

To the users of Eindhoven Airport

Subject:
Notification

Date:
September 30, 2024

Dear user of Eindhoven Airport,

Questions raised at the consultation meeting have been answered during this meeting, except for two questions about the WACC and the increase of the passenger service charge.

WACC

As requested, we provide a more detailed explanation for the increase in the Weighted Average Cost of Capital (WACC) for the year 2025. Over the past five years, despite the significant increase in interest rates over the last two years, we have managed to maintain a constant WACC of 7% (pre-tax). Based on this year's evaluation, we noticed our WACC does not meet current market conditions. Therefore, we have decided to increase the WACC from our previous calculation of 7% to 9,4% (pre-tax), or to 7% (post-tax). Beside some other minor factors, the main reasons for the increase in WACC, compared to the calculation 5 years ago, are:

1. **Increase in the Risk-Free Rate:** The average risk-free rate has increased by 1.72%, from 0.83% to 2.55%. This rate is based on a 2-year average interest rate of Dutch government bonds with a term of 10 years.
2. **Increase in the Debt Premium:** Our financiers have increased the debt premium by 0.3%. This reflects the higher cost of borrowing due to changes in the financial market conditions.

These factors impact both overall cost on debt and required return on equity by our shareholders (higher risk free rate). Therefore these factors have necessitated an adjustment in the WACC to accurately reflect the current economic environment and ensure that our financial strategies remain robust and sustainable. This leads to a post-tax WACC of 7% in 2025.



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Question relating to increase of the passenger service charge. How does the increase of the PSC of 8,4% matches the increase in operating costs for aviation presented on slide 11 of the presentation?

The main reasons the % increase on slide 11 does not match the increase in % of the PSC, are:

- 1) Besides the operating costs on slide 11, also the cost of capital related to the asset base of aviation is included in the passenger service charge. The increase in cost of capital is mainly explained by the increase of the WACC.
- 2) Furthermore, the operating cost of aviation on slide 11 gives transparency on the operating costs and depreciation costs that are covered by several charges at Eindhoven Airport: the LTO charge, the passenger service charge and parking charge.

Total costs that should be covered by our charges (revenue):

	2024	2025	
Total operating cost (slide 11)	28.447	29.576	4%
Operating cost related to and covered by (S) LTO charge	12.807	13.023	2%
Operating costs related to and covered by parking charge	155	163	5%
Operating cost covered by Passenger Service Charge (PSC)	15.485	16.390	6%
Costs of capital allocated to the PSC (based on assets base)	2.753	3.686	+
Total operating cost PSC + allocated cost of capital	18.238	20.076	10%

Besides the explanation on the costs covered by the different charges, other factors have impact on the % increase and calculation of the passenger service charge:

- *Number of passengers.* Please take into consideration, expected number of departing passengers may differ from previous year which could also have impact on percentage increase or decrease of the charges. The impact this year on the charges next year due to volume effect is minimal. Expected number of departing passengers is in line with 2024.
- *Differentiations in the passenger service charge.* As explained in the presentation, airlines receive a differentiation on the presented passenger service charges based on their operations in previous IATA year. This impact is also taken into account when determining the new charges.

Please note that the allocation of costs and calculation of the charges is in line with previous years.



Obligations Eindhoven Airport

The regulatory basis for the airport charges and conditions is enshrined in the Aviation Act, ([Wet Luchtvaart, Titel 8.2a. Tarieven en voorwaarden voor overige luchthavens en militaire luchthavens met burgermedegebruik](#)). Please note that only the original Dutch text is legally binding. The same applies to the Charges and conditions for other airports decree ([Besluit tarieven en voorwaarden overige luchthavens](#)).

The fundamental principal of the Aviation Act is that it's at the discretion of the airport to set airport charges and conditions. These charges need to be reasonable and non-discriminatory. The users can give their input and opinion. All information provided by users to the airport will be treated as confidential and economically sensitive. Vice versa, all information provided by the airport must equally be considered to be and treated as confidential and economically sensitive by the users.

In the consultation presentation we have already given the information legally required relating to the airport charges and conditions:

Article 8.40e paragraph 1 Aviation Act: *“Prior to determining the charges and conditions, airports will give notice to the users of the airport of a proposal for these charges and conditions accompanied by a description of the services to be provided for those charges and conditions, as well as a clarification, consisting of an economic justification and a description of the level of quality of the services provided for the use of the airport, based on indicators.”*

Article 5 paragraph 4 Charges and conditions for other airports decree: *“The proposal will at least contain the following:*

- a. a list of the various services and infrastructure that is made available in exchange for the charges;*
- b. the methodology used to determine the charges;*
- c. the overall cost structure of the facilities and services to which the charges relate;*
- d. the revenues from the various charges and the total costs of the services covered by the charges;*
- e. any public funding of the facilities and services to which the charges relate;*
- f. forecasts regarding the situation of the airport in relation to the charges, the developments in traffic and transport, as well as any planned investments;*
- g. the actual use of the airport infrastructure and equipment over the previous financial year;*
- h. the predicted outcomes of any major investments that have been planned in terms of their impact on the airport's capacity; and*
- i. a forecast of the expected development of quality for the next financial year in respect of the current financial year using the quality indicators.”*



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Article 8 Charges and conditions for other airports decree: *“Any indicators for the level of quality of the services provided by the airport in relation to the use of the airport will at least include:*

- a. the annual capacity and peak hour capacity of the available runway system, measured in numbers of aircraft movements;*
- b. the number of aircraft parking stands for passenger and cargo aircraft and the number of buffer stands;*
- c. the total area of the terminals for the aviation activities, referred to in Section 3, and the number of seats in the terminals, broken down into the number of square metres for the departure hall, arrivals hall and circulation and visitor facilities;*
- d. the piers, measured in numbers of piers and gates, broken down into categories and size;*
- e. the annual capacity and peak hour capacity of the baggage system, measured in numbers of packages and the number of baggage reclaim belts;*
- f. the number of buses available airside;*
- g. the number of check-in facilities according to type (desks, self-service or otherwise);*
- h. the number of checkpoints in relation to passenger and baggage security, as well as for cargo, the number of airport security officers deployed for that purpose by the operator of the other airport, and the annual capacity and the capacity during peak times of such checkpoints in numbers of passengers; and*
- i. the availability of the services referred to in parts a–h during the financial year of the airport operator, where possible expressed in a percentage, and related to the development of the volume of air traffic, the transport of passengers and the transport of cargo.”*

The final deadline for your written opinion in this consultation process is October 4, 2024.¹ On October 25, 2024, we will set the airport charges and conditions which will enter into force on April 1, 2025 for a one year period.

This notification is sent by e-mail to (the representative(s) of) the users and not by post.

With kind regards,
Consultation Team
Eindhoven Airport N.V.

¹ Article 5 paragraph 5 Charges and conditions for other airports decree: *“Within four weeks from the day of the notice of the proposal for charges and conditions, users shall be able to communicate their opinion on the proposal to the operator of any other participating airport in writing.”*

