme)	262,561	82,307	159,296	20,958
Development of 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>

### Multi-purpose building at Eindhoven Airport

On 27 May 2017, a portion of a parking garage under construction at Eindhoven Airport collapsed, resulting in infrastructural and financial damage and delays in other construction projects. In December 2017 BAM and Eindhoven Airport reached an agreement about the demolition and new construction of the garage. BAM is in charge of this project. In January 2018 BAM started the demolition phase; new construction started in April 2018, with delivery scheduled to take place in October 2019. In December 2018 BAM and Eindhoven Airport reached an agreement on the financial settlement of the incident which settlement was recognized in the financial statements of 2018.

In October 2018 the Dutch Safety Board published the conclusions from its investigation into the technical cause of the collapse, which was found to be a construction error. Eindhoven Airport takes due note of the content of the report in order to contribute to the prevention of such incidents in the future.

### Long-term partnership between Dutch construction firms and Schiphol Group

In 2017 Schiphol launched a European tendering procedure to select a group of partners for the maintenance of and investing in existing infrastructure at the airport. The total estimated value of the assignment is 2.5 to 3.5 billion euros over a period of no more than nine years. The firms Schiphol Group selected in August 2018 for the finalisation phase of the tendering process were BAM, Heijmans and VolkerWessels. As per 31 December 2018 no

commitments were included yet as the contracts were signed in January 2019.

### 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 are yet 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 have arisen 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)	2018	2017
<b>Interest and other financial income</b>		
Loans to associates	7,052	7,954
Interest on tax due	648	788
Cash and cash equivalents	659	-
Exchange differences on other assets and liabilities	1,780	1,900
Other	164	44
	<b>10,303</b>	<b>10,686</b>
<b>Interest and other financial expenses</b>		
Borrowings	-75,633	-75,075
Derivatives	-11,396	-11,685
Fair value movement loans	-2,621	-4,950
Lease liabilities	-12,438	-3,635
Exchange differences on loans to associates	-1,086	-1,589
Capitalised construction interest	3,693	854
Exchange differences on cash and cash equivalents	-985	-214
Other	-	-3
	<b>-100,467</b>	<b>-96,297</b>
<b>Total financial income and expenses</b>	<b>-90,164</b>	<b>-85,611</b>

The increase in total financial expenses is mainly attributable to a loss of 9 million euros from the recalculation of the financial lease obligation with respect to office building The Base. The recalculation was triggered by the decision in 2018 to opt for contractual early repayment in 2019. At early repayment a penalty interest is due, which is recognised at the expense of 2018. This loss was partly offset by an increase in capitalised construction interest.

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.

### 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.

### 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, which is the euro. 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 2018, 6.0% of group financing had been drawn in foreign currency (one loan with a carrying amount of 158.7 million euros (JPY 20 billion nominal value)) compared with 6.8% of total borrowings (one loan with a carrying amount of 147.6 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. Movements 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 8.3 million euros positive in 2018 (after deferred tax).

Schiphol Group has a number of strategic investments in activities outside the euro zone; of these, the net investments recognised in the balance sheet under 'associates' and 'contract-related

Type	Counterparty	Interest rate	Currency	Notional amount (x1000)	Maturity date	Fair value in thousands of euros	
						31 December 2018	31 December 2017
Currency swap	JPMorgan	5.64%	JPY	20,000,000	2038	40,631	17,541
Forward	BNP Paribas	n/a	AUD	101,000	2019	2,125	2,481
						<b>42,756</b>	<b>20,022</b>
<b>Recognised in the balance sheet under:</b>							
Non-current assets						40,631	17,541
Current assets/ liabilities						2,125	2,481
						<b>42,756</b>	<b>20,022</b>

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 162 million euros as at 31 December 2018 (160 million euros as at 31 December 2017), is not hedged. As translation differences on these positions are recognised as part of the translation reserves, they do not directly impact the results. In 2018 the negative effect on equity amounts to 5.9 million euros, leading to a decline of the translation reserve from 5.9 million euros as per 31 December 2017 to zero as per 31 December 2018.

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 any accrued dividends, with a carrying amount of 56.1 million euros as per 31 December 2018 (75.9 million euros as per 31 December 2017), is hedged by means of forward exchange transactions. Consequently, movements 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 ratings. 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 2018, the maximum net position of both parties amounted to 10 million euros (10 million euros as at 31 December 2017) while the market value of the swap was approximately 40.6 million euros positive (17.5 million euros as at 31 December 2017) at Schiphol Group. As at 31 December 2018, Schiphol Group had a liability of 30.9 million euros to JPMorgan (8.4 million euros as at 31 December 2017). If the EUR/JPY exchange rate decreases by 10%, Schiphol Group will receive 28.6 million euros from JPMorgan. If the exchange rate rises by 10%, Schiphol Group is required to deposit 23.3 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.

#### 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, which is the basis for the Net Initial Yield. 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 136 million euros. A 10% decrease in the NIY would increase the value by approximately 165 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.

#### 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 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 36 million euros (1.3%) in the fair value of borrowings. An average increase of 0.5% in market interest rates would lead to a fall of 34 million euros (1.2%) 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 2018, 100% of borrowings were fixed-interest, excluding subsidiaries and associates (31 December 2017: 100%).

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 paid on deposits had been 0.5% higher during 2018 (and had therefore been -0.8%), the interest expense relating to deposits

would have been 0.9 million euros higher (2017: 0.8 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 2018, the figure for variable-interest borrowings was 0% (31 December 2017: 0%).

### Credit risk

Credit risk is the risk that one party to a financial instrument fails to fulfil its obligations, causing the other party to suffer a financial loss. Schiphol Group's counterparties in derivative financial instruments and liquidity transactions are restricted to financial institutions with high creditworthiness (a minimum S&P credit rating of A) and the net position for each counterparty may not exceed 150.0 million euros. The maximum net position as at 31 December 2018 was 150.0 million euros (150.0 million euros as at 31 December 2017).

At 31 December 2018, trade receivables amounted to 125.0 million euros (31 December 2017: 120.3 million euros), after a provision for expected credit losses of 3 million euros (31 December 2017: 4 million euros) and including 4 million euros in security deposits received (31 December 2017: 2 million euros). Expected credit losses are measured based upon all possible situations and developments that may lead to default of the debtor during the expected total lifetime of the receivable. This is primarily derived from a provisions matrix based on historical data on credit losses per business area

Additionally, the measurement of credit losses is based on information accessible without undue costs and effort about current developments and expectations with regard to the market and significant trading relationships. The provision covers 100% of the receivables owed by debtors that are in bankruptcy or have applied for a suspension of payments, as well as receivables older than one year.

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 2018, Schiphol Group holds 67.3 million euros in bank guarantees and security deposits (31 December 2017: 48.4 million euros). Koninklijke Luchtvaartmaatschappij N.V. (KLM) has an individual balance in excess of 10.0 million euros.

The following table provides more details on the provision for bad debt and ageing analysis:

(in thousands of euros)	Weighted average loss rate	Gross carrying amount	Loss allowance	Carrying amount
Current (not past due)	0.0%	112,747	22	112,725
1-30 days past due	0.7%	8,119	58	8,061
31-60 days past due	4.2%	1,425	59	1,366
61-90 days past due	5.1%	1,300	66	1,234
91-180 days past due	28.5%	844	240	604
181-365 days past due	26.5%	1,429	379	1,050
>365 days past due	100.0%	969	969	-
Bankruptcies	100.0%	1,184	1,184	-
	<b>2.3%</b>	<b>128,017</b>	<b>2,977</b>	<b>125,040</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 available 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 2018, this figure was 14.0% (31 December 2017: 8.4%).

The remaining terms of the net liabilities relating to financial instruments and the composition of the expected cash flows are as follows:

(in thousands of euros)	Total 2018	Contractual cash flows	<= 1 year	> 1 year	> 1 year but <= 5 years	> 5 years
Borrowings	2,566,890	2,541,542	144,000	2,397,542	595,042	1,802,500
Trade payables	168,126	168,126	168,126	-	-	-
Interest payable	31,997	31,997	31,997	-	-	-
<b>Total</b>	<b>2,767,013</b>	<b>2,741,665</b>	<b>344,123</b>	<b>2,397,542</b>	<b>595,042</b>	<b>1,802,500</b>

(in thousands of euros)	Total 2017	Contractual cash flows	<= 1 year	> 1 year	> 1 year but <= 5 years	> 5 years
Borrowings	2,109,847	2,090,920	39,000	2,051,920	740,420	1,311,500
Trade payables	120,809	120,809	120,809	-	-	-
Interest payable	32,191	32,191	32,191	-	-	-
<b>Total</b>	<b>2,262,847</b>	<b>2,243,920</b>	<b>192,000</b>	<b>2,051,920</b>	<b>740,420</b>	<b>1,311,500</b>

Financial instruments can be classified as follows, according to the measurement policy applied:

(in thousands of euros)	Level <sup>1</sup>	Total 2018	Amortised cost	Fair value through equity	Fair value through profit and loss	Fair value disclosure
Borrowings	1	1,680,699	1,680,699	-	-	1,786,374
Borrowings	2	836,026	836,026	-	-	977,130
Borrowings	3	50,165	-	-	50,165	-
Trade payables	n/a	168,126	168,126	-	-	168,126
Interest payable	n/a	31,997	31,997	-	-	31,997
<b>Liabilities</b>		<b>2,767,013</b>	<b>2,716,848</b>	<b>-</b>	<b>50,165</b>	<b>2,963,627</b>
Loans to associates	2	-56,093	-56,093	-	-	-59,993
Other loans	2	-490	-490	-	-	-490
Derivative financial instruments	2	-42,756	-	-42,756	-	-
Other loans to associates	2	-11,090	-11,090	-	-	-11,090
Trade receivables	n/a	-125,040	-125,040	-	-	-125,040
Cash and cash equivalents and deposits	n/a	-651,501	-651,501	-	-	-651,501
<b>Assets</b>		<b>-886,970</b>	<b>-844,214</b>	<b>-42,756</b>	<b>-</b>	<b>-848,114</b>
<b>Total</b>		<b>1,880,043</b>	<b>1,872,634</b>	<b>-42,756</b>	<b>50,165</b>	<b>2,115,513</b>

<sup>1</sup> 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 2017	Amortised cost	Fair value through equity	Fair value through profit and loss	Fair value disclosure
Borrowings	1	980,952	980,952	-	-	1,081,756
Borrowings	2	1,083,922	1,083,922	-	-	1,256,196
Borrowings	3	44,973	-	-	44,973	-
Trade payables	n/a	120,809	120,809	-	-	120,809
Interest payable	n/a	32,191	32,191	-	-	32,191
<b>Liabilities</b>		<b>2,262,847</b>	<b>2,217,874</b>	<b>-</b>	<b>44,973</b>	<b>2,490,952</b>
Loans to associates	2	-75,885	-75,885	-	-	-79,750
Other loans	2	-607	-607	-	-	-607
Derivative financial instruments	2	-20,022	-	-20,022	-	-
Other loans to associates	2	-8,767	-8,767	-	-	-8,767
Performance shares BACH	2	-12,169	-	-	-12,169	-
Trade receivables	n/a	-120,336	-120,336	-	-	-
Cash and cash equivalents and deposits	n/a	-360,370	-360,370	-	-	-
<b>Assets</b>		<b>-598,156</b>	<b>-565,965</b>	<b>-20,022</b>	<b>-12,169</b>	<b>-89,124</b>
<b>Total</b>		<b>1,664,691</b>	<b>1,651,909</b>	<b>-20,022</b>	<b>32,804</b>	<b>2,401,829</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 fair values are recalculated at the end of each reporting period. Depending on the input used, the established fair value falls into one of the following levels:

- 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.

At 31 December 2018, out of the 9 EMTN contracts outstanding per balance sheet date, 5 contracts were transferred from Level 2 to Level 1 since the fair value can be determined based upon quoted prices in active markets. There were no transfers from Level 1 to Level 2 in 2018. 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 only item with a fair value in Level 3 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 investment property by 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 shows 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.

### 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)/Total Debt: the FFO divided by the total debt.
- Leverage: interest-bearing debt divided by equity plus the interest-bearing debt.
- Funds From Operations (FFO) Interest Cover: the FFO plus interest charges divided by the interest charges.



## Funds From Operations

(in thousands of euros)	2018	2017
Operating result	368,125	358,661
Depreciation and amortisation	268,960	263,715
Impairment loss	1,000	-
Impairment reversal	-3,300	-
Result on disposal of investment property	-1,380	-
Result from the sale of subsidiaries	-	-26,039
Other income from investment property	-105,584	-42,477
Other non-cash changes in other receivables and liabilities	4,097	3,950
Change in employee benefits and other provisions	6,943	6,740
Income tax paid	-46,439	-54,699
Interest paid	-75,716	-74,457
Interest received	1,471	832
RPS receipts	23,477	-
Dividend received	49,817	30,286
<b>Funds From Operations</b>	<b>491,470</b>	<b>466,512</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 the year ended 31 December 2018](#). FFO is the cash flow from operating activities adjusted for operating capital. In 2018 FFO increased from 467 million euros to 491 million euros.

(in thousands of euros)	2018	2017
Borrowings	2,366,235	2,074,627
Lease liabilities	3,457	46,229
<b>Non-current liabilities</b>	<b>2,369,692</b>	<b>2,120,856</b>
Borrowings	200,655	35,220
Lease liabilities	52,081	3,093
<b>Current liabilities</b>	<b>252,736</b>	<b>38,313</b>
<b>Total debt</b>	<b>2,622,428</b>	<b>2,159,169</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 2018, equity was 4,117 million euros (31 December 2017: 3,978 million euros).

The FFO/total debt ratio and leverage at 31 December were as follows:

	2018	2017
FFO / Total debt	18.7%	21.6%
Leverage	38.9%	35.2%
FFO interest coverage ratio	6.6x	6.9x

The FFO interest coverage ratio is calculated by dividing the FFO plus the interest charges relating to borrowings and lease liabilities, amounting to 88.1 million euros in 2018 (78.7 million euros in 2017), by those interest charges. The FFO interest coverage ratio for 2018 was 6.6x (compared with 6.9x for 2017). The ratios as at 31 December 2018 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	Revenue
ABP	Pension contributions	Employee benefits
Groupe ADP	Associate / dividends	Investments in associates and joint ventures Issued share capital and share premium
Brisbane Airport Corporation Holdings Ltd.	Associate / dividends and interest on receivable	Investments in associates and joint ventures
State of the Netherlands	Shareholder/ dividends	Issued share capital and share premium
Municipality of Rotterdam	Shareholder/ dividends	Issued share capital and share premium
Municipality of Amsterdam	Shareholder/ dividends	Issued share capital and share premium
JFKIAT Member LLC.	Management contract	Intangible assets

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 charged to 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	Audit	Committees			Total 2018
			People	Safety, Sustainability & Stakeholders	Capital Programme, Operations & Investments	
L.J. Gunning-Schepers	38,195	-	5,232	5,232	-	<b>48,659</b>
J.G. Wijn	25,114	6,279	5,232	-	-	<b>36,625</b>
H.J. Hazewinkel <sup>1</sup>	7,274	-	3,031	-	-	<b>10,304</b>
E. Arkwright	-	-	-	-	-	<b>-</b>
C. Clarke <sup>1</sup>	7,274	-	1,515	-	-	<b>8,789</b>
R.J. van de Kraats	25,114	6,279	-	-	-	<b>31,393</b>
A.B.M. Olsson	25,114	-	5,232	5,232	2,777	<b>38,355</b>
M.A. Scheltema <sup>1</sup>	7,274	1,818	1,515	1,515	-	<b>12,123</b>
S.G. Brummelhuis <sup>2</sup>	17,841	-	-	3,694	3,694	<b>25,228</b>
D. Collier <sup>2</sup>	17,841	4,433	-	-	3,694	<b>25,967</b>
<b>Total</b>	<b>171,040</b>	<b>18,808</b>	<b>21,758</b>	<b>15,673</b>	<b>10,164</b>	<b>237,444</b>

<sup>1</sup> until 17 April 2018

<sup>2</sup> from 17 April 2018

(x EUR 1)	Remuneration	Audit	Committees			Total 2017
			Remuneration	Selection and Appointments	Public Affairs and CR	
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	-	-	-	-	-	<b>-</b>
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>

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.

For more information on the Supervisory Board refer to [Supervisory Board](#).

## Remuneration for Management Board members

(x EUR 1)	Salary	Variable remuneration	Pension costs	Pension costs (supplementary)	Other payments <sup>1</sup>	Total 2018
D.A. Benschop <sup>2</sup>	287,821	46,051	18,225	41,687	10,865	404,648
J.A. Nijhuis <sup>3</sup>	210,601	33,696	14,613	31,265	8,806	298,981
A. van den Berg	364,734	58,357	26,686	41,584	43,958	535,319
J.T.M. van der Meijs	364,734	58,357	26,686	37,917	20,199	507,892
B.I. Otto	364,734	58,357	26,686	41,584	19,471	510,832
<b>Total</b>	<b>1,592,624</b>	<b>254,818</b>	<b>112,895</b>	<b>194,037</b>	<b>103,297</b>	<b>2,257,671</b>

1 The stated amounts mainly concern (share of) allowances to the management board members that can be considered as remuneration. In a situation where such a share of an allowance can be considered as (indirect) remuneration then the share is both valued and accounted for here. The method employed by the fiscal authorities is the starting point for the value stated.

2 from 1 May 2018

3 until 1 July 2018

(x EUR 1)	Salary	Variable remuneration	Pension costs	Pension costs (supplementary)	Other payments <sup>1</sup>	Total 2017
J.A. Nijhuis	420,159	63,024	25,802	60,170	13,410	582,565
A. van den Berg	357,135	53,570	23,874	40,060	34,501	509,140
E.A. de Groot <sup>2</sup>	148,289	-	9,908	15,687	7,124	181,008
J.T.M. van der Meijs <sup>3</sup>	268,516	40,277	18,046	27,756	17,604	372,199
B.I. Otto	357,135	53,570	23,842	40,060	17,074	491,681
<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 The stated amounts mainly concern (share of) allowances to the management board members that can be considered as remuneration. In a situation where such a share of an allowance can be considered as (indirect) remuneration then the share is both valued and accounted for here. The method employed by the fiscal authorities is the starting point for the value stated.

2 until 1 June 2017

3 from 1 April 2017

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 Supervisory Board's assessment of the extent to which the targets were achieved, the short-term incentives as presented in the table above have been charged to the result for 2018. The total variable remuneration for the Management Board over the year 2018 is determined to be 16% of their respective fixed salaries.

The other payments concern allowances for representation expenses and the employer's share of social security contributions.

On 1 July 2018 Mr Nijhuis' employment agreement ended. No termination fee has been agreed with Mr Nijhuis. The Supervisory Board asked Mr Nijhuis to retain his international board positions on behalf of Schiphol Group until 1 April 2019. In return for these services, in 2018 Mr Nijhuis received a remuneration of 105.000 euros.

For further details, please refer to note [Management Board remuneration](#).

## 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.	Eindhoven	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>	Rotterdam	100.00
Rotterdam Airport Holding B.V. <sup>1</sup>	Rotterdam	100.00
Rotterdam Airport Vastgoed B.V. <sup>1</sup>	Rotterdam	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
Avioport 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 abridged 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)	2018	2017
<b>Assets</b>		
Non-current assets	53,613	53,355
Current assets	8,106	5,463
	<b>61,719</b>	<b>58,818</b>
<b>Equity and liabilities</b>		
Total equity	48,673	41,972
Non-current liabilities	6,060	12,240
Current liabilities	6,986	4,606
	<b>61,719</b>	<b>58,818</b>

The abridged income statement for this company:

(in thousands of euros)	2018	2017
<b>Revenue</b>	<b>34,293</b>	30,271
Other income and results from investment property	48	115
	<b>34,341</b>	<b>30,386</b>
<b>Total operating expenses</b>	<b>24,940</b>	22,438
<b>Operating profit</b>	<b>9,401</b>	<b>7,948</b>
Financial income and expenses	-170	-178
<b>Profit before tax</b>	<b>9,231</b>	<b>7,770</b>
Corporate income tax	2,308	1,933
<b>Profit for the year</b>	<b>6,923</b>	<b>5,837</b>

## Events after the balance sheet date

There are no events after the balance sheet date.



## Company income statement for the year ended 31 December 2018

(in thousands of euros)	note	2018	2017
<b>Revenue</b>		-	-
Cost of outsourced work and other external costs		35	54
Employee benefits expense		1,830	2,515
Other operating expenses		331	232
<b>Total operating expenses</b>		<b>2,196</b>	<b>2,801</b>
<b>Operating profit</b>		<b>-2,196</b>	<b>-2,801</b>
Financial income		-	-
Financial expenses		-49,877	-49,100
<b>Financial income and expenses</b>		<b>-49,877</b>	<b>-49,100</b>
Share in results of associates and joint ventures	30	59,296	43,885
Share in results of subsidiaries	30	258,167	274,743
<b>Profit before tax</b>		<b>265,390</b>	<b>266,727</b>
Income tax expense		13,061	12,974
<b>Result attributable to shareholders (net result)</b>		<b>278,451</b>	<b>279,703</b>

## Company balance sheet as at 31 December 2018

(in thousands of euros)	Note	31 December 2018	31 December 2017
<b>Assets</b>			
Investments in subsidiaries	30	4,016,686	3,764,134
Investments in associates	30	706,526	673,803
Derivatives		40,631	17,541
Deferred tax assets		7,984	6,960
<b>Non-current assets</b>		<b>4,771,827</b>	<b>4,462,438</b>
Receivables	31	1,423,686	1,172,371
Income tax receivable	31	25,994	12,975
Cash and cash equivalents	31	29,473	25,181
<b>Current assets</b>		<b>1,479,153</b>	<b>1,210,527</b>
<b>Total assets</b>		<b>6,250,980</b>	<b>5,672,965</b>
<b>Equity and liabilities</b>			
Issued share capital		84,511	84,511
Share premium		362,811	362,811
Retained profits		2,395,104	2,411,167
Other reserves		-76,606	-81,179
Revaluation reserve		686,347	564,617
Other statutory reserves		338,066	314,582
Net result of the year		278,451	279,703
<b>Shareholders' equity</b>	32	<b>4,068,684</b>	<b>3,936,212</b>
Deferred tax liabilities		8,286	4,385
Loans and borrowings - EMTN programme	23	1,708,512	1,336,782
<b>Non-current liabilities</b>		<b>1,716,798</b>	<b>1,341,167</b>
Current liabilities	34	465,498	395,586
<b>Current liabilities</b>		<b>465,498</b>	<b>395,586</b>
<b>Total liabilities</b>		<b>2,182,296</b>	<b>1,736,753</b>
<b>Total equity and liabilities</b>		<b>6,250,980</b>	<b>5,672,965</b>

# Notes to the company financial statements

## Accounting policies

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

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.

### Correction of an accounting error

In the preparation of the company financial statements for 2018, an error was found in the composition of the shareholders' equity. The balance of the Statutory reserve for participating interests (part of the Other statutory reserves) is understated, and the balance of Retained profits is overstated. The total of the Shareholders' equity is presented correctly. This error was adjusted by means of a correction per 1 January 2017 of 245 million euros from the Retained profits to the Other statutory reserves. Except for the composition of the Shareholders' equity, this inaccuracy does not have any impact on the company and consolidated financial statements, the earnings per share and the dividend per share established and distributed in the past.

Furthermore it was concluded that, given the legal obligation to recognise a Revaluation reserve and Other Statutory reserves, any additions to and withdrawals from these reserves should be recorded in the financial year itself, instead of in the following year as a part of the profit appropriation. Therefore an amount of 58 million euros was subtracted from the Retained profits and added to the Revaluation reserve and Other Statutory reserves in the opening balance of 1 January 2017.

### 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 other statutory reserves comprise the reserve for intangible assets and the reserve for investments in associates.

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 legal reserve for participating interests (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 comprises an exchange differences reserve, an other financial interests reserve and a hedging transactions reserve. These reserves (recognised collectively in the company financial statements under 'Other reserves') 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 VAT purposes.

As such, each of the entities within the fiscal unity is jointly and severally liable for the tax debt of the fiscal unity.

### 30. Non-current assets

Movement of subsidiaries and associates were as follows:

(in thousands of euros)	Subsidiaries	Associate	Total
<b>Carrying amount as at 1 January 2017</b>	<b>3,501,614</b>	<b>652,098</b>	<b>4,153,712</b>
<b>Movements in 2017</b>			
Result for the year	274,670	43,958	318,628
Dividend	-	-20,900	-20,900
Translation differences	-12,278	-	-12,278
Other movements	128	-1,353	-1,225
<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>
<b>Movements in 2018</b>			
Result for the year	258,167	59,296	317,463
Dividend	-	-27,392	-27,392
Translation differences	-5,928	-	-5,928
Other movements	313	819	1,132
<b>Total movements in the year</b>	<b>252,552</b>	<b>32,723</b>	<b>285,275</b>
<b>Carrying amount as at 31 December 2018</b>	<b>4,016,686</b>	<b>706,526</b>	<b>4,723,212</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)	2018	2017
Income tax receivable	25,994	12,975
Group companies balances	1,423,685	1,172,199
Other receivables	-	172
	<b>1,449,679</b>	<b>1,185,346</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 2017 (as previously reported)</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>
Correction statutory reserves	-	-	-245,170	-	-	245,170	-	-
Addition statutory reserves	-	-	-58,205	-	58,132	74	-	-
<b>Carrying amount as at 1 January 2017 (as adjusted)</b>	<b>84,511</b>	<b>362,811</b>	<b>2,321,473</b>	<b>-62,930</b>	<b>539,334</b>	<b>271,776</b>	<b>306,256</b>	<b>3,823,230</b>
<b>Movements in 2017</b>								
Appropriation of result for previous year	-	-	157,817	-	-	-	-157,817	-
Distribution of dividend	-	-	-	-	-	-	-148,439	-148,439
Exchange differences	-	-	-	-12,278	-	-	-	-12,278
Movements in hedge reserve	-	-	-	1,110	-	-	-	1,110
Net result	-	-	-	-	-	-	279,703	279,703
Addition statutory reserves	-	-	-42,578	-	36,149	6,429	-	-
Other	-	-	10,833	33	-10,866	-	-	-
Other comprehensive income from associates	-	-	-	-6,586	-	-	-	-6,586
Actuarial gains and revaluations after taxation	-	-	-	-528	-	-	-	-528
<b>Total movements in the year</b>	<b>-</b>	<b>-</b>	<b>126,071</b>	<b>-18,249</b>	<b>25,283</b>	<b>6,429</b>	<b>-26,553</b>	<b>112,982</b>
Correction statutory reserves	-	-	-36,377	-	-	36,377	-	-
<b>Total movements in the year after correction</b>	<b>-</b>	<b>-</b>	<b>-36,377</b>	<b>-</b>	<b>-</b>	<b>36,377</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2017</b>	<b>84,511</b>	<b>362,811</b>	<b>2,411,167</b>	<b>-81,179</b>	<b>564,617</b>	<b>314,582</b>	<b>279,703</b>	<b>3,936,212</b>
IFRS 9 adjustment	-	-	-296	-	-	-	-	-296
<b>Balance at 1 January 2018</b>	<b>84,511</b>	<b>362,811</b>	<b>2,410,871</b>	<b>-81,179</b>	<b>564,617</b>	<b>314,582</b>	<b>279,703</b>	<b>3,935,916</b>
<b>Movements in 2018</b>								
Appropriation of result for previous year	-	-	129,447	-	-	-	-129,447	-
Distribution of dividend	-	-	-	-	-	-	-150,256	-150,256
Exchange differences	-	-	-	-5,928	-	-	-	-5,928
Movements in hedge reserve	-	-	-	16,309	-	-	-	16,309
Adjustments tot the corporate income tax rate	-	-	-	-1,928	-	-	-	-1,928
Net result	-	-	-	-	-	-	278,451	278,451
Addition statutory reserves	-	-	-145,336	-	121,730	23,606	-	-
Other	-	-	122	-480	-	-122	-	-480
Other comprehensive income from associates	-	-	-	-2,015	-	-	-	-2,015
Actuarial gains and revaluations after taxation	-	-	-	-1,384	-	-	-	-1,384
<b>Total movements in the year</b>	<b>-</b>	<b>-</b>	<b>-15,767</b>	<b>4,573</b>	<b>121,730</b>	<b>23,484</b>	<b>-1,252</b>	<b>132,768</b>
<b>Balance as at 31 December 2018</b>	<b>84,511</b>	<b>362,811</b>	<b>2,395,104</b>	<b>-76,606</b>	<b>686,347</b>	<b>338,066</b>	<b>278,451</b>	<b>4,068,684</b>

The other statutory reserves comprise the reserve for intangible assets and the reserve for investments in associates.

In the preparation of the company financial statements for 2018, an error was found in the composition of the shareholders' equity. The balance of the Statutory reserve for participating interests

(part of the Other statutory reserves) is understated, and the balance of Retained profits is overstated. The total of the Shareholders' equity is presented correctly. This error has been corrected by means of a reclassification per 1 January 2017 of 245 million euros and per 1 January 2018 of 36 million euros from Retained profits to the Other statutory reserves. Except for the

composition of the Shareholders' equity, this inaccuracy does not have any impact on the statutory and consolidated financial statements, the earnings per share and the dividend per share established and distributed in the past.

Furthermore it was concluded that, given the legal obligation to recognise a Revaluation reserve and Other Statutory reserves, any additions to and withdrawals from these reserves should be recorded in the financial year itself, instead of in the following year as a part of the profit appropriation. Therefore an amount of 58 million euros was subtracted from the Retained profits and added to the Revaluation reserve and Other Statutory reserves in the opening balance of 1 January 2017.

### Proposed profit appropriation

With due observance of Article 26 of the Articles of Association, a dividend is proposed of 117.4 million euros. The remaining part of the net result 2018 of 161.1 million euros will be added to the Retained profits.

## 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)	2018	2017
Group companies	312,872	347,018
Borrowings - EMTN programme	130,917	26,618
Accruals	21,283	21,108
Other liabilities	426	842
	<b>465,498</b>	<b>395,586</b>

See note 4. [Outsourcing and other external costs](#) to the consolidated financial statements for a breakdown of auditor's fees.



Schiphol, 14 February 2019

### **Supervisory Board**

L.J. Gunning-Schepers, Chair

J.G. Wijn, Vice-Chair

E. Arkwright

S.G. Brummelhuis

D. Collier

R.J. van de Kraats

A.B.M. Olsson

For the company financial statements for 2018:

### **Management Board**

D.A. Benschop

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 audit of the financial statements 2018 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 2018 and of its result and its cash flows for the year then ended, 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 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### What we have audited

We have audited the financial statements 2018 of Royal Schiphol Group N.V. ('Schiphol' or 'the company'), based in Schiphol, as set out on pages 157 to 235. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 31 December 2018;
- 2 the following consolidated statements for 2018: the statements of income, comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

The company financial statements comprise:

- 1 the company balance sheet as at 31 December 2018;
- 2 the company income statement for 2018; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.



## 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 'Our responsibilities for the audit of the financial statements' section 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 Code of Ethics for 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 13 million
- 4.8% of Profit before tax adjusted for fair value gains and losses

#### Group audit

- 93% of consolidated revenue
- 91% of consolidated total assets

#### Key audit matters

- Investments in operational assets and tendering and contracting related to the Capital Programme
- Investment property valued at fair value
- Revenue from airport charges

#### Unqualified opinion

### Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 13 million (2017: EUR 15 million). Materiality is determined with reference to profit before tax adjusted for fair value gains and losses, of which it represents 4.8% (2017:



4.9%). We consider profit before tax adjusted for fair value gains and losses as the most appropriate benchmark because we expect users of the financial statements to have a primary focus on the result of the company. We decreased Materiality compared to 2017 because operational results were forecasted to decrease. We have also taken into account misstatements and/or 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 we would report misstatements with an impact on profit for the year in excess of EUR 0.65 million (2017: EUR 0.8 million), 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 0.65 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.

Our 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.

We have made use of the work of other auditors for the audit of selected foreign activities in the business area Alliances & Participations. This includes investments in associates Groupe ADP and Brisbane Airport Corporation Holdings Ltd. We have prepared instructions with procedures to be performed and evaluated the outcome of their procedures based on, amongst others, a site visit, and a review of the findings reported to us. For other group entities, including the activities at Terminal 4 of JFK IAT, Lelystad Airport and Rotterdam The Hague Airport, we performed specific audit procedures ourselves.

Our approach described above resulted in an audit coverage of 93% of consolidated revenue and 91% of consolidated total assets.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

### Audit scope in relation to fraud and non-compliance with laws and regulations

In determining the audit procedures we make use of the evaluation of management in relation to fraud risk management (prevention, detections and response), including ethical standards to create a culture of honesty.

We assessed fraud risk factors and discussed the result of our risk assessment with management and the Supervisory Board. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Indications for suspected frauds from the past are included in this evaluation, amongst others from media reports and internal investigations. We also assessed factors related to the risk of non-



compliance with laws and regulations which could have a direct or indirect impact on the financial statements.

In accordance with Dutch Standards on Auditing we presumed a fraud risk arising from management's 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. In relation to non-compliance with laws and regulations we did not identify risks which could have a material direct or indirect impact on the consolidated financial statements.

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, evaluated key estimates and judgement by Schiphol (including retrospective reviews of prior years' estimates) and tested certain material contracts awarded in 2018 selected on the basis of quantitative and qualitative criteria.

Our audit procedures differ from a specific forensic fraud investigation, which often has a more in-depth character.

### 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 and tendering and contracting related to the Capital Programme

### Description

Schiphol is investing substantial amounts in operational capacity and quality through large-scale and complex renovations and new build. A separate programme organisation has been established for the governance and execution of the Capital Programme. In 2018 a number of large tenders have been awarded and long-term investment commitments were entered into under the Capital Programme. 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.

As disclosed in note 10 to the financial statements, EUR 517 million of capital expenditure was capitalised in 2018 as part of assets under construction for operating activities. Furthermore, as disclosed in note 28 of the financial statements, Schiphol has entered into





long term agreements with construction companies for a total commitment of EUR 0.5 billion per 31 December 2018, of which EUR 351 million relates to 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 specifically 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, among others based on the nature of the goods and services received, purchase invoices and accurate application of capitalisation criteria.

We have performed detailed audit procedures on a number of large long-term investment commitments contracted in 2018 under the Capital Programme. For the selected contracts we have tested whether the tender process and substantive evaluation of these tenders was performed based on predetermined and approved criteria. We have also tested whether all required perspectives (for example commercial, functional and technical) were sufficiently taken into account in the selection of suppliers.

### Our observation

We concluded that the amounts capitalised under assets under construction qualify for capitalisation based on IAS16. We selected the A-Pier contract awarded in 2018, for which we observed that, although there were a limited number of offers received, a weighted substantive evaluation of offerings was made on the basis of predetermined criteria and substantiated by internal documentation.

## Investment property valued at fair value

### Description

Valuation of investment property is a key audit matter due to the high value of investment property and the extent of estimation uncertainty. Investment property is measured at fair value and comprises 22% of consolidated total assets. As disclosed in note 2 to the financial statements, the unrealised result from revaluation of investment property amounts to EUR 106 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 in note 2 to the financial statements. In accordance with the internal valuation policy Schiphol appointed new external valuers for this year. Valuations significantly depend on estimates and assumptions with respect to future cash flows and the risks therein as disclosed in note 11 to the financial statements. For valuation of land, Schiphol uses an internally developed valuation model, in addition to engaging external valuers.



### Our response

We have examined the design, implementation and operating effectiveness of internal controls within the valuation process. We have evaluated the capabilities, objectivity and professional competence of the newly appointed external valuers engaged by Schiphol. We have examined the engagement between Schiphol and the external valuers. 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.

### Our observation

Based on our procedures, we consider that the valuation of investment property as applied by Schiphol is balanced and appropriate for inclusion in the financial statements. The disclosures on the valuation of investment property, as included in note 11 to the financial statements, meet the requirements of IAS 40.

## Revenue from airport charges

### Description

Revenue from airport charges is a key audit matter because of the large amount of such revenue, and the use of information obtained from third parties. Revenue from airport charges amounts to 59 % of total revenue. 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 departing local passengers and transfer passengers affects the tariff to be used.

### Our response

We have examined the design, implementation and operating effectiveness of internal controls related to the accuracy and completeness of registrations of passenger numbers and their composition, as obtained from third parties, and of the tariffs 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 distinction between departing local passengers and transfer 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.

### 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 concur with this consideration.

### 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 and key events in 2018 (page 2 up to and including 8), facts and figures about Schiphol (page 9 up to and including 24), the strategy of Schiphol (page 25 up to and including 47), the results of Schiphol (page 48 up to and including 112), and the governance report, which includes the report from the Supervisory Board and information on remuneration (page 113 up to and including 140);
- the socio-economic reporting (page 141 up to and including 152);
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- the historical summary (page 246 up to and including 247).

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- 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 information as required by 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 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 located at the website of the NBA, the Royal Netherlands Institute of Chartered Accountants (de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants') at: [http://www.nba.nl/ENG\\_algemeen\\_01](http://www.nba.nl/ENG_algemeen_01). This description forms part of our auditor's report.

Amstelveen, 14 February 2019

KPMG Accountants N.V.

E. Eeftink RA

## Historical summary

(in millions of euros, unless otherwise indicated)

2018 2017 2016 2015 2014

### Profit and loss account

Revenue	1,509	1,458	1,435	1,423	1,438
Other income and results from investment property	107	80	71	117	35
<b>Total operating revenue</b>	<b>1,616</b>	<b>1,538</b>	<b>1,506</b>	<b>1,540</b>	<b>1,473</b>
Total operating expenses before depreciation, amortisation and impairment	-981	-916	-848	-804	-838
<b>EBITDA</b>	<b>635</b>	<b>622</b>	<b>658</b>	<b>735</b>	<b>635</b>
Depreciation, amortisation and impairment	-267	-264	-238	-230	-232
<b>Operating result</b>	<b>368</b>	<b>359</b>	<b>420</b>	<b>505</b>	<b>403</b>
Financial income and expenses	-90	-86	-91	-89	-86
Taxation, share in operating result of associates and minority interests	7	12	-18	-38	-43
<b>Result on ordinary activities after tax</b>	<b>285</b>	<b>286</b>	<b>311</b>	<b>378</b>	<b>274</b>
Minority interests	7	6	5	4	2
<b>Net result</b>	<b>278</b>	<b>280</b>	<b>306</b>	<b>374</b>	<b>272</b>

### Balance sheet

Non-current assets	6,493	6,040	5,818	5,646	5,413
Current assets	861	615	608	759	415
<b>Total assets</b>	<b>7,354</b>	<b>6,655</b>	<b>6,426</b>	<b>6,405</b>	<b>5,829</b>
Equity	4,117	3,978	3,860	3,716	3,453
Provisions	106	79	57	56	57
Non-current liabilities	2,474	2,225	2,172	2,021	1,987
Current liabilities	656	373	337	612	334
<b>Total equity and liabilities</b>	<b>7,354</b>	<b>6,655</b>	<b>6,426</b>	<b>6,405</b>	<b>5,830</b>

<b>Operating cash flow<sup>2</sup></b>	<b>526</b>	267	438	508	508
--	------------	-----	-----	-----	-----

### Ratios

Operating result as % of revenue	24.4	24.6	29.3	35.5	27.3
Return on average equity in % (ROE)	7.0	7.2	8.2	10.4	8.0
Return on Average Capital Employed in % <sup>3</sup>	7.2	7.2	8.2	10.1	8.4
FFO/Total debt in % <sup>4</sup>	18.7	21.6	22.8	22.0	26.5
FFO interest coverage ratio <sup>5</sup>	6.6	6.9	6.8	6.7	6.4
Leverage <sup>6</sup>	38.9	35.2	34.9	37.0	35.0

### Figures per share

Earnings per share	1,496	1,503	1,645	2,010	1,461
Operating cash flow per share	2,827	1,435	2,354	2,728	2,730
Dividend per share	631	807	797	1,006	744

### Personnel

Average effective full-time equivalent employees	2,324	2,180	2,063	2,000	2,039
--	-------	-------	-------	-------	-------



2013 <sup>1</sup>	2012	2011	2010	2009	2008
1,364	1,353	1,278	1,180	1,154	1,154
3	-13	-	22	-40	22
<b>1,367</b>	<b>1,340</b>	<b>1,278</b>	<b>1,202</b>	<b>1,114</b>	<b>1,176</b>
-796	-806	-766	-719	-731	-709
<b>571</b>	<b>534</b>	<b>512</b>	<b>483</b>	<b>383</b>	<b>467</b>
-266	-238	-208	-186	-196	-172
<b>305</b>	<b>296</b>	<b>304</b>	<b>297</b>	<b>187</b>	<b>295</b>
-90	-88	-91	-115	-91	-54
15	-12	-15	-10	37	-54
<b>230</b>	<b>196</b>	<b>198</b>	<b>172</b>	<b>133</b>	<b>187</b>
3	-2	3	3	-	-
<b>227</b>	<b>198</b>	<b>195</b>	<b>169</b>	<b>133</b>	<b>187</b>
4,929	5,108	5,106	5,000	4,798	4,754
772	681	681	506	729	655
<b>5,701</b>	<b>5,789</b>	<b>5,787</b>	<b>5,506</b>	<b>5,527</b>	<b>5,409</b>
3,309	3,203	3,175	3,109	2,975	2,887
46	44	51	65	69	50
1,576	1,980	1,980	1,762	2,061	1,747
770	562	581	570	422	725
<b>5,701</b>	<b>5,789</b>	<b>5,787</b>	<b>5,506</b>	<b>5,527</b>	<b>5,409</b>
462	399	387	351	327	421
22.4	21.9	23.8	25.1	16.2	25.5
7.0	6.2	6.2	5.6	4.5	6.4
7.2	7.4	7.5	7.3	4.5	7.3
26.0	24.5	18.5	17.0	18.5	19.3
5.8	5.6	4.5	3.8	4.4	6.5
36.2	37.8	37.9	37.2	40.5	38.6
1,222	1,068	1,045	908	710	1,083
2,446	2,143	2,081	1,883	1,756	2,439
726	582	524	409	347	371
2,058	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 of equity and interest-bearing debt
- 4 As from 2006: see calculation FFO / Total debt and FFO/ Interest coverage in the note on Financial Risk Management
- 5 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
- 6 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 supplying power to an aircraft during handling operations on the apron

### Aquifer thermal energy storage (ATES)

ATES is the storage and recovery of thermal energy in the subsurface. ATES is applied to provide heating and cooling to buildings

### 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 White Paper

Vision outlining aviation developments in the Netherlands, including future growth, 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 for 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, as well as the fight against crime, at Schiphol

### BREEAM

Building Research Establishment Environmental Assessment Method (BREEAM) 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

## Destination

Effective from 2018, a passenger destination is strictly defined as an airline carrying at least ten passengers on a flight between Schiphol and the destination in question for at least eight weeks in a row. Full freighter destinations are now defined as examples of more than 100,000 kilogrammes of cargo being shipped to and from a destination in at least ten frequencies during a single year

## EASA

European Union 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 dating 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 disturbance. 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 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

### **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 during 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 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 the local transport network, 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**

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 Promoter Score**

A simple yet powerful instrument for measuring customer satisfaction, whereby 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

## **OD passengers**

Origin and destination (OD, O&D) 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

## **Remote handling**

The handling of aircraft other than directly on or near a pier

## **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 any occurrence at an aerodrome involving the incorrect presence of an aircraft, vehicle or person on the protected area of a surface designated for the landing and take-off of aircraft (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 in 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 to Schiphol Plaza

## **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 individual tasked with allocating available slots (licences to take off and land at specific times) in accordance with international regulations

**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 aircraft at an airport

**Transit direct passenger**

A passenger who arrives at an airport and continues his or her journey on the same aircraft

**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



**Published by**

Royal Schiphol Group  
P.O. Box 7501  
1118 ZG Schiphol  
The Netherlands

[www.schiphol.nl](http://www.schiphol.nl)  
[www.annualreportschiphol.com](http://www.annualreportschiphol.com)

Published on 8 March 2019

**Editors**

Royal Schiphol Group, Schiphol, the Netherlands  
Baxter Lawley Communications B.V., The Hague, the Netherlands

**Translation into Dutch**

Metamorfose Vertalingen B.V., Utrecht, the Netherlands

**Design and execution**

C&F Report, Amsterdam, the Netherlands

**Project support**

Report Company, Soest, the Netherlands

**Creation and publication software**

Tangelo Software B.V., Zeist, the Netherlands

**Photography**

Royal Schiphol Group, Schiphol, the Netherlands