

Schiphol

To Participants Pre Consultation III, 31 August 2021

Minutes Pre Consultation III 31 August 2021

Peter Luske

29 september 2021

Attendants:

BARIN:	Mr Marnix Fruitema
Corendon:	Ms Audrey Bediako
DHL:	Mr Karsten Lafin,, Ms Mandy Lippert
Easyjet:	Mr Dimitrios Schoinas, Mr William Vet, Mr Thomas Marty Scriva
IAG:	Ms Anna Senecka
IATA:	Mr Manuel Lanuza Fabregat, Mr Cesar Raffo
KLM:	Mr Pieter Cornelisse, Mr Jorrit van Opstall, Ms Idris Mattijssen, Mr Rinze Nieuwhof
Lufthansa:	Ms Barbara Klein
Ryanair:	Ms Regan Tilson
Schiphol:	Ms Birgit Otto, Mr Robert Carsouw, Ms Hanne Buis, Mr Huub Hofstede, Ms Patricia Vitalis, Mr Peter Luske, Mr Michael Arntzen, Mr Peter Dijk, Ms Mirjam de Boer, Mr Tom Gerritsen, Mr Richard Emmerink, Mr Bas Kooij, Mr Maarten Brink, Ms Marije van Overbeek (minutes), Ms Carla de Vor (minutes), Mr Hanno van Doorn (minutes)
Transavia:	Mr Arjen Kieskamp, Mr Melchior Looijen
TUI Aviation:	Mr Maarten Cooreman
United Airlines	Ms Christa Horvath

N.B. The text in brackets [and] is added by Schiphol after the meeting based on received input.

Introduction

Ms Otto welcomes everyone to the third online pre-consultation session for the charges 2022-2024. She explains that the goal of the meeting is to share insights on the topics as shared in the pre-consultation documentation. Ms Otto goes through the agenda of the meeting and explains that the meeting is as interactive as possible and questions can be asked after each subject. She emphasizes that all content shared and discussed during the meeting is confidential. Before she gives the floor to Mr Carsouw, she invites participants to make statements to be taken up in the minutes and offers the possibility to send in statements by email during the week after the meeting.

Statements

Mr Cornelisse states that according to KLM it's not fair that the burden of the undercoverage is put in the charges for the airlines. He states to recognize the voluntary contribution and the discounts in 2020 and 2021 . Mr Cornelisse explains that compared to other airports in Schiphol's surroundings, there's hardly any increase.

If KLM is faced with these increases, this will result in serious problems. He states that KLM disagrees with the proposal to fully put the undercoverage of €1 billion in the charges for the next coming years.

Mr Scriva states that easyJet is also worried about the increase in charges. He also recognizes the voluntary contribution but thinks it's very small. He also states that other airports, like ADP, don't increase their charges.

Mr Fruitema agrees with Mr Cornelisse and Mr Scriva and states that this is the most challenging period for airports and airlines. He's of the opinion that the balancing act Schiphol describes in the documentation, seems like a balancing act in the interest of Schiphol vs its users. According to Mr Fruitema the voluntary contribution is too low. His main worry is that airlines will leave.

[1] It's obviously the most challenging period of our industry, for airports and airlines alike. Correctly so, you share your vision it's all about a balancing act, to get out of this crisis. Balancing the interests of SPL vs its users. Unfortunately, we don't see this in your proposals.

9/14 14% is unacceptable, unprecedented, with only a very low 71 mln own contribution of SPL.

This balancing act is way more in favour of one than the other.

2/ While we understand the value of a fine credit rating, single A credit rating seems to be the (only) objective. It looks like the enormous increase of the airport charges (9,14,14) is a result of SPL's desperate wish to keep a fine credit rating of S&P / Moody's. And ...a result of the fact that you consider SPL historically too cheap.

Comparing to.. (iow you confirm that SPL's current competitive position will deteriorate in coming years)

Moody's also states that all airports in Europe have reduced operating and capital spending, and that the airports they rate will have, on a average 13% more debt in 23 vs 19. We consider Schiphol very conservative in analyzing its current financial situation.

3/ Of roughly 40% of all projects you present in the ADP, the budgets are an estimate, we have limited info for some, or others are not even budgeted. You stated, there could even be more changes, not presented during this meeting. Not acceptable, definitely not at this point in time. On top and based on concrete examples, SPL is too often surpassing presented budgets; it's definitely not getting an A+ rating in cost control. So far it's complicated, if not impossible to give a fair, all inclusive judgement.

A remark on the process:

Consultation is needed for each euro spent; consultation also within a reasonable time frame; that's not the case (yet).

We feel extremely uncomfortable, 'driving in the dark', and we could conclude the process of pre- and consultation is not followed correctly.]

Mr Melchior states that Transavia strongly supports the statements from KLM and BARIN. According to Mr Melchior an unreasonable amount is charged on airlines. Schiphol should take a more fair share.

Build Back Better

Mr Carsouw thanks the participants for their presence in the meeting. He also thanks the airlines for the statements and says not being surprised that the statements are focussed on increases. He explains that Schiphol believes that it's balanced in an almost impossible situation and emphasizes that he thinks it's important to understand why Schiphol thinks it's a balance.

Schiphol is optimising for

1. Quality of network,
2. Quality of live
3. Quality of service.

Schiphol needs to be attractive to the airlines, plans to continue to be a competitive airport and wants to be acceptable for its neighbours. By differentiating its charges Schiphol aims to lower its footprint. Also, Schiphol wants to be attractive to its passengers which is in shared interest of both the airport as well as the airlines. This doesn't mean Schiphol's goal is to maximise shareholder value. According to Mr Carsouw the sector needs

to recover collectively of the largest crisis in history of the sector. Schiphol wants to Build Back Better by making sure to come back at the level before corona, improving airport services and recovering connectivity. Mr Carsouw goes through the slides (6-21) and explains that Schiphol has worked very hard to make sure testing facilities are there and protocols are clear. Schiphol has also worked very actively on the capacity to receive the airlines' passenger and on the other hand try to reduce cost when the airport was not utilised at all. Schiphol is continuing initiatives that will reduce emissions and disturbance, specifically noise, reducing its own footprint, trying to become a zero-emission airport by 2030 which is also contributing to the aviation sector at large. Also, the sustainable aviation fuel initiatives that will be presented later, is an example of that. When it comes to improving the essential airport services, there are many things that Schiphol is doing. Schiphol is also working on further optimising the airport, for example with Total Airport Management, but in the meantime also on cost reduction. In its own organisation Schiphol has seriously focussed on cost and capex optimisation. Schiphol is a capital-intensive organisation and has been optimising the life cycle of its capital. These are some of the examples of what Building back better means to Schiphol.

Mr Carsouw further explains that slide 7 shows that Schiphol was faced with reductions in traffic of 80% or even 90% in the past 12 months but also with slow recovery in the first half of this year. Schiphol has presented its year numbers last week. Because its revenue was about 30% below what had been projected, again a significant loss was presented. Also, for the second half of this year Schiphol foresees that it will continue to be a loss-making operation.

Balancing act

Mr Carsouw refers to the previous meeting during which he explained that it's a balancing act between staying competitive on the one hand and being an attractive airport to the airlines and the passengers and recovering our financial health on the other hand. Mr Carsouw further explains that financial health depends on how credit ratings develop. This is an indication of how solid finances are. Schiphol's objective is to have a single A rating. At the Beginning of the crisis Schiphol got one downgrade [and negative outlook] from Standard and Poor's and Moody's gave a negative outlook to Schiphol. The good news however is that Moody's and S&P last week confirmed Schiphol's rating. At least at this point in time Schiphol doesn't get a further down grade which is essential. This is good news for Schiphol but also good news for the airlines because that means Schiphol continues to have access to capital.

Mr Carsouw further explains that the matrix on slide 9 shows what the problem is. The lines in the graph have to move into another direction, otherwise Schiphol will risk downgrades and problems with its lenders and shareholders. Schiphol's goal is to move the lines into another direction on a patient and gradual way. In 5 years from now, some ratio's will expectedly be still in red.

Schiphol had to attract €3.2 billion of new debt. The return on equity of -14 % last year is very negative. In the first half of this year it's -4%. And the total debt is almost €5.5 billion. These are big numbers for a relatively small organisation that Schiphol is. Mr Carsouw explains that even in difficult times, Schiphol tries to be balanced and has taken relief measures for the airlines of, so far, in total €26 million on rebates and discounts over the past period.

Mr Carsouw continues elaborating on the slides and explains that slide 11 is a visual illustration of the financial problems Schiphol is having. He points out that there's one typo on the slide: the Ebit of BA commercial in the first half year 2021 actually had a positive result of €80 million. Aviation is still a loss-making business. Normally Schiphol is making money in commercial business (retail and real estate), also with its international business which didn't happen in the past period.

Mr Carsouw explains that Schiphol has taken measures to reduce the damage. Schiphol has reduced its operational cost by going through Project Reset. Project Reset reduced Schiphol's staff by more than 20% which reduced its operational cost also with more than 20%. This has led to a force lay off of about 200 people which is a significant part of its total staff. Also, Schiphol has tried to reduce cost in the Terminal, like cleaning and energy. Schiphol has reduced its investment portfolio to focus more on quality and security.

Schiphol has postponed investments specifically related to capacity, leading to a reduction in Capex volume of almost half a billion in the three year period. For the airlines Schiphol has postponed the charges increase for 2020 and 2021, extended its payment terms and reduced some charges. The most important measure Schiphol is taking, is safeguarding its financial health which concerns the settlements, which Schiphol needs to realise a positive cash flow. Besides this, Schiphol will continue to control its cost and Capex portfolio. Also, Schiphol will not pay dividend to its shareholders for the foreseeable future.

Mr Carsouw recognises what airlines said before that other airports did not yet announce increases. He explains that Schiphol is still, even after the introduction of the Aviation Tax, significantly cheaper than CDG, FRA and LHR. Schiphol believes that over the past years it has built up a very solid and attractive starting point when it comes to the level of its charges. This is ideally something Schiphol would like to maintain and given the 9%, 14%, 14% Schiphol intends to charge going forward, it's certain Schiphol will contain that position compared to FRA and LHR. Whether Schiphol maintains its position compared to CDG, depends on CDG's charges intention.

Settlements

Mr Carsouw explains that Schiphol is trying to maintain its position as a high value European airport on the one side but recover its financial health on the other side. He explains that slide 15 is an important page which is convincing Schiphol striking a very reasonable balance. Schiphol has worked hard to make sure the impact of its problems for the airlines is as limited as possible. The lost revenue of AMS airport over 2020 and 2021 according to the latest estimate is about €1.6 billion. Around €380 million is from other businesses like retail and real estate, which is outside the scope of this discussion. This means a loss of revenue for Aviation of more than €1.2 billion over those two years (2020 and 2021). Under the current (old) regulation about €840 million of settlements is due in the current charge period (2022-2024). This concerns the settlement over 2020 and an estimate of the settlement 2021. The settlement 2021 will formally be set 2022. Schiphol has included the estimate of the settlement 2021 in order to avoid surprises and to be fully transparent. This estimate for 2021 is included in Schiphol's charge intention. Schiphol realised that numbers like this are bad for the whole sector and felt the need to do something about this earlier this year. So, Schiphol went to The Hague in order to change regulations around the settlements. Schiphol has presented multiple different options including extending the three-year period (for the settlement to be divided) to a longer period. The policy makers in The Hague decided on what is now called the New Bels which has been consulted with airlines and other stakeholders by the Ministry earlier this year. The New Bels now only needs to be signed by the king of The Netherlands before it's official. Two major changes have been set:

1. The traffic related part of the settlements is postponed by one year.
2. The split/division of the settlement has become more flexible than it used to be.

As a result, Schiphol now has the opportunity to significantly postpone a part of the total settlement and will move almost half of the €841 million to the next charges period leaving €451 million for the charges period 2022-2024.

Mr Carsouw further explains that Schiphol has investigated the impact of the charges increases on Schiphol's competitive position and decided to make an additional voluntary contribution of €72 million. This means €379 million as the net settlement for 2022-2024. Schiphol will also provide a SAF incentive, financed out of non-aviation of €15 million. Schiphol will also make less cost of more than €150 million. All things considered, the nett net impact on the airlines for the next three years, is a bit more than €200 million in the three year period, coming from €1,6 billion (total) in lost revenues in 2020 and 2021.

Mr Carsouw says that some airlines earlier stated to be disappointed if Schiphol would shift the full problem to the airlines. According to him, coming from €1,2 billion lost revenues for Aviation to less than €400 million, is a serious attempt to find that right balance.

He further elaborates on the settlements and explains that from the airlines' perspective, due to the new regulatory regime, the new charges period will start with a positive settlement.

Mr Carsouw mentions the footnote in the slide which is important because Schiphol's intent and commitment is a charge development of +9%, +14%, +14%, which is based on both the settlements 2020 and 2021. Formally Schiphol cannot include the settlement 2021 in this consultation round for the charges 2022-2024 yet.

Mr Carsouw explains that Schiphol compares itself mainly to CDG, MUC, FRA and LHR. According to Mr Carsouw, it wouldn't be unreasonable to expect that other airports will also increase their charges. Still a move to the left of Schiphol is to be expected. Mr Carsouw says he would be surprised if Schiphol surpasses CDG however.

Mr Carsouw invites the participants of the meeting to ask questions.

Mr Fruitema thanks Mr Carsouw for the clear elucidation and underlines the value of a fine credit rate. A single A credit rating is apparently the objective. It looks to him as if the charges increase is a consequence of the aim for this credit rate. According to Mr Fruitema this may be also a result of Schiphol considering its charges historically to be too low. In addition also Moody's states that all airports in Europe reduced operational and capital spending and that the airports will have on average 13% more debt in 2023 versus 2019. The questions of BARIN:

1. Is the credit rating single A still the guideline by the Ministry of Finance?
2. Does Schiphol consider itself in the past indeed too cheap?
3. Is Schiphol's financial performance less than its European peers?
4. Have they reduced in comparison less operating and capital spending?
5. Is Schiphol's debt in 2023 above or below the 13%?
6. Is the 9%, 14%, 14% still to be seen in line with other peer airports because BARIN has serious doubts about this.

1. Mr Carsouw answers Mr Fruitema's questions and explains that indeed the guidelines from Schiphol's shareholders have not changed when it comes to the credit rating. It's not the only thing Schiphol is managing also because the outcome of a credit rating judgement is something Schiphol cannot directly influence. What Schiphol can directly influence are the other financial ratios being free cashflow over debt and leverage ratios. Schiphol is quite patient in recovering its financial health, referring to those ratios that are very slowly moving to the green zone. Schiphol is not even fully successful in doing that within the current charges proposal.

2. Mr Carsouw says not being in the position to make any judgement about the past. The starting point of Schiphol Airport is at a relatively low position compared to others which means that if Schiphol goes up, it will still be one of the lowest of the four or five big hub airports, depending on their charges development. According to Mr Carsouw this does not mean that Schiphol has been too cheap in the past. Schiphol has the obligation to provide the best possible service at the most efficient rates. Schiphol has been very successful in doing that and will try to continue doing that going forward.

3/4. Schiphol has been monitoring the speed and the debts of interventions to other airports (in case this is available). Schiphol's operational cost reduction that was budgeted, was already quite ambitious compared to others, also the speed by which Schiphol has downsized its workforce. According to Mr Carsouw Schiphol is doing at least at par, if not even better than other airports when it comes to cost control.

5. Schiphol's debt has more than doubled since the beginning of COVID. That's partly because Schiphol is also in a very high CAPEX period. The CAPEX levels in the past decade have been relatively low. Schiphol was just starting to catch up and then COVID happened. Now a number of important projects have to be finished. With negative operational cash flow, the debt increases very quickly. According to Mr Carsouw, Schiphol's increase in debt is more than other airports.

6. Mr Carsouw explains that when it comes to 9%, 14%, 14%, Schiphol is surprised to see that the other airports haven't announced more charges increased than they have done so far. For Schiphol, this charges development is not only a necessity for its financial health but being one of the cheapest, Schiphol is convinced that this proposal is reasonable.

Mr Raffo explains that although IATA recognizes Schiphol's current position compared to other airports, the sector is still faced with a 40% increase in charges. Mr Raffo's question is what more can be done in order to

reduce this impact because 40% increase according to IATA is too much. In terms of the rating target for 2027, why is Schiphol using A+ and not A? According to the Operation Decree Schiphol is remunerated for A. This drives a substantial change in the target. The A+ rating seems to be pushing it too far, especially in this situation. The other point Mr Raffo makes, is about the €72 million. Mr Raffo is of the opinion that this should be increased. It's still 10% of the amount of the settlement. Also, the WACC has been based on betas of airports that have traffic risk whereas Schiphol is not having that risk.

According to Mr Raffo there's an error in slide 16 which says Schiphol still intends to recover €841 million by 2026 while on the previous slide the voluntary contribution of €72 million is defined as settlement Schiphol will not recover. So then this graph is not correct. According to Mr Raffo It should be €841 million minus €72 million.

Mr Carsouw confirms that indeed Mr Raffo is right and that slide 16 might be confusing. What Schiphol has tried to show is only the effect of the new BeLS regime, which is the step from €841 million to €451 million. The €451 million is subsequently reduced by the voluntary contribution of €72 million, resulting in a net settlement of €371 million for the charges period.

About the WACC and the betas, Mr Carsouw explains that compared to other airports in Europe, Schiphol is working in a different regulatory regime. This regime de-risks Schiphol from traffic deviations in two directions. In case Schiphol's actual volumes are higher than projected, Schiphol has to pay back; if the volumes are lower, Schiphol can settle the difference. This lower traffic risk also means that Schiphol's WACC is very low. Schiphol does not make any money on the aviation business. This also means that the discussion on settlements is now on the table. The WACC over the past years is in sync with the regulatory regime and in sync with the fact that Schiphol now needs settlements to ensure Schiphol's financial position. The total settlements is €1220 minus €229 million (slide 15). Indeed this is about €1 billion. Of this €1 billion €150 million would fall in the next charges period, so the starting point for this charges period (2022-2024) is €841 million. Schiphol has moved €390 million to the next charges period due to the new BeLS provisions. The balanced proposal is the comparison between €1 billion of total settlements with the net €380 million Schiphol plans to charge in the three year period which is less than 40%.

Mr Carsouw asks Mr Gerritsen about Schiphol's perspective on Mr Raffo's question on the credit rating.

Mr Gerritsen states the pre-COVID Schiphol's policy on rating management was to try to maintain an A+/A1 rating in order to adhere to the policy that Schiphol has at least a single A rating and in order to have a certain buffer. Mr Gerritsen refers to page 20 of the presentation and explains that despite the fact that Schiphol on the long run wants to go back to an A+/A1 rating, this will not be the case, based on the current projections and the upcoming charges period, so the net leverage although declining relatively quick toward 2024 will be still above the threshold that is necessary to have an A+/A1 rating, so in the long run it's a good ambition for Schiphol but this is not the intention of this charges period.

Mr Raffo states that Vienna and Aena airport, who are in the peer group for the calculation of the WACC and who have a traffic risk, are not comparable to Schiphol according to IATA. Mr Raffo is of the opinion that there should normally be some buffer, but not in these times.

Mr Raffo asks whether forecasts of non-aviation business, like retail and real estate, could be shared in order for airlines to understand the full picture.

Mr Carsouw answers that Schiphol will not give projections on non-aviation cost and returns. If you look at Schiphol's non-aviation performance in the past, it would not be unreasonable to assume a gradual return to that level of performance going forward. Schiphol will not share detailed projections on non-aviation performance with airlines.

Mr Raffo asks why Schiphol will not share detailed projections on non-aviation.

Mr Carsouw answers that the consultation and the Aviation Act are about the aviation charges. In order to be fully transparent, Schiphol already shared a lot of information on both non-aviation and aviation activities during this pre-consultation.

Mr Cornelisse has two statements to make:

1. On slide 11 Mr Carsouw already corrected the business area commercial for the 2021 half year, a plus of €80 million. Mr Cornelisse refers to Mr Carsouw statement that for the past years Schiphol has never been able to have positive margins in the business area aviation. Mr Cornelisse suggests to discontinue this business area so the return for Schiphol will go up. Mr Cornelisse says he has addressed this in the past to Mr Nijhuis as well. Mr Cornelisse apologizes for being cynical, but explains that Schiphol cannot stop this business area because Schiphol needs passengers and also aircraft in order to provide sufficient revenues for the business area commercial. Real estate is a different story but for the commercial activities passengers and aircraft are needed. Mr Cornelisse states not to understand why Schiphol continues to judge the business areas separately. According to Mr Cornelisse the areas are connected.
2. The story Mr Carsouw is brought to the airlines with a tone that the airlines should be happy. But, according to Mr Cornelisse Schiphol should not look at the short term. Schiphol mainly steers from financial KPIs rather than looking at the competitive position of airport/airlines combinations. Looking at surrounding airports, who will hardly increase in 2022. Mr Cornelisse states being sure that KLM will lose its market position with the proposed increases which in the longer term, will not be beneficial to Schiphol as well. If Schiphol puts airlines in danger, the airport is put in danger as well.

Mr Cornelisse states to be happy with the contribution of €72 million. The rest is all about postponements of shortages from 2020/2021. In the end the airlines will pay for all the shortages, so there's not risk at all.

Also, Mr Cornelisse states not to see any settlement mechanisms at other airports. According to Mr Cornelisse it is doubtful whether the Dutch regulating regime is developed for circumstances the sector is currently in.

Mr Carsouw states when it comes to the technical part of settlements at other airports, other countries have different regulatory regimes where for some the risk for traffic variations lies with the airport. In the Netherlands it was decided to go in a different way and the airports are de-risk the airport but as a consequence the upside of potential higher volumes is taken away from the airport as well. Schiphol is dealing with the consequences right now. It's a conscience of the decision the regulator took many years ago. Mr Carsouw doubts whether other airports can continue to not increase their charges the next two or three years. Mr Carsouw further explains being very worried as well about the competitive position. Unfortunately, Schiphol has no other choice than to increase its charges. The fact that Schiphol starts from a strong competitive position compared to the competition, gives some comfort. Mr Carsouw refers to the slides with the financial ratios, telling that Schiphol will recover very slowly and even after five years the ratios will still be partly in red. Mr Carsouw stresses that Schiphol does not fully rely on the charges increases, but this is combined with OPEX optimisations and CAPEX savings.

Mr Carsouw refers to Mr Cornelisse's first comment about continuing Schiphol's aviation business. Schiphol is optimising for the three qualities: quality of network, quality of life and quality of service. If Schiphol would have been a financially-shareholder-value-oriented-organisation, Schiphol would probably have prioritised things differently. For that reason, Schiphol has its businesses. Schiphol does agree on the need for passengers. If it weren't for the passengers, Schiphol would not exist at all. On the other hand, if it wasn't for Schiphol's non-aviation businesses, Schiphol couldn't operate as well due to its regulated aviation business with very low margins based on a low WACC. Indirectly the airlines are benefiting from strong retail business, real estate business and international business.

Mr Carsouw apologizes for the tone that airlines should be happy. He stresses that Schiphol is not happy either and that it is not his intend to signal a feeling of happiness.

Mr Looijen asks what the airlines get back when looking at the charges proposal 2022-2024 and the charges increases in the current charges period 2019-2021. According to Mr Looijen the charges should be cost

oriented. Mr Looijen states being of the opinion that this is not reasonable and asks what the airlines get back from this.

Mr Carsouw states that airlines get back a very high quality airport with the lowest cost level compared to other hub airports in Europe. In the period before the current three-year-charges period, the charges have decreased by in total more than 23%.

Mr Schoinas states to acknowledge what Schiphol has done but is disappointed about the level of the contributions. He asks why the contribution amounts to €72 million and why not more or less than this?

Mr Carsouw explains that the reason is to recover financially on the one hand and to stay competitive in Europe on the other hand. Schiphol believes this is the middle between the hard to combine objectives of recovering its financial health and continue to be a competitive airport.

Mr Schoinas asks how Schiphol justifies that double digit increases in 2023 and 2024 are reasonable?

According to Mr Schoinas, no other European airport even looks at these figures despite the challenges they are looking at.

Mr Carsouw explains that Schiphol's total lost revenues is €1,6 billion over 2020 and 2021. Of that amount Schiphol could settle about €1 billion. Schiphol has decided to settle less than €400 million (€379 million to be exact). If Schiphol would not have been able to change the legal framework, the settlements would have resulted in a totally different proposal with an extremely high increase in 2022, compared to what Schiphol is now proposing. If Schiphol would charge even less, its financial health would not recover which would make Schiphol a less reliable party when it comes to bonds. As a consequence, Schiphol's cost of capital would go up. It's also in the interest of airlines that Schiphol has a robust financial management.

Mr Schoinas states that Schiphol is referring to a settlement of €1 billion as if it will not claim the part that is postponed from to the future. Only €72 million is a contribution from Schiphol. The rest will be paid by the airlines. It's just recuperated over a longer period of time, but still paid by the airlines.

Mr Carsouw explains that what Schiphol does is minimising the charges impact of settlements for this charges period. increases in a period of recovery.

Mr Fruitema states to agree to disagree and is of the opinion that Schiphol has a different view than the airlines. The airlines have to assess what the consequences are and how they will deal with that.

Mr Raffo states being of the opinion that Schiphol is conservative in its calculation of what the financial ratios imply. He further states that Schiphol should share the information from non-aviation businesses. This is useful for airlines to understand the slides on the financial ratios. According to Mr Raffo this is very critical information in order for airlines to understand Schiphol's financial ability, which is in the end the centre piece of what justifies this proposal.

Aviation Development Plan 2022-2026

A new version of the Aviation Development Plan (ADP) 2022-2026 has been published as part of the pre-consultation documents.

Ms Buis elaborates on ADP. On July 8th, Schiphol and airlines spend ample time to discuss the draft ADP into detail. We received feedback and questions that have resulted in several adjustments to the ADP. Peter Luske will elaborate on the changes made.

Continuously, Schiphol is trying to find the right balance between investing for the long run based on its vision 2050, to strengthen its current position as a high quality airport, to build back better out of the crisis, and at the same time recognizing the position the sector and especially the airlines are in. Last year we reduced our investments by more than 40%. This result was achieved by following a structured approach. We prioritized investments based on their contribution to several value drivers. With the current ADP, Schiphol focusses on investments contributing to asset reliability, compliance, risk reduction and capacity investments that resolve existing operational bottlenecks. Schiphol is well aware that some airlines want us to invest more in capacity, while others demand the opposite. Schiphol believes it has found the right balance here as well.

Mr Luske explains several changes to the ADP were made:

1. The total envelope has been made more explicit, by providing more detailed insights in the 'Initiatives'. While it is difficult to provide accurate insights, due to the high level of uncertainty with regard to costs, scope, and planning of the 'Initiatives', Schiphol provided more transparency about capex and EOP for the 'Initiatives' that are expected to become operational within the charge period 2022-2024.
2. More detailed information about the multi-year maintenance programme is provided.
3. The status of the Landside Central Programme (LCP), from a 'Project' back to an 'Initiative'. We will look again at the criticality of the components of the LCP, also because of feedback from airlines.
4. For the project Redevelopment Terminal 1 the capex allocation has been adjusted.
5. A new project is added, compared to previous version of the ADP, regarding the Early and Enabling Works for the new Terminal South.
6. An overview of all efficiency incentive projects is provided.
7. While no change yet, we are looking at refurbishment works in Lounge 2 that might result in an additional investment in the next version of the ADP.

Schiphol will present the final ADP for consultation on 15 September 2021, as part of the consultation documentation.

Mr Luske explains Ms de Boer will address the additional insights about the multi-year maintenance programme. Next, Mr Dijk will elaborate on the newly added project Early & Enabling Works for the South Terminal and Baggage Handling System South+.

Ms de Boer elaborates on the multi-year maintenance programme. Several information has been added to the ADP. First, about the process followed, including two scenarios for maintenance works Schiphol looked at. Scenario A and B. In the ADP slides, Schiphol explains why we follow scenario B, which is aimed at resolving a backlog in maintenance, but which will be spread over a longer period.

In addition, Schiphol provided an overview of the most important maintenance works within the programme. The maintenance is presented in one programme, because it is managed and steered as one programme. While in this ADP it is presented differently compared to ADP's, from previous years, the overall level of information provided is similar to that of previous ADP's.

Ms de Boer continues to explain why maintenance is of such importance for Schiphol. By improving the reliability and condition of our assets, we improve our essential airport services. This is a shared and mutual interest for both airlines and airport. To get to the right maintenance portfolio, Schiphol followed a structured, fact-based approach. Based on a risk-based analysis, we reviewed our assets for several categories, e.g. safety, compliance and sustainability. As a result, Schiphol has a clear understanding of the condition of individual assets. Therefore, Schiphol can target the right assets for maintenance when reducing the backlog. Maintenance works, contribute to a safe and compliant airport with less disruptions. This will also save costs on the longer run.

Mr Dijk elaborates on newly added project Early and Enabling Works (EEW) for Baggage Handling System South+ and Terminal South Module 1. Most of the works consists of the completion of the link between the B and C Pier and the diversion of the Rinze Hofstraweg. These are necessary to allow for the construction of baggage basement South+ and the logistic basement of the Terminal South Module 1. Delivery of the new baggage handling system will allow for the renovation of the baggage handling system of Pier D. Therefore, there is a clear logic in the sequence of projects that need to be done to allow for a project execution with minimal impact on the operation. The delivery of the EEW is scheduled for the end of 2023. In 2024, Schiphol plans to start with the construction of the basement for Baggage Handling System South+.

Mr Dijk continues to explain that these EEW activities were initially part of the Capital Programme, which was postponed in 2020, due to Covid 19. However, will now restart to enable the development of the Baggage Handling System South+ and Terminal South in time.

Ms Otto gives to floor to airlines for questions or statements.

Mr Nieuwhof (KLM): With regard to the Multi-year maintenance programme, the information provided is still limited. Especially, when set against other investments in the ADP. Based on the financial scope of the programme, more in-depth information is really required.

Ms de Boer (Schiphol): While Schiphol has provided the same level of information for investments in maintenance as in previous ADP's, Schiphol is willing to look at this. It helps us if KLM could provide specific steering on what kind of additional information is needed. Either now or in writing afterwards.

Mr Nieuwhof (KLM): We will do so.

Mr Lanuza (IATA): It was disappointing to notice that the total capex envelope is € 3 billion instead of €1.8 billion. This was not very clear in the deep dive session about the ADP, in July. At least Schiphol confirmed that now. However, this is worrying when taking the track record of the last years into account, with a substantial number of projects that have shown serious cost increases. So, we might end up with a bill of almost € 4 billion in the end.

Mr Hofstede (Schiphol): Schiphol explained that total investment sum, being around € 3 billion, was also explained during the deep dive meeting in July. We now clarified this even more in the current version of the ADP, to avoid any misunderstanding.

Mr Lanuza (IATA): We appreciate the details that have been added, such as EOP and costs for several initiatives, additional insights in the multi-year maintenance programme and the overview of the efficiency incentive projects. However, we are still missing detailed cost information for the initiatives that get activated beyond 2024, worth of approximately € 1 billion in total. Airlines need that for consultation of the complete portfolio. How are you planning to provide this information to airlines, so airlines can fully consider these as part of the consultation?

Mr Hofstede (Schiphol): With regard to leaving out detailed information about the indicative costs of 'Initiatives', it is important to understand these type initiatives are at an early stage in the capital life cycle, being a functional need and not yet a project with defined costs, scope and planning. Therefore, an accurate calculated EOP and capex forecast cannot be provided. Schiphol wants to avoid airlines receiving premature and inaccurate detailed information. We propose to use the Update Investment Plan meetings to discuss with airlines upfront when 'Initiatives' develop into 'Projects' and reliable information on costs and scope can be provided.

Mr Fruitema (BARIN): Many of the projects Schiphol presents have rough estimates, or have limited information. Some are not even budgeted. Knowing that Schiphol too often surpasses initial budgets, Schiphol will not get a Triple A rating for cost control. All in all, it is complicated to give a fair and overall judgement. On the process, we need information about every euro spend. This is not the case yet. Airlines are driving in the dark, no lights. My conclusion is that the process of consultation is not followed correctly.

Mr Lanuza (IATA): To be very clear, is Schiphol going to provide the additional financial data that is missing in the final ADP?

Mr Hofstede (Schiphol): Your viewpoint is clear, and we will take this into account when determining how to proceed. We still think the total amount allocated to the 'Initiatives' gives more accurate insight than when costs are allocated prematurely to each individual 'Initiative'. But we'll come back to this when discussing the final ADP.

Mr Lanuza (IATA): If Schiphol does not provide the information, does Schiphol fulfil its consultation obligations?

Mr Hofstede (Schiphol): Yes. For all projects and initiatives delivering in the three-year period, Schiphol provided the financial insights. For all initiatives delivering beyond 2024, Schiphol provided the total envelope amount and proposes to use the Update Investment Plan meetings to inform airlines upfront of any initiative developing into a project with accurate financial information. That is the dynamic nature of the portfolio, as defined in the Aviation Act. But again, we will take your feedback into account.

Mr Nieuwhof (KLM): We recognize the view of IATA. In our opinion and interpretation of the law, Schiphol should consult a five-year investment plan, each three year. While the last two years are indicative, when consulting Schiphol should provide the detailed information needed to consult the entire five year plan. Even though, we recognize the information about the last two years will be more indicative. Therefore I don't agree with Schiphol on this topic.

Mr Hofstede (Schiphol): This is noted.

Mr Schoinas (easyJet): It is very disappointing to see that there are no additional QTC stands provided in the ADP. We made that plea for several times now. Schiphol should look at how QTC stand capacity can be expanded. Are you willing to provide this?

Mr Emmerink (Schiphol): Schiphol is familiar with your demand for additional QTC stands. Due to Covid Schiphol needed to reduce the CAPEX and be very critical on where to allocate investments to. For the next couple of years, we unfortunately see no opportunity to invest in additional QTC stands. However, additional capacity is provided at other parts of the airport, increasing the total stand capacity [*of both Narrow body and Wide body*] at Schiphol. This will benefit all users. For the midterm plan and Master Plan we now investigate how to address the QTC issue, in a satisfactory way.

Mr Schoinas (easyJet): Our request remains. easyJet is the second user of Schiphol. We wait already for a long time. This is not acceptable. We'd like to see Schiphol incorporate an investment for three additional QTC stands in the ADP.

Mr Emmerink (Schiphol): It is not that Schiphol does nothing in trying to resolve the QTC issue. Before Covid Schiphol made plans for additional capacity in the Northwest area. Unfortunately, the world changed and we had to let go of our plans. We try to facilitate our users within the resources available to us.

Sustainability in the charges

Mr Emmerink explains that sustainability is key in the aviation sector and for Schiphol Airport. As can be seen in the slides on Schiphol's vision, the pillar 'Quality of life'. Schiphol's ambition is to move as fast as possible to a sustainable world. According to Mr Emmerink, this will provide a collective licence to operate in the future. Useful discussions have taken place over the last months and according to Mr Emmerink Schiphol and the airlines share the belief that something must be done. Mr Emmerink explains that Schiphol has really tried to listen to the airlines and do something with it and asks the airlines' feedback on the current proposal. He further explains that compared to the last proposal in July, Schiphol has made two changes. The first change is that Schiphol has tried to limit negative effect on new aircraft. Mr Emmerink adds that Schiphol agrees with some of the concerns airlines have raised in the past that new generation aircraft had to pay higher charges. This is adjusted by reducing the NOx charge and adjusting the noise factor. Secondly, Schiphol has added a contribution from non-aviation for the use of Sustainable Aviation Fuels. He underlines the importance of the industry scaling up the SAF production as fast as possible. He explains that Schiphol intends to subsidise the uptake of SAF with €15 million over a three-year period in order to help the airlines to bridge the time until the blending mandate commences in 2025.

Mr Emmerink elaborates on the slides with the updated proposal. For the NOx charge the proposal is a charge of €4 per kilo emission of NOx. This is still far below the real external estimated cost of NOx, but according to Mr Emmerink, this is a good signal that NOx is an important factor besides CO2.

The updated noise factors in combination with the adjusted NOx charge ensure that most new generation aircraft are not paying a higher charge. Mr Emmerink explains that slide 63 shows the effect of the current proposal on different aircraft types.

Mr Scriva says to recognise Schiphol's efforts to change the noise modulation and NOx modulation with new aircraft being rewarded more than S1 and S2 aircraft. Mr Scriva thinks that the NOx charge will impact the discount on disconnected stands. He explains to understand that this is a separate discount but for airlines using the disconnected stands on the H and M pier, the impact will be more than presented to the airlines.

Mr Raffo says that it's new now that the percentages have changed and is worried with the charge intention on the table of in total +40%. Some of the users will be seriously impacted by the changes of the NOx charge and noise modulation. According to Mr Raffo this needs to be taken into consideration before the final decision is made.

The other thing Mr Raffo mentions is that this proposal has been calculated on the basis of 2019 traffic. Mr Raffo wonders what the effect will be in 2022. According to Mr Raffo the fleet or traffic will be totally different than 2019.

Mr Raffo's third comment is on SAF. Mr Raffo states to be convinced that this incentive will increase the production of SAF. Mr Raffo asks why the €15 million will not be added to the voluntary contribution in order to decrease the overall level of charges.

Ms Klein says that Schiphol stated that the European Union is working on a paper for 2025 in which the use of SAF will be defined. Ms Klein suggests to wait with the implementation of a SAF incentive until this paper is finalised and regulations are clear.

Ms Klein states to support the use of biofuel and think that airlines that use biofuel should be incentivised, so not only those that are refuelled locally in Amsterdam. In Ms Klein's view, the current SAF incentive is a penalty for airlines already flying with biofuel, but not being refuelled in Amsterdam.

Ms Klein asks how many €million Schiphol is planning as revenue from the NOx charge. She further asks whether the noise charges are lowered by the same amount and whether there will be additional changes in the structure of the charges scheme besides the NOx charges and the noise categories. She also wonders how passenger and parking charges will be affected by the increase because this is not shown in the presentation so far. She further asks a list or a chart with a detailed overview of the development of each single charge after the proposed increase.

Mr Emmerink explains that in the proposal in July some aircraft were better off than others and new generation aircraft were penalised because of their NOx performance. Schiphol agreed that not only CO2 but also the non-CO2 effects are absolutely important. He explains that in the future the sector should strive for aircraft with low emissions for all categories and that is what the incentive is aiming for. By also changing the noise factor, Schiphol has really tried to smoothen the effect for new generation aircraft because this didn't feel right for Schiphol either. The current proposal is beneficial for almost all of the new aircraft.

Mr Emmerink tries to answer the question on the effect of the new modulation on 2022 fleet and traffic and explains that this is a difficult question because this depends on the mix of traffic at that time. The analysis presented during pre-consultation is based on an 'all things equal' basis with 2019 traffic numbers and 2021 charge levels. The proposal is intended to incentivise sustainable aircraft which is good for Schiphol and the surrounding of Schiphol.

Mr Emmerink explains that on the question concerning SAF, Schiphol always tries to follow the EC regulations. In reaction to the statement on airlines refuelling biofuel at another airport, Mr Emmerink says that Schiphol's focus is on the Netherlands and the Dutch petro-chemical economy in the Netherlands.

In reaction to the question about the size of the pie, Mr Emmerink explains that it's important to mention that the size of the pie does not change. It's the distribution of the landing and take-off charge that will change, but the total part will remain unchanged. He further explains that some airlines will benefit and some airlines will be worse off with this new modulation and NOx charge.

Ms Sanecka asks if there are any other changes in the structure of the charges, especially with regard to the passenger service charge and the differentiation between the OD and transfer charge.

Mr Hofstede answers that Schiphol does not consider any other changes in charges besides the changes which are mentioned in the presentation. Mr Hofstede adds that the impact of the charges increase on all individual charges, will be presented in the formal charges proposal which Schiphol will publish on September 15.

Ms Sanecka states that she understands Schiphol is concerned about the Quality of Life in the Netherlands and all the proposals Schiphol has presented, there nothing about the passenger service charge for transfer passengers. According to Ms Sanecka 40% of the passengers at Schiphol is transfer traffic and by incentivising passenger service charges Schiphol benefit from this because commercial related revenues will increase. According to Ms Sanecka this is very selective approach because only a limited number of carriers at Schiphol benefit while the majority of airlines feel they are subsidising these carriers.

Mr van Opstall asks which base charge is used in this proposal versus the proposal in June (€3,75).

Mr Emmerink answers that the base charge in this proposal is €3,71.

Mr Arntzen asks whether there are questions on the Traffic and Transport proposal in the presentation.

Mr Hofstede suggests combining questions on the unuïteiten Polderbaan and cost development with questions on the Allocation System. He explains that the slides presents the same as the pre-consultation slides in July. He proposes to organise an extra meeting on September 28 11.00 a.m. Dutch time to have more time to have meaningful discussions.

Mr Raffo states that discussing this in five minutes does not make any sense and agrees to have the separate meeting.

Mr Luske describes the next steps in the consultation process for charges 2022-2024. On September 15 Schiphol's final consultation documentation will be published and the before mentioned extra finance meeting has been planned as well. He explains that at the request of airlines Schiphol has published some operational conditions earlier in the process. Questions on these topics can be asked during the final consultation meeting. On September 15, Schiphol will present its final consultation package which includes all details on the individual charges. Schiphol will also provide information on the benchmarks on quality, costs and charges. Also the impact of Schiphol's final charge proposal on network quality together with the final proposal for its ADP and regulatory asset base will be published on September 15. The formal consultation meeting is planned for September 30 and all airlines are invited.

Ms Otto asks the participants if someone has final questions, statements or comments.

Mr Cornelisse thanks all for all the preparations and hard work. Mr Cornelisse repeats what he has said earlier, to understand that Schiphol Group wants to restore and maintain its financial position. However, without looking at the position of users, this will bring problems on the longer term as well. According to Mr Cornelisse, Schiphol should also look at balancing act in the airport and airlines system.

Ms Klein states to support Mr Cornelisse and adds that an increase of 9% in 2022 is absolutely not acceptable. According to Ms Klein airlines will not be able to coop with such increases.

Ms Otto thanks the participants for their suggestions, compliments and views and invites them to send their statements by e mail. Ms Otto closes the meeting at 16.38