

**Fraport AG**

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Presentation Transcript

**Speakers:**

Dr. Stefan Schulte

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Stefan Schulte

Welcome, ladies and gentlemen, to our pre-recorded nine-month analyst presentation. Matthias and I are looking back at a very eventful and, at the same time, very successful nine-month period. One of the key highlights, certainly, was the regulatory approval of our major construction site, Terminals 3 in Frankfurt. I'm on slide number three. So, completely approved. We are officially at least ready to start. It fills me and the entire Fraport team with pride. The Frankfurt airport is now ready for future growth. I will come back on the remaining steps until the opening of the terminal in a minute, but let's focus on the other key areas of the past period first.

In combination with the progress in Frankfurt, we also completed and opened the first phase of the new Lima terminal in June, and added new terminal capacities in Antalya in April. Besides the CapEx projects, we are also pleased with the last summer season. Frankfurt Airport showed a solid growth rate of around 3%, while our passengers and airline customers, at the same time, perceive better operational quality compared to the previous year. During the summer season, key international group airports also achieved record levels in Q3 and on a year-to-year basis.

As a result of the operational growth, we recorded an all-time high EBITDA in the third quarter, and received record inflows. Consequently, free cash flow was the highest ever achieved by our company in the third quarter, despite continued outflows for Terminal 3 and the new Lima Terminal in the amount of around €150 million. Having said this, we are well on track to deliver on all our financial targets set for fiscal year 2025.

Taking, now, a look at our key financial highlights for the third quarter on slide number four. While headline revenues of €1.35 billion were flat on the previous year's level, revenues excluding for IFRIC 12 effects moved up strongly, by 8%,

compared to Q3 last year. Reasons for the positive revenue development was the before-mentioned traffic growth, as well as increases in airport charges and other prices. On a segment perspective, our international division showed revenue growth of around 6%, while the three Frankfurt segments were up even stronger, by about 10%.

Moving on, the EBITDA, here the increase was clearly higher compared to revenues, at more than 20%. EBITDA, therefore, achieved an all-time high figure of €590 million. Beyond the underlying strong business development, we also recorded a positive one-off effect of roughly €50 million, due to cash-backs in connection with the supplementary pension plan. Here, additional payments to close an expected funding gap were calculated wrongly, which led to a reimbursement of contributions and supported our results. Adjusted for this one-time effect, EBITDA nonetheless was up strongly, by around 12%, to €540 million. Bottom line, the group result of €350 million also marked an all-time high, despite the higher interest expenses and a slightly more negative result from Antalya.

Our traffic performance in the third quarter is shown on slide number five. Frankfurt Airport showed a solid growth rate of just under 3%. In addition to the positive passenger development in the third quarter, we were also pleased to see an even better traffic performance in October, at a growth rate of just under 6%. All traffic regions, so North America, Africa, Asia and Europe, except for Latin America, recorded passenger growth. Frankfurt Airport, therefore, now stands at a year-to-date passenger growth of 2.3%. So we are on track to achieve our full year targets.

Outside of Frankfurt, growth continued in all our group airports in the third quarter. Fraport Greece recorded a similar growth rate to Frankfurt, and reached another passenger record. In particular, the airport of Thessaloniki showed strong momentum of more than 8%, while also the airports of Corfu and Chania showed growth, good growth, of more than 5% each. Lima Airport recorded a somewhat more modest growth rate, at around 2% in Q3. The airport in

Lima was negatively impacted by the refurbishment of the old runway, which started in September, and strikes carried out in Cusco, which had a negative impact on the tourist inflows to Machu Picchu.

Fraport Brazil, on the other side, was positively impacted by the reopening of Porto Alegre Airport, and doubled its passengers number compared to the last year, a solid recovery to more than 90% of 2019. A very positive growth rate of 12% was recorded in Ljubljana, and numerous flights were added during the summer season. And we expect a continuation of this favourable trend for the upcoming winter season. Our two Bulgaria airports, in Varna and Burgas, also saw passenger growth of combined 6%, at a recovery rate of 68%. The two airports, however, still lack the 2019 levels due to missing passengers from Eastern Europe as a result of the war in Ukraine.

After a weak start of the year, Antalya Airport came back into the growth mode. At plus 2%, the airport handled 5% more passengers compared to 2019, a solid result of our single biggest airport outside of Frankfurt. In total, the group airport, therefore, handled about 6% more passengers in the third quarter compared to last year, and are now fully recovered to the pre-pandemic level.

Looking ahead, we just released a traffic outlook on the Frankfurt winter season. I'm on slide number six. For the current winter season, we expect aircraft movements to grow by around 3%, and seat capacities, likewise, to grow at roughly 3%. Growth will be mainly driven by capacity additions of Condor and easyJet. The two carriers clearly increased services and started to new routes last summer. This growth will now continue for the winter, but also Lufthansa is back on growth with the deliveries of the new B787.

Following the winter season, we very much look forward to a new chapter for Frankfurt Airport, the reopening of Terminal 3. As we discussed before, Terminal 3 will open after the Easter holidays next year. In the meantime, we set a date for

the first inaugural flight of our Terminal 3. April 23rd will be the first operational day. Until this day, we still have further tasks to do. The trials to test the infrastructure started already with our own employees in January. The test runs will commence with people from outside of the Fraport group. By the time of the opening, several thousands of people will have tested the new terminal processes. Simultaneously, commercial operators will work on the completion of the new shop concepts and lounges. The security checks are set up, as well as all installations by the police, customs, and all the airlines.

In addition to the terminal infrastructure, we also made significant progress in terms of climate protection. Since October 22nd, sorry, since October 22nd, our photovoltaic plant, next to the take-off Runway West, has been operational in Frankfurt. 37,000 vertical solar panels generate substantial green electricity, especially in the mornings and afternoons. The new plant is an ideal addition to the photovoltaic system installed on airport rooftops, which reach their peak output at midday.

From mid-2026 onwards, another substantial amount of green electricity will be supplied from our Wind Park Power purchase agreement with EnBW in the North Sea. This means that 100% of the electricity demand in Frankfurt will be covered by renewable resources from mid-next year onwards, so 10% local photovoltaics and 90% wind energy. In absolute terms, this will be more than 300 gigawatts per hour from wind energy, and close to 30 gigawatts per hour from solar energy.

Moving on to the development outside of Frankfurt on slide number nine. The slide shows you the progress of the second terminal construction phase in Lima. As you can see, the second phase, or phase 1B, is well advanced. The long swing pier, which can be used for domestic and international services, is already fully completed. The other extensions of the terminal infrastructure are close to completion. With the second phase, we will increase the terminal capacity from 30 million passengers to 40 million

passengers over the next few weeks. Also, the refurbishment of the old runway is well underway, and will be done by end of this year. So Lima is well on the way.

Antalya Airport, as you know from previous discussions, is also completed. The new capacities have been taken up well by the market. Following the settlement of the dispute with the former duty free operator, we are also seeing further progress from the retail activities in Antalya. Further growth we also expect from the addition of Kalamata, our airport number 15 in Greece. Here, the team is working closely with the Greek authorities on the concession commencement, which will probably happen during the first quarter of 2026.

Coming now to my last slide of the presentation, our group outlook on slide number ten. The outlook shows that we are well on track for the full year. While we narrowed the guidance in terms of Frankfurt passengers, to about 63 million, we continue to expect moderate growth in EBITDA in the single-digit percentage range. Due to the one-time effect which we recorded in the past quarter, it is now increasingly likely that we will end up rather in the high-single-digit percentage area. On an underlying basis, however, this shall be more in the mid-single-digit percentage area.

As we guided before, our group result will develop at a more subdued pace. The main reasons are the absence of the positive one-off effect from the sale of St Petersburg last year, and rising interest costs. For the free cash flow, we continue to expect the free cash flow to be close to break-even this year. The near-to-break-even free cash flow is expected to have a slightly positive impact on the net financial debt-to-EBITDA ratio, thanks to growing EBITDA.

Regarding the dividend, there's no official decision taken, but as we have communicated this oftentimes before, we see a very high likelihood to assume dividend payments as early as this year to be distributed next year. Latest next year, in connection with our full year results, so in March, we will provide you the final outcome of these discussions. Having said this, I would like to hand over to Matthias now for more

details on our financial developments.

Matthias Zieschang

Thank you, Stefan. And a warm welcome also from my side. On my first slide today, slide number 12, I would like to guide you through the cash flow development in the third quarter, and our indebtedness at the end of September 25. Starting on the left side of the bar chart, you see a strong operating cash flow increasing by 27% year on year, which was driven by a good operational performance in working capital changes, and by the one-off effect in connection with the supplementary pension plan that Stefan has already talked about. However, even if adjusted for this one-off item, the operational cash flow increased by some €90 million, or around 17%.

Focusing on the main CapEx programmes in the group, you see a clear trend in Lima where the new terminal has been opened and the investments are coming down quickly, only reaching €38 million in the third quarter. As a comparison, last year in Q3, we still spend some €140 million. At the same time, as you heard from Stefan before, we were able to complete construction on our Terminal 3 in Frankfurt, where CapEx in the last quarter amounted to some €190 million. Also, this is still an elevated number. We already reduced CapEx for T3 by almost €60 million if compared to last year's Q3. This shows the reduction in investments also in Frankfurt, as we are now coming to the end of the CapEx programme.

While the remaining investments were only slightly higher than last year, brick-and-mortar CapEx decreased significantly by 29%. Additionally, dividends from at-equity consolidated companies, mainly from Antalya, in the amount of €30 million were supportive. Like this, we generated record quarterly free cash flow of €373 million. This reduced our net financial debt to less than €8.2 billion. Correspondingly, we reached a leverage ratio of 5.8 times net-debt-to-last-12-months-EBITDA, and also our gearing ratio improved by 14 percentage points, to 159%.

On my next slide, number 13, I would like to give you further

details on our indebtedness situation. As mentioned before, our net debt today stands at less than €8.2 billion, which is net of our 12.1 billion gross debt, and a cash balance of more than €3.9 billion. If we add any residual unused project finance and committed credit lines, we even end up at a cash reserve of close to €4.6 billion. At 3.3%, the average cost of debt remained unchanged through the second quarter, despite regular refinancing activities and draw-downs from the Lima project financing. As you can see from the chart, around €200 million are still reaching maturity this year in Frankfurt. In the meantime, so since the end of September to date, the refinancing of the majority of this has already been agreed on.

Now, coming from the group to our segment reporting, starting with the Q3 numbers in aviation on slide number 14. After a good first half of the year, the positive trend in revenue generation continued in our operationally and financially most important third quarter, driven by pricing and volume effects at Frankfurt Airport. Therefore, total revenues increased by some 11%, or €38 million, while aviation charges went up 9%, which corresponds to €25 million. The residual increase in revenues came from security charges, which grew strongly by more than 20%, due to the new reimbursement system based on cost coverage on a full year basis, and not on a monthly basis like in the past years.

As we mentioned before, we received an unscheduled one-time refund in relation to our supplementary pension plan, which reduced the staff costs in all of our four reporting segments. This refund was based on a new assessment by an insurance actuary, which meant that we overpaid the pension plan in the past couple of years. Having said this, around 14 million positively impacted the staff costs in aviation. Therefore, personnel expenses decreased by €9 million in the third quarter. If adjusted for the one-off item, expenses increased by some 7%. As a result of the good operational growth and the one-off item, EBITDA increased to €162 million, or 25%, and EBIT amounted to €125 million,

an increase of 37%. Adjusted for the one-off in staff costs, underlying growth rates still stood at 14% and 22%, respectively.

Now, jumping from aviation to non-aviation on my next slide, our retail and real estate segment. In the third quarter, we incurred a revenue increase of 3.4%, or €5 million. Out of that, the retail business contributed about half of the growth, which corresponds to an increase of 4.2% over last year's third quarter. The positive development is based on the volume growth in Frankfurt on the one side, and the increasing spend per passenger from €3.02 to €3.06 on the other side. This development was primarily driven by higher advertising revenues in the quarter, which grew from \$0.58 to \$0.74 on a per-passenger basis, an increase of 28%.

Details about the retail split can be found on my next slide. Also, parking showed a strong revenue increase again over the summer season, growing by more than 5%. The one-off item from the supplementary pension plan reduced staff costs in retail and real estate by some €4 million, which led to decreasing personnel expenses. Adjusted for the effect, staff costs increased by around 7%. In addition to that, other OpEx benefited from a reimbursement of utilities, which is why also this line item decreased compared to the previous year's quarter. Based on those effects, EBITDA and EBIT ended up strongly, at €113 million and €89 million respectively.

Moving on to our ground handling segment on slide number 17, and starting with a positive message here. As you can see on the slide, we changed our guidance for the ground handling segment, and now expect to reach a positive EBITDA in 25, after a good Q2 and an even stronger Q3. But now, looking at the main drivers of this development, as mentioned with our Q2 publication, there are several factors influencing the positive revenue development. Besides growing traffic volumes and higher prices, we continue to record a higher market share due to the continued slow ramp-up of Swissport.

On the other side, of course, the ground handling benefited significantly from the reimbursement of the pension fund. Staff costs amounted to 128 million, and therefore stayed on the previous year's level, despite an increase in FTE numbers and wage increases. If adjusted for the €60 million one-off effect, personnel expenses increased by some 14% over last year's third quarter. As that compared to last year, our financials are still influenced by higher FTE numbers.

However, if we compare Q3 with the second quarter 25, you see that our staff number decreased further. In the meantime, over the last two quarters, we reduced our ground handling personnel by more than 100 people. At the same time, we are becoming less dependent on third-party providers by decreasing the amount of external personnel, which is reflected in other OpEx that remained on previous year's level, despite inflation. All in all, this led to a positive EBITDA of 37 million in Q3. If adjusted for the personnel one-off, we generated an underlying EBITDA of some 21 million, so we more than doubled the result of Q3 24.

Now, coming to the last slide of today's presentation, slide number 18, concluding with our international activities and services segment. Looking at the top line effects, you see that the revenues overall decreased. due to the fact that the IFRIC 12-related revenues came down by more than €100 million again in Q3, due to the completion of the terminal in Lima. So, more relevant of course, is to consider the underlying revenues, which performed nicely with an increase by around €30 million, or 6%, bearing in mind the headwinds from exchange rate developments, especially in Lima, Brazil, and the US.

On the cost side, the segment's performance was influenced by the Frankfurt services, which benefited from the premium refund and decreased the staff costs to €83 million from €90 million last year. Adjusting for the €15 million one-off effect, personnel expenses increased by around 9% overall. As a result, the segment's EBITDA increased by some 15%, to €281 million, or by 9% if adjusted for the cost-saving one-off item. The increase in D&A, to €72

million, was especially driven by the terminal opening in Lima, and led to an EBIT of €209 million. This translates into an increase of 9%, or 2% if adjusted for positive one-offs. With this, I would like to conclude today's presentation, and thank you for your attention. We look forward to the Q&A session this afternoon. Have a nice day, and goodbye for now.