

**Fraport AG**  
Q3 Results Presentation  
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Transcript

**Speakers:**

Christoph Nanke

Stefan Schulte

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Christophe Nanke

Welcome, also from my side, and thanks to everybody who has dialled in this special day. I have with me, in the room, our CEO, Stefan Schulte, and our CFO, Matthias Zieschang. They will start the presentation right now.

Stefan Schulte

And we do it. Good afternoon, Ladies and Gentlemen, also from my side. Let's go straight into my presentation. On my first slide, you see the financial performance of the past quarter. At €1.35 billion, revenue grew by more than 10%. Matthias will talk about this later in detail, but I'm pleased to see that the International portfolio and our Frankfurt operations contributed, more or less, same amount to revenue growth. So, 50% from our international operations and 50% from Frankfurt. In absolute terms, about €60 million higher revenues from each side.

Group EBITDA was broadly flat, compared to the previous year, but that's due to special effects. In 2023, we recorded close to 20 million higher without some compensations, and this year, the temporary closure of Porto Alegre Airport imposed a headwind of more than €10 million. Adjusted for these effects, the underlying EBITDA would have provided a solid single-digit percentage increase this year of more than 8%.

Bottom line, an improved result from Antalya was compensated by higher interest cost and D&A. €273 million group result was flat, compared to the previous year, which, again, was positively impacted by compensation. Net debt to last 12 months' EBITDA improved slightly to 6.2 times, thanks to the overall EBITDA improvement.

Where do we stand on a year-to-date base? I'm on slide four. In the first nine months of 2024, we recorded some €330 million higher revenues on an adjusted basis. The revenue increase was, again, roughly balanced in between Frankfurt and the international operations. On the EBITDA level, €1.05 billion represented an increase of about 10% and was in line with our expectations to meet the midpoint of our full-year expectations.

Some 47% of the EBITDA was derived from our international operations, and here in particular, from Fraport Greece and Lima Airport, where slightly more than 50% came from our Frankfurt operations. On the EBIT level, the mix was even more balanced, with 49% from overseas and 51% from Frankfurt. Bottom line, the financial result improved, mainly thanks Fraport Antalya and a good financial asset management from Matthias and his team. Correspondingly, group result increased by more than 20% and reached €434 million.

The backbone of our financial performance is our passenger development. On slide number five, you can find the Frankfurt performance in the first nine months. While the passenger recovery, compared to 2019, stands at about 86 to 87% on a year-to-date basis, which is weak compared to other European hubs, the growth rates are coming down over the course of the year.

All of the reasons, yes, we had, at the start of the year, some strikes carried out, which amounted to more than half a million passengers, or 1% of our Frankfurt full-year traffic. And you have, also, some geopolitical impacts. You see, on the slide, which, in the month of September, for example, on a standalone basis, account for more than one third of our passengers to and from the Middle East, which were lost, due to the conflict in the Middle East.

But at the end, there are a lot of small reasons behind, but the most important one is the lack of aircraft from our main customer. On the one side, roughly 3% of the Lufthansa fleet was grounded, due to the Pratt & Whitney engine issue. But on the other side, and that's even more important, new modern, long-haul aircraft with more seats aboard, so the Boeing aircraft, failed to be delivered.

You know this from the Lufthansa call. Roughly 40 aircraft, they are missing already, which would have been delivered. And you know that the fleet of Lufthansa and Frankfurt is quite old, with an average age of 70 years on the entire Intercon fleet. And they really need those additions and the new, more efficient aircrafts. And that gives them, for sure, some disadvantage.

The more and the bigger problem is that the traffic momentum also faded, due to the increase in the German Aviation Tax from May onwards. In May, the German state increased the tax on short-haul flights by another €3 and by €14 on the long-haul flights. Compared to pre-COVID, the tax on the short-haul flights, therefore, has, in the meantime, more than doubled, while on the long-haul flights, the tax increased by more than 70%.

So, that means, on an Intercom flight, it's more than €70. And if you compare a flight on a 787, for example, from Frankfurt to New York, an airline has to pay, just through the federal taxes and security charges and for air navigation, roughly €18,000 just on state-regulated fares, compared to Paris, which the same flight is going to New York, is just €6,000.

And there you see what, really, the problem and the challenge is and why the whole aviation industry is making

a lot of pressure on the German Government to change this route and to abolish the German Aviation Tax. And we have some discussions over there, so at least they are listening to us these days. Not saying it's already happening, anything, but it's absolutely clear that this way cannot go ahead, and they have to change.

A positive signal on that coin is that Lufthansa recognises their challenge and decided to put six A350 now to Frankfurt, which is, of course, much more efficient than if you drive, and if you operate, four-engine aircraft any longer. That's positive, so it's going in the right direction. Another positive signal came out today, which is also strengthening Frankfurt Airport, with the decision of Condor to take up several new destinations in Europe from Frankfurt, even if the aircraft, because of the taxes, are based abroad. But they are always flying to Frankfurt, domestic flights, but also European flights.

So, that goes the right way. But nevertheless, 2025 will not be an easy year for us. It's looking much better if you go on the international traffic development. I'm on the next slide, slide 6, the group airports, excluding Frankfurt, have, in the meantime, fully recovered, in total, at least compared to 2019, despite the temporary closure of Porto Alegre Airport. The key driver for the passenger performance on a group-wide basis is our investment in Fraport Greece.

At 120%, or 118% respectively, Fraport Greece clearly outperformed 2019, adding another 6%, compared to the already high previous-year level. Most of the airports in Greece will now undergo some runway refurbishment over the winter season to be prepared for the upcoming summer season. But these one-way refurbishments are covered by the EU Recovery and Resilience Facility, and therefore won't impact our net cash flow.

Following the political unrest at the beginning of 2023, Lima Airport is now catching up on the lost traffic performance this year at 103%. Lima passenger numbers have, in the meantime, outperformed the 2019 benchmark year, and we expect this to continue for the remainder of the year. Fraport Brazil, on the other side, is recording a split development, while Fortaleza Airport recorded year-over-year growth in the third quarter. Porto Alegre was heavily impacted by the temporary closure of the main airport.

Excluding Porto Alegre, Fortaleza Airport reached a recovery of about 80%, compared to pre-COVID. Roughly the same level, so 80%, is the case for Ljubljana Airport. You know that the national flag carrier went insolvent over

there, but we see, already, really good growth rate on Ljubljana Airport with, also good fares, and that's going absolutely the right direction.

Twin Star is negatively impacted by Wizz Air fleet reductions. That's also the Pratt & Whitney issue, when they had to base a lot of aircraft. But we have been successful to sign new contracts there with a type of low-cost airline to give us further connectivity and further connections from 2025 onwards. So, I'm still optimistic on the Bulgarian airports for the next years onwards. So, in a nutshell, the international business is really performing quite well. Challenges we have in Frankfurt, as I mentioned.

Shifting gears and coming to our business update on slide 7, you see the status of our Terminal 3 project in Frankfurt. Following the approval of Pier G two years ago, the construction authorities just approved, last week, Pier H from a fire protection and technical readiness perspective. So, we've got all the necessary approvals to start operations if we would like, but we, first, have to finish, of course, the main building.

But that will be positive. With all the fire protection measurements in Germany and so on and all the tests, everything went quite well, and that's really positive. The upcoming milestones you can find on this slide, the test runs of the people mover system to connect Terminals 1, 2, and 3 have already started. We expect the test runs to finish, Q2 next year, and Q2 next year, we also expect Pier J to be approved by the construction authority. So, we start, already, there now with all the fire protection tests and so on.

And all the experts on the public authorities are running around there on a daily basis. In Q3, finally, then, the Main Hall building is expected to be approved. And at the same time, the trials will start to prepare for a smooth opening after Eid and after Easter in the summer season, 2026. From a commercial point of view, most negotiations for the Food and Beverage and the launches are finished, and we are in the signing process of the contracts. Further contracts, such as duty free contracts, car rental contracts and some other sorts are already in place.

Progress we are also seeing, regarding the cargo development at Frankfurt site. Already in Q2, we launched the so-called Masterplan CargoHub, which consists of three main initiatives, digitalisation and innovation, space optimisation and area development. So, the cargo masterplan will help us to handle the expected cargo growth

in the future and enables us to keep our leading position in the cargo handling in Europe.

In light of the expected cargo growth, we will, among others, create a new logistic hub on the former Ticona site in the west of the airport, so west of the new runway, and to connect this later on, also. From 2028 onwards, forwarding facilities with up to 150,000 m square of hall space will be available on around 250,000 m square of land. And, as mentioned, in the long term, LogisticHub will also have the possibility to connect the air traffic to the new runway, not just with the road, but also then, later on, with the rail traffic.

Beyond our space optimisation and aero development initiatives, we are pleased by the decision of Lufthansa to invest a further €600 million in the so-called Lufthansa Cargo Centre evolution of LCCEvo. The project will strengthen the Lufthansa Cargo and Passenger operations further and is a clear commitment to the Frankfurt site in the long run.

Moving to the latest developments overseas, both airport operators Lima and Antalya are currently preparing for the operational takeover of the new airport infrastructure. Lima Airport is on the final stretch to commission the new 270,000 m square midfield terminal. Antalya is working on the opening of the terminal extension for the international traffic.

As you will have seen from the press and social media communication last week, we expect, now, Lima Airport to open the terminal, end of January, so one month later, because of the necessary strict connections by the municipalities, and they are a little bit late, but it's just one month. While Antalya Airport expects the opening of the new terminal at the end of the first quarter next year.

Given the size of the Lima investment, including for the new runway operation, we decided to provide you a market update or a deep dive on the investment after the opening. You will be invited for that. As for Antalya, the deep dive on the new concession was already two years ago, but a lot of information remains available for you. Both investments in general are remarkable in size and speed. While we are adding close to 30 million passenger capacity in Antalya, the new terminal in Lima will bring total capacities up to 40 million passengers by end of next year.

As for both investments, the construction time was less than three years, including both operational tests. A remarkable testimony of our international airport capabilities and our team support. Remarkable is also the progress in Porto Alegre. I'm on slide number 10. Following more than 170

days of closure, we reopened Porto Alegre Airport for operations two weeks ago.

Initially, we started operations for domestic flights with a 50% shortened runway, but which can accommodate the regular aircraft types being used. The current capacity allows for up to 128 daily flights, which is about 60% of the pre-flooding number.

Simultaneously, we are reconstructing the remainder of the runway and other airport infrastructure. The works are expected to be completed, with the airport being fully operational in December. Contractually, you will have seen that ANAC has agreed to compensate for the reconstruction of the airport and the operational costs during the airport closure. Moreover, we are utilising our insurance coverage.

Those compensations, the one from ANAC and the one from the insurance company, will cover the cost for the reconstruction of the airport infrastructure and the operational costs during the airport closure. Similar with a precedent set during COVID, we are expecting a further rebalancing of the economic shortfall due to the lost traffic and earnings caused by the flooding as a force of major event.

Talking about the developments in our International portfolio in general, I'm on slide number 11, over the past few years, we have taken clear steps to streamline our International portfolio. As a result, we reduced the number of smaller investments in our portfolio and took out complexity. Maybe you know it, starting with our 30% shareholding in Hannover Airport in 2018, and followed by the divestment of our participation in Xi'an Airport in China in 2022, and the agreement signed for daily airports this year.

Regarding our remaining 25% shareholding in Russia, St. Petersburg, you will have seen that we have, in the meantime, received a governmental approval to divest our stake. The presidential decree marks an important step ahead. Successful transaction, however, still depends on further conditions and approvals, about which confidentiality has been agreed. Therefore, I cannot provide you further information about St. Petersburg at this point in time, but we are seeing good progress.

As the agreed-upon divestment freed up management capabilities, and waived incremental funds, we have focused our acquisitions in the meantime on either the extension of existing concessions, both on acquisitions, so adding to what is a strong market, and investments.



Consequently, we were successfully awarded the new Antalya Airport concession, 2021, and we just recently showed interest in the upcoming concession to develop and manage Kalamata Airport in Greece. Kalamata Airport is a rather small airport, with about 300,000 to 400,000 passengers handled, but with a very good traffic momentum.

Given the strong trend for holidays in the Mediterranean in general, we are also seeing a clear push to upgrade hotel capacities and golf courses in the Kalamata region. So, the Peloponnese in general seems to be the next hot issue, hot potato of Greece, in a positive sense, so the next tourist hotspot of Greece.

Talking about financials, we are currently just looking for a minority share of less than 50%, and we are sticking to our previous communication that we won't add bigger investments to our portfolio while our leverage continues to be above five times net debt/EBITDA. Also, as the awarding of Kalamata Airport is still underway, we ask for your understanding that we cannot provide you further information at this time. But as mentioned, it's not a big investment.

Moving on to my last slide of today's presentations, our outlook on slide number 12. Following the completion of the first nine months of fiscal year 2024, we left the guidance unchanged and stick to our financial projections and Frankfurt traffic expectations. Reflecting the year-to-date performances, we also stick to specified ranges. As a result of the strikes and persisting airline capacity constraints, especially the issues I mentioned on Lufthansa challenges, but also the weakness of the German general economic situation, we therefore continue to expect to be in the lower half of our traffic guidance for Frankfurt Airport passengers.

Thanks to the good momentum outside in Frankfurt, here in particular, at Frankfurt fleets, but also in Lima Airport, we remain confident to reach about the midpoint of our full-year financial expectations for group EBITDA and group results. Consequently, we expect our net debt/EBITDA key leverage ratio to stay at about the same level, compared to the prior year. And that's it. I would like to thank you for your attention. and now, Matthias with more financials.

Dr Matthias Zieschang

Yes. Thank you, Stefan, and a warm welcome also from my side. My first slide today focuses on our cash flow and indebtedness situation at the end of the first nine months of fiscal year 2024. I'm on slide number 14 now. The operating cash flow overall developed in line with our expectations.



The positive traffic and financial result performances led to an increase in operating cash flow of about 22%, to a level of €896 million. The operating cash flow also would have been clearly sufficient to accommodate a positive free cash flow of more than €500 million, excluding for the expansion capex in Frankfurt and at Lima Airport.

Including for the expansion activities in Frankfurt and Lima, our free cash flow was, nonetheless, negative at minus 318 million. As Stefan already mentioned, we are seeing good progress in our construction sites. As a consequence of the already recorded cash outflows and the projection for the fourth quarter, we now expect that our brick-and-mortar capex figure in fiscal year 2024 may also exceed the level of around €1.5 billion.

On the other side, we are seeing good cash inflows from dividends from associated companies, which support our free cash flow and correspondingly help our net debt development. Our group net debt figure, therefore, stood at more than €8 billion at the end of the first nine months. Thanks to a positive Q3 free cash flow, which I will show you on my next slide, this figure is a slight improvement, compared to the value at the end of the first six months of the current year.

On my next slide, slide number 15, you can see the free cash flow development in the third quarter on a standalone basis. The operating cash flow in Q3 stood at a high level of close to 540 million, reflecting the high-season quarter in Frankfurt and our international activities.

The investment volume, excluding for the expansion of Lima and Frankfurt, stood at a moderate groupwide level of 118 million, which was in line with our expectations. Big concession payments, capitalised borrowing costs and lease payments amounted to accumulated cash outflow of €50 million in Q3. On the other side, dividends from associated companies, mainly derived from Antalya, had a positive effect of €57 million on the free cash flow developed in the third quarter.

Excluding for the expansion capex, the free cash flow, therefore, stood at a very positive level of 426 million in Q3. Reflecting the investment, into Terminal 3 and the new Lima terminal of 291 million led to a reported Q3 free cash flow of plus €135 million. A very good outcome, which led to the aforementioned deleverage in Q3.

Moving on to our repayment profile on slide number 16. Despite the negative nine months' free cash flow, our liquidity position remained at a high level of more than 3.9

billion or 4.7 billion, including for unused project finance and committed credit lines. Gross debt, on the other side, was slightly down, compared to year end, from more than 12.1 billion to less than €12 billion, which also reflects minor repayments.

At 3.2%, the average cost of debt remained unchanged through the second quarter, despite the continued drawdowns of the Lima project finance. Looking ahead, there are residual repayments of some €100 million this year, we expect to refinance at the Frankfurt site.

Coming now to our segment reporting, starting with aviation on slide number 17. Despite handling only 1.8% additional passengers, aviation charges grew by around 12%, compared to Q3 of the previous year. The reason for the double-digit increase was the higher airport fees of 9.5% from January 1st onwards. Regarding the development of airport charges next year, so 2025, the fee process with the regulator is still ongoing.

Simultaneously, we continue discussions on a multi-year agreement with the airlines. Whether these discussions will have a positive result cannot be said today. The discussions, however, have been progressing well recently. We will inform you once we have a final result.

Taking a look now at the cost performance of the segment in the period under review, the Aviation segment recorded higher staff costs, among others, from the second phase of the public sector wage agreement. Despite the increase in staff costs, the segment showed a solid EBITDA increase in Q3. Its €130 million EBITDA exceeded the previous year by around €9 million and was about €27 million higher, compared to the pre-COVID level.

Moving on to our Retail and Real Estate segment on slide number 18. Revenues in the segment grew by about 10 million, compared to the previous year and, likewise, compared to Q3 2019. All business units, so Retail, Real Estate, as well as Parking, contributed to the solid increase in segment revenue. At €3.02, Retail revenues per passenger also performed well, despite continued closures on the land side in Terminal 1B, due to the reallocation of the security checks.

Key drivers for the positive Retail momentum were solid advertising revenues, which were, among others, supported by the European soccer Championship in June and July. An improved passenger mix, thanks to the China reopening and increased dwell time, due to smooth security processes. Parking and Real Estate revenues also grew nicely, among

others, due to price effects. Regarding the segment EBITDA, we still recorded headwinds from elevated costs for maintenance services.

Due to the increase in wages and ongoing projects, such as the refurbishment of the parking houses, costs for maintenance services were more sticky than initially anticipated. Therefore, our segment EBITDA only grew slightly to over 100 million. As a consequence of the weak traffic momentum, so that we expect to be in the lower half of this year's Frankfurt traffic outlook, we also marginally lowered our segment outlook.

While we still expect EBITDA to grow, compared to the previous year, we now expect that the EBITDA will remain below the level of €400 million on a full-year basis.

Moving on to our Ground Handling segment on slide number 20. Despite increasing opex from a higher staff amount and collective bargaining effects in ground services, the segment recorded a positive EBITDA in the third quarter. At €206 million, revenues were sufficient to cover the main opex drivers from rising staff and temporary staff costs. At €9 million in the third quarter, EBITDA is now standing at minus 15 million on a year-to-date basis.

Given the weak financial performance, year-to-date, in light of the weak traffic momentum, EBITDA breakeven has, in the meantime, become out of sight on a full-year basis. While we still expect an improvement, compared to the previous year, we now forecast a negative EBITDA on a full-year basis. As a result, we will need to work on further productivity gains and have to reduce the number of external staff. We will keep you informed about the progress in our Ground Handling division, latest with our full-year results next year.

Our final segment, International Activities and Services, is performing, clearly, better. I'm now on slide number 21. The International segment showed, again, a strong underlying earnings momentum. Despite the closure of the main airport in Porto Alegre, revenues, excluding for IFRIC 12, grew by more than 13% to €511 million. The key drivers for the revenue increase were our investments in Fraport Greece, Fraport USA and Lima Airport.

At the EBITDA level, a flat result is indeed a very good result, bearing the following effects in mind. First, in the previous year, Fraport USA recorded a compensation for the early termination of the Pittsburgh Master Lease Concession in the amount of roughly €11 million. Second, moreover, Fraport Greece was positively impacted by

COVID compensations in the amount of about €8 million. And third, the closure of Porto Alegre led, this year, to a temporary headwind of roughly €14 million EBITDA, compared to the previous year.

Hence, the existing portfolio compensated accumulated EBITDA headwind of more than 30 million in the third quarter, which is a very good result. Looking ahead, we are confident that the International segment will clearly grow its EBITDA the entire year, despite the continued headwind from the ramp-up of Puerto Alegre Airport.

Ladies and Gentlemen, let me summarise our performance, which we published today. Frankfurt and our international airports showed a good earnings momentum in the third quarter on a year-to-date basis. At the Frankfurt site, this is, in particular, true for the Aviation segment. Over and beyond the traffic performance, the segment is helped price effects.

In the International division, the continued traffic recovery and price effects were the backbone of the good financial result. Our major capex programmes are on the final stretch. We provided you more insight on the Frankfurt timeline, as well as for Lima and Antalya. The airport in Porto Alegre is reopened, and the economic rebalances are underway.

Equally, we are on our way to streamline our International portfolio, reducing the number of equity participations and focusing on investments with a proven track record. Having said this, Ladies and Gentlemen, I'd like to thank you for your attention, and we can start the Q&A session now.

Operator

Ladies and Gentlemen, at this time, we will begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two.

Questioners on the phone are requested to disable the loudspeaker mode and eventually turn off the volume from the webcast while asking a question. Anyone who has a question may press star and one at this time. One moment for the first question, please. And the first question comes from Carlos Caburrasi from Kepler Cheuvreux. Please, go ahead. Mr. Caburrasi, your line is open.

Carlos Caburrasi

Can you hear me?

Operator

Yes, we can hear you now. Thank you.

Carlos Caburrasi

Okay, sorry. Hello, everyone. Thank you for the presentation and for taking my questions. I have three. The first one, I

was wondering, is there anything new to the between 5 and 9.5% increase in tariffs, or you cannot provide full visibility yet? And additionally to this one, what is your current expectation, in terms of traffic for 2025?

The second question, and with regards to the reduction of minorities of the International portfolio, how much money are you willing to devote to this strategy, and when could it happen? I assume that the main goal is to increase Greece and Lima stakes, but could we also see a divestment in any of the underperforming assets as well?

And my last question is on the cost side. This came above expectations in the quarter, and I was wondering if you could walk us through the moving parts and your expectations in Q4 and in 2025. Thank you.

Stefan Schulte

We'll start with your first question. That was regarding charges. We gave you, earlier this year, an indication that it would be above 5%, but less than 9 or 9.5%, so less than the number of last year. And that indication is still true. It's somewhere on this range. For sure, not on the upper end, but we have to see where we are coming out. We are in discussions, and because we are in discussions there, I don't want to give any further details today.

As mentioned by Matthias, there are two streams. On the one side, with the governmental bodies, obviously, State of Hessen, that's on a yearly basis, and on the other side, with airlines directly on a four-year basis. And I can just tell you, the discussions are going the right way. I'm quite optimistic that we can give you an update over the next four to five weeks, something like this.

Regarding traffic, I mentioned, already, the challenges. It's a mixture, on the one side, of the sharp increase of aviation tax and air navigation tariffs by more than 100%, on security business charges. So, in total, it was an upper of more than 50 or 60%, something like this. But that's only the one thing. The other thing is, of course, also on the side of our main customer, Lufthansa, who is waiting for new, more efficient aircraft on the intercontinental side. But we also have the issue mentioned, this 3% of the A320 fleet grounded because of the Pratt & Whitney issue next year.

So, we are expecting growth for next year, but it will be a smaller growth number. More details, I can't give you today. It's also depending, a little bit, how Germany is developing, because what you see more and more is that German companies are putting their business traffic really under pressure, saving costs with high budget restrictions and so on. But I'm still positive that we will see growth. The question

is, what level of growth? There will not be a big growth for next year.

On international activities, if I've got your question correct, what is the capex we put, or we expect, for the next years. I think this is the question, correct?

Carlos Caburrasi

No, I was wondering about, going to slide 11, in the International portfolio optimisation, it says, reduce minorities and focus on key markets. So, I was wondering, to reduce minorities, how much are you willing to pay, basically, for the minorities?

Stefan Schulte

Pay for them? No, we are reducing minorities. The way that we are selling, as you know, Delhi Airport, we're in the process. Air contracts are signed, and the second thing is on St. Petersburg, where we are also expecting proceeds out of the sale. But there we are waiting for approvals and conditions, and thereafter, we'll give you more details on that.

And the only thing where we are going in and where we put an offer on the table together in a consortium, and we have a minority of less than 50%, but not above 25%, somewhere in that range, so closer to the 50%, and we, as a strategic investor, that's on Kalamata Airport. But that's the only thing. It's not a big amount, but we have to wait first because it's still not official whether we are winning or not, at what time it's going ahead.

But it will be a double-digit, not on the upper side of million amount, more on the lower side, some more midsized up to lower size, something like this. We have to wait, what the final outcome out of that option is.

Dr Matthias Zieschang

The last question was the cost development. When you look in the P&L, there is a significant cost increase. The driver for this is the higher wages based on the contracts. And in general, we have the wage contract based on the TvÖD. This is a wage contract for all civil servants in Germany, and we are part of this. This was a contract beginning in January last year and ending in December this year, a very complex contract with base effects, with percentage increases, and also with one-offs during this 24-month period.

So, this makes it very complex to make a calculation, also when you compare quarter by quarter. But this is a main driver for the personnel cost escalation. And in total, we have, in this year, a cost increase of between 9 and 10%, driven by this very expensive TvÖD agreement. And then we have second so-called collective wage agreement in the Ground Handling business, which is valid for all ground



handling companies in Germany, with the same effect, about 10% wage increase. So, this makes it so cost-intensive this year, but with a clear expectation then, next year, it's not becoming much cheaper.

But let me say that the new increase is not, any longer, 9 to 10%. We expect a clear reduction in the future, compared to this, what we experienced in 25 and 24/23. That's the reason for the cost escalation. On the material expense side, the inflation, I wouldn't say it's over, but has normalised. And we don't see, any longer, significant price impacts on the material expense side.

Carlos Caburrasi

Okay, Understood. Thank you, Stefan. Thank you, Matthias.

Operator

And the next question comes from Elodie from J.P. Morgan. Please, go ahead.

Elodie

Hi. Thanks for taking my question. My first question is on capex. So, you said, for 24, you expect capex to exceed 1.5 billion. Could you remind us the split there and the outlook for 2025 on capex?

Dr Matthias Zieschang

Yes. Regarding capex, I think we have a nice slide in our appendix, when you go on slide number... Just a minute. I have to look. It's on 29. You see what we already guided in the beginning of the year. Now the changes here on the left-hand side on this chart, the capex expenses in our portfolio, you can see the difference, compared to the beginning of the year, is just T3, where we now, with full steam, are constructing the terminal.

Stefan has told you that everything is in line. We are on the time schedule. We are going to finalise the construction in middle Q3 next year and then to take the rest of the time to test and then train each and everything. And the high expense for this T3 terminal is expression of the high speed of the construction. And here we had, already in Q3, 500 million expenses. So, that, in other words, is 600 million, which we guided in the beginning and will not any longer happen.

So, as of today, and you see it in the chart, we expect about 700 million. Again, this is an expression of the good progress in this project. The rest is absolutely in line with this, what we guided in the beginning of the year, but with the overall impact that we now will exceed the 1.5 billion. Looking forward, we are now in the final phase of our financial plan for 25.

And we already said, there will be a significant reduction regarding capex. Again, this is not a guidance for next year, but as of today, I can tell you that we are working on a



number, which is below 1.1 billion, as a group capex for 25. And this is what we already signalled to you in the last 24 months.

Elodie Thank you. My second question is on traffic. So, you said you expect small traffic increase in 25 because of aircraft capacity issue at Lufthansa and German Aviation Tax. When do you now think that you'll go back to 2019 level?

Stefan Schulte Good question, but let's wait, first, for March next year, where we will provide you the full-year number of 2024, and we will give you the official guidance then for the year 2025. And then we will see, at what time we will be on full coverage, and we can see 2019 numbers. To be quite honest, I would like to see what is going on, on Boeing. At what time is the 777 coming in? What's going on with the 787? Will we get further A350, maybe over the next years?

And that's one of the main topics, besides the other topics I mentioned, to see, at what time we are reaching 2019 numbers here in Frankfurt.

Elodie Okay, thank you. And I had another question on Porto Alegre. So, you said the economic rebalance is underway. The main thing to be compensated, if I'm not wrong, is still the capex, which I think you said was around 100 million. Can you help us understand the cash inflows and outflows this year and next year, related to Porto Alegre?

Stefan Schulte The cash outflow on the infrastructure, on the capex, will be mainly now on the fourth quarter. Some is already cash outflow in the third quarter, but then on the fourth quarter, on reaching up to first quarter next year, I would expect, the inflow should be relatively, simultaneously, but probably not exactly because the invoices have to be checked by ANAC, and it's a question of how quick they are paying it then to us.

So, there could be a difference of two or four weeks, but something not material, not big ones. And we've got already some money from ANAC, and we've got some money from the insurance companies, so it should be somewhere in line and fourth quarter or first quarter next year, something like this.

Elodie Thank you, and maybe just one last question on dividend expectations. So, I presume you're still expecting free cash flow to be positive in 25. Does that mean we could expect a dividend payable on 25 earnings for 26?

Stefan Schulte I think, as we mentioned, we first have to be clearly free cash flow-positive. So, on 25, we are fighting, and we're optimistic to achieve free cash flow breakeven, but it's just around breakeven. And that means, if we would pay a dividend,

then on a breakeven level, we would pay it out of debt. So, from today's point of view, I can't promise it to you.

Elodie

Okay. Thanks very much.

Operator

The next question comes from Cristian Nedelcu from UBS. Please, go ahead.

Cristian Nedelcu

Thank you very much. Could I ask you a short one? The higher capex in Terminal 3, the 700 million, is that pulling forward some of the capex from next year? Or, in other words, the total cost for T3, is it still somewhere in the range of 4/4.2 billion? The second question on the discussions on a multi-year agreement, I understand you cannot comment more, but just conceptually, could you talk a bit, what is the appeal of a multi-year tariff agreement for you?

Would you be willing to compromise on a lower tariff in exchange for that visibility of three/four years of tariff going forward? And also, in the context of this agreement, how easy is it to agree on capacity over the next few years, seat capacity in Frankfurt, if you can make some general comments there?

And the third one, if you allow me, we've seen a strong performance in advertising and Retail in Frankfurt in Q3. Will this go away, these one-off benefits from the soccer World Cup and so on? And then, as we move into 2025, could you tell us which are the tailwinds to growth in retail spend per passenger in Frankfurt, which are the factors that support further growth from the current levels? Thank you.

Stefan Schulte

Well, I'll start with the first question on Terminal 3 on capex. Matthias mentioned already the amount, where we are a little bit higher this year. What is the reason behind? There are three reasons. The one is, yes, the construction site is running quite well. And if you see such a construction site with, for example, just to give you one point, we have to connect, now, more than 8,000 doors, which have to automatically open up, close down and so on, depending on whatever the operation is.

So, there's a lot of technique, which is going in these days. And because the construction site is running quite well, the amount of capex this year will be somewhere higher. And we push this also on a reasonable basis, because you never know how, at the end, construction approvals, fire protection tests and so on, are running. So, you need some buffer, if possible, that will get the Terminal 3, then, on time into operation.

We don't want to delay Terminal 3. That's absolutely clear, because whatever you would delay, to build a little bit slower

would mean extra costs on an extra output on a very high level. So, it's a mixture to create a buffer on the one side. It's a point that the construction site is running quite well, but it's also, as I mentioned, I think, a year ago, that there is a contingency of 100 to 200 million.

And you mentioned this already in the level of 4 to 4.2 billion. It can be that, up to the end, we have to use this contingency, but it's not more. It's in that range, and it's just a question how it's now spreading 2024/25 and what the allocation there is.

On a multi-year contract, as mentioned, we're in discussions on both sides. A multi-year contract is, of course, giving stability. Yes, we are also discussing somewhere, then traffic ranges, which is not easy these days. That's absolutely right. But you would, of course, also then discuss the question of what is the increase over the next years on that side. But it gives stability also for you, but also for us to concentrate then on the question, how the development for the next years is, and what does that mean for the cost development, for the capex and so on, and how do we have to manage the company to keep it on a wide base.

Do we have to go for multi-year contract? No, we don't have to. But if there would be a reasonable outcome or more than a reasonable outcome, then I would prefer a multi-year contract. But it depends. As mentioned, we are on a good progress in total on those discussions, whether on the one side, the one year, but also the multiyear. And I think, in the next four/five weeks, we can give you an update on that side.

Dr Matthias Zieschang

Yes, regarding your question, retailer performance, as you mentioned, we are showing good results in Q3. We are satisfied with the numbers. Just remember, on slide 19, you can see that, regarding shopping, in services, compared to last year, third quarter, beyond the same level, we are clearly better than 2019. And here, you have to have in mind that, due to construction activities, the retail space is 9% less, compared to 2019.

The 9% is allocated minus 18% on the land side and minus 2% on the air side. So, again, this is temporarily, but you have to see that we are improving, despite a significant reduced area of retail space. So, you have to see from a qualitative perspective. This underlines our good momentum.

If you look on advertising, we are, so far, happy that, first of all, we are significantly better than last year's number. So, last year we had 41 cent per passenger. Now we ended up

58%. It's even 1 cent higher than 2019. You mentioned one reason. This is, of course, the impact from the soccer Championship in Germany. This is a push forward, this is clear, but we have the momentum.

You see, also, strong performance in Food and Beverage. We are now going to open the food court in Terminal 1, Concourse B. One part now is already open. The other part will be opened in December. This will give us another push. So, the combination of the momentum in advertising, as well as additional F&B space, gives confidence that we can continue with the good numbers also in Q4.

Cristian Nedelcu

Thank you very much.

Operator

And the next question comes from Ruxandra Haradau Döser from HSBC. Please, go ahead.

Ruxandra Haradau Döser

Hello. Thank you very much for taking my questions. First, you mentioned the announcement of contract to date to operate more short-haul flights to Frankfurt next summer. If Lufthansa was allowed to cancel the preferential feeder agreement with Condor, would you expect Condor to try to build up its own feeder network to Frankfurt next year? And in which terminal will Condor operate once Terminal 3 opens?

Second, could you, please, remind us about Pier G, which airlines will operate at this terminal once it opens? And, third, I remember you mentioned in the past that you tried to hurry up to finalise the terminal in Lima this year. Such a tariff can be increased, as of January. Since the commissioning of Lima has been postponed, how shall we think about tariffs in Lima next year? Thank you very much.

Stefan Schulte

Thanks very much for your questions. The first question, you have to ask Condor, not us. I'm sorry for that. Where Condor will be positioned, we have to see that, on the short-haul flights, a very new message from today or from yesterday. And we have to run it through now. We have to see whether they get the slot and at what time the slots are on detail. And then we will go through this.

Regarding Terminal 3, from today's point of view, the Terminal 2 airlines will move to Terminal 3. You know that Condor is in Terminal 1 in the Pier B area, so they are not on focus these days. Pier G is an integrated part of Terminal 3 with Schengen and non-Schengen, and we will go through the next 12 months, through more detailed allocation of the different Schengen and non-Schengen facilities in Terminal 3, and we'll then see which airline, at what time exactly, has to be on what pier in Terminal 3.

Regarding Lima, the discussions are ongoing. That's too early because the discussions with the Government are running these days. What is the reason for one month later? It's in between, of course, the concession. We are on time there with the opening. And what the consequences are for the charges, we have to see because Lima Airport is still in discussions with Government.

Ruxandra Haradau Döser

Thank you.

Operator

And the next question comes from Andrew Lobbenberg from Barclays. Please, go ahead.

Andrew Lobbenberg

Hi there. I don't know what you'll be able to answer, but when you talk about a multi-year charges agreement, how long is in play? Yes, just how far out are you looking? And separately, as you discuss a potential multi-year charges structure, are you also talking with Lufthansa about the 2026 change for the handling contract? Are there any talks on a multi-year handling deal with Lufthansa as well?

And then just coming back to the aviation tax, I wonder if you could give some colour to those of us outside of Germany? I understand there's a lot of pressure, and you're starting to get some attention, but just how optimistic are you that there can be some rollback of the aviation taxes? Obviously, we saw Sweden roll back their aviation taxes, but elsewhere, they're increasing, aren't they? So, they're very varied trends around Europe.

Stefan Schulte

Thanks for your questions. On the multi-duration contract, we'll give you more details as soon as it's more concrete and clearer whether we go this way. But it's clear it's more than one year, and you can be sure it's less than five years, something in that range. The handling contract is, for sure, not included there because that's a separate business. And I think we also very well done that we are not mixing up issues there.

On the aviation tax, I'm more optimistic if we would have elections next week on the federal state base. So, having said this, with the actual Government, with the coalition, I would not expect, in this period, that we come to a big swoop. What's the most important thing is that we get the different parties behind our points, that they understand our issues, because it has to go into their programmes for next government. And that's the most important thing.

And then we have to see what time we can get through what. But as mentioned, the federal Government is getting more and more aware of this point, so, I hope that, after the next

election or whenever next election is, I would not speculate on this, the chances are bigger.

Andrew Lobbenberg

Thank you.

Operator

And the next question comes from Harishankar Ramamoorthy from Deutsche Bank. Please, go ahead.

Harishankar Ramamoorthy

Hi. Thank you. Just a couple from my side. Maybe you could help us understand the course progressions for the rest of the year. Should we see more headcount growth or wage inflation, maybe into next year? I get that wage inflation is probably not going to be as high as it was this year, but any colour around the ramp-up in headcount? If you're indeed going to see much traffic come through on the back of the multiyear negotiations, how should we think about the staff additions?

And maybe a second one on the Ground Handling business. Would it be a fact to say that, given Q4 is not exactly the best quarter, maybe the EBITDA losses for the full year could be worse than what you've seen in [inaudible]? Thank you.

Dr Matthias Zieschang

Yes, inflation, two things. As I've already told you, regarding price inflation, on the material side, we think we are more or less back on the old time. So, the big increases are over now. So, this is broken. So, we expect 2 to 3% price increases on the materials side. On the wage side, as I mentioned, we had, in 23, as well as in 24, significant increases, close to 10% in both years. This was a heavy burden for all of us.

Looking forward, we are convinced it will be lower, but higher than the official inflation rate, depending, of course, on the outcome of the negotiations, which are not in our hand. But I would say, as a best guess, perhaps looking forward in 25, a wage increase of about 5%. But, again, this is a very, very rough indication. Nobody knows, because we are not doing these negotiations. But this is significantly lower than what we had, but higher than the official CPI rate.

And Ground Handling, as you mentioned, yes, we had better positive EBITDA contribution in Q3, spoiled by a high number of employees, especially with service providers. We are now going to bring it down, and in the last two months, the external workforce has been already reduced, and we are making pressure to go on with the reduction of these staff.

So, and this will show some impact because the cost of external staff is clearly higher than this of internal ones. So, it makes sense to reduce the external workers. And this will

help us, and we have to see now what is the headwind or not, or tailwind, in Q4, whether we are breakeven in Q4. This this will be, we are fighting for the breakeven. But regarding the total year, because now we have accumulated, still, a loss, a breakeven in Ground Handling for the full year is impossible now.

But we are looking forward, and we are working hard to increase productivity significantly, and you will see positive impacts in the future.

Harishankar Ramamoorthy

Understood. Maybe I can just come back on the first question. So, if I rephrase it, how should we think about the labour force or the number of people you might need at your Frankfurt base if traffic were to, say, increase 5% next year? So, would there be a ramp-up in the personnel deployed, to an equal extent, or do you see potential for savings, cash efficiencies there? How should we think about staff growth, in terms of the number of employees, relative to traffic growth?

Stefan Schulte

To be quite honest, this question is, these days, very difficult to answer, and it's not the normal ratio, which would mean that, on aviation, in a fixed business, if you have a small growth, you don't need additional people. The reason is, there are two special effects for next year. The first special effect is that the second license on Ground Handling was awarded to a new company, which is not active on Frankfurt Airport these days.

And there's a big fight between the actual company who is handling this second license and the new one. And it's unclear at the moment whether they are able to perform their market share. And what does that mean? So, we are well prepared not to bring the external workers, as Matthias mentioned, which is really our target, but which we will perform. Or we shouldn't bring them too quickly down, because there could be some critical situations by beginning of February.

And the second point is, we have to have some additional people in maintenance on IT because of Terminal 3 now coming closer to operation. And you need some people for this because it's, of course, a big amount of square metres, which are going in, in addition. But I can promise you, we are really handling this on a very, very restrictive level to keep the cost, as much as possible, under control and are not adding a lot of people to this. But you have to add some people, of course.

Harishankar Ramamoorthy

Understood. Thanks.



- Operator And the next question comes from Graham Hunt from Jefferies. Please, go ahead.
- Graham Hunt Thank you. Just two questions from me, please. First question, can you help me understand why you felt now was the right time to sell your stake in Delhi? Just wanted to understand the rationale behind that sale, particularly on timing. And should we take it as a signal that you're not looking to participate, at any point, really, in any upcoming, airport auctions or investments in India going forward?
- And then, second question, just on your income from associates cash flow, you obviously upgraded that expectation for this year, Antalya contributing. What's changed there from prior guidance of being neutral? Or is it that there's a cash outflow phased for later on into 2025 that we should be thinking about? Thank you.
- Stefan Schulte Just on your first question, we are in Delhi for more than 15 years now. At the beginning, it was a very clear strategic investment with a lot of common development on the hub of Delhi, with the new runway at that time, with a new terminal at that time. The more the time goes ahead, it was more and more a financial investment. And we are in discussion, already for some years, to divest.
- And you need, always, two parties, the one who is buying, the one who is selling. And that's the reason that we are now going out, and the contracts are signed. So, I would expect that the closing of this deal and then the financial proceeds should come in, probably next year. It's nothing against India. We are, in the long run, for sure, interested in that market.
- Even these days and these years, the focus is on free cash flow-positive net debt reduction, and we are not going for big tickets abroad. But in the long run, yes, it's, for sure, also an attractive market.
- Dr Matthias Zieschang Your question regarding proceeds from dividends, so it's relatively simple. When you look on slide 14, on the cash flow chart, you can see that we, already in the first three quarters, received dividends in an amount of 65 million. And looking forward now, what will happen in Q4 is about another 35 million, what could and will come. So, with other words, as a rough guess, you always can calculate with about 100 million dividends per annum as proceeds from dividends from other equity companies. I hope I have covered your question also.



Marcin Wojtal

Thank you so much. A couple of questions. Firstly, on Greece, how do you feel about traffic outlook there for 2025? Do you expect Greece to keep outperforming and perhaps growing at a mid-single-digit rate? And then, on Terminal 2, could you, please, remind us, when do you plan to shut it down for maintenance? And what will be the total budget of that refurbishment project for Terminal 2, and over how many years you are going to implement it?

Perhaps, considering the relatively slow growth in Frankfurt, is there any change to your plans for Terminal 2? Thank you.

Stefan Schulte

On Greece, 2025, sorry, but first, we are very glad and happy that we have seen a very good season in the year 2024. We will go through those discussions together with our experts, also in Greece, together with officials in Greece, and with the tourist sector and so on. But everybody is still on the season 2024 and not on the season 2025. So, I can tell you, yes, we are expecting further growth, but it would be too early for a signal on which level, which size we expect in that course. Those numbers, we'll give you, the beginning of next year.

Regarding terminal two, the message is the same as we mentioned already. We will close it down over the year of 2026, so latest, from 27 onwards, because the airlines will move, in the year 2026, from Terminal 2 to Terminal 3. Nowadays, we take our time to really plan it, to make all the detailed planning, so this will take some time, and for sure, more than 12 months, because we will not start with construction.

And that's a lot of detailed techniques before we have really very, very clear planning and a very stable planning on that. And then we have to go for approval processes and so on. So, for us, it's not so much, at the moment, the point, whether we start exactly at the beginning of 2027, with the reconstruction there or with the reengineering there. It's much more the point that we, first, have a very, very stable planning.

The numbers are unchanged, because we first have to go through the planning process on detail. I think we gave you already a number. It will be something around 1 billion, whatever. But that's too early at the moment because we have to go through the detailed planning process, and it will be a long-term project. It will not be just on three, four, or five years.

Marcin Wojtal

Thank you very much.

Operator And the next question comes from José Arroyas from Santander. Please, go ahead.

José Arroyas Thank you. Three very quick ones. The first one is a clarification on your statement this morning in the press release. I think you mentioned there that, over the winter season, you expect to see minimal traffic growth, whereas two weeks ago, Fraport announced there would be, or there had been, a 4% increase in the seats offered by airlines.

And considering that, last year in Q1 2023, we had an easy comeback, I'm a little surprised that you make this comment that traffic growth over the winter season is now minimal. What has changed over the past two weeks to change this statement? That's question number one.

Question number two is, on the Multi-Tariff Agreement in Frankfurt, I wanted to circle back on your answer. Did I understand correctly that you expect to close an agreement in five weeks, and that we should expect an announcement, like we should expect a new tariff for 2025? Is that the expected and what you what you wanted to say earlier?

And lastly, I wanted to hear an update on your views on China. Where do we stand on the traffic recovery, and where do we think we go from here? Thank you very much.

Stefan Schulte Thanks for your questions. Regarding what is the reason for the change on the traffic all through winter, that's very simple. These are the plans on the airlines, what slot they are taking and where they're reducing their plans because of a shortage of aircrafts, on Pratt & Whitney issues and so on. And that's the reason we are more, at the moment, on the 3% than on the 4%, because the soft coordination is going ahead. So, that's the point behind, and that's the best guess we have from today's point of view.

On the Multi-Tariff Agreement, or let's say, in general, on the charges, what I wanted to say is that, in the next four or five weeks, I'm quite optimistic that we can give you news. Whether it's on a multi-year agreement, or whether it's on a one-year agreement, whatever the one or the other way, I'm quite optimistic, due to the discussions we have, that we will give you an update on that side. But I'm not saying, at the moment, it's this way or it's that way. That's not possible.

On China, traffic recovery is quite fine. I don't know whether you have numbers on that side.

Dr Matthias Zieschang 70 to 80% at the moment.

Stefan Schulte Yes, 70 to 80%, that's quite fine. Thanks.

- Operator And the next question, you have a follow-up question from Cristian Nedelcu from UBS. Please, go ahead.
- Cristian Nedelcu Well, thank you very much for allowing me to follow up. You mentioned earlier, most of the tenders for Terminal 3 speciality and Food and Beverage are behind you. Could you tell us any first conclusions? Are the concession rates increasing meaningfully versus the past? Are there meaningful minimum annual guarantees, or any more general colour that you could provide at this stage?
- And secondly, a short one. I think, in the slides, you flagged that the Frankfurt maintenance capex this year is around €350 million. So, just to confirm, is this the steady state going forward? And on top of this, we should add something for the Terminal 2 modernisation once that starts in a few years from now. Is this the way to think about it, or any more colour there? Thank you.
- Stefan Schulte On Terminal 3, what's going on there, on Retail, on Duty Free, on Food and Beverage, I mentioned that a lot of contracts are behind us. They are just signed. On the other side, some contracts are still under negotiations, so we're expecting that the contracts will be signed over the next weeks.
- So, what I would propose there, that we give you, somewhere next year, whenever, when we are through with all the concepts and so on, and not just the price, it's also the question of location and what expectations we have on revenues, that we'll give you an update there. But then, in total, on whatever we expect there on that side and how we see it, regarding spend per passenger and so on. Regarding Terminal 2, I think we've answered that question already, but Matthias?
- Dr Matthias Zieschang Yes, regarding capex, you mentioned the maintenance number for Frankfurt, and this is valid for the future. And we always said T2 is embedded in this budget, and T2 will be constructed over a very long period. So, the capex for T2 is allocated for a time span of, perhaps, up to nearly ten years. So, in other words, it's some mitigation of a number of course, let me say, in some years, it will be a little bit higher, but it's not a significant impact in one year with regards to Terminal 2.
- Cristian Nedelcu Thank you very much.
- Operator Ladies and Gentlemen, this was the last question. I would now like to turn the conference back over to Christoph Nanke for any closing remarks.

Christoph Nanke

So, thank you, everybody, for attending, asking good questions. Please, give us a call if you have any further questions. Also, we can discuss, then, the Antalya dividend. Yes, I wish you a good rest of the day and a successful week. Thank you. Goodbye.