Financial Statements

Kimberley (28), 6 years at HMSHost, including 1 year at Silverscreen restaurant
'Attending to the passenger and serving them high-quality food makes me feel part of their journey'.

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Consolidated statement of income for the year ended 31 December 2020

(in thousands of euros)	Note[1]	2020	2019
Revenue	1	688,276	**1,614,674**
Other results from investment property	2	-64,459	112,858
Cost of outsourced work and other external costs	3	629,722	802,126
Employee benefits	4	200,303	242,466
Depreciation, amortisation and impairment	5	324,208	293,664
Other operating expenses	6	-	-5,828
Total operating expenses		**1,154,233**	**1,332,427**
Operating result		-530,416	**395,105**
Financial income		7,397	10,523
Financial expenses		-99,495	-94,844
Financial income and expenses	27	**-92,098**	**-84,321**
Share in result of associates and joint ventures	12	-107,247	127,192
Result before tax		**-729,761**	**437,976**
Income tax expense	11	162,016	-75,913
Result for the year		-567,745	**362,062**
Attributable to:			
Non-controlling interests		-5,115	6,952
Shareholders (net result)		-562,630	355,110
Basic earnings per share (in euros)		-3,023[2]	**1,908**
Diluted earnings per share (in euros)		-3,023[2]	1,908

1 The notes are an integral part of these consolidated financial statements.
2 Result attributable to shareholders / number of shares

Consolidated statement of comprehensive income for the year ended 31 December 2020

(in thousands of euros)	Note[1]	2020	2019
Result for the year		**-567,745**	**362,062**
Foreign currency translation differences	19	-2,755	5,997
Changes in fair value on hedge transactions	19	-5,233	443
Share of OCI of associates after taxes	12, 19	-21,622	-6,321
Other comprehensive income, net of tax, to be reclassified to profit or loss in subsequent periods:		**-29,610**	**119**
Remeasurements of defined benefit liability	19	2,019	-4,011
Share of OCI of associates after taxes	12, 19	-0	-4,160
Other comprehensive income, net of tax, not to be reclassified to profit or loss in subsequent periods:		**2,019**	**-8,171**
Other comprehensive income for the year		**-27,591**	**-8,052**
Total comprehensive income for the year		**-595,336**	**354,011**
Attributable to:			
Non-controlling interests		-5,115	6,952
Shareholders (net result)		-590,221	347,059

1 The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2020

(in thousands of euros)	Note[1]	31 December 2020	31 December 2019
Assets			
Intangible assets	7	149,246	136,425
Assets used for operating activities	8	3,236,980	3,122,072
Assets under construction or development	9	1,312,719	978,734
Investment property	10	1,722,904	1,758,111
Deferred tax assets	11	185,795	68,245
Investments in associates and joint ventures	12	1,067,613	1,170,447
Loans to associates	13	138,628	133,622
Other non-current receivables	14	38,374	78,690
Non-current assets		**7,852,259**	**7,446,346**
Trade and other receivables	15	673,949	180,573
Current income tax receivables	11	465	14,560
Cash and cash equivalents	16	753,449	155,072
Current assets		**1,427,863**	**350,205**
Total assets		**9,280,122**	**7,796,551**

1 The notes are an integral part of these consolidated financial statements.

(in thousands of euros)	Note[1]	31 December 2020	31 December 2019
Equity and liabilities			
Issued share capital	17	84,511	84,511
Share premium	17	362,811	362,811
Retained profits	18	3,392,067	3,954,697
Other reserves	19	-112,958	-85,368
Equity attributable to owners of the company		**3,726,431**	**4,316,650**
Non-controlling interests	20	50,271	55,386
Total equity		**3,776,702**	**4,372,036**
Borrowings	21	4,403,874	2,609,582
Employee benefits	22	63,281	55,202
Provisions	23	36,251	48,777
Deferred tax liabilities	11	11,752	13,359
Other non-current liabilities	24	105,086	98,351
Non-current liabilities		**4,620,244**	**2,825,270**
Borrowings	21	444,092	162,880
Current income tax liabilities	11	3,565	1,672
Provisions	23	7,484	-
Trade and other payables	25	428,035	434,693
Current liabilities		**883,176**	**599,245**
Total liabilities		**5,503,420**	**3,424,515**
Total equity and liabilities		9,280,122	**7,796,551**

1 The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

(in thousands of euros)	Note[1]	Attributable to shareholders: Issued share capital	Share Premium	Retained profits	Other reserves	Non-controlling interests	Total
Balance at 31 December 2018		**84,511**	**362,811**	**3,716,968**	**-76,606**	**48,673**	**4,136,357**
Profit for the year		-	-	355,110	**-**	6,952	**362,062**
Other comprehensive income for the year	19	**-**	**-**	**-**	-8,052	-	**-8,052**
Comprehensive income for the year		**-**	**-**	**355,110**	**-8,052**	**6,952**	**354,011**
Payments of dividends	18	-	-	-117,381	-	-222	**-117,603**
Other		-	-	-	-711	-17	**-728**
Balance at 31 December 2019		**84,511**	**362,811**	**3,954,697**	**-85,368**	**55,386**	**4,372,036**
Result for the year		-	-	-562,630	-	-5,115	**-567,745**
Other comprehensive income for the year	19	-	-	-	-27,591	-	**-27,591**
Comprehensive income for the year		**-**	**-**	**-562,630**	**-27,591**	**-5,115**	**-595,336**
Payments of dividends	18	-	-	-	-	-	**-**
Other		-	-	-	-	-	**-0**
Balance at 31 December 2020		**84,511**	**362,811**	**3,392,067**	**-112,958**	**50,271**	**3,776,702**

1 The notes are an integral part of these consolidated financial statements.

	Dividend for 2019, paid in 2020	Dividend for 2018, paid in 2019
Dividend attributable to shareholders (in euros)	-	117,381,000
Average number of shares in issue during the year	-	186,147
Dividend per share (in euros)	-	631

Consolidated statement of cash flow for the year ended 31 December 2020

(in thousands of euros)	Note[1]	2020	2019
Result for the year		**-567,745**	**362,062**
Income tax expense recognised in profit or loss	11	-162,016	75,913
Share in result of associates and joint ventures	12	107,247	-127,192
Financial income and expenses	27	92,098	84,321
		37,329	**33,042**
Operating result		**-530,416**	**395,105**
Adjustments for:			
Depreciation and amortisation expenses	5	300,894	289,871
Impairment loss	5	23,314	5,493
Impairment reversal	5	-	-1,700
Result on disposal of investment property	2	-629	1,543
Fair value changes of investment property	2	65,088	-114,401
Other non-cash changes in other receivables and liabilities		-5,193	1,777
Change in employee benefits and other provisions		15,308	-3,992
		398,782	**178,590**
Operating result after adjustments		**-131,634**	**573,695**
Movements in working capital		-13,053	-13,272
Cash flow from operations		**-144,687**	**560,423**
Cash flow from operating activities			
Income taxes paid		-53,905	-46,119
Income taxes received		111,888	-
Interest paid		-71,805	-80,946
Interest received		449	1,680
Dividends received on redeemable preference shares	13	-	5,627
Dividends received	12	909	81,853

(in thousands of euros)	Note[1]	2020	2019
Cash flow from operating activities		**-157,151**	**522,520**
Cash flow from investing activities			
Payments for intangible assets	7	-37,798	-53,815
Payments for property, plant and equipment	9, 10	-661,998	-756,981
Proceeds from disposals of assets		-	-81
Acquisition and disposal of associates and joint ventures	12	-4,619	-164,395
Share capital withdrawals (contributions) to associates	12	-	8,297
Loans to associates and joint ventures	13	-117,777	-
Repayment on other loans		-	128
Acquisition of redeemable preference shares	13	-	-80,051
Investments in deposits		-470,000	-
Proceeds from deposits		-	265,000
Cash flow from investing activities		**-1,292,192**	**-781,610**
Free cash flow		**-1,449,343**	**-259,091**
Cash flow from financing activities			
Proceeds from borrowings	21	2,636,122	399,287
Repayment of borrowings	21	-561,095	-211,000
Settlement of derivative financial instruments		-	2,456
Dividend paid	18	-	-117,603
Proceeds from other non-current liabilities		425	589
Payment of lease liabilities		-5,902	-55,324
Cash flows from collaterals		-21,847	9,090
Cash flow from financing activities		**2,047,703**	**27,495**
Net cash flow		**598,360**	**-231,596**
Cash and cash equivalents at the beginning of the year	16	155,072	386,556
Net cash flow		598,360	-231,596
Exchange and translation differences		-17	112
Cash and cash equivalents at the end of the year	16	**753,449**	**155,072**

1 The notes are an integral part of these consolidated financial statements.

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 N.V. is an airport company with an important socio-economic function. Airports in the Group create value for society and for the economy. 'Connecting your world' embodies 'the Why' of Royal Schiphol Group: 'Connecting your world' by orchestrating inspiring journeys and creating the world's most sustainable and high-quality airports. 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.

These financial statements cover the year 2020, which ended at the balance sheet date of 31 December 2020. On 18 February 2021, 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 13 April 2021.

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. The financial statements have been prepared on the basis of the going concern assumption.

Going concern basis of accounting

The COVID-19 outbreak and measures adopted by governments in countries worldwide to mitigate the pandemic's spread have developed rapidly in 2020 and have impacted the operations and cash flows of Schiphol Group significantly. A loss of 568 million euros was recognised for the financial year ending 31 December 2020, mainly as a result of the (air) travel restrictions imposed by governments to contain the spread of the virus. The result was a significant decrease in passenger numbers of 70% and therefore in revenues.

By reducing Schiphol Group's operations and closing part of the terminal during the first months of the crisis, Schiphol reduced its operational expenses (excluding depreciation, amortisation and impairment) with 209 million euros. Schiphol focused on financial and operational optimisation and aims to further reduce the overall operating expenses by approximately 20% - 25% in 2021 and 2022. It was also possible to reschedule runway and terminal maintenance to this quiet period with strongly decreased traffic. As a result of the impact of the pandemic, other projects and investments are being temporised to optimise annual capital spend.

The timing, speed and extend of recovery of the results of operations, prospects and financial conditions in the next few months and years from the impact of COVID-19 is uncertain and difficult to predict. Based on current information and forecasts (scenarios) prepared by management, it is the expectation that passenger volumes will return to 2019 levels around 2023-2025.

Management has modelled a number of different scenarios considering a period of minimum 12 months from the date of authorisation of these consolidated financial statements. The assumptions underlying the scenarios are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of passenger numbers and air transport movements, along with management's proposed responses over the course of the period.

The scenarios include the benefits of actions already taken by management to mitigate the downsides brought by COVID-19, such as non-payment of dividends and management bonusses. These scenarios also include the repayments of loans and the investments in capital expenditure. These assume a gradual increase of passenger numbers and air transport movements over the coming years. Several countries and airports are setting-up speed test streets and quarantine areas, which will stimulate air travel in the near future. There is no material uncertainty with regards to scenarios and going concern assumption, but it is based on (significant) judgement. If developments in the near future will negatively differ from expected scenarios, Schiphol can manage the cashflow by controlling the capital expenditure.

Currently, Schiphol has sufficient funding available and raised adequate resources amounting to 2,175 million euros in 2020 from the issuance of (green) bonds under the EMTN programme and facilities drawn to fulfill its debt redemption obligations in 2021 of 856 million euros, while continuing to finance the ongoing operational cash flows and the committed capital investments of approximately 450 million euros. For the year ended 31 December 2020, Schiphol's net current assets amounted to 1,428 million euros, of which 1,223 million euros relate to cash and cash equivalents and short term deposits.

Management therefore expects that Schiphol Group has adequate resources to continue in operations for at least the next 12 months and that the going concern basis of accounting remains appropriate.

Impairment of assets

It was assessed that no impairment is required for CGU Amsterdam Airport Schiphol, Schiphol Airport Retail, Eindhoven Airport, Lelystad Airport, Rotterdam The Hague Airport and the investments in associates in terms of IAS 36 *Impairment of Assets*.

Judgement is required in projecting future cash flows for the CGU and investments given the unprecedented volatility and uncertainty of the effects of COVID-19. The duration and impact of the limitations to operate as a result of COVID-19 is uncertain. The forecasts were prepared under the assumption of a recovery to 2019 passenger volumes within a three year planning horizon. The estimate of value in use was determined by using a pre-tax discount rate in the range of 4% - 7%.

New and amended standards that are mandatory with effect from 2020

There are a number of amendments to standards which are effective as from 1 January 2020 :

- Amendments to References to Conceptual Framework in IFRS Standards (endorsed 29 November 2019);
- Amendments to IFRS 3, Definition of a Business (issued on 22 October 2018);
- Amendments to IAS 1 and IAS 8, Definition of Material (endorsed 29 November 2019);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (endorsed 15 January 2020).

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 2021 or later

Schiphol Group has not voluntarily applied in advance new or amended standards or interpretations that will not be mandatory until the 2021 financial year or later.

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 2021 financial year or later (as stated):

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (effective 1 January 2021);
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022) ;
- Annual Improvements to IFRS Standards 2018 - 2020 (effective 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use (effective 1 January 2022);
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective 1 January 2022);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current (effective 1 January 2023);
- IFRS 17 Insurance Contracts (issued on 18 May 2017, effective from 2023);
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Available for optional adoption / effective date deferred indefinitely).

It is expected that these new and / or amended standards 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 IT applications. Internally developed software is capitalised at the cost of internal and external hours spent on the development and implementation phases of IT projects as recorded on the relevant 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 7. 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 8. 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 7 and 9 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. 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 valuators (at 30 June and at 31 December). Land is appraised based on internal valuations and also by independent external valuators. Each year a different part of the land positions is appraised by independent external valuators. 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 10. 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
IT 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 5. Depreciation, amortisation and impairment expenses for a more detailed explanation.

Investments in subsidiaries, associates and joint arrangements

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 12. Investments in associates and joint ventures for a more detailed numerical explanation.

Subsidiaries

The financial information of Schiphol Group and its subsidiairies 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 that have been 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 and leads to having control in an entity, the acquisition date carrying value of the acquirer's previously held equity interest in the entity 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 cost (loans to associates, trade receivables, cash and cash equivalents) and fair value hedging instruments (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 27. 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 13. Loans to associates and joint ventures 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 periods to maturity, the fair value and amortised cost of these items tend to be virtually identical to the face value.

See note 15. 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 16. Cash and cash equivalents for a more detailed explanation.

Expected credit losses

Expected credit losses on loans to associates, deposits 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. During 2020, the contractual payment terms was extended with 60 days to assist Schiphol's customers as a result of the negative impact of COVID-19. The payment default days has also been extended. This has not been assessed as a significant increase in risk. 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 using the simplified approach based on the lifetime expected credit loss of the receivables. The provision amounts are derived from a provision 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 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 cost of inventories is based on the first-in, first-out principle. 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 17. 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 18. 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 19. 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 22. 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 23. Provisions for a more detailed explanation.

Leases

Schiphol Group as lessee

At inception of a contract, Schiphol Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In respect of leases right-of-use assets are recognised representing the right to use the underlying asset as well as lease liabilities representing the obligation to make lease payments. Schiphol Group does not apply the lessee accounting model to short-term leases (a term shorter than 12 months) and leases of low-value items (an individual value below 5,000 euros). Lease payments associated with short-term and low-value leases are recognised as an expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost being an amount equal to the lease liability, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurements of the lease liability. The right-of-use assets are presented in the same line as assets of the same nature owned by Schiphol Group. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset includes exercise of a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise the right-of-use asset is depreciated until the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments. To determine the present value, the interest rate implicit in the lease is used. If that rate cannot be readily determined, the incremental borrowing rate is used. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest expense on the lease liability is accounted for on a separate line within financial expenses. A remeasurement of the lease liability (and similar adjustment to the book value of the right-of-use asset) can occur from a change in the lease term, a change in future lease payments or a change in the assessment of an option to purchase the underlying asset. Lease liabilities are presented in Other non-current and current liabilities in the statement of financial position.

Schiphol Group as lessor

Leases in which Schiphol Group acts as lessor are classified as either an operating lease or a finance lease. Assets where the company or one of its subsidiaries has beneficial ownership under a lease contract are classified as operating 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 finance leases. Whether a lease qualifies as a finance lease or an operating lease depends on the economic reality (substance of the transaction rather than the form of the contract).

Assets subject to a finance lease are presented in the balance sheet as a lease receivable and measured at the present value of the minimum lease payments receivable at the inception of the lease (the net investment in the lease). The interest rate implicit in the lease is used to measure the net investment in the lease. The lease payments receivable are apportioned between the finance income and the reduction of the outstanding receivable so as to present a constant periodic rate of return on the net investment in the 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 21. 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 periods to maturity, the fair value and amortised cost 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 25. 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. During 2020, the contractual payment terms were extended with 60 days and payment discounts were provided if settlement took place within 30 or 45 days. These measures were put in place to assist the customers as a result of the impact of COVID-19.

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 the next 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 operations 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.

The regional airports are not regulated up to a five million passenger limit. Eindhoven Airport reached this limit, as a consequence of which the tariffs of this airport are regulated as of 1 April 2019. As is the case for Amsterdam Airport Schiphol, the airport charges at Eindhoven Airport must be consulted with the airlines and must be transparent, reasonable and non-discriminatory. After setting the rates (in this case for one year in advance only), the airlines have the opportunity to object to the rates with the ACM. Unlike Amsterdam Airport Schiphol, Eindhoven Airport is not required to settle surpluses and deficits with the industry. No regulatory procedures apply to the setting of the 2020 airport charges of Rotterdam The Hague Airport and Lelystad Airport as passenger numbers at these airports are below the five million passenger limit.

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. During 2020, the contractual payment terms were extended with 60 days to assist the customers as a result of the impact of COVID-19.

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. During 2020, the contractual payment terms were extended with 60 days to assist the customers as a result of the impact of COVID-19.

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.

Operating profits

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

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 27. Management of financial risks and financial instruments for a more detailed explanation.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to income, it is presented as part of profit or loss and deducted in reporting the related expense. See note 4. Employee benefits expense. Investment grants, being government contributions to capital expenditure, are deducted directly from the carrying amount of the asset.

Income taxes

Income taxes comprise current tax payable or receivable 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 or receivable 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 and reflects uncertainty related to income taxes, if any. 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 11.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. Capitalised interest is presented consistently with interest cash flows that are not capitalised. 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 2020 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.

Going concern assumption (forecasting)
Several assumptions and estimates were made by management in determining the forecasts and different scenarios to be able to conclude on the going concern assumption of Schiphol Group. Judgement is required in projecting the future cash flows, including the duration and impact of the restrictions on the expected levels of passenger numbers and air traffic movements. The assumptions of the estimates are included in more detail in the Accounting Policies for the going concern assumption.

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.

The useful life of an asset should be reassessed if changes in circumstances occur or new information becomes available regarding the remaining useful life. The depreciation period should be the same as the expected usage pattern of the asset. See Note 5. Depreciation, amortisation and impairment expense for the impact of the change in useful life.

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 valuators. 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 valuators. 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 10. 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. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and explained in the Accounting Policies (Going concern basis of accounting) and Note 12. Investments in associates and joint ventures.

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 Note 11. 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 controls 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. A restructuring provision was also recognised which include numerous assumptions and estimates with regards to the determination of the provision. Schiphol estimates that the majority of the costs relating to the provision will be realised within a year. For more detailed explanations, refer to Note 4. Employee benefits expense.

Claims and disputes

Schiphol Group is the subject of various claims and disputes, which are part of its business operations. Group management assesses the claims and court cases instituted against it on the basis of facts and seeks legal advice when required. Schiphol is also involved in disputes as a 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 26. Contingent assets and liabilities .

Acquisitions in 2020

Additional 61.16% share in Cargonaut Holding

In 2020, Schiphol Group acquired the remaining 61,16% shares in Cargonaut Holding B.V. (Cargonaut) for an amount of 1.99 million euros from the current shareholders. The remaining shares were acquired because the business activities of Cargonaut fits in with the strategy of RSG. It is an essential improvement step for the continuity of a business-critical IT system in the short term and for the long-term development of the international competitive distinction of Cargo Hub Schiphol. Schiphol has held 38,84% of the shares since 1996. The acquisition was finalised at the end of October with effect from 1 November 2020. Cargonaut was accounted for as an associate in terms of the equity method. The acquisition of the additional shares was treated as a step acquisition (business combination achieved in stages) in terms of IFRS 3 *Business Combinations*. The non-controlling equity investment already held in Cargonaut have been re-measured at its acquisition-date fair value and the gain recognised in the income statement.

Acquisition of land

In March 2020, Schiphol Real Estate and Volker Wessel Bouw & Vastgoedontwikkeling Nederland B.V. (VolkerWessels) formed a joint venture and have acquired approximately 90 hectares of land from the development company, Chipshol Holding B.V. These lands are located to the south of Badhoevedorp / Schiphol-Northwest. The total area is split into an area south and an area north of motorway A9. The southern area is primarily a strategic reserve for infrastructure and ancillary aviation purposes. It will be used in order to improve Schiphol's accessibility, such as the future extension of the Noord / Zuid metro line, as soon as this project is greenlighted. The area north of motorway A9 provides ample space for the development of commercial real estate. The commercial development will be performed in a joint venture with VolkerWessels. The acquisition of the southern area of the motorway was structured by acquiring several entities and qualified as an asset acquisition in terms of IFRS 3. Please see Note 12. Investments in associates and joint ventures for additional details.

Acquisition of Chip(s)hol

Schiphol Group (through Schiphol Real Estate) acquired Chip(s)hol III B.V. in May 2020 in order to settle the legal claim in respect of the construction freeze of the land known as the ‘Groenenbergterrein’. This settlement was reached by acquiring the entity that holds the claims. The acquisition qualified as an asset acquisition in terms of IFRS 3.

Update on additional 0.89% share in Brisbane Airport

At the end of June 2019, Royal Schiphol Group increased its share in Brisbane Airport Corporations Holdings Ltd (BACH), of which it has been a shareholder since 1997, by 0.89% to 19.61%. The acquisition concerned both 0.89% of the ordinary shares and 0.89% of the redeemable preference shares and involved a total consideration of 97 million Australian dollars (60 million euros), including initial acquisition costs of 0.5 million Australian dollars (0.3 million euros). The shares were acquired from one of the other shareholders.

At year-end 2019, the fair value adjustments presented were provisional in accordance with IFRS 3. Schiphol Group has received new information within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition. It was noted that balance sheet reclassifications occured in comparison with the figures that were recognised at the end of 2019. It was, however, assessed that there is no material impact on the reported figures and no adjustments are necessary.

Update on acquisition of 35% share in Hobart International Airport in Australia

At the end of October 2019, Royal Schiphol Group and QIC won the bid for a 70% stake in Tasmanian Gateway Holdings Corporation Pty Ltd (TGHC) in Australia. The acquisition concerns both 35% of the ordinary shares and 35% of the redeemable preference shares and involved a total consideration of 299 million Australian dollars (184 million euros), including initial acquisition costs of 5 million Australian dollars (3 million euros). The share was acquired from two of the other shareholders.

Following the acquisition at the end of October 2019, Royal Schiphol Group commissioned an independent assessment of the fair value of the net assets acquired. At year-end 2019, the assignment was still a work in progress and the fair value adjustments were provisional in accordance with IFRS 3.

New information has been received from Hobart International Airport and the impact thereof has been assessed in terms of IFRS 3. The fair value of the intangible assets were determined and it was further noted that there were some balance sheet reclassifications in comparison with the figures that were recognised in December 2019. It was, however, assessed that there is no material impact on the reported figures.

Apart from the changes mentioned above, additional acquisition costs of 6 million Australian dollars were incurred at the start of 2020 to finalise the acquisition. The total consideration paid for the 35% share in Hobart International Airport amounted to 305 million Australian dollars.

Of the total acquisition cost of 305 million Australian dollars (184 million euros), an amount of 125 million Australian dollars (77 million euros) is allocated to the fair value of the acquired redeemable preference shares. The implied goodwill on acquisition amounts to 166 million Australian dollars (105 million euros) and the fair value of the remaining assets and liabilities in the amount of 14 million Australian dollars (9 million euros).

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. The nine segments for reporting purposes are grouped into four business areas: Aviation, Consumer Products & Services, Real Estate, and Alliances & Participations. 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.

Effective 1 March 2021, Schiphol Group will be restructured into three business areas: Airport Operations & Aviation Partnerships (previously: Aviation), Schiphol Commercial Services (previously: Consumer Products & Retail and Real Estate) and Alliances & Participations. This will have a material impact on the current reporting segments.

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 income 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 overheads 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 2020), there is no geographical segmentation.

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, originate 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 Regional Airports, International Airports and other activities. Airport charges, concessions and parking charges are the main sources of revenue for the regional airports (Rotterdam The Hague, Eindhoven and Lelystad). The airports abroad contribute to the group result through their results as accounted for in share in results of associates and joint ventures and through the interest paid on loans. This includes shares in Groupe ADP, Brisbane Airport Corporation Holdings Ltd and Tasmanian Gateway Holdings Corporation Pty 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 other revenue. The other activities mainly consist of 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.

2020

(in thousands of euros)	Aviation	Consumer Products & Services	Real Estate	Alliances & Participations	Total
Airport charges	292,751	-	-	21,109	313,860
Concessions	9,020	54,735	336	3,731	67,822
Rent and leases	404	16,378	181,475	5,129	203,386
Parking fees	-	43,147	5,757	6,692	55,596
Other activities	18,408	26,627	5,998	94,775	145,808
Total revenue	**320,582**	**140,887**	**193,566**	**131,437**	**786,472**
Intercompany revenue	-1,185	-2,296	-31,571	-63,144	-98,196
Revenue	**319,398**	**138,591**	**161,995**	**68,292**	**688,276**
Other results from investment property	-	-	-64,414	-45	-64,459
Depreciation and amortisation	-216,743	-40,376	-36,924	-30,167	-324,208
Impairment[1]	-3,955	-3,384	-15,831	-144	-23,314
Operating profit	-511,838	15,783	8,613	-42,975	-530,416
Share in results of associates and joint ventures[2]	5,719	-1,761	-1,792	-102,938	-100,773
Total assets	4,084,907	667,712	2,699,043	1,828,460	9,280,122
Total non-current assets (excl. deferred tax)	3,374,610	551,608	2,229,725	1,510,522	7,666,464
Investments in associates and joint ventures	1,954	15,972	136,913	912,774	1,067,613
Capital expenditure[3]	581,629	119,769	25,848	59,373	786,620

1 This amount is excluding expected credit losses.
2 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.
3 These capital expenditures include assets under construction for operating activities, investment properties and intangible fixed assets.

2019

(in thousands of euros)	Aviation	Consumer Products & Services	Real Estate	Alliances & Participations	Total
Airport charges	908,040	-	-	64,295	**972,336**
Concessions	15,619	188,479	1,210	11,673	**216,981**
Rent and leases	206	18,754	174,587	4,673	**198,220**
Parking fees	-	105,208	5,077	21,920	**132,205**
Other activities	45,248	36,145	6,666	103,564	**191,624**
Total revenue	**969,114**	**348,586**	**187,539**	**206,126**	**1,711,365**
Intercompany revenue	-2,918	-2,484	-29,177	-62,112	**-96,691**
Revenue	**966,196**	**346,103**	**158,362**	**144,014**	**1,614,674**
Other results from investment property	-	-	112,949	-91	**112,858**
Depreciation and amortisation	-204,348	-34,796	-23,134	-27,592	**-289,871**
Impairment[1]	-	-	-2,334	-	**-2,334**
Operating profit	-7,069	205,633	183,065	13,474	**395,104**
Share in results of associates and joint ventures[2]	-1,866	963	33,400	101,781	**134,278**
Total assets	3,162,869	497,620	2,441,560	1,694,502	**7,796,551**
Total non-current assets (excl. deferred tax)	2,996,079	471,378	2,312,756	1,597,887	**7,378,101**
Investments in associates and joint ventures	926	17,809	113,249	1,038,463	**1,170,447**
Capital expenditure[3]	598,626	74,735	105,537	80,825	**859,724**

1 This amount excludes expected credit losses.
2 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.
3 These capital expenditures include assets under construction for operating activities, investment properties and intangible fixed assets.

Aviation

	Aviation		Security		Total	
(in thousands of euros)	**2020**	2019	**2020**	2019	**2020**	2019
Airport charges	**192,432**	563,893	**100,319**	344,147	**292,751**	908,040
Concessions	**9,020**	15,619	**0**	-	**9,020**	15,619
Rent and leases	**140**	-	**264**	206	**404**	206
Other activities	**14,915**	38,067	**3,493**	7,181	**18,408**	45,248
Total revenue	**216,507**	**617,579**	**104,076**	**351,534**	**320,582**	**969,114**
Intercompany revenue	**-965**	-2,023	**-220**	-895	**-1,185**	-2,918
Revenue	**215,542**	**615,557**	**103,856**	**350,639**	**319,398**	**966,196**
Depreciation and amortisation	**-168,684**	-163,495	**-48,059**	-40,853	**-216,743**	-204,348
Operating profit	**-329,566**	-18,167	**-182,272**	11,098	**-511,838**	-7,069
Share in results of associates and joint ventures[1]	**5,719**	-1,866	**-**	-	**5,719**	-1,866
Total assets	**3,582,193**	2,805,412	**502,714**	357,457	**4,084,907**	3,162,869
Total non-current assets (excl. deferred tax)	**2,959,309**	2,657,472	**415,300**	338,607	**3,374,610**	2,996,079
Investments in associates and joint ventures	**1,954**	926	**-**	-	**1,954**	926
Capital expenditure	**459,510**	547,337	**122,119**	51,289	**581,629**	598,626

1 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

	Concessions		Parking		Other		Total	
(in thousands of euros)	2020	2019	2020	2019	2020	2019	2020	2019
Concessions	51,654	180,271	3,076	8,208	5	-	54,735	188,479
Rent and leases	15,875	18,275	500	479	3	-	16,378	18,754
Parking fees	-	-	43,147	105,208	-	-	43,147	105,208
Other activities	678	827	1,419	1,816	24,530	33,501	26,627	36,145
Total revenue	**68,207**	**199,374**	**48,142**	**115,711**	**24,538**	**33,501**	**140,887**	**348,586**
Intercompany revenue	-424	-509	-1,747	-1,798	-125	-176	-2,296	-2,484
Revenue	**67,782**	**198,865**	**46,395**	**113,913**	**24,413**	**33,325**	**138,591**	**346,103**
Depreciation and amortisation	-17,783	-15,752	-19,219	-16,185	-3,374	-2,859	-40,376	-34,796
Operating profit	17,479	142,775	-9,200	51,049	7,504	11,809	15,783	205,633
Share in results of associates and joint ventures[1]	-1,761	963	-	-	-	-	-1,761	963
Total assets	270,851	222,149	366,916	252,760	29,945	22,711	667,712	497,620
Total non-current assets (excl. deferred tax)	223,754	210,434	303,115	239,431	24,738	21,513	551,608	471,378
Investments in associates and joint ventures	15,972	17,809	-	-	-	-	15,972	17,809
Capital expenditure	32,144	32,117	81,092	34,482	6,534	8,137	119,769	74,735

1 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)	2020	2019
Concessions	336	1,210
Rent and leases	181,475	174,587
Parking fees	5,757	5,077
Other activities	5,998	6,666
Total revenue	**193,566**	**187,539**
Intercompany revenue	-31,571	-29,177
Revenue	**161,995**	**158,362**
Other results from investment property	-64,414	112,949
Depreciation and amortisation	-36,924	-23,134
Impairment	-15,831	-2,334
Operating profit	8,613	183,065
Share in results of associates and joint ventures[1]	-1,792	33,400
Total assets	2,699,043	2,441,560
Total non-current assets (excl. deferred tax)	2,229,725	2,312,756
Investments in associates and joint ventures	136,913	113,249
Capital expenditure	25,848	105,537

1 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 activities		Total	
(in thousands of euros)	2020	2019	2020	2019	2020	2019	2020	2019
Airport charges	-	-	21,109	64,295	-	-	21,109	64,295
Concessions	-	-	3,731	11,673	-	-	3,731	11,673
Rent and leases	-	-	5,118	4,673	11	-	5,129	4,673
Parking fees	-	-	6,692	21,920	-	-	6,692	21,920
Other activities	11,201	11,920	2,791	5,598	80,783[1]	86,046	94,775	103,564
Total revenue	**11,201**	**11,920**	**39,442**	**108,160**	**80,794**	**86,046**	**131,437**	**206,126**
Intercompany revenue	-78	-77	-1,090	-1,381	-61,977	-60,654	-63,144	-62,112
Revenue	**11,124**	**11,843**	**38,351**	**106,778**	**18,817**	**25,393**	**68,292**	**144,014**
Other results from investment property	-	-	-45	-91	-	-	-45	-91
Depreciation and amortisation	-1,366	-1,388	-16,710	-12,315	-12,091	-13,889	-30,167	-27,592
Impairment	0	-	-4	-	-140	-	-144	-
Operating profit	4,719	5,719	-47,108	12,013	-585	-4,258	-42,975	13,474
Share in results of associates and joint ventures[2]	-104,312	101,783	-	-	1,373	-	-102,938	101,783
Total assets	1,323,551	1,280,876	392,406	319,007	112,504	94,620	1,828,460	1,694,502
Total non-current assets (excl. deferred tax)	1,093,407	1,207,552	324,173	302,185	92,942	88,151	1,510,522	1,597,887
Investments in associates and joint ventures	907,267	1,034,192	-	-	5,507	4,271	912,774	1,038,463
Capital expenditure	3,989	-	39,551	48,559	15,834	32,266	59,373	80,825

1 The other activities include revenues from Utilities (supply of gas, electricity and water) and telecommunication services.
2 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)	2020	2019
Passenger service charges	113,382	394,792
Security service charges	106,328	364,170
Aircraft-related fees	89,670	208,391
Aircraft parking fees	4,480	4,983
Total airport charges	**313,860**	**972,336**

Schiphol Group is significantly impacted by the effects of the COVID-19 pandemic. The measures adopted by governments in countries worldwide to restrict (air) travel to contain the spread of the virus have a material, negative effect on passenger numbers (-71%) and air traffic movements (-55%), and as a result on the airport charges, spend per arriving / departing passenger and parking fees.

During 2020, Schiphol offered rebates to the amount of 14 million euros on airport charges to all the airlines. The rebates include payment discounts for early settlement as well as a 25% rebate on landing and take-off (LTO) charges. Also, 4 million euros of additional support was provided through free / discounted airplane parking.

The activities of the Aviation business area (at Amsterdam Airport Schiphol) are regulated. Under the Aviation Act, Schiphol Group must settle surplus income or deficits from specified income and expenses with the industry. In accordance with the accounting policies, surpluses and deficits eligible for settlement in future airport charge rates are not presented as assets and liabilities in the balance sheet. The following table provides an overview of surpluses (owed to the sector) and deficits (receivable from the sector) per financial year as well as the timing of their settlement in future airport charge rates. Given that 2020 was an exceptional year due to COVID-19 and its challenges, the amount to be settled for 2020 is expected to be a deficit of around 550 million euros. This amount is still insecure due to incidental gains and losses. The final settlement will be included and explained extensively in the Regulatory Accounts 2020 . The Regulatory Accounts 2020 will be published on 31 May 2021 (at the latest). Thereafter, the settlement will be included in the consultation of the Airport charges in coming years.

	Surplus (+) or deficit (-/-)	April 1st 2018	April 1st 2019	April 1st 2020	April 1st 2021	April 1st 2022	April 1st 2023
2016	54.5	54.5	-	-	-	-	-
2017	22.2	-	7.4	7.4	7.4	-	-
2018	0.6	-	-	0.2	0.2	0.2	-
2019	-19.0	-	-	-	-6.3	-6.3	-6.3
		54.5	**7.4**	**7.6**	**1.3**	**-6.1**	**-6.3**

The tariffs at Eindhoven Airport are regulated as of 1 April 2019. Contrary to Amsterdam Airport Schiphol, Eindhoven Airport is not required to settle surpluses and deficits with the industry. No regulatory procedures apply to Rotterdam The Hague Airport and Lelystad Airport.

Concessions

(in thousands of euros)	2020	2019
Shops Retail Airside	33,815	112,539
Food and beverage	12,092	49,078
Oil companies	9,020	15,619
Shops Plaza	5,779	10,220
Other	7,116	29,525
Total concessions	**67,822**	**216,981**

Schiphol Group's Concessions reporting segment, which is part of the Consumer Products & Services business area, had 98 effective concession contracts in 2020 (2019: 108) for a range of commercial activities at Amsterdam Airport Schiphol. The following table provides an overview of the undiscounted fixed lease payments for rent and concessions (excluding payments conditional on factors other than the passing of time, e.g. percentage of revenues and price indices) expected to be received from these contracts, as well as the period to their expiry:

	2021	2022	2023	2024	2025	>2025
Fixed lease payments from current contracts (in thousands of euros)	9,591	7,405	5,994	5,371	2,584	3,554
Percentage of contracts that will expire	28%	18%	5%	22%	13%	14%

Revenue of 9 million euros from concessions included in the Aviation segment (15.6 million euros in 2019) and 3.1 million euros in the Parking segment (8.2 million euros in 2019) 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. (an associate of Schiphol Group) is 8.4 million euros (2019: 28.6 million euros).

Rent and leases

(in thousands of euros)	2020	2019
Investment property: buildings, including service charges	99,263	100,187
Operating property, including service charges	43,800	42,810
Investment property: land	29,441	27,517
Intercompany revenue	30,881	27,706
Total rent and leases	**203,386**	**198,220**

Average occupancy in the Real Estate segment was 95% (91.5% in 2019). The following table provides an overview of the years in which the current rent and lease contracts will expire for activities at Amsterdam Airport Schiphol and Rotterdam The Hague Airport, as well as the undiscounted fixed lease payments for rent (excluding payments conditional on factors other than the passing of time, e.g. degree of use in respect of service costs and price indices) expected to be received from these contracts until their expiry:

	2021	2022	2023	2024	2025	>2025
Fixed lease payments from current contracts (in millions of euros)	148	109	88	65	53	37
Percentage of contracts that will expire	26%	15%	16%	8%	11%	25%

Property management expenses divided into occupied and unoccupied buildings can be broken down as follows:

(in thousands of euros)	2020[1]	2019
Occupied buildings	55,437	60,236
Unoccupied buildings	2,918	5,596
Total property management expenses	**58,355**	**65,832**

1 Please note that a new approach was adopted in determining these expenses. This approach aligns better with the current reporting.

If buildings are partially leased, the property management expenses have been apportioned based on floor area.

Parking fees

(in thousands of euros)	2020	2019
Short-stay parking	11,952	40,246
Long-stay parking	11,082	43,315
Business parking	23,146	24,764
	46,180	**108,325**
Parking at other locations	7,273	21,920
Intercompany revenue	2,143	1,960
Total parking fees	**55,596**	**132,205**

Parking revenues at other locations relate to parking at the airports of Rotterdam The Hague, Eindhoven and Lelystad and are included in the Domestic Airports segment.

As part of the business parking fees and intercompany revenue, an amount of 5.8 million euros (2019: 5.1 million euros) is obtained from investment properties of the Real Estate business area. The income is related to the objects included in note 10. Investment property.

Other activities

(in thousands of euros)	2020	2019
Advertising	11,833	19,632
Telecommunication services	11,027	17,527
JFK IAT related fees	5,709	8,163
Electricity, gas and water	6,742	6,298
Services and activities on behalf of third parties	3,991	6,480
Hotel activities	1,280	3,576
Other operating income	40,053	62,935
Intercompany revenue	65,172	67,012
Total other activities	**145,808**	**191,624**

2. Other results from investment property

(in thousands of euros)	2020	2019
Gain/ (loss) on disposal of land	629	-1,543
Result on sale of property	**629**	**-1,543**
Gain/ (loss) on changes in fair value of buildings	-34,053	69,345
Gain/ (loss) on changes in fair value of land	-29,443	22,012
Gain/ (loss) on changes in fair value of assets under construction	-1,592	22,399
New ground leases granted	-	645
Total fair value gains and losses	**-65,088**	**114,401**
Total other revenues from investment property	**-64,459**	**112,858**

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 independent external valuators commissioned by the Management Board. 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 valuators. 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 10. Investment property.

The outbreak of COVID-19 has negatively affected economic activity in many sectors. The fair value adjustment to buildings was 34.1 million euros negative in 2020 (2019: 69.3 million euros positive). This fair value decrease is driven by unfavourable and uncertain market conditions specifically for office buildings. Unfavourable market conditions (higher yields) caused the fair value of land to decrease by 29.4 million euros (2019: 22.0 million euros increase). Assets under construction decreased in value by 1.6 million euros (2019: 22.4 million euors increase) as a consequence of the uncertain market conditions.

3. Outsourcing and other external costs

(in thousands of euros)	2020	2019
Security	154,812	197,320
Subcontracted activities	69,927	144,728
Maintenance	132,637	138,279
Hired temporary staff	57,497	92,016
Cleaning	35,040	40,885
Advisory and audit fees	16,904	28,509
Insurance and government levies	25,708	22,583
Energy and water	23,109	22,742
Costs related to investments	21,164	18,495
Commercial expenses	9,269	15,680
Other expenses (such as general expenses, rents and leasing)	83,655	80,891
Total cost of outsourced work and other external costs	**629,722**	**802,126**

The subcontracted activities comprise a broad range of outsourced activities related to airport processes, such as the outsourcing of bus transport services, the services to people with reduced mobility and the lost & found process.

Auditor's fees

(in thousands of euros)	2020	2019
Audit of the financial statements	1,171	973
Other audit services	886	774
Total auditor's fees	**2,057**	**1,747**

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 Dutch 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, NOW government grant audits and procedures for the EMTN prospectuses. The fees of KPMG Accountants N.V. amount to 1.9 million euros (2019: 1.6 million euros) while the fees for activities performed by other members of the KPMG network amount to 0,1 million euros (2019: 0.1 million euros).

4. Employee benefits expense

The average number of employees at Royal Schiphol Group N.V. and its subsidiaries on a full-time equivalent basis was 2,711 (2019: 2,519).

Schiphol Group has applied for government grants (Noodmaatregel Overbrugging Werkgelegenheid, NOW) for the amount of 112 million euros in total. It consists of NOW 1, NOW 2 and NOW 3.1. The third government grant (NOW 3) became available until 1 July 2021. It consists of 3 periods of 3 months each. Schiphol Group will file for NOW 3.2 and NOW 3.3 for the remaining months when due.

The grants were recognised as deductions to the related operating expenses in the consolidated statement of profit and loss.

These support grants are temporary governmental compensation for labour costs and is granted to companies who lost a substantial amount of income due to the pandemic. Schiphol has to comply to the following conditions for the 2020 financial year with regards to the NOW subsidies: no distribution of dividends, no buy back of shares, no payment of bonuses to the Board and providing of training and development to personnel. Certain aspects with regards to the decrease in revenue

(in thousands of euros)	2020	2019
Short-term employee benefits	89,272	190,360
Post-retirement benefits	37,355	33,033
Other long-term employee benefits	3,937	2,566
Termination and unemployment benefits	63,354	1,344
Other staff costs	6,385	15,162
Total employee benefits	**200,303**	**242,466**

(in thousands of euros)	2020	2019
Salaries	207,712	195,701
Social charges	22,949	20,783
Internal hours capitalised	-29,443	-26,124
NOW government grants received	-111,946	-
Total short-term employee benefits	**89,272**	**190,360**
Pension charges (defined contribution plans)	36,055	32,209
Early retirement benefits	1,300	824
Total post-retirement benefits	**37,355**	**33,033**
Jubilee benefits	751	-196
Long-term management bonuses	-	14
Other employee benefits	3,186	2,748
Total other long-term employee benefits	**3,937**	**2,566**

and personnel development costs relating to the government grants (NOW) are subject to an external audit.

The internal hours capitalised relate to time spent by employees in the realisation 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 22. 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.

Schiphol management has taken the decision during 2020 that it is required to reset and restructure the whole organisation in order to respond to the negative impact of the COVID-19 pandemic. A reduction of 20% to 25% of the operational costs is required, also including, amongst others, a reduction of the number of employees working at the airports of Schiphol Group. A restructuring provision in terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to the amount of 63 million euros have been recognised. The provision has been split in 3 parts: the portion allocated to the known employees which will be settled within 12 months are included as part of note 25. Trade and other payables, the portion which include uncertainty and estimates with regards to the number of employees (but which will also be settled within one year) is included in note 23. Provisions and the remaining portion with regards to the unemployment provision is included in note 22. Employee benefits.

5. Depreciation, amortisation and impairment expenses

(in thousands of euros)	2020	2019
Contract-related assets	1,341	1,358
ICT development	11,494	9,486
Software licences	10,859	8,457
Intangible assets	**23,694**	**19,301**
Runways, taxiways and aprons	32,713	30,320
Paved areas and roads	18,541	14,903
Buildings	63,825	62,185
Installations	111,734	113,424
Other assets	46,632	43,010
Assets used for operating activities	**273,445**	**263,841**
Depreciation and amortisation in relation to disposals	3,755	6,728
Impairments related to financial assets	5,163	4,493
Impairments	18,150	1,000
Impairments reversal	-	-1,700
Total depreciation, amortisation and impairments	**324,208**	**293,664**

During 2020 the useful life of some of the assets used for operating activities was reassessed as a result of the impact of COVID-19 on the operations of Schiphol Group. A number of assets were used and will be used on a limited basis due to the decrease of air transport movements for the period 2020 - 2024. This will result in an increase of one year of use in the life of the assets. The impact of the change in useful life amounts to approximately 1 million euros.

The majority of the impairment of 18 million euros relate to an impairment to the amount of 14 million euros on land positions held for future development at Schiphol Oost.

See note 7. Intangible assets for information on the amortisation of contract-related assets and note 8. Assets used for operating activities for information on the depreciation of assets. Information on impairments is provided in note 10. Investment property and note 27. Management of financial risks and financial instruments.

6. Other operating expenses

No other operating expenses were incurred in 2020.

In 2019, other operating expenses amounted to 5.8 million euros and included the release of an onerous contract provision for the amount of 7.4 million euros.

Notes to the consolidated statement of financial position

7. Intangible assets

(in thousands of euros)	Contract-related assets	ICT development	Software licences	Software under development	Total
Carrying amount as at 1 January 2019	**33,191**	**21,085**	**16,605**	**30,495**	**101,376**
Movements in 2019					
Additions	-	-	-	53,816	53,816
Completions	-	12,885	11,822	-24,707	-
Amortisation	-1,358	-9,486	-8,457	-	-19,301
Reclassification	-	445	-445	-	-
Disposals	-	-68	-148	-	-216
Exchange differences	752	-	-	-	752
Other	-	6	-7	-	-1
Total movements in the year	**-606**	**3,782**	**2,765**	**29,108**	**35,050**
Analysis as at 31 December 2019					
Cost	39,113	68,475	56,319	59,604	223,510
Accumulated amortisation and impairment	-6,528	-43,608	-36,949	-	-87,085
Carrying amount as at 31 December 2019	**32,585**	**24,867**	**19,370**	**59,604**	**136,425**

(in thousands of euros)	Contract-related assets	ICT development	Software licences	Software under development	Total
Carrying amount as at 31 December 2019	**32,585**	**24,867**	**19,370**	**59,604**	**136,425**
Movements in 2020					
Additions	-	-	-	38,319	38,319
Completions	-	15,683	23,085	-38,768	-
Amortisation	-1,341	-11,494	-10,859	-	-23,694
Reclassification	24	-487	828	537	903
Disposals	-	-62	-65	-	-127
Exchange differences	-2,581	-	-	-	-2,581
Other	-	-	-	-	-
Total movements in the year	**-3,897**	**3,640**	**12,990**	**88**	**12,821**
Analysis as at 31 December 2020					
Cost	36,556	83,609	80,168	59,691	260,025
Accumulated amortisation and impairment	-7,868	-55,102	-47,808	-	-110,779
Carrying amount as at 31 December 2020	**28,688**	**28,507**	**32,360**	**59,691**	**149,246**

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 22.5 years. Income realised under the arrangement is for the most part fixed and reported under 'revenue from other activities'. Schiphol Group is under no obligations to make additional contributions. No indication of impairment was identified for the contract-related assets as Schiphol Group continued to receive the agreed fee during the 2020 financial year.

ICT development comprises the capitalised internally developed ICT applications, Software licences comprises the externally acquired ICT applications.

8. Assets used for operating activities

(in thousands of euros)	Runways, taxiways and aprons	Paved areas, roads etc.	Buildings	Installations	Other assets	Total
Carrying amount as at 1 January 2019	**394,457**	**494,743**	**1,035,847**	**768,102**	**168,045**	**2,861,193**
Movements in 2019						
Completions	80,038	50,444	120,154	217,029	74,259	541,924
Lease	-	-	-	-	7,757	7,757
Depreciation	-30,320	-14,903	-62,185	-113,424	-43,010	-263,841
Sales	-	-	-779	-1,173	-	-1,952
Disposals	-	-1,065	-2,722	-1,138	-1,308	-6,232
Other	-	-10	-	61	-906	-855
Reclassification	-1,276	-1,781	-6,741	99	-6,222	-15,922
Total movements in the year	**48,443**	**32,685**	**47,727**	**101,453**	**30,571**	**260,878**
Analysis as at 31 December 2019						
Cost	919,657	770,209	1,890,998	2,290,110	520,571	6,391,545
Accumulated depreciation and impairment	-476,757	-242,781	-807,424	-1,420,554	-321,955	-3,269,471
Carrying amount as at 31 December 2019	**442,900**	**527,428**	**1,083,574**	**869,555**	**198,616**	**3,122,072**
Carrying amount as at 1 January 2020	**442,900**	**527,428**	**1,083,574**	**869,555**	**198,616**	**3,122,072**
Movements in 2020						
Completions	54,477	85,140	72,982	131,107	48,450	392,155
Lease	-	-	-	-	10,173	10,173
Depreciation	-32,713	-18,541	-63,825	-111,734	-46,632	-273,445
Disposals	-	0	-	-422	-3,206	-3,628
Reclassification	5	-11,970	380	-3,089	4,325	-10,347
Total movements in the year	**21,769**	**54,629**	**9,537**	**15,862**	**13,111**	**114,908**
Analysis as at 31 December 2020						
Cost	974,139	843,379	1,964,360	2,418,128	583,520	6,783,526
Accumulated depreciation and impairment	-509,470	-261,322	-871,249	-1,532,711	-371,793	-3,546,545
Carrying amount as at 31 December 2020	**464,669**	**582,057**	**1,093,110**	**885,417**	**211,727**	**3,236,980**
During the year, the following projects were (partly) completed:						
Capital Programme: Landside	-	46,765	455	4,006	1,028	52,253

(in thousands of euros)	Runways, taxiways and aprons	Paved areas, roads etc.	Buildings	Installations	Other assets	Total
Programme: Major maintenance on aprons, runways and taxiways	27,027	3,591	683	3,178	2,434	**36,914**
Expansion of platform Uniform for buffering	21,454	5,273	-	1,731	112	**28,570**
Major Maintenance Schiphol Real Estate 2020	-	-	-	-	20,528	**20,528**
Programme: Terminal maintenance	-	-	3,867	13,731	572	**18,170**
Dev Busgates WIBO NS at E-Pier	-	470	5,301	8,066	1,753	**15,590**
Staff (Programme: Digital Finance Programme)	-	-	-	-	15,391	**15,391**
Programme: Hold baggage screening (several locations)	-	-	-	10,521	-	**10,521**
Bus shuttle Area A - Terminal Central	-	224	1,236	1,195	6,103	**8,758**
Programme: Other IT Projects	-	-	-	-	7,118	**7,118**
Programme: Landside roads maintenance & Rainwater drainage system	-	5,139	-	102	-	**5,241**
Other	5,995	23,678	61,440	88,576	-6,588	**173,102**
Total completions during the year	**54,477**	**85,140**	**72,982**	**131,107**	**48,450**	**392,155**

The other assets include amongst others inventory and vehicles.

Part of the assets used for operating activities as presented above concerns right-of-use assets. The movement in right-of-use assets during 2020 was as follows:

(in thousands of euros)	Buildings	Other assets	Right of use assets
Carrying amount as at 1 January 2020	**3,129**	**9,943**	**13,072**
Movements 2020			
Additions	-	10,139	**10,139**
Depreciation	-509	-5,153	**-5,662**
Total movements	**-509**	**4,986**	**4,477**
Carrying amount as at 31 December 2020	**2,620**	**14,929**	**17,549**

9. Assets under construction or development

(in thousands of euros)	Assets under construction for operating activities
Carrying amount as at 1 January 2019	**700,043**
Movements in 2019	
Capital expenditure	758,545
Capitalised construction period borrowing cost	6,900
Completed assets	-541,924
Reclassification	55,170
Total movements in the year	**278,691**
Carrying amount as at 31 December 2019	**978,734**
Movements in 2020	
Capital expenditure	716,323
Capitalised construction period borrowing cost	9,702
Completed assets	-386,290
Reclassification	-5,750
Total movements in the year	**333,985**
Carrying amount as at 31 December 2020	**1,312,719**

The capitalisation of construction period interest is calculated by applying a percentage rate determined every quarter on the basis of the leverage ratio. In 2020, the rate varied between 1.5% and 1.6% on an annual basis (2019: the annual rate varied between 1.54% and 1.61%).

(in thousands of euros)	Assets under construction for operating activities
Capital expenditures relate to the following projects:	
Capital Programme	211,865
Purchase of land "Boswandeling"	84,944
Redevelopment Terminal 1	69,476
Completion Dual Taxiway System	47,124
Programme: Major maintenance on aprons, runways and taxiways	38,403
Upgrade Piers (UP)	30,282
Programme: Terminal maintenance	23,821
Rotterdam-The Hague Airport	23,073
Eindhoven Airport	12,968
Programme: Hold baggage screening (several locations)	11,901
Other	162,467
Total capital expenditures in the year	**716,323**

At 31 December 2020, assets used for operating activities and assets under construction or development in respect of Lelystad Airport amount to 47 million euros and 46 million euros respectively. The Ministry of Infrastructure and Water Management aims to allow for the opening of Lelystad Airport for commercial leisure traffic in November 2021. Based on the current status of the regulatory approval process and the actions taken in 2019 and 2020, reflecting the intentions of most relevant parties involved including the Dutch government, management believes that the risk that Lelystad Airport will not be opened for commercial flights in time to recover the investments made, is sufficiently remote as at 31 December 2020. As such, there is no trigger for impairment as of today.

The construction of the new pier and the redevelopment of Departure Hall 1 is progressing. Other projects have been postponed, including the construction of the new Schiphol terminal. Management is assessing the re-initiating of the project closely.

10. Investment property

(in thousands of euros)	Buildings	Land	Assets under construction	Total
Carrying amount as at 1 January 2019	**1,097,612**	**436,104**	**108,569**	**1,642,285**
Movements in 2019				
Capital expenditure	-	-	39,661	39,661
Capitalised construction borrowing cost	-	-	321	321
Completions	73,362	-	-73,362	-
Fair value gains and losses	69,345	22,657	22,399	114,401
Impairments	-	-	700	700
Reclassification	-46,547	-3,648	10,946	-39,249
Other	-8	-	-	-8
Total movements in the year	**96,153**	**19,009**	**664**	**115,826**
Carrying amount as at 31 December 2019	**1,193,765**	**455,113**	**109,233**	**1,758,111**
Movements in 2020				
Capital expenditure	-	-	31,977	31,977
Completed assets	16,412	7,049	-23,461	-
Impairment	-	-	-15,400	-15,400
Fair value gains and losses	-34,053	-29,443	-1,592	-65,088
Reclassification	-1,328	10,795	3,836	13,303
Total movements in the year	**-18,969**	**-11,599**	**-4,639**	**-35,207**
Carrying amount as at 31 December 2020	**1,174,796**	**443,514**	**104,594**	**1,722,904**
Measured at				
Cost model	-	-	46,279	46,279
Fair value model	1,174,796	443,514	58,315	1,676,625

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, these land positions are measured in accordance with the cost model. The majority of the impairment of 15.4 million euros relate to an impairment to the amount of 14 million euros on land positions held for future development at Schiphol Oost.

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 traded 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 (13.8 million euros as at 31 December 2020 (2019: 11.8 million euros)) and trade and other receivables (5.0 million euros as at 31 December 2020 (2019: 1.7 million euros)).

As at 31 December 2020, 100% (2019: 100%) of the buildings and 19.4% (2019: 13.2%) 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

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. The Dutch Register of Real Estate Valuers (Nederlands Register Vastgoed Taxateurs (NRVT)), established in October 2015, is tasked with safeguarding and enhancing the quality of appraisers. The general conduct and professional rules and regulations of the NRVT are the new market standard appraisers have to comply with. That standard is based on IFRS and international valuation guidelines. All our external appraisers are NRVT members. The valuation method is described in more detail on the next page.

Valuation method for buildings

The valuation method used is a combination of the net initial yield (NIY) method and the discounted cash flow (DCF) method. 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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Schiphol Centre						
Offices	**299**	296	**300**	300	**4.8%**	4.6%
Business premises						
Schiphol North and East						
Offices	**145**	152	**157**	160	**7.9%**	7.7%
Business premises						
Schiphol Southeast						
Offices	**145**	170	**142**	142	**10.0%**	9.7%
Business premises	**114**	112	**105**	105	**5.0%**	5.1%
Schiphol South						
Offices	**165**	164	**125**	125		
Business premises	**108**	102	**76**	76	**6.1%**	6.7%
Rotterdam The Hague Airport						
Offices	**154**	149	**159**	160	**6.6%**	6.5%
Business premises	**94**	93	**75**	75	**5.2%**	5.5%

Significant assumptions for buildings

The significant assumptions used in the valuation model comprise:

Buildings

	2020	2019
Inflation rate	1,40% - 2,00%	1,30% - 2,65%
Average market rent development	-6,67% - 0,00%	0,00% - 7,69%
Net initial yield	4,00% - 10,00%	4,00% - 9,70%

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 instalment minus an annual redemption. The annual redemption is equal to the total instalment divided by the lease period plus the discounted value of the estimated instalment for the next lease period.

Significant assumptions used in the valuation model for land

The main assumptions used in the valuation of land are specified below:

Land

	2020	2019
Inflation rate	1,40% - 2,00%	1,30% - 2,65%
Discount rate	4,85% - 7,90%	4,75% - 7,75%

11. 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)	2020		2019	
Profit before tax	-729,761		437,976	
Income tax calculated at the domestic tax rate	-182,440	25.0%	109,494	25.0%
Share in results of associates and joint ventures	26,812	-3.7%	-31,798	-7.3%
Share in results of associates in limited partnerships that are not independently taxable	-464	0.1%	6,343	1.4%
Changes in corporate income tax rate	-9,825	1.3%	-9,030	-2.1%
Different tax rate for foreign subsidiaries / associates	1,548	-0.2%	605	0.1%
Tax losses for which no deferred tax asset has been recognised	-957	0.1%	-	0.0%
Non-deductible impairment shareholder loan	-	0.0%	759	0.2%
Tax results previous years	556	-0.1%	-727	-0.2%
Other	2,754	-0.4%	268	0.1%
Income tax expense in income statement (effective)	**-162,016**	**22.2%**	**75,913**	**17.3%**

The effective tax rate in 2020 was 22.2%, which is 4.9 percentage points higher than 2019 (17.3%). At the end of 2020 the House of Representatives and the Senate approved the *Belastingplan 2021* including an increase of the nominal income tax rate to 25.0% in 2021 onwards. At the end of 2019, it was initially communicated that there will be a reduction of the nominal income tax rate applicable from 2021 under the *Belastingplan 2020* with the income tax rate change from 25.0% to 21.7%. The rate at which an important part of the deferred tax assets and liabilities will be settled is calculated at the current rate of 25.0%. The changes in the nominal income tax rate applicable as from 2021 caused revaluations of deferred tax assets and liabilities. The higher rate at which differences will be settled resulted in a decrease in the income tax expense in 2020 and 2019. As was the case in prior years, the application of the participation exemption to the results of associates decreases the effective tax rate. No deferred tax asset is recognised for the unused tax losses incurred in Italy.

The Corona Tax Reserve was introduced as part of the *Belastingplan 2021*. Schiphol Group is permitted to form a reserve in the 2019 corporate income tax assessment for losses expected to be incurred in the financial year 2020, provided these losses are the result of the COVID-19 crisis. The provisional tax assessment for 2019 has been adjusted to nil. The corona tax reserve should not exceed the total amount of profits for 2019. The tax result for 2019 therefore cannot become negative as a result of this reserve.

The paid income tax for 2019 has been refunded by the *Belastingdienst*, approximately amounting to 48 million euros. Further, the provisional income tax assessment for 2020 has been adjusted to nil because of the expected operational losses. This prepaid income tax has also been refunded by the *Belastingdienst*, approximately amounting to 50 million euros.

The remaining assessed losses (corona tax reserve) amounted to 98.5 million euros (after the set-off against the 2019 profit). This has been recognised as a deferred tax asset. Management revised the estimates of future taxable profits as part of the scenario forecast and concluded that Schiphol Group will recover the deferred tax asset against future taxable profit.

Income tax in the statement of income

(in thousands of euros)	2020	2019
Current income tax		
Income tax current year	45,389	48,608
Income tax for prior years	556	-727
Total current income tax	**45,945**	**47,881**
Deferred income tax		
Origination and reversal of temporary differences	7,674	37,063
Changes in corporate income tax rate	9,825	-9,030
Recognition of unutilised tax losses	98,572	-
Total deferred income tax	**116,071**	**28,033**
Total income tax	**162,016**	**75,913**

2020 - Reconciliation of effective tax rate per tax jurisdiction

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	-721,649		-4,287		-3,826		-729,761	
Income tax calculated at the nominal rate	**-180,412**	25.0%	**-1,478**	34.5%	**-1,067**	27.9%	-182,958	25.1%
Results of associates	25,872	-3.6%	-	0.0%	-	0.0%	25,872	-3.5%
Changes in corporate income tax rate	-9,825	1.4%	-	0.0%	-	0.0%	-9,825	1.3%
Tax losses for which no deferred tax asset has been recognised	-	0.0%	-	0.0%	1,067	-27.9%	1,067	-0.1%
Tax results from previous years	556	-0.1%	-	0.0%	-	0.0%	556	-0.1%
Other	3,272	-0.5%	-	0.0%	-	0.0%	3,272	-0.4%
Income tax expense in profit or loss (effective)	**-160,537**	**22.2%**	**-1,478**	**34.5%**	**-**	**0.0%**	**-162,016**	**22.2%**

2019 - Reconciliation of effective tax rate per tax jurisdiction

(in thousands of euros)	The Netherlands		The United States		Italy		Total	
Profit before tax	431,201		6,202		572		437,976	
Income tax calculated at the nominal rate	**107,800**	25.0%	**2,139**	34.5%	**160**	27.9%	110,099	25.1%
Results of associates	-25,455	-5.9%	-	0.0%	-	0.0%	-25,455	-5.8%
Changes in corporate income tax rate	-9,030	-2.1%	-	0.0%	-	0.0%	-9,030	-2.1%
Change in recognised temporary differences	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Tax results from previous years	-727	-0.2%	-	0.0%	-	0.0%	-727	-0.2%
Other	1,026	0.2%	-	0.0%	-	0.0%	1,026	0.2%
Income tax expense in profit or loss (effective)	**73,614**	**17.1%**	**2,139**	**34.5%**	**160**	**27.9%**	**75,913**	**17.3%**

Deferred tax in the statement of financial position

The following differences in valuation for tax and reporting purposes can be distinguished:

- Assets used for operating activities and assets under construction are measured at cost both for reporting purposes and for tax purposes. The balance sheet for tax purposes equates the cost with the market value as at 1 January 2002, whereas the balance sheet for reporting purposes equates the cost with the (lower) historical cost;
- For tax purposes, the depreciation of both commercial buildings and operational buildings is limited to the so-called base value. The base value is 100% of the WOZ value (i.e., the value under the Valuation of Immovable Property Act);
- 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 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)	2020	2019
Deferred tax assets (fiscal unity)		
Assets used for operating activities	168,842	144,468
Assets under construction or development	54,661	50,811
Derivative financial instruments and borrowings	11,707	11,781
Employee benefits	5,611	5,519
Investment property	-154,623	-145,258
Contract related assets	34	-
Unutilised tax loss	98,572	-
	184,804	**67,322**
Deferred tax assets (outside fiscal unity)		
Investment property	991	**923**
Deferred tax liabilities (outside fiscal unity)		
Contract-related assets	-11,298	-12,626
Derivative financial instruments and borrowings	-454	-732
	-11,752	**-13,358**
Total deferred tax	**174,043**	**54,887**
Non-current (settlement is not expected)	83,274	72,282
Non-current (expected to be recovered or settled after more than 1 year)	89,565	-18,963
Current (expected to be recovered or settled within 1 year)	1,204	1,568
	174,043	**54,887**

The movements in 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	Unutilised tax loss	Total
Carrying amount as at 1 January 2019	**141,526**	**53,497**	**-117,554**	**13,768**	**4,076**	**-14,301**	**-**	**81,011**
Movements in 2019								
Deferred tax recognised in the income statement	2,942	-2,686	-26,780	-1,651	143	-	-	-28,032
Deferred tax recognised in equity	-	-	-	1,065	1,300	-	-	2,365
Reclassification	-	-	-	-2,132	-	-	-	-2,132
Other movements	-	-	-	-	-	1,675	-	1,675
Total movements in the year	**2,942**	**-2,686**	**-26,780**	**-2,719**	**1,443**	**1,675**	**-**	**-26,124**
Carrying amount as at 31 December 2019	**144,468**	**50,811**	**-144,335**	**11,049**	**5,519**	**-12,626**	**-**	**54,887**
Movements in 2020								
Deferred tax recognised in the income statement	24,429	3,850	-9,297	-3,188	343	1,362	98,572	116,071
Deferred tax recognised in equity	-	-	-	3,392	-251	-	-	3,141
Reclassification	-55	-	-	-	-	-	-	-55
Other movements	-	-	-	-	-	-	-	-
Total movements in the year	**24,374**	**3,850**	**-9,297**	**204**	**92**	**1,362**	**98,572**	**119,157**
Carrying amount as at 31 December 2020	**168,842**	**54,661**	**-153,632**	**11,253**	**5,611**	**-11,264**	**98,572**	**174,043**

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	-2,755	-	-2,755
Changes in fair value on hedge transactions	-8,625	3,392	-5,233
Remeasurements of defined benefit liability	2,270	-251	2,019
Share in other comprehensive income of associates	-21,622	-	-21,622
Total unrealised 2020	**-30,732**	**3,141**	**-27,591**
Exchange differences	5,997	-	5,997
Changes in fair value on hedge transactions	-621	1,065	443
Remeasurements of defined benefit liability	-5,311	1,300	-4,011
Share in other comprehensive income of associates	-11,191	-	-11,191
Total unrealised 2019	**-11,127**	**2,365**	**-8,762**

Current income tax positions

(in thousands of euros)	2020	2019
Income tax receivable		
Fiscal unity	-	14,560
Dutch subsidiaries outside the fiscal unity	465	-
Income tax in foreign jurisdictions	-	-
Total income tax receivable	**465**	**14,560**
Income tax liability		
Dutch subsidiaries outside the fiscal unity	-	-736
Income tax in foreign jurisdictions	-3,565	-936
Total income tax liability	**-3,565**	**-1,672**
Total income tax	**-3,100**	**12,888**

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. Final tax assessments have been imposed and settled for the tax years prior to 2018. The foreign income tax payable relates to local US and Australian 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.

12. Investments in associates and joint ventures

(in thousands of euros)	2020	2019
Investments in associates	846,279	976,844
Investments in joint ventures	221,334	193,604
Carrying amount as at 31 December	**1,067,613**	**1,170,447**

Associates

(in thousands of euros)	2020	2019
Carrying amount as at 1 January 2020	**976,844**	**907,118**
Result for the year	-104,968	106,482
Dividends	-	-79,175
Acquisitions	1,988	56,956
Capital contributions	311	-
Capital repayments	-	-6,173
Share of OCI	-21,622	-10,481
Direct equity movement	929	-700
Reclassifications	-7,596	5
Exchange differences	392	2,811
Total movements in the year	**-130,566**	**69,726**
Carrying amount as at 31 December 2020	**846,279**	**976,844**

In March 2020, Schiphol Real Estate (SRE) and Volker Wessel Bouw & Vastgoedontwikkeling Nederland B.V. (VolkerWessels) formed a joint venture (Boswandeling B.V.) and acquired approximately 90 hectares of land from the development company, Chipshol Holding B.V. The total land area is split into an area south and an area north of motorway A9. The acquisition of the southern area was structured by acquiring several entities and qualified as an asset acquisition in terms of IFRS 3. This land is primarily a strategic reserve for infrastructure and ancillary aviation purposes. The northern area was acquired in the joint venture for commercial development purposes and will be performed with VolkerWessels.

Unanimity is required from VolkerWessels and SRE before any business related or strategic decisions can be made in the joint venture. Schiphol Group therefore accounts for its investment in

Joint ventures

(in thousands of euros)	2020	2019
Carrying amount as at 1 January 2020	**193,604**	**69,277**
Result for the year	-2,279	20,712
Dividends	-909	-2,679
Acquisitions	3,823	107,440
Capital contributions	26,806	-
Capital repayments	-819	-2,125
Exchange differences	1,123	1,857
Reclassifications	-0	-5
Other	-16	-874
Total movements in the year	**27,730**	**124,326**
Carrying amount as at 31 December 2020	**221,334**	**193,604**

Boswandeling as a joint venture using the equity method. The investment as at 31 December 2020 amounts to 26.5 million euros.

During 2019, Schiphol group expanded its interest in BACH by 0.89% and acquired a 35% stake in Tasmanian Gateway Holdings Corporation Pty Ltd (TGHC) in Australia. At the end of December 2019, all information relating to the fair value of the assets and liabilities were not yet known and provisional amounts were recognised in terms of IFRS 3 *Business Combinations*. Schiphol Group has received new information from BACH and TGHC since the last annual reporting period and has assessed the impact thereof in terms of IFRS 3. Please also see Acquisitions in 2020.

It was noted for BACH and TGHC that several balance sheet reclassifications occurred in comparison with the figures that were recognised in December 2019. Additional acquisition costs of 6 million Australian dollars were also incurred in 2020 to finalise the acquisition of Hobart International Airport. The total consideration paid for Royal Schiphol Group's 35% share in Hobart International Airport therefore amounted to 305 million Australian dollar (at 31 December 2019: 299 Australian dollars). It was, however, assessed that there is no material impact on the reported figures as at 31 December 2020.

A complete list of associates and joint ventures has been filed with the Amsterdam Chamber of Commerce. Schiphol Group is not directly liable for the obligations of associates.

Of the interests held by Schiphol Group in associates and joint ventures, only those in Groupe ADP, BACH and TGHC can be regarded as material.

		2020	2019
Groupe ADP	Paris France	8%	8%
Brisbane Airport Corporation Holdings Ltd (BACH)	Brisbane Australia	19.61%	19.61%
Tasmanian Gateway Holdings Corporation Pty Ltd (TGHC)	Hobart Australia	35%	35%

Schiphol Group has significant influence over 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.

Since 2008, Royal Schiphol Group has had a long-term industrial cooperation and cross-participation with Groupe ADP. The agreement had an initial duration of 12 years which expired on 30 November 2020. Groupe ADP and Royal Schiphol Group have extended the agreement with 12 months, until 30 November 2021.

The 35% share in TGHC qualifies as a joint venture. Resolutions at Board meetings are decided by a simple majority, except for fundamental shareholder matters (e.g. in respect of shareholder rights, the constitution, shares or other securities, liquidation, appointment or removal of the auditor or any independent directors) and certain other resolutions (e.g. on adoption of, amendment to or departure from the business plan, acquisitions, financing of the company, appointment of the CEO and important transactions that exceed the applicable threshold) which require a majority of 75%. Such a majority is only possible if the resolution has the unanimous consent of all shareholders.

The following page contains 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 associates at 31 December 2020 includes 206 million euros (2019: 206 million euros) of goodwill relating to Groupe ADP and 68 million euros (2019: 68 million euros) of goodwill relating to Brisbane Airports Corporation Holding Ltd (of which 41 million euros relate to the purchase price allocation in respect of the acquisition of the additional share of 0.89% in 2019). The carrying amount of the joint ventures at 31 December 2020 includes 106 million euros (2019: 106 million euros) of goodwill relating to Tasmanian Gateway Holdings Corporation Pty Ltd .

In 2020, Groupe ADP contributed a loss of 96.5 million euros (2019: 61 million euros profit) 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 investment property.

The share in the results of associates in 2020 includes a loss of 12 million euros from Brisbane Airports Corporation Holding Ltd (2019: 34 million euros profit) and 2.9 million euros loss from TGHC (2019:0 million euros profit). During 2020, management of TGHC elected to change the accounting policies related to the valuation of Investment Property and Property, Plant and Equipment. All assets will be carried at their fair value. These changes in the accounting policy of TGHC are resulting in differences in the measurement of Property, Plant and Equipment (Assets used for operating activities) between Schiphol and TGHC. The result of 7.4 million euros include the adjustment relating to the difference in accounting policies.

The fair value of Groupe ADP derived from the market price of the share at 31 December 2020 is 10.5 billion euros (31 December 2019: 17.4 billion euros). Schiphol Group’s share in this is 0.8 billion euros (31 December 2019: 1.4 billion euros). The shares of Brisbane Airports Corporation Holding Ltd and Tasmanian Gateway Holdings Corporation Pty Ltd are not listed on a stock exchange

Several external sources of information indicate the possible existence of impairment as a result of the COVID-19 pandemic. Pursuant with IAS 36 *Impairment of Assets* and the Impairment Policy of Schiphol Group, all investments in subsidiaries, associates and joint arrangements have been assessed for possible impairments by Schiphol Group.

For the period ending 31 December 2020, it was assessed that no impairment is required for Groupe ADP, Hobart International Airport and Brisbane Airport. The fair value of each investment will exceed the invested capital. Judgement is required in projecting future cash flows for the investments (with the exception of Groupe ADP) given the unprecedented volatility and uncertainty of the effects of COVID-19. The duration and impact of the limitations to operate as a result of COVID-19 is uncertain.

The forecasts (with the exception of Groupe ADP) were prepared under the assumption of a recovery to 2019 passenger volumes around 2023-2025. The investment in Hobart International Airport is fairly new as the initial acquisition took place in October 2019. The business case of the impairment analysis is based on key growth assumptions. It is currently assumed that Hobart will recover to the initial acquisition case by 2030. Change in developments can result in an adjustment of the assumptions used in the analysis which might result in an impairment of the investment. Management is timely reviewing the developments and possible impact on the business case. Brisbane Airport has sufficient headroom and the investment is therefore not sensitive for potential impairments. The estimate of value in use was determined by using a pre-tax discount rate in the range of 4% - 7%. The market share price of Groupe ADP is volatile as a result of the impact of

COVID-19 on the business as a whole. Based on the share price as at 31 December 2020, no impairment was required on the investment. It should, however, be noted that a material decrease in the share price can lead to an impairment of the investment.

Associates

	Groupe ADP[1]		Brisbane Airport[2]		TGHC[2]	
(in millions of euros)	2020	2019	2020	2019	2020	2019[3]
Income statement						
Revenues	2,137	4,700	457	525	30	-
Interest income and expenses	-390	206	-76	74	-9	-
Depreciation, amortisation and impairments	-1,071	768	-83	79	-6	-
Income tax	255	294	-32	74	-1	-
Result from continuing operations	-1,123	1,094	76	172	0	-
Other comprehensive income	-245	7	-17	-43	63	-
					-	-
Financial position					-	-
Fixed assets	13,744	13,482	4,224	3,921	395	-
Current assets	1,363	1,329	53	63	6	-
Cash and cash equivalents	3,463	1,982	746	104	12	-
Non-current liabilities	10,997	7,804	3,786	2,899	365	-
Current liabilities	3,360	2,982	303	222	55	-
Equity	4,213	6,007	934	454	-7	-
Equity attributable to owners of the Company	**3,652**	**5,032**	**934**	**454**	**-7**	**-**
Group's share % of equity	292	403	183	89	-3	-
Goodwill	206	206	68	68	123	-
Other adjustments	141	144	-95	15	67	-
Carrying amount as at reporting date	**639**	**753**	**156**	**172**	**187**	**-**

1 Based on the financial statements as at 31 December 2020
2 Based on the financial statements as at 30 June 2020
3 TGHC was acquired in October 2019 and therefore no comparitive figures included as at 30 June 2019

13. Loans to associates and joint ventures

(in thousands of euros)	2020	2019
Carrying amount as at 1 January 2020	**133,622**	**50,678**
Movements		
Acquisitions	-	80,051
Accrued interest	5,957	6,595
Amortisation	263	-
Exchange differences hedging transactions	-	85
Dividend received	-	-213
Other exchange differences	606	2,247
Reclassification to current assets	5,778	-5,778
Expected credit loss	-	-43
Other movements	-7,598	
Total movements in the year	**5,006**	**82,944**
Carrying amount as at 31 December 2020	**138,628**	**133,622**

The loans to associates and joint ventures relate to the Redeemable Preference Shares (RPS) held by Schiphol Group in BACH and Interest-bearing and Interest-free Loan Notes in Tasmanian Gateway Holdings Corporation Pty Ltd (TGHC) in Australia.

The RPS held in TGHC in 2019 was replaced with a mixture of interest-bearing and interest-free loan notes during 2020. It was assessed in terms of IFRS 9 *Financial Instruments* that there is no material impact on the reported figures of 2020 as a result of the replacement. The adjustment to the fair value of the Interest-free Loan Notes of approximately 7 million euros was included in the investment in joint venture's carrying amount of TGHC. This resulted in an increase in the equity value of TGHC and a decrease in the loan to associate with zero impact on the results of Schiphol Group. The maturity date of the loan notes are 31 May 2030. The interest-bearing loan notes will accummulate and pay interest set at 50 basis points above the weighted average cost of senior debt for the TGHC Group.

The RPS for BACH carry entitlement to a cumulative (accummulated) dividends. The terms of the RPS has been amended during the Annual General Meeting of BACH and include changes to the redemption period (from 1 July 2021 until 1 July 2031; extension of 9 years) and the annual dividend rate for the period commencing 1 July 2021.

Under the contractual terms the RPS and loan notes are classified as a loan to an associate and the dividend on these shares is treated as financial income. No dividends or interest have been received from BACH or TGHC during 2020 as a result of the negative impact of COVID-19 on these airports too. The dividends receivable are being accrued for in terms of the agreements. There is no indication of an increase in the credit risk.

RPS and loan notes are measured at amortised cost 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. The change in expected credit losses is reported under costs of depreciation, amortisation and impairment.

Up to 29 August 2019, the currency risk relating to the nominal value of the RPS and the accrued interest of the RPS held in BACH was hedged by annual forward transactions which hedge the Australian dollar position against the euro. The hedging transaction was accounted for as a cash flow hedge 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 were recognised in the income statement. The exchange differences as part of the hedging transaction were recognised in the hedge reserve through other comprehensive income. As from September 2019, a natural hedge exists between the currency risk relating to this long-term receivable and EMTN borrowings issued in 2019 denominated in AUD with related exchange differences being recognised in the income statement. The same applies to the loan notes held in TGHC which were acquired in October 2019.

The fair value of the loans to associates (including accumulated dividend) at 31 December 2020 is 140.3 million euros (2019: 142 million euros) and the effective interest rate is 10% for the RPS in BACH and 6.3% for the Interest-bearing Loan Notes in TGHC. 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.

14. Other non-current receivables

(in thousands of euros)	2020	2019
Derivatives	11,411	35,500
Lease incentives	13,822	11,803
Prepayments on fixed assets	6,818	6,837
Other loans to associates	3,452	2,489
Purchased long leases	2,602	2,692
Loans to third parties	269	369
Other long term receivables	-0	19,000
Total other non-current receivables	**38,374**	**78,690**

Other loans to associates

(in thousands of euros)	2020	2019
Carrying amount as at 1 January	2,489	**6,889**
Specification of movements in the year		
Accrued interest	-	103
Redemptions	-	-800
Reclassification to/from current assets	1,154	-1,629
Impairment	-	-2,074
Remeasurement	-191	-
Total movements in the year	963	**-4,400**
Carrying amount as at 31 December	3,452	**2,489**

The other loans to associates include a loan of 3.5 million euros to SRE Altaï, which is a joint venture with Groupe ADP involving collaboration in the area of property development. The loan has been re-measured per the requirements of IFRS 9 during the year as a result of a change in the expected cash flows. The re-measurement resulted in an immaterial loss recognised in the profit and loss. The maturity date of the loan remains 31 December 2024 and no collaterals have been granted.

The current portion of the loans to associates, amounting to 2.1 million euros (31 December 2019: 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.

In 2019, the other non-current receivables included an amount of 19.0 million euros which Schiphol Group paid to Chipshol in 2007, for which additional guarantees have been granted. The claims between Schiphol Group and Chipshol were settled during 2020. Schiphol Group acquired the entity that holds the claims, please see Acquisitions in 2020.

For information on derivatives, see note 27. Management of financial risks and financial instruments.

15. Trade and other receivables

(in thousands of euros)	**2020**	2019
Cash deposits	**470,000**	-
Trade receivables	**96,996**	127,033
Value-added taxes	**9,477**	18,192
Accrued income	**21,044**	12,707
Prepaid expenses	**19,838**	6,827
Receivable from associates	**177**	5,778
Other loans to associates	**2,080**	800
Lease incentives	**5,022**	1,700
Assets held for sale	**2,000**	2,000
Associates	**-**	-0
Inventories	**-**	593
Other receivables	**47,315**	4,943
Total trade and other receivables	**673,949**	**180,573**

The balance in cash deposits as at 31 December 2020 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 2020 was 0,2%.

Other receivables include an amount of 32 million euros relating to the NOW government grants to be received. 80% of the subsidies were already received, please refer to Note 4. Employee benefits expense.

The dividends on the BACH Redeemable Preference Shares (RPS) is not included in the receivable from associates per 31 December 2020 (2019: 5.8 million euros). For a more detailed explanation, please refer to Note 13. Loans to associates and joint ventures.

The balance in trade receivables includes expected credit losses of 8 million euros (31 December 2019: 4 million euros). For a more detailed explanation, please refer to note 27. Management of financial risks and financial instruments.

Assets held for sale to the amount of 2.0 million euros relates to the 47.44% interest of Malpensa Real Estate BV (a subsidiary of SRE BV) in Villa Carmen Srl. In December 2019 the Management Board of Schiphol Group approved the sale of this associate, which was expected to be finalised in 2020. Unfortunately due to the negative impact of COVID-19 on businesses worldwide, the sale could not be finalised due to unforeseen circumstances that were not in the control of Schiphol. The initial buyer indicated his continued willingness to continue with the transaction. The requirements per IFRS 5 *Non-current Assets held for sale and Discontinued Operations* with regards to the extension of the period required to complete a sale are met. Management believes that the sale of this associate will be finalised in 2021.

16. Cash and cash equivalents

Cash and cash equivalents amounts to 753 million euros at 31 December 2020 (31 December 2019: 155.1 million euros), with deposits amounting to 587 million euros included with an original maturity of less than three months at the balance sheet date (31 December 2019: 0 million euros). The average interest rate on the deposits reported under cash and cash equivalents as at 31 December 2020 was 0,2%.

Cash deposits whose original maturity exceeds three months (470 million euros at 31 December 2020) are classified as part of note 15. Trade and other receivables.

For a more detailed explanation on the credit risk, please refer to note 27. Management of financial risks and financial instruments.

17. Issued share capital and share premium

The authorised share capital as at 31 December 2020 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 %)
Shareholder:			
State of the Netherlands	129,880	58,966	69.77%
Municipality of Amsterdam	37,276	16,923	20.03%
Groupe ADP	14,892	6,761	8.00%
Municipality of Rotterdam	4,099	1,861	2.20%
Total	**186,147**	**84,511**	**100%**

There were no changes in the issued share capital and the share premium in 2020.

18. Retained profits

Schiphol Group put a proposal to its shareholders to refrain from effecting payment of the dividend for 2019 (the proposed dividend over 2019 was 151.4 million euros, or 813 euros per share). The shareholders agreed to this proposal during the shareholders meeting on 14 April 2020. No dividends will be paid out for the 2019 and 2020 financial years. 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 117.4 million euros over 2018. This amount was deducted from retained profits when paid in 2019.

Given the legal obligation to recognise a Revaluation reserve and Other Statutory reserves, an amount of 192.1 million euros was added to the Retained profits (2019: 119.1 million euros subtracted) and subtracted from the Revaluation reserve and Other Statutory reserves in 2020 as detailed under note 30. Shareholders' equity.

19. Other reserves

(in thousands of euros)	Exchange differences reserve	Hedge reserve	Share in OCI of associates	Actuarial gains and losses	Total
Balance as at 1 January 2018	**-5**	**-40,959**	**-25,858**	**-9,784**	**-76,606**
Movements in 2019					
Exchange differences	5,997	-	-	-	**5,997**
Currency and interest hedge JPY loan payable					
Exchange differences on hedged borrowings	-	-5,299	-	-	**-5,299**
Deferred tax on fair value changes on hedged borrowings	-	1,086	-	-	**1,086**
Fair value movements on derivatives	-	-5,131	-	-	**-5,131**
Deferred tax on fair value movements on derivatives	-	1,072	-	-	**1,072**
Hedging of cash flow interest-rate risk					
Recycling cash flow hedges to profit and loss	-	9,725	-	-	**9,725**
Deferred tax on recycling cash flow hedges	-	-2,357	-	-	**-2,357**
Currency hedge AUD loan receivable					
Exchange differences on hedged loans to associates	-	85	-	-	**85**
Deferred tax on fair value movements	-	628	-	-	**628**
Other comprehensive income associates	-	-	-10,481	-	**-10,481**
Equity movement of associates	-	-	-710	-	**-710**
Actuarial gains and revaluations	-	-	-	-5,311	**-5,311**
Tax effect on actuarial results	-	-	-	1,089	**1,089**
Other					
Impact of change in corporate income taxes	-	635	-	212	**847**
Total movements in the year	**5,997**	**443**	**-11,191**	**-4,011**	**-8,762**
Balance as at 31 December 2019	**5,992**	**-40,516**	**-37,049**	**-13,794**	**-85,368**

(in thousands of euros)	Exchange differences reserve	Hedge reserve	Share in OCI of associates	Actuarial gains and losses	Total
Balance as at 31 December 2019	**5,992**	**-40,516**	**-37,049**	**-13,794**	**-85,368**
Movements in 2020					
Exchange differences	-2,755	-	-	-	-2,755
Currency and interest hedge JPY loan payable					
Exchange differences on hedged borrowings	-	5,740	-	-	5,740
Deferred tax on fair value changes on hedged borrowings	-	-1,246	-	-	-1,246
Fair value movements on derivatives	-	-24,089	-	-	-24,089
Deferred tax on fair value movements on derivatives	-	5,227	-	-	5,227
Hedging of cash flow interest-rate risk					
Recycling cash flow hedges to profit and loss	-	9,725	-	-	9,725
Deferred tax on recycling cash flow hedges	-	-2,047	-	-	-2,047
Currency hedge AUD loan receivable					
Other comprehensive income associates	-	-	-21,622	-	-21,622
Equity movement associates	-	-	-	-	-
Actuarial gains and revaluations	-	-	-	2,270	2,270
Tax effect on actuarial results	-	-	-	-493	-493
Other	-	-	-	-	-
Impact of change in corporate income taxes	-	1,457	-	242	1,699
Total movements in the year	**-2,755**	**-5,233**	**-21,622**	**2,019**	**-27,591**
Balance as at 31 December 2020	**3,237**	**-45,749**	**-58,671**	**-11,775**	**-112,958**

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.

Hedge 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.

Further information on the restrictions on the distribution of reserves can be found in note 30. Shareholders' equity in the company balance sheet. The tax effects of the movements in equity, via other comprehensive income, are explained in note 11. 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.

		Reclassification to profit or loss in next periods			
(in thousands of euros)	Total 2020	< 1 year	> 1 year	> 1 and < 5 years	> 5 years
Forward Starting Rate Swap - refinancing 2013/2014	20,317	7,075	13,242	13,242	-
Lehman derivative - settlement 2008	5,112	291	4,821	1,163	3,658
Exchange difference on hedged JPY loan	28,878	-	28,878	-	28,878
CCIRS derivative hedge Yen loan	-8,558	-	-8,558	-	-8,558
Total	**45,748**	**7,366**	**38,383**	**14,405**	**23,978**

		Reclassification to profit or loss in next periods			
(in thousands of euros)	Total 2019	< 1 year	> 1 year	> 1 and < 5 years	> 5 years
Forward Starting Rate Swap - refinancing 2013/2014	28,267	7,055	21,211	21,211	-
Lehman derivative - settlement 2008	5,403	291	5,112	1,163	3,949
Exchange difference on hedged JPY loan	34,643	-	34,643	-	34,643
CCIRS derivative hedge JPY loan	-27,797	-	-27,797	-	-27,797
Total	**40,516**	**7,346**	**33,170**	**22,374**	**10,796**

20. Non-controlling interests

Non-controlling interests at 31 December 2020 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.

21. Borrowings

(in thousands of euros)	Carrying amount 2020	Carrying amount 2019	Fair value 2020	Fair value 2019	Year of maturity	Interest rate
EMTN programme	3,870,480	1,936,130	4,247,374	2,161,700	2021-2038	1.12%-4.97%
European Investment Bank	639,500	553,500	700,558	618,282	2024-2031	0.12%-4.14%
KfW IPEX-bank	289,702	99,847	306,750	111,829	2024-2028	2.80%
Namensschuldverschreibung	24,918	24,878	28,804	30,020	2023	5.07%
Euro-Commercial Paper (ECP) programma	-	50,000	-	50,000	2020	-0.4%
SMBC short term loan facility	-	50,000	-	50,000	2020	0.0%
Other borrowings	23,366	58,106	24,210	58,502		
Total	**4,847,966**	**2,772,462**	**5,307,696**	**3,080,333**		

(in thousands of euros)	Currency	Face value	Carrying amount 2020	Carrying amount 2019	Fair value 2020	Fair value 2019	Year of maturity	Interest rate
XS1900101046	EUR	500,000	493,157	492,447	560,735	549,205	2030	1.50%
XS0621167732	EUR	438,447	437,250	433,663	445,103	464,539	2021	4.43%
XS1301052202	EUR	400,000	403,215	403,729	441,668	445,828	2026	2.00%
XS0378569247	JPY	20,000,000	158,312	164,041	228,203	233,045	2038	3.16%
XS2069329451	AUD	255,000	161,091	160,061	163,657	166,652	2034	2.89%
XS1437013870	EUR	150,000	149,835	149,805	159,044	157,092	2028	1.12%
XS2019889778	AUD	70,000	44,013	43,721	45,546	45,855	2027	3.09%
XS0983151282	EUR	40,000	39,967	39,961	42,823	46,092	2025	3.08%
XS0997565436	EUR	30,000	29,969	29,964	32,024	34,356	2025	2.94%
XS2019891915	AUD	30,000	18,866	18,739	19,536	19,037	2027	2.40%
XS2153459123	EUR	750,000	745,977	-	866,498	-	2029	2.00%
XS2227050023	EUR	700,000	694,490	-	715,603	-	2027	0.38%
XS2227050379	EUR	500,000	494,339	-	526,935	-	2032	0.88%
EMTN programme			**3,870,480**	**1,936,130**	**4,247,374**	**2,161,700**		

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. To calculate the value of loans that are actively traded in a public market, the quoted prices are used.

Schiphol Group has a Euro Medium Term Note (EMTN) programme, making it possible at present to raise funds of up to 4.0 billion euros as required, provided the prospectus is updated annually. The prospectus was updated in May 2020. 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 2020.

At year-end 2020, borrowings under the programme totalled 3,870 million euros (31 December 2019: 1,936 million euros). In April 2020, Schiphol Group issued green bonds to the value of 750 million euros under the EMTN programme. The senior unsecured bonds are due on 6 April 2029 and carry an annual coupon of 2.0%. During September 2020, additional (green) bonds were issued to the value of 1.2 billion euros: 700 million euros with a maturity date of 8 September 2027 and coupon of 0.375% and green bonds to the value of 500 million euros due on 8 September 2032 and coupon of 0,875%. The financing was raised to secure sufficient access to liquidity in order to fund investments and to cope with the COVID-19 impact on the financial performance of the group.

Schiphol has a number of facility agreements with the European Investment bank for a total of 900 million euros of which 639.5 million euros have been drawn at 31 December 2020. Under these facilities, 95 million euros were drawn during the first six month period for the 2020 financial year with a maturity of eight years. 85.5 million euros have been repaid since the start of the agreements up until 31 December 2020 and an amount of 175 million euros is still undrawn. Schiphol Group could be obliged to redeem the loans 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 has three loan agreements with KfW IPEX-Bank for a total outstanding amount of 290 million euros with a weighted average maturity of 6 years. Two new loan facilities were entered into during the first half of 2020 to the amount of 190 million euros, maturing in 2028.

The following borrowings were outstanding at the end of 2019 and repaid during the 2020 financial year: Euro-Commercial Paper (ECP) programme of 50 million euros, SMBC short term loan facility of 50 million euros, Stena loan of 52.5 million euros and parts of the other borrowings. Additional funding under the ECP programme to the amount of 400 million euros were issued and repaid during the 2020 financial year.

Borrowings under the EMTN programme, the ECP programme, the EIB facilities and the KfW facilities are not subordinated to other liabilities. Schiphol Group has access to 900 million euros committed and undrawn financing, consisting of: 400 million euros syndicated and committed facility which matures in October 2025, 100 million euros bilateral committed facility with Bank Nederlanse Gemeenten which matures in January 2023, 300 million euros syndicated and committed facility which matures in October 2021, and 100 million euros bilateral committed facililty with BNP Paribas which matures in November 2021. In addition, Schiphol Group holds three bilateral uncommitted facilities with a combined total of 330 million euros.

Eindhoven Airport has a facility for 60 million euros available to refinance the future capital expenditure and to provide sufficient liquidity to absorb the negative impact of COVID-19. 19 million euros had been drawn as at 31 December 2020. The covenants are not met as at 31 December 2020 and a waiver has been issued by ING. This is as a result of the negative impact of COVID-19 on the results of Eindhoven Airport.

Of the total loans, an amount of 158 million euros has been drawn in Japanese yen (JPY 20 billion). In line with the financial risk management policy, a fixed EUR/JPY cross-currency swap has been contracted to hedge the changes in cash flows of the JPY denominated loan. The hedge transaction corresponds to all relevant characteristics of the critical terms of the respective loan, such as maturity, timing, amounts and frequency of cashflows. The hedge is accounted for as cash flow hedge and was fully effective.

The current portion of borrowings at 31 December 2020 of 444 million euros (31 December 2019: 163 million euros) is recognised under current liabilities.

In 2019 Schiphol Group met the agreed covenants included in the various contracts. The average interest rate of outstanding borrowings in 2020 was 1.9% (2019: 2.7%).

The remaining terms of the borrowings as at 31 December 2020 are as follows:

(in thousands of euros)	Total	<= 1 year	> 1 year	> 1 year and <= 5 years	> 5 years
EMTN programme	3,870,480	435,362	3,435,118	32,449	3,402,669
European Investment Bank	639,500	9,000	630,500	406,000	224,500
KfW IPEX-bank	289,702	-57	289,761	99,845	189,916
Namensschuldverschreibung	24,918	-39	24,956	24,956	-
Other borrowings	23,366	-174	23,540	19,000	4,540
Total borrowings	**4,847,966**	**444,092**	**4,403,874**	**582,250**	**3,821,625**

The movements in borrowings during the year were as follows:

(in thousands of euros)	Borrowings > 1 year	Borrowings <= 1 year	Total
Carrying amount as at 1 January 2019	**2,366,235**	**200,655**	**2,566,890**
Movements in 2019			
New borrowings	299,287	100,000	399,287
Fair value movement	4,500	-	4,500
Transferred to current liabilities	-69,089	69,089	-
Repayments	-	-211,000	-211,000
Exchange differences	8,650	-	8,650
Other movements	-	4,136	4,136
Total movements in the year	**243,347**	**-37,775**	**205,572**
Carrying amount as at 31 December 2019	**2,609,582**	**162,880**	**2,772,462**
Movements in 2020			
New borrowings	2,236,122	400,000	2,636,122
Fair value movement	-	-	-
Transferred to current liabilities	-436,740	436,740	-
Repayments	-	-561,095	-561,095
Exchange differences	-4,389	0	-4,389
Other movements	-701	5,567	4,866
Total movements in the year	**1,794,292**	**281,212**	**2,075,504**
Carrying amount as at 31 December 2020	**4,403,874**	**444,092**	**4,847,966**

For more details regarding the fair value movement, please refer to note 27. Management of financial risks and financial instruments.

22. Employee benefits

(in thousands of euros)	Post-employment benefits	Other long-term employee benefits	Termination benefits	Total
Carrying amount as at 31 December 2020				
Provision	29,830	32,375	1,076	63,281
Liability in the balance sheet	**29,830**	**32,375**	**1,076**	**63,281**
Carrying amount as at 31 December 2019				
Provision	31,652	17,161	6,389	55,202
Liability in the balance sheet	**31,652**	**17,161**	**6,389**	**55,202**

The balance in the provision for termination benefits at the end of 2020 includes, among other things, the costs Schiphol Group expects to incur in respect of restructurings in several of its departments. The restructurings were announed in 2018 and the majority of the implementation was completed in 2020. Another restructuring was announed during 2020 as a result of the significant impact of the COVID-19 pandemic on the business. Please see note 4. Employee benefits expense for a detailed explanation.

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. 11.4 million euros included in the other long-term employee benefits relate to the unemployment provision which was recognised as part of the restructuring provision.

The movements in post-employment benefit liabilities during the year were as follows:

(in thousands of euros)	2020	2019
Carrying amount as at 1 January	**31,652**	**26,166**
Total net benefit expense for the year	1,300	1,395
Benefits paid during the year	-852	-1,221
Actuarial changes presented in OCI	-2,270	5,312
Other movements	-	-
Total movements in the year	**-1,822**	**5,486**
Carrying amount as at 31 December	**29,830**	**31,652**

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 2020	31 December 2019
Discount rate	0,35% - 0,5%	0,75% - 0,80%
Return on plan assets	1.90%	1.90%
Inflation	1.50%	2.00%
General salary increase	2.00%	2.00%
Life expectancy	Royal Dutch Actuarial Society's (AG) generation mortality table AG2020, corrected with Mercer experience mortality table	Royal Dutch Actuarial Society's (AG) generation mortality table AG2018, corrected with Mercer experience mortality table
Individual pay rises, depending on age	3,0% (to age 36), 2,0% (to age 47), 1,0% (to age 56), 0,0% (to age 67)	3,0% (to age 36), 2,0% (to age 47), 1,0% (to age 56), 0,0% (to age 67)
Incapacity risk	Derived from national inflow and outflow WGA for larger employers	Derived from national inflow and outflow WGA for larger employers
Termination probability, average over all ages	3.13%	3.13%

Schiphol Group's pension plan is administered by Algemeen Burgerlijk Pensioenfonds (ABP). Based on the formal terms of the plan, 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 2021 is 32.2 million euros. ABP's funding ratio was 93.2% as at 31 December 2020 (97.8% as at 31 December 2019).

23. Provisions

(in thousands of euros)	Decommissioning provision	Environmental provision	Onerous contracts	Reorganisation Provision	Other	Total
Carrying amount as at 1 January 2019	**1,716**	**33,561**	**7,400**	**-**	**13,223**	**55,900**
Movements in 2019						
Addition to provision	3,340	1,511	-	-	290	**5,142**
Use of provision	-31	-3,676	-	-	-3,258	**-6,965**
Other	-	-	-7,400	-	-	**-7,400**
Reclassification	2,100	-	-		-	**2,100**
	5,409	**-2,165**	**-7,400**	**-**	**-2,968**	**-7,123**
Carrying amount as at 31 December 2019	**7,126**	**31,396**	**-**	**-**	**10,255**	**48,777**
Movements in 2020						
Addition to provision	-	-	-	7,484	-	**7,484**
Use of provision	-	-2,271	-	-	-255	**-2,526**
Other	-	-	-	-	-10,000	**-10,000**
	-	**-2,271**	**-**	**7,484**	**-10,255**	**-5,042**
Carrying amount as at 31 December 2020	**7,126**	**29,125**	**-**	**7,484**	**0**	**43,735**
Current	-	-	-	7,484	-	**7,484**
Non-current	7,126	29,125	-	-	0	**36,251**
Carrying amount as at 31 December 2020	**7,126**	**29,125**	**-**	**7,484**	**0**	**43,735**

Restructuring of the Schiphol Group was announced during 2020 as a result of the significant impact of the COVID-19 pandemic on the business. A restructuring provision for the amount of 63 million euros have been recognised. Please see note 4. Employee benefits expense. The amount of 7.5 million euros is expected to be settled in 2021.

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 2.6 million euros recorded as part of the environmental and decommissioning provisions, which is expected to be settled within a two-year time frame.

The decommissioning provision of 7.1 million euros (2019: 7.1 million euros) relates to obligations in respect of demolition and or repair work after the use of the asset.

Perfluorooctanesulfonic acid (PFOS) contamination of the soil was detected during excavations in the context of development projects at Amsterdam Airport Schiphol. The environmental provision of 29.1 million euros (2019: 31.4 million euros) concerns the expenditures to be incurred in connection with the temporary storage and decontamination and/or depositing of the contaminated soil.

In 2019, the 7.4 million euro provision for onerous contracts related to an onerous contract regarding a future obligation to contribute land at a fixed price to a common land bank. As a consequence of the reversal of an impairment in respect of this land in 2019, the contract is no longer considered onerous.

Included in the provisions in 2019 under 'Other' was 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. In May 2020, Schiphol Real Estate settled the legal claim (including the 19 million euros prepayment) by acquiring the entity that holds the claims, Chip(s)hol III B.V. This provision was released to the income statement with an immaterial impact. Please also refer to Note 14. Other non-current receivables.

24. Other non-current liabilities

(in thousands of euros)	2020	2019
Prepaid long leases	90,632	84,989
Lease liabilities	12,039	8,716
Unrealised profit on contribution in kind	2,415	3,043
Other	-	1,604
Total other non-current liabilities	**105,086**	**98,351**

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 relate to the lease of various right-of-use assets used for operating activities, including operational and employee vehicles, office space, a warehouse and multifunctional office equipment. To determine the lease liability, the interest rate implicit in the IFRS 16 lease was used. If that rate could not be readily determined, the incremental borrowing rate was used. As such, the weighted average rate applied is 1.6% (2019: 1.9%).

(in thousands of euros)	Buildings	Other assets	Total
Liability < 1 year	530	5,008	5,538
Liability 1 year and < 5 years	2,129	9,910	12,039
Carrying amount of lease liabilities	**2,659**	**14,918**	**17,577**

The balance in unrealised profit on contribution in kind relates to land contributed to GEM A4 zone West C.V. (2.4 million euros as per 31 December 2020, which unrealised profit originates from the reversal of an impairment in respect of this land in 2019). In accordance with the accounting policies the profit on the contribution of land should be treated as unrealised to the extend this profit relates to our share in the entity the land is contributed to.

25. Trade and other payables

(in thousands of euros)	2020	2019
Trade payables	138,899	184,962
Accruals	137,679	115,194
Termination benefits	44,538	-
Deferred income	15,765	54,195
Lease liabilities	5,538	4,221
Interest payable	41,629	28,593
Cash collateral JPMorgan	-	21,847
Wage tax and social security contributions	10,349	10,955
Prepaid long leases	3,706	1,863
Other payables	29,932	12,863
Total trade and other payables	**428,035**	**434,693**

Termination benefits relates to a portion of the restructuring provision that have been recognised for the amount of 63 million euros. Please see note 4. Employee benefits expense. The amount of 44.5 million euros is expected to be settled in 2021.

The deferred income includes, among other things, income from rent and leases for which Schiphol Group has already received consideration although the services still have to be provided (contract liability).

Further details of the derivative financial instruments can be found in note 27. Management of financial risks and financial instruments.

26. Contingent assets and liabilities

Airport charges settlement

Given that 2020 was an exceptional year due to COVID-19 and its challenges, the amount to be settled for 2020 is expected to be a deficit of around 550 million euros. This amount is still insecure due to incidental gains and losses. The final settlement will be included and explained extensively in the Regulatory Accounts 2020 . The Regulatory Accounts 2020 will be published on 31 May 2021 (at the latest). Thereafter, the settlement will be included in the consultation of the Airport charges in coming years.

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, took 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 a 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. In 2019 TNO investigated the possibility to reduce the remaining 3dB through sound insulation of homes, which appeared to be feasible. Schiphol has consulted Haarlemmermeer and residents on the next steps to take. Next steps will be the preparation of the insulation project in 2021 and the realization in the following years. The costs associated with the sound insulation measures cannot be reliably estimated at this stage.

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 12.1 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.

BN-TAV claims with regards to the construction of Pier A

Several interim claims for additional work ("meerwerk") were received from Ballast Nedam and TAV Construction during the construction of the new Pier A. The amount and outcome are currently uncertain. Discussions are ongoing with BN-TAV, Schiphol and legal representatives to reach an agreement.

Boswandeling (Televerde) claim

As part of the acquisition of Boswandeling J.V., a claim against the municipality of Haarlemmermeer was taken over by the joint venture. Any (financial) contribution resulting from the claim will be used for developing the northern area of the motorway A9.

Soil contamination

PFAS 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 PFAS-contaminated soil when the contamination causes environmental risks. 2019 also saw the introduction of national-level legislation on this issue. The changed local legislation of 2019 and 2020 do not change the way we have to deal with PFAS-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 PFAS contamination under existing assets.

Commitments arising from long-term contracts

(in thousands of euros)	Total 2020	< 1 year	> 1 year and < 5 years	> 5 years
Commitments relating to:				
Security, maintenance and cleaning	**1,075,454**	174,065	880,778	20,611
Development of Schiphol (incl. Capital Programme)	**432,155**	328,351	103,804	-
Development of Lelystad Aiport	**7,677**	-	7,677	-
Electricity and gas	**107,529**	10,756	40,631	56,142
Rents and leases (operating lease)	**13,633**	3,504	10,128	-
Other capital projects	**5,176**	2,926	2,250	-
Total	**1,641,623**	**519,602**	**1,045,268**	**76,753**

(in thousands of euros)	Total 2019	< 1 year	> 1 year and < 5 years	> 5 years
Commitments relating to:				
Security, maintenance and cleaning	**708,917**	344,118	357,407	7,392
Development of Schiphol (incl. Capital Programme)	**485,078**	230,039	255,039	-
Development of Lelystad Aiport	**8,265**	1,932	6,333	-
Electricity and gas	**81,396**	21,084	60,312	-
Rents and leases (operating lease)	**93**	49	44	-
Other capital projects	**17,298**	15,048	2,250	-
Total	**1,301,047**	**612,270**	**681,385**	**7,392**

Long-term partnership between Dutch construction firms and Schiphol Group

In January 2019 Schiphol contracted BAM, Heijmans and VolkerWessels for the maintenance, renewal and contruction of new infrastructure and real estate at the airport. The total estimated value of the assignment is 2 to 3.5 billion euros over a period of no more than nine years. The commitments under these contracts as per 31 December 2020 are included in the line Security, maintenance and cleaning in the table above.

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.

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 claim(s) 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.

27. 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 comprises interest charges incurred during the construction phase of large investment projects.

(in thousands of euros)	2020	2019
Interest and other financial income		
Loans to associates	5,957	6,595
Exchange differences receivables from associates	606	2,247
Interest on tax due	95	743
Amortisation on loan notes	380	-
Cash and cash equivalents	295	207
Exchange differences on cash and cash equivalents	41	112
Exchange differences on other assets and liabilities	16	-
Other financial results	7	619
	7,397	10,523
Interest and other financial expenses		
Borrowings	-90,738	-79,914
Derivatives	-9,725	-10,706
Fair value movement loans	-	-4,500
Fair value adjustment on loan notes	-7,324	-
Lease liabilities	-241	-2,342
Capitalised construction interest	9,702	7,220
Exchange differences on other assets and liabilities	-	-4,603
Other financial results	-1,169	-
	-99,495	-94,844
Total financial income and expenses	-92,098	-84,321

Exchange differences on loans to associates concern the Redeemable Preference Shares (RPS) of Brisbane Airport Corporation Holdings Ltd (BACH) and the Loan Notes of Tasmanian Gateway Holdings Corporation Pty Ltd (TGHC), the ultimate holding company of Hobart International Airport held by Schiphol Group. Under the terms and conditions these shares are not considered to be part of the net investment in the associate. Consequently, exchange differences are accounted for in the income statement. As from September 2019, a natural hedge exists between the currency risk related to RPS held in BACH and EMTN borrowings denominated in AUD with related exchange rate differences being recognised in the income statement. The same applies to the loan notes held in TGHC, which were acquired in October 2019.

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 which are not offset via a natural hedge. 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 which are not naturally offset by an asset in the same currency by using currency swap contracts. The financial risk management policy is that virtually 100% of the expected cash flows are hedged. As at 31 December 2020, 7.8% of group financing had been drawn in foreign currency: one loan with a carrying amount of 158.0 million euros (JPY 20 billion nominal value) and three loans with a carrying amount of 224.7 million euros (AUD 355 million nominal value) compared with 14.5% of total borrowings (one loan with a carrying amount of 164.0 million euros and a nominal amount of JPY 20 billion and three loans with a carrying value of 222.5 million euros and a nominal amount of AUD 355 million) a year earlier. The JPY position is fully hedged by means of a cross-currency swap. As the hedge is assessed to be effective, 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 4.2 million euros positive in 2020 (after deferred tax). The borrowings in AUD serve as a natural hedge for the RPS of BACH and loan notes of TGHC held by Schiphol Group.

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 joint ventures' and 'contract-related assets' are affected by a translation risk. In accordance with the policy, the currency position relating to Schiphol Group's net investments in activities outside the euro zone, totalling 301 million euros as at 31 December 2020 (314 million euros as at 31 December 2019), 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 2020, the positive effect on equity amounts to 2.8 million euros, leading to an increase of the translation reserve from 6 million euros as per 31 December 2019 to 3.2 million euros as per 31 December 2020.

The Redeemable Preference Shares which Schiphol Group owns in Brisbane Airport Corporation Holdings Ltd are reported as part of the 'loans to associates'. As from September 2019, a natural hedge exists between the currency risk relating to this long-term receivable and EMTN borrowings issued in 2019 denominated in AUD with related exchange differences being recognised in the income statement. The same applies to the loan notes held in TGHC which were acquired in October 2019.

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 2020, the maximum net position of both parties amounted to 10 million euros (10 million euros as at 31 December 2019) while the market value of the swap was approximately 11.4 million euros positive (35.5 million euros as at 31 December 2019) at Schiphol Group. As at 31 December 2020, Schiphol Group had no liability to JPMorgan (21.8 million euros as at 31 December 2019).

The interest rate shown against the cross-currency swap is the fixed rate 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 111,2 million euros. A 10% decrease in the NIY would increase the value by approximately 137,8 million euros. Under the accounting policy, in that situation profitability before tax would fall by the same amount.

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

						Fair value in thousands of euros	
Type	Counterparty	Interest rate	Currency	Notional amount (x1000)	Maturity date	**31 December 2020**	31 December 2019
Currency swap	JPMorgan	5.64%	JPY	20,000,000	2038	**11,411**	35,500
						11,411	**35,500**
Recognised in the balance sheet under:							
Non-current assets						**11,411**	35,500
Current assets/ liabilities						-	-
						11,411	**35,500**

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% point, this would lead to an increase of 54.6 million euros (1.0%) in the fair value of borrowings. An average increase of 0.5% point in market interest rates would lead to a fall of 52.5 million euros (1.0%) 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 2020, 100% of borrowings were fixed-interest, excluding subsidiaries and associates (31 December 2019: 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.

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 2020, the figure for variable-interest borrowings was 0% (31 December 2019: 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 liquidities transactions are restricted to financial institutions with high creditworthiness ratings (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 2020 was 166.7 million euros (150 million euros as at 31 December 2019). The slight increase of 16.7 million euros is a result of Schiphol Group's significant liquidity at 31 December 2020 and was caused by additional exposure to undrawn credit facilities of 400 million euros. At year end Schiphol Group has a cash exposure of 175 million with AAA-rating, 200 million with AA-rating and 850 million with A-rating bankfacilities. The cash and cash equivalents are devided between different couterparties in order to meet the maximun net position per counterparty.

At 31 December 2020, trade receivables amounted to 97 million euros (31 December 2019: 127 million euros), after a provision for expected credit losses of 7.7 million euros (31 December 2019: 4 million euros) and including 2.9 million euros in security deposits received (31 December 2019: 3 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.

COVID-19 also had an impact on Schiphol Group's trade receivable due to the travel restrictions implemented across the world. In response to the COVID-19 pandemic, management has been performing more frequent reviews of outstanding balances as the industry as a whole has been impacted. During the year ended 31 December 2020, Schiphol Group temporarily extended the credit terms with 30 days to all customers. The average expected loss rates were increased across all credit terms in response to the increase in credit risk.

Schiphol Group holds RPS in BACH and Loan Notes in Hobart. Please see Note 13. Loans to associates and joint ventures for additional information. Both BACH and Hobart indicated that no dividends or interest will be paid out for the 2020 financial year as a result of the negative impact of COVID-19 on these airports too. The dividends and interest receivable are being accrued for in terms of the agreements and will be paid out in the coming years. There is no indication of an increase in the credit risk.

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 2020, Schiphol Group holds 35.0 million euros in bank guarantees and security deposits (31 December 2019: 42.4 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%	74,596	-25	**74,571**
1-30 days past due	-1.6%	13,256	-206	**13,050**
31-60 days past due	-4.6%	5,705	-260	**5,445**
61-90 days past due	-30.6%	1,525	-466	**1,059**
91-180 days past due	-24.1%	2,430	-585	**1,845**
181-365 days past due	-53.5%	2,283	-1,221	**1,062**
>365 days past due	-99.8%	1,646	-1,643	**3**
Bankruptcies	-101.2%	3,277	-3,316	**-39**
	-7.4%	**104,718**	**-7,722**	**96,996**

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 21. 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 items below are displayed with the remaining maturity based on the date of redemption or settlement agreed with the counterparty. The amounts are gross and undiscounted, and include estimated interest payments. 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 2020, this figure was 9.3% (31 December 2019: 15.8%).

(in thousands of euros)	Total 2020	Contractual cash flows	<= 1 year	> 1 year	> 1 year but <= 5 years	> 5 years
Borrowings	4,847,966	5,494,071	539,787	4,954,284	873,555	4,080,729
Trade payables	138,899	138,899	138,899	-	-	-
Lease liabilities	17,577	17,577	5,538	12,039	12,039	-
Interest payable	41,629	41,629	41,629	-	-	-
Accruals	137,679	137,679	137,679	-	-	-
Total	**5,183,751**	**5,829,855**	**863,532**	**4,966,323**	**885,594**	**4,080,729**

(in thousands of euros)	Total 2019	Contractual cash flows	<= 1 year	> 1 year	> 1 year but <= 5 years	> 5 years
Borrowings	2,772,462	3,253,569	236,373	3,017,196	1,008,812	2,008,384
Trade payables	184,962	184,962	184,962	-	-	-
Lease liabilities	12,937	12,937	4,221	8,716	8,716	-
Interest payable	28,593	28,593	28,593	-	-	-
Accruals	115,194	115,194	115,194	-	-	-
Total	**3,114,147**	**3,595,254**	**569,343**	**3,025,911**	**1,017,527**	**2,008,384**

Financial instruments can be classified as follows, according to the measurement policy applied:

(in thousands of euros)	Level[1]	Total 2020	Amortised cost	Fair value through equity	Fair value through profit and loss	Fair value disclosure
Borrowings	1	3,488,199	3,488,199	-	-	3,790,432
Borrowings	2	1,359,767	1,359,767	-	-	1,517,263
Trade payables	n/a	138,899	138,899	-	-	138,899
Interest payable	n/a	41,629	41,629	-	-	41,629
Liabilities		**5,028,495**	**5,028,495**	**-**	**-**	**5,488,224**
Loans to associates	2	-132,850	-132,850	-	-	-140,340
Other loans	2	-269	-269	-	-	-269
Derivative financial instruments	2	-11,411	-	-11,411	-	-
Other loans to associates	2	-3,452	-3,452	-	-	-3,452
Trade receivables	n/a	-96,996	-96,996	-	-	-96,996
Cash and cash equivalents and deposits	n/a	-1,223,449	-1,223,449	-	-	-1,223,449
Assets		**-1,468,427**	**-1,457,016**	**-11,411**	**-**	**-1,464,505**
Total		**3,560,068**	**3,571,479**	**-11,411**	**-**	**4,023,719**

1 For financial instruments that are not reported at fair value, the level of fair value hierarchy included below relates to the fair value disclosed for this financial instrument.

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.

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.

(in thousands of euros)	Level [1]	Total 2019	Amortised cost	Fair value through equity	Fair value through profit and loss	Fair value disclosure
Borrowings	1	1,549,568	1,549,568	-	-	1,697,112
Borrowings	2	1,170,391	1,170,391	-	-	1,330,719
Borrowings	3	52,502	-	-	52,502	-
Trade payables	n/a	184,962	184,962	-	-	184,962
Interest payable	n/a	28,593	28,593	-	-	28,593
Liabilities		**2,986,016**	**2,933,514**	**-**	**52,502**	**3,241,385**
Loans to associates	2	-139,400	-139,400	-	-	-142,136
Other loans	2	-369	-369	-	-	-369
Derivative financial instruments	2	-35,500	-	-35,500	-	-
Other loans to associates	2	-3,289	-3,289	-	-	-3,289
Trade receivables	n/a	-127,033	-127,033	-	-	-127,033
Cash and cash equivalents and deposits	n/a	-155,072	-155,072	-	-	-155,072
Assets		**-460,663**	**-425,163**	**-35,500**	**-**	**-427,899**
Total		**2,525,353**	**2,508,351**	**-35,500**	**52,502**	**2,813,486**

1 For financial instruments that are not reported at fair value, the level of fair value hierarchy included below relates to the fair value disclosed for this financial instrument.

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 loan is designated as at fair value through profit and loss to prevent an accounting mismatch. The cash flows are determined on the basis of the expected value on the expiration date. The loan was repaid in in the first half of 2020 and the impact on the income statement was immaterial. The expected value is based on the valuation of investment property by external appraisers. For more information, see note 10. 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. 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)	2020	2019
Operating result	-530,416	395,105
Depreciation and amortisation	300,894	289,871
Impairment loss	23,314	5,493
Impairment reversal	-	-1,700
Result on disposal of investment property	-629	1,543
Other result from investment property	65,088	-114,401
Other non-cash changes in other receivables and liabilities	-5,193	1,777
Change in employee benefits and other provisions	15,308	-3,992
Income tax paid	-53,905	-46,119
Income taks received	111,888	-
Interest paid	-71,805	-80,946
Interest received	449	1,680
RPS receipts	-	5,627
Dividend received	909	81,853
Funds From Operations	**-144,099**	**535,791**

'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 2020. FFO is the cash flow from operating activities adjusted for operating capital. In 2020 FFO decreased from 536 million euros to negative 144 million euros.

(in thousands of euros)	2020	2019
Borrowings	4,403,874	2,615,582
Lease liabilities	12,039	8,716
Non-current liabilities	**4,415,913**	**2,624,298**
Borrowings	444,092	156,880
Lease liabilities	5,538	4,221
Current liabilities	**449,630**	**161,101**
Total debt	**4,865,543**	**2,785,399**

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 2020, equity was 3.777million euros (31 December 2019: 4,372 million euros).

The FFO/total debt ratio and leverage at 31 December were as follows:

	2020	2019
FFO / Total debt	-3.0%	19.2%
Leverage	56.3%	38.9%
FFO interest coverage ratio	-0.6x	7.5x

The FFO interest coverage ratio is calculated by dividing the FFO plus the interest charges relating to borrowings and lease liabilities, amounting to 90.9 million euros in 2020 (82.3 million euros in 2019), by those interest charges. The FFO interest coverage ratio for 2020 was negative 0.6 (compared with 7.5 for 2019). Due to the significant impact of COVID-19, financial ratios as at 31 December 2020 are temporarily out of sync. These ratios will recover to more normalized levels (in line with a single A credit rating at S&P) depending on the recovery of traffic.

Other notes to the consolidated financial statements

Related party disclosures

Related parties

Related parties	Nature of relationship and transactions	Relevant disclosure
Management Board	Management Board remuneration	Related party disclosures
Supervisory Board	Supervisory Board remuneration	Related party disclosures
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 Loans to associates and joint ventures
Tasmanian Gateway Holdings Corporation Pty Ltd.	Joint venture / interest and interest on receivable	Investments in associates and joint ventures Loans to associates and joint ventures
State of the Netherlands	Shareholder/ dividends / government grants (NOW)	Issued share capital and share premium Employee benefits
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 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	Committees Audit	People	Safety, Sustainability & Stakeholders	Capital Programme, Operations & Investments	Total 2020
L.J. Gunning-Schepers	39,486	-	5,409	5,409	-	**50,304**
J.G. Wijn	25,963	6,491	5,409	-	-	**37,863**
E. Arkwright	-	-	-	-	-	**-**
R.J. van de Kraats	25,963	6,491	-	-	-	**32,454**
A.B.M. Olsson	25,963	-	5,409	5,409	5,409	**42,190**
S.G. Brummelhuis	25,963	-	-	5,409	5,409	**36,781**
D. Collier	25,963	6,491	-	-	5,409	**37,863**
Total	**169,302**	**19,473**	**16,227**	**16,227**	**16,227**	**237,456**

(x EUR 1)	Remuneration	Committees Audit	People	Safety, Sustainability & Stakeholders	Capital Programme, Operations & Investments	Total 2019
L.J. Gunning-Schepers	39,222	-	5,373	5,373	-	**49,967**
J.G. Wijn	25,790	6,447	5,373	-	-	**37,610**
E. Arkwright	-	-	-	-	-	**-**
R.J. van de Kraats	25,790	6,447	-	-	-	**32,237**
A.B.M. Olsson	25,790	-	5,373	5,373	5,373	**41,908**
S.G. Brummelhuis [1]	25,790	-	-	5,373	5,373	**36,535**
D. Collier [1]	25,790	6,447	-	-	5,373	**37,610**
Total	**168,169**	**19,342**	**16,118**	**16,118**	**16,118**	**235,867**

1 From 17 April 2018

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[1]	Total 2020
D.A. Benschop	443,604	-	32,726	79,894	35,277	**591,501**
A. van den Berg[2]	267,669	-	20,624	37,931	12,317	**338,541**
J.T.M. van der Meijs	377,064	-	30,359	49,095	22,242	**478,760**
B.I. Otto	377,064	-	30,936	56,897	18,088	**482,985**
H.L. Buis[3]	219,954	-	13,913	9,619	9,931	**253,417**
Total	**1,685,355**	**-**	**128,558**	**233,436**	**97,855**	**2,145,204**

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 2019
3 From 1 June 2019

(x EUR 1)	Salary	Variable remuneration	Pension costs	Pension costs (supplementary)	Other payments[1]	Total 2019
D.A. Benschop	440,123	61,617	29,011	66,124	31,671	**628,546**
A. van den Berg	374,105	52,375	27,101	43,991	16,038	**513,609**
J.T.M. van der Meijs	374,105	52,375	27,101	40,100	20,716	**514,396**
B.I. Otto	374,105	52,375	27,101	43,991	16,889	**514,461**
Total	**1,562,438**	**218,741**	**110,313**	**194,206**	**85,314**	**2,171,012**

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.

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.

The Management Board will not receive any variable remuneration for the 2020 financial year as part of the NOW requirements. The variable remuneration for 2019 was not paid out to the Management Board.

The other payments concern allowances for representation expenses and the employer's share of social security contributions.

With effect from 1 June 2020, Hanne Buis has been appointed as Chief Projects & Assets Officer (CPAO) of Royal Schiphol Group and have formed part of the Management Board. She succeeds André van den Berg, who indicated that he would not serve a second term as Chief Commercial Officer.

For further details, please refer to Management Board remuneration.

Subsidiaries

	Registered in	Direct / indirect interest in %
Schiphol Nederland B.V.[1]	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[1]	Lelystad	100.00
Luchthaven Lelystad Vastgoed B.V.[1]	Lelystad	100.00
Schiphol USA Inc.	New York	100.00
Rotterdam Airport B.V.[1]	Rotterdam	100.00
Rotterdam Airport Holding B.V.[1]	Rotterdam	100.00
Rotterdam Airport Vastgoed B.V.[1]	Rotterdam	100.00
Schiphol International B.V.	Schiphol	100.00
Schiphol Real Estate B.V.[1]	Schiphol	100.00
Airport Real Estate Management B.V.[1]	Schiphol	100.00
Avioport Srl	Lonate Pozzolo	100.00
Schiphol Telematics B.V.[1]	Schiphol	100.00

1 Article 403 of the NCC is applied

The list include the significant subsidiaries to Schiphol Group. 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)	2020	2019
Assets		
Non-current assets	58,563	57,220
Current assets	4,417	5,744
	62,980	**62,964**
Equity and liabilities		
Total equity	50,270	55,386
Non-current liabilities	9,220	272
Current liabilities	3,490	7,307
	62,980	**62,964**

The abridged income statement for this company:

(in thousands of euros)	2020	2019
Revenue	11,327	31,396
Other income and results from investment property	-192	-341
	11,135	**31,055**
Total operating expenses	17,734	21,678
Operating profit	**-6,599**	**9,377**
Financial income and expenses	-221	-125
Profit before tax	**-6,820**	**9,252**
Corporate income tax	-1,705	2,300
Profit for the year	**-5,115**	**6,952**

Events after the balance sheet date

There are no events after the balance sheet date.

Company income statement for the year ended 31 December 2020

(in thousands of euros)	note	2020	2019
Revenue		-	-
Cost of outsourced work and other external costs		36	18
Employee benefits expense		2,177	2,173
Other operating expenses		414	250
Total operating expenses		**2,627**	**2,441**
Operating profit		**-2,627**	**-2,441**
Financial expenses		**-70,880**	**-60,049**
Share in results of associates and joint ventures	28	-100,613	61,075
Share in results of subsidiaries	28	-403,422	337,621
Profit before tax		**-577,542**	**336,206**
Income tax expense		14,912	18,904
Result attributable to shareholders (net result)		**-562,630**	**355,110**

Company balance sheet as at 31 December 2020

(in thousands of euros)	Note	31 December 2020	31 December 2019
Assets			
Investments in subsidiaries	28	3,958,055	4,358,318
Investments in associates	28	634,967	752,860
Derivatives		11,411	35,500
Deferred tax assets		6,773	12,352
Non-current assets		4,611,206	5,159,030
Receivables	29	4,508,129	1,380,589
Income tax receivable	29	18,110	15,622
Cash and cash equivalents	29	26,469	25,354
Current assets		4,552,708	1,421,567
Total assets		9,163,914	6,580,597

(in thousands of euros)	Note	31 December 2020	31 December 2019
Equity and liabilities			
Issued share capital		84,511	84,511
Share premium		362,811	362,811
Retained profits		2,984,360	2,437,118
Other reserves		-112,958	-85,368
Revaluation reserve		683,494	763,956
Other statutory reserves		286,843	398,512
Net result of the year		-562,630	355,110
Shareholders' equity	30	3,726,433	4,316,650
Deferred tax liabilities		-	7,257
Loans and borrowings - EMTN programme	21	3,435,122	1,940,281
Non-current liabilities		3,435,122	1,947,538
Current liabilities	32	2,002,359	316,409
Current liabilities		2,002,359	316,409
Total liabilities		5,437,481	2,263,947
Total equity and liabilities		9,163,914	6,580,597

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.

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. This also applies to the disclosures on contingent assets and liabilities in note 26 as well as management of financial risks and financial instrument in note 27.

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.

28. Non-current assets

Movement of subsidiaries and associates were as follows:

(in thousands of euros)	Subsidiaries	Associate	Total
Carrying amount as at 1 January 2018	**4,016,686**	**725,526**	**4,742,212**
Movements in 2019			
Result for the year	337,621	61,075	398,696
Dividend	-	-29,292	-29,292
Translation differences	5,996	-	5,996
Other movements	-1,984	-4,449	-6,433
	341,633	**27,334**	**368,966**
Carrying amount as at 31 December 2019	**4,358,319**	**752,860**	**5,111,178**
Movements in 2020			
Result for the year	-403,422	-100,613	-504,035
OCI Movement	-2,323	-17,280	-19,603
Translation differences	-2,755	-	-2,755
Other movements	8,235	-	8,235
	-400,265	**-117,893**	**-518,158**
Carrying amount as at 31 December 2020	**3,958,055**	**634,967**	**4,593,021**

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.

29. 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)	2020	2019
Income tax receivable	18,110	15,622
Group companies balances	4,508,129	1,380,590
	4,526,239	**1,396,212**

30. Shareholders' equity

(in thousands of euros)	Issued share capital	Share premium	Retained profits	Other reserves	Revaluation reserve	Other statutory reserves	Net Result Financial Year	Total
Carrying amount as at 1 January 2019	**84,511**	**362,811**	**2,394,104**	**-76,606**	**686,347**	**357,066**	**279,451**	**4,087,684**
Movements in 2019								
Appropriation of result for previous year	-	-	162,070	-	-	-	-162,070	-
Distribution of dividend	-	-	-	-	-	-	-117,381	**-117,381**
Exchange differences	-	-	-	5,996	-	-	-	**5,996**
Movements in hedge reserve	-	-	-	-193	-	-	-	**-193**
Adjustments to the corporate income tax rate	-	-	-	847	-	-	-	**847**
Net result	-	-	-	-	-	-	355,110	**355,110**
Addition statutory reserves	-	-	-119,056	-	77,610	41,446	-	-
Other	-	-	-	-710	-	-	-	**-710**
Other comprehensive income from associates	-	-	-	-10,481	-	-	-	**-10,481**
Actuarial gains and revaluations after taxation	-	-	-	-4,222	-	-	-	**-4,222**
Total movements in the year	**-**	**-**	**43,014**	**-8,763**	**77,610**	**41,446**	**75,659**	**228,966**
Balance as at 31 December 2019	**84,511**	**362,811**	**2,437,118**	**-85,368**	**763,957**	**398,512**	**355,110**	**4,316,650**
Movements in 2020								
Appropriation of result for previous year	-	-	355,110	-	-	-	-355,110	-
Distribution of dividend	-	-	-	-	-	-	-	-

(in thousands of euros)	Issued share capital	Share premium	Retained profits	Other reserves	Revaluation reserve	Other statutory reserves	Net Result Financial Year	Total
Exchange differences	-	-	-	-2,754	-	-	-	-2,754
Movements in hedge reserve	-	-	-	-5,233	-	-	-	-5,233
Adjustments to the corporate income tax rate	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-562,630	-562,630
Addition statutory reserves	-	-	192,126	-	-80,458	-111,668	-	-
Other	-	-	7	0	-5	-	-	2
Other comprehensive income from associates	-	-	-	-21,622	-	-	-	-21,622
Actuarial gains and revaluations after taxation	-	-	-	2,019	-	-	-	2,019
Total movements in the year	**-**	**-**	**547,243**	**-27,589**	**-80,463**	**-111,668**	**-917,740**	**-590,218**
Balance as at 31 December 2020	**84,511**	**362,811**	**2,984,360**	**-112,958**	**683,494**	**286,843**	**-562,630**	**3,726,433**

The other statutory reserves comprise the reserve for intangible assets and the reserve for investments in associates.

Proposed result appropriation

Schiphol Group put a proposal to its shareholders to refrain from effecting payment of the dividend for 2019 (the proposed dividend over 2019 was 151.4 million euros, or 813 euros per share). The shareholders agreed to this proposal during the shareholders meeting on 14 April 2020. No dividend will be paid out for the 2019 and 2020 financial years.

31. 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.

32. Current liabilities

(in thousands of euros)	2020	2019
Group companies	1,532,436	249,181
Borrowings EMTN programme	435,362	-4,036
SMBC short term loan facility	-	50,000
Accruals	34,165	20,911
Other liabilities	396	352
	2,002,359	**316,409**

See note 3. Outsourcing and other external costs to the consolidated financial statements for a breakdown of auditor's fees.

Schiphol, 8 March 2021

For the company financial statements for 2020:

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

Management Board

D.A. Benschop
President & Chief Executive Officer

B.I. Otto
Chief Operations Officer

J.T.M. van der Meijs
Chief Financial Officer

H.L. Buis
Chief Projects & Assets Officer

Other Information

Proposed result 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.

KPMG

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 2020 included in the annual report

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Royal Schiphol Group N.V. as at 31 December 2020 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 accompanying company financial statements give a true and fair view of the financial position of Royal Schiphol Group N.V. as at 31 December 2020 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 2020 of Royal Schiphol Group N.V. ('Schiphol' or the Company) based in Schiphol, as set out on pages 121 to 200. 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 2020;
2. the following consolidated statements for the year ended 31 December 2020: the statements of income, comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as 31 December 2020;
2. the company income statement for the year ended 31 December 2020; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the '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 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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
- 1.0% of average consolidated revenue over the 5-year period 2016-2020

Group audit

- 95% of consolidated revenue
- 94% of consolidated total assets

Key audit matters

- Going concern assumption and disclosure
- Valuation of investments in associates and joint ventures
- Investment property valued at fair value
- Tendering and contracting of assets under construction or development

Unqualified opinion

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 13 million (2019: EUR 13 million). The materiality is determined with reference to the average consolidated revenue over the 5-year period 2016-2020, of which it represents 1.0%. In prior year(s) materiality was determined with reference to profit before tax adjusted for fair value gains and losses. The 2019 benchmark is negative for 2020 and therefore we consider that average consolidated revenues is a more appropriate benchmark to base our materiality on. We have used a 5-year average as the reference instead of the consolidated revenues for the financial year 2020, because the 2020 revenues are significantly impacted by COVID-19 related travel restrictions and we expect that users of the financial statements have a primary focus on the long-term financial performance of the Company. 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 misstatements with an impact on profit for the year in excess of EUR 0.65 million (2019: EUR 0.65 million) which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

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 mainly focused on the location Amsterdam Airport Schiphol, with significant activities within the business areas Aviation, Real Estate, and Consumer Products & Services for which we have performed audit procedures ourselves.

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, Brisbane Airport Corporation Holdings Ltd. and Hobart International Airport Pty. Ltd. We have prepared instructions with procedures to be performed and evaluated the outcome of the procedures performed by other auditors including a review of the findings reported to us. For other group entities, including the activities at Terminal 4 of JFK IAT, Eindhoven Airport, Lelystad Airport and Rotterdam The Hague Airport, we performed specific audit procedures ourselves.

In view of restrictions on the movement of people across borders, and also within significantly affected countries, we have considered making changes to the planned audit approach to evaluate the component auditors' communications and the adequacy of their work. According to our original audit plan, we intended to visit the component Groupe ADP to review the component auditor documentation. Due to the inability to arrange in-person meetings with such component auditors, we have increased the use of alternative methods of communication with them, including through written instructions, exchange of emails, virtual meetings and a virtual file review.

We have performed review procedures or specific audit procedures at other components. Further we have centrally performed audit procedures on the valuation of all group entities ourselves.

By performing the procedures mentioned above at group components, 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.

For the residual population not in scope we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

The audit coverage as stated in the section summary can be further specified as follows:

Total assets

91%	1%	2%
Audit of the complete reporting package	Audit of specific items	Specified audit procedures

Revenue

95%	0%	0%
Audit of the complete reporting package	Audit of specific items	Specified audit procedures

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Management Board, with oversight by the Supervisory Board. We refer to chapter 'Governance' of the Annual Report where the Management Board included its risk assessment and where the Supervisory Board reflects on this assessment.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We, together with our forensics specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and we inquired Management Board and the Supervisory Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting (including related Company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognised or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect:

- Dutch Aviation Act
- European tendering regulation

In accordance with the auditing standard we evaluated the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risks:

- management override of controls (a presumed risk);
- potential conflicts of interest when awarding major contracts, scope changes or variation orders regarding operational assets under construction or development;

- the preparation of liquidity forecasts (scenarios) supporting the going concern assumption to reflect the projected impact of COVID-19 and related disclosures.

We communicated the identified risks of fraud and non-compliance with laws and regulations throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit. This included communication from the group to component audit teams of relevant risks of fraud and/or non-compliance with laws and regulations identified at group level where relevant.

We addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matters ‘Going concern assumption and disclosure’, ‘Valuation of investments in associates and joint ventures’ and ‘Investment property valued at fair value’, that are examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

We communicated our risk assessment and audit response to management and the Audit Committee of the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our response to the risks identified

We performed the following audit procedures (not limited) to respond to the assessed risks:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Company, including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
- Assessment of matters reported on the (Company's) incident register/whistleblowing and complaints procedures with the entity and results of management's investigation of such matters.
- With respect to the risk of bribery and corruption across various countries, we evaluated the Company's controls and procedures such as due diligence procedures on third parties. We considered the possibility of fraudulent or corrupt payments made through third parties including agents and conducted detailed testing on third-party vendors in high-risk jurisdictions.
- We incorporated elements of unpredictability in our audit.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.

Our procedures to address fraud risks related to the liquidity forecast supporting the going concern assumption and disclosure, tendering and contracting of assets under construction or development, we refer to the key audit matters.

We do note that our audit is based on the procedures described in line with applicable auditing standards. In addition to the requirements of the auditing standards we have performed the following additional procedures:

- Investigation into publicly held information in relation to negative publicity;
- Investigation into side functions (‘nevenfuncties’) of the Supervisory and Management Board and evaluation of transactions with those entities and other related parties with special attention to procedures, governance and payments done (also in view of possible conflicting interests).

We do note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that management 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 errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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.

Compared to last year the key audit matter with respect to 'Revenue from regulated airport charges' is not included, due to the significant decrease in airport charges in the financial year 2020.

Going concern assumption and disclosure

Description

As part of the preparation of the financial statements, management is responsible to assess the possible effects of COVID-19 on the Company's liquidity and related ability to continue as a going concern and appropriately disclose the results of its assessment in the financial statements. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the financial statements its effects are subject to significant levels of uncertainty. Management prepared a financial and liquidity risk analysis addressing amongst others future compliance with financing conditions as well as the financing and cash requirements to ensure continuation of the Company's operations. We identified a risk of fraud related to potential management bias in preparation of this analysis.

Our response

Our procedures included:

- We evaluated the design and implementation of internal controls related to the liquidity forecasting process and reporting to the Management Board as well as the Supervisory Board and its newly established Liquidity & Solvency subcommittee.
- We considered management's assessment of COVID-19-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered management's plans to take action to mitigate the risks. This includes the impact of the cost reduction programme and the continuous assessment of the necessity and timing of (un)committed capital expenditure, as well as the funding raised in 2020, the liquidity levels as at 31 December 2020, the requirement to repay matured bonds in 2021 and the presence of available undrawn facilities. We corroborated the assumptions and conclusions included in management's assessment with both the Management Board as well as the Supervisory Board.
- We assessed the reliability of management's process to prepare the forecasted cash flows by performing a retrospective review of previous scenarios and forecasts and by comparing them with market expectations.
- We compared management's analysis to our assessment of the full range of reasonably possible scenarios resulting from COVID-19 uncertainty as well as publicly available sources, such as air traffic expectations published by peers in the sector and IATA as well as lock down expectations and the market impact of the announcements of the availability of vaccines.
- We evaluated and challenged the reasonableness of the assumptions in respect of projected available future cash flows from operating, financing and investing activities, such as projected air traffic numbers, developments in the tenants portfolio, creditworthiness of airlines, phasing of capital expenditure and the maturity date of existing borrowings. We applied professional scepticism in this challenge and considered potential management bias when performing our sensitivity analyses. Our sensitivity analyses included reverse stress testing on the assumptions to evaluate the sensitivity to the liquidity projections in combination with the available funding and (un)drawn facilities.
- We inspected supporting documentation such as contracts and underlying calculations.
- We evaluated the disclosure about liquidity risk and the related going concern assumption as set forth in the notes to the financial statements, including those in the management report, comparing the overall picture against our understanding of the risks.

Our observation

We found the management's assumptions and aforementioned disclosures to be acceptable. However, an audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

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Valuation of investments in associates and joint ventures

Description

As described in note 12 to the financial statements, Schiphol has recognised EUR 1,068 million of equity stakes in several international airports over the world. COVID-19 has a major impact on the aviation business and therefore on airports and is considered a trigger for potential impairment based on IAS 36. Especially the valuation of stakes in Groupe ADP and Hobart Airport are considered significant to our audit as they include a relative high amount of goodwill or were recently acquired, respectively. Estimation uncertainty and subjective process inherent to valuation in general, could involve complex models and involves significant management judgement in respect to projections.

Our response

Our testing procedures included:

- We evaluated the design and implementation of internal controls related to the valuation process.
- We assessed internal valuation analyses from Schiphol management.
- We involved our own valuation specialists to assess the valuation methodologies applied and assess the reasonableness of market assumptions made by management, such as discount rates used, in a selection of impairment tests.
- We verified accuracy and completeness of key input data. We evaluated the assumptions in respect of projected available future cash flows from operating, financing and investing activities. Where impairment tests were undertaken, we performed sensitivity analyses on the key assumptions that drive the impairment analyses, to understand the impact of changes in certain assumptions.
- We evaluated the adequacy of the disclosure of the impairment analysis as set forth in note 12.

Our observation

We found the management's assumptions and aforementioned disclosures to be acceptable. However, an audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

Tendering and contracting of assets under construction or development

Description

Schiphol is investing substantial amounts in operational capacity. We identified a risk of fraud related to awarding of high value contracts, scope changes or variation orders.

In 2020, some significant scope changes and variation orders with regards to these projects were agreed or under discussion. As disclosed in note 9 to the financial statements, EUR 716 million of capital expenditure was capitalised in 2020 as part of assets under construction or development. Furthermore, as disclosed in note 26 to the financial statements, Schiphol has entered into long-term agreements with construction companies for a total commitment of EUR 432 million per 31 December 2020.

Our response

Our testing procedures included:

- We evaluated the design and implementation of internal controls related to the awarding of contracts and variation orders.
- We evaluated the controls around project risk management and project progress assessment as well as the related governance.
- We performed test of details on a selection of high value scope changes and variation orders, confirming the nature and business rationale for these changes.

Our observation

We observed that for a selection of change orders the appropriate approval process was followed. Schiphol has implemented a new capital lifecycle process which is designed to improve the governance around capital projects.

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 19% of consolidated total assets. As disclosed in note 2 to the financial statements, the unrealised result from revaluation of investment property in the year 2020 amounts to EUR 65 million negative.

The valuation of investment property is complex, contains estimation uncertainty and involves significant management judgement. Schiphol engages independent external valuators for the determination of the value of investment property, as also explained in note 2 to the financial statements. Valuations significantly depend on estimates and assumptions with respect to future cash flows and the risks therein as disclosed in note 10 to the financial statements. For valuation of land, Schiphol uses an internally developed valuation model, in addition to engaging external valuators.

Our response

Our testing procedures included:

- We examined the design and implementation of internal controls within the valuation process.
- We evaluated the capabilities, objectivity and professional competence of the external valuators engaged by Schiphol. We examined the engagement between Schiphol and the external valuators. Furthermore, we tested the accuracy and completeness of information provided by Schiphol to the valuators. We evaluated and analysed the valuation reports provided by the external valuators.
- We involved our own valuation specialists to assess the appropriateness of the valuation models and key assumptions used. In addition, we 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 10 to the financial statements, meet the requirements of IAS 40.

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.

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 less than the scope of those performed in our audit of the financial statements.

The Management Board 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.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting as auditor of Royal Schiphol Group N.V. on 10 February 2014, as of the audit for the financial year 2014 and have operated as statutory auditor ever since.

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 de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_oob_01. This description forms part of our auditor's report.

The Hague, 18 February 2021

KPMG Accountants N.V.

R.R.J. Smeets RA