



Annual General Meeting of Fraport AG

held virtually on June 1, 2021

***Speech by Dr. Stefan Schulte,
Chairman of the Executive Board, Fraport AG***

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**The spoken word on the day of the Annual General Meeting takes
precedence over this written form**

(The AGM will be held in German only without simultaneous translation)

I. Introduction

Dear Shareholders, Ladies and Gentlemen!

I warmly welcome you to the Annual General Meeting of Fraport AG. As in the previous year, we welcome you from a conference room at our corporate headquarters in Frankfurt. My colleagues on the Executive Board – Anke Giesen, Michael Müller, Dr. Pierre Dominique Prümm and Dr. Matthias Zieschang – will follow the Annual General Meeting online, as will the other members of the Supervisory Board.

A year ago, many probably hoped that we would be able to meet in person again this year at our usual venue in Frankfurt's Jahrhunderthalle. But the coronavirus will accompany us for longer and is still impacting our everyday lives.

Nevertheless, there is reason for optimism. Thanks to the enormous medical progress and the launch of vaccination programs, a gradual return to a certain level of normality is in sight. We are beginning to see the loosening of restrictions in everyday life. We can make plans again, also for the next vacation. That's good news.

But an AGM also provides an opportunity to look back. Today, I would like to give you an overview of the challenges the Covid-19 pandemic has posed for the aviation industry, and for Fraport in particular. And, more importantly, how we have responded to these challenges together and how we are shaping the path to a positive future for our company – to the benefit of our customers and employees, and to you, our shareholders.

Undoubtedly, this is the most severe and longest crisis modern aviation has ever experienced. Only by acting very quickly and consistently we were able to keep the Fraport Group in balance during this phase. To achieve this, we implemented comprehensive cost-reduction measures. At the same time, we significantly increased our liquidity reserves. We swiftly made all our Group airports fit for operation under pandemic conditions. Here in Frankfurt, it was important to us – also in response to political expectations – to maintain Germany's largest aviation hub

open for repatriation flights and international connections, as well as for supplying Germany with airfreight goods. We thus fulfilled our function as one of the world's most important cargo hubs.

In this context, I would like to extend my thanks to all our employees for their enormous commitment and dedication. During the pandemic, they have done their job under conditions that were sometimes significantly more difficult – be it on cargo aircraft, at security checkpoints, in passenger buses, at the airport clinic or elsewhere in our company. This is true for our employees both here in Frankfurt and at our Group airports worldwide. I would also like to thank all those who have gone on short-time working, accepted a severance package or taken partial retirement. They have all made a contribution to keeping our company afloat economically and, ultimately, to securing as many jobs as possible.

Today we can say: these efforts were not in vain. On the contrary, they form the basis for a continued positive future for our company. The demand for air travel has remained intact, while Frankfurt Airport is still one of the most important traffic hubs in Europe. Moreover, we have leveraged the crisis to become significantly leaner, more efficient and therefore more competitive.

Despite all cost-saving measures, we continued to pursue key projects for the future, including the construction of the new Terminal 3. We have also reached an important agreement on the reorganization of security controls at Frankfurt Airport. And we are making progress toward our goal of further reducing carbon emissions. I will go into this in more detail in a moment. But first, let us take a look at the past fiscal year.

II. Review of the 2020 fiscal year

During 2020, Frankfurt Airport served some 18.8 million passengers – the lowest number since 1984. Compared to the previous 2019 record year, this represents a decline of 73.4 percent. It was only thanks to the first three months of the year that we were able to reach almost 20 million passengers for 2020 as a whole. From the beginning of April, passenger numbers declined by up to 98 percent on a weekly basis.

Cargo volumes, in contrast, developed positively. Initially, cargo throughput was also down – due to the lack of belly freight normally shipped on passenger aircraft. However, this was quickly compensated for. Since October, Frankfurt Airport's cargo traffic has even exceeded the levels achieved in 2019. The growing amount of cargo could only be handled thanks to the ongoing strong performance of our team and the entire cargo community. We are therefore still making an important contribution to supplying the German population with goods, while at the same time ensuring that the German economy remains connected to international markets – even in times of pandemic.

Passenger numbers at all our Group airports worldwide were also significantly down last year compared to 2019, although the development here is more differentiated depending on the respective country.

Dear Shareholders: It was not only traffic volumes that slumped dramatically last year. Revenue also more than halved year-on-year to just under 1.7 billion euros. Despite our rapid and comprehensive cost-saving measures, we posted a significant net loss. The Group result (net profit) reached minus 690 million euros. This is the first annual loss since 2002, in other words for almost two decades.

The operating result shows that the cost-saving measures we have introduced are taking effect. Although Group EBITDA was well into negative territory at minus 251 million euros, this was mainly due to expenses of 299 million euros for personnel-reduction measures. Adjusted for these special items, we achieved a positive Group EBITDA of around 48 million euros.

In addition to the measures on the expenditure side, securing liquidity was our top priority. At the beginning of the crisis, our available liquidity was already nearly two billion euros. We have significantly increased this again. Since the beginning of 2020 we have secured additional cash and cash equivalents of 4.8 billion euros. Despite the high cash outflows, our available liquidity was 4.4 billion euros at March 31, 2021 – twice as high as at the same reporting date in 2020.

As of March 31, 2021 our net financial debt amounted to some 6 billion euros. When set in relation to equity, this translates into a debt-equity ratio of around 170 percent. This so-called gearing ratio had still been around 93 percent as of December 31, 2019.

As you can see, the coronavirus crisis is straining our balance sheet. Nevertheless, we are confident that in the longer term we will be able to return the gearing ratio to a normal level again thanks to our earnings power. To ensure this, however, we must keep as wide a range of financing options open as possible. That is why the Executive Board and Supervisory Board are today proposing to you, our shareholders, the creation of authorized and conditional capital.

At present, however, and let me make this quite clear, there are no plans to actually use these options. We are currently seeing clear signs of recovery and are therefore optimistic about the future.

Let's look at the share price performance, which of course does not satisfy us. The collapse of the stock markets at the beginning of the coronavirus crisis was followed by a very rapid and strong recovery. The market-wide indices are already well above pre-crisis levels again. Like the aviation sector as a whole, our shares have regained ground. Nevertheless, the share price still lags well behind the general market development. We are undoubtedly one of the sectors that have been affected by the pandemic for the longest and most severely. To counteract this, we have taken the necessary measures to strengthen the competitiveness of our company, so that we can benefit from the restart of air traffic. This is what I would like to talk about in the following.

III. Central projects for the future and Outlook

Dear Shareholders: As already explained, we will all continue to feel the effects of the pandemic for some time to come. This applies to air traffic in particular. In this context, the pandemic is acting as an accelerator of a number of structural developments, some of which were already on the horizon before the crisis: virtual

platforms will partially replace physical meetings and conferences; domestic short-haul flights will increasingly shift to rail; and the airlines' fleet restructuring is accelerating. Overall, the aviation market will become even more competitive in the post-pandemic era. For us, this means that we have to prepare the company for this increasing competition – and that is exactly what we are doing.

We have been working at all levels to reduce costs and increase efficiency. Since the beginning of the crisis, we have reviewed all non-essential operating expenses. As a result, we are saving some 100 to 150 million euros per year in material costs. We have also reduced or postponed spending for investments and maintenance. Overall, we are thus reducing our capital expenditures in Frankfurt by around one billion euros in the coming years compared with the original planning.

In order to reduce personnel costs, we continue to apply Germany's short-time working (*Kurzarbeit*) scheme. For most of last year and also in the first quarter of this year, around 80 percent of the permanent employees of Fraport AG and our main Group companies in Frankfurt were on short-time working, with an average of around 50 percent. This also gives us the necessary flexibility to be able to quickly ramp up staffing levels again if necessary.

However, it soon became clear during the crisis that short-time working alone would not be enough. As it will take us several years to return to pre-crisis levels, we initiated the socially responsible reduction of around 4,000 jobs. This reduction target has now been almost fully achieved: by April 1, 2021 around 3,900 employees had left the company through severance payments, natural attrition and other measures. As a result, we will reduce annual personnel costs in Frankfurt by around €250 million compared with 2019.

In the last few months, we have also taken many other measures to prepare Fraport for the time after the pandemic. All measures are aimed to make our company even more customer-oriented, more efficient, and at the same time more digital. To this end, over 300 individual measures are currently being implemented. They are contributing to making processes in the company leaner and organizing them in a more focused way. We are bundling tasks, reducing red tape and fostering faster and more flexible cross-divisional cooperation.

In the area of innovation and digitization, the newly created "Digital Factory" will help us find digital solutions to specific problems at short notice. For example, we are currently testing the use of digital technologies for automated measurement of waiting times at process points in the terminal and at the entrance to operating areas. In parallel, we are committed to ever closer cooperation with our local partners.

We are also making our ground handling services fit for the future. To achieve this, we intend to establish a dedicated subsidiary for the management of this integral part of our service portfolio. Outside the structures of the parent stock corporation, our ground services will be able to operate much more flexibly, with greater focus and thus more successfully in this personnel-intensive and highly competitive business. In the long term, this will enable us to guarantee the high quality of our ground handling services and secure jobs for our employees.

We have achieved major progress on another issue that is very important for the future of Frankfurt Airport. As you know, the waiting times at security checks were by far the biggest point of criticism from our passengers and airline customers before the outbreak of the coronavirus crisis.

For several years, we have been in talks on this issue with the German Federal Police and the German Ministry of the Interior, Building and Community (BMI) as the responsible authorities. Our aim was to assume more responsibility in organizing security checks at Frankfurt Airport. In early May, we now signed an agreement to this effect with the ministry. As of January 1, 2023, the federal government will transfer to us responsibility for organizing, financing, managing and carrying out aviation security checks at Frankfurt Airport. The German Federal Police will remain responsible for all security-related issues and set guidelines that we must adhere to. Security remains our top priority. At the same time, we are given more scope in the use of screening equipment and the design of processes, as well as the management of capacities and staff deployment.

At the last Annual General Meeting, I already explained to you that we are holding on to the construction of Terminal 3 to accommodate future growth. We remain confident

that air traffic will grow again over the long term. Moreover, it would have been grossly negligent from both a technical and an economic point of view to suspend such a major construction project for a certain period of time and then start it up again later. That's why we continued to build, while adjusting the construction schedule to the new demand situation. We now plan to open Terminal 3 with Piers H & J and Pier G in 2026.

With the construction of Terminal 3, we will continue to meet the growing demand for mobility that our globalized world entails. But we want to enable this growth in an environmentally compatible way. For around 20 years now, we have succeeded in decoupling our carbon emissions from the growth in traffic volumes. Although, until the coronavirus crisis, passenger numbers and freight volumes rose consistently – with additional infrastructure put into operation – we were able to significantly reduce our CO₂ emissions. Last year, the reduction was as much as 24 percent, even though this was largely due to lower traffic volumes.

We are continuing along this path and, despite all the necessary cost-reduction measures, are sticking to our climate goals: by 2030, we will reduce our CO₂ emissions in Frankfurt to 80,000 metric tons per year. And by 2050 at the latest, we want to be completely climate-neutral here in Frankfurt, i.e. no longer emit any CO₂. We want to achieve this without compensation measures.

We have two main ways of achieving this: we reduce energy consumption wherever possible. And where we cannot reduce consumption to zero, we rely on renewable energies.

We reduce emissions, for example, by modernizing the energy efficiency of our existing buildings and by increasing the use of alternative drive systems in our vehicle fleet.

On the other hand, we are making progress in sustainable energy generation. In March, we commissioned a megawatt-scale photovoltaic system on the roof of a new cargo property for the first time. The electricity is used directly on site at the airport

and will later also be used in Terminal 3 for air conditioning as well as for operating building technology.

In the future, we intend to obtain an even significantly larger share of our electricity requirements from new offshore wind farms. To this end, we will conclude a supply contract - a so-called power purchase agreement - initially for a term of ten years and covering an electricity volume of around 350 million kilowatt hours per year. We are confident that we will be able to conclude the order in the second half of the current year. This would enable us to cover almost all our electricity requirements at Frankfurt Airport from renewable energies by the end of 2025 at the latest. Recently, we have made a first step in this direction, by concluding a power purchase agreement with Energy Air, a subsidiary of Mainova AG. The power is generated in 12 existing wind farms located along the German coast. This measure enables us to immediately reduce our carbon footprint - even before the large-scale use of wind energy planned for the near future.

These targets and measures, Ladies and Gentlemen, relate to the emissions that are generated directly by Fraport AG, i.e. "on the ground". However, it is also clear that the majority of CO₂ emissions in our industry are generated by aircraft. That is why we are also working on solutions for the future in this area.

We are in talks with Lufthansa and Deutsche Bahn to further improve the linking of the various modes of transport at Frankfurt Airport. One of the objectives is to shift more short-haul domestic feeder flights to rail – as a contribution to climate protection. Thanks to our ICE high-speed train station, Frankfurt Airport provides optimum conditions for this shift.

Together with the airlines and all relevant associations, we also support the use of sustainable fuels. Here, the industry is focusing primarily on the so-called power-to-liquid process. One particular challenge here is scaling up production, because so far there are only relatively small test plants. Together with the government, we want to contribute to developing solutions to make aviation more sustainable and as CO₂-free as possible in the long term.

Let us take a look at our international portfolio. Here, we have reached important milestones in the expansion projects at our airports in Greece and Brazil. In Greece, we completed the construction work at the 14 regional airports in February - ahead of schedule. Since the start of our involvement in Greece five years ago, we have invested a total of 440 million euros – aimed at increasing capacities in the long term and enhancing the travel experience for our passengers. With the upgrade works now completed, our Greek airports are ideally prepared for the new start in the tourism industry.

The terminal expansions at our two Brazilian airports have also already been completed. In Fortaleza, the expanded terminal was opened in March 2020, and the airport's runway extension has also been completed. By the end of the current year, we will also complete the extension of the runway in Porto Alegre. By then, all agreed expansion measures will have been implemented.

Last fall, we also started the expansion at Lima Airport in Peru. Here, among other things, we are building a second runway and a new passenger terminal, which in response to the coronavirus crisis we are now planning on a modular basis. Construction of the new runway is scheduled for completion by the end of 2022. According to current planning, the new terminal will be in operation by the beginning of 2025.

Dear Shareholders: With our international portfolio, we are ideally positioned to benefit from the restart of global tourist traffic. Already this year, we expect to generate more than half of our earnings from our international business. Over the next few years, we also expect to see significantly faster traffic growth at our Group airports with a large share in leisure travel than at those airports with a higher proportion of business customers, such as Frankfurt.

But we are also optimistic about our home-base Frankfurt Airport – both in the short and long term. Last year, Frankfurt Airport benefited from its size and high connectivity. Many airlines have bundled their long-haul flights from Frankfurt. As a result, we even gained market share during the crisis – albeit at a very low level. This is because airlines deploy their planes where they have a good load factor.

Our expectations are confirmed by a recent air traffic forecast conducted by Intraplan. We commissioned this company to evaluate future scenarios. The key result of their expert research is that long-term growth trends in air traffic will only be moderately slowed by the crisis. Frankfurt Airport is excellently positioned in the market. We have a large and economically flourishing catchment area in the Frankfurt Rhine-Main region. Thanks to our central location in the heart of Europe and excellent intermodal links by road and rail, we are still in an excellent starting position. Since our business is based on both passenger and freight traffic, we have two important pillars that complement each other very well.

Looking ahead, we are overall optimistic, even if the pandemic will continue to impact our business for a while. This optimism is based, above all, on the ongoing progress of the vaccination programs. Here, not only Germany but also many important key countries are making very good progress. At the same time, there are now established concepts for Covid-19 testing, so that a significant easing of entry restrictions in many EU countries is foreseeable. German politicians are also sending clear signals that summer vacations will once again be possible outside the country's borders. In the best case, this will be supported by a standard digital EU vaccination certificate that also shows negative tests and recovered infections. We therefore expect tourist and other private travel to recover fastest, especially within Europe. Business travel also has a lot of catching up to do. However, we expect this sector to remain below previous highs in the longer term. Intercontinental traffic will also bounce back significantly, although it will be heavily dependent on vaccination progress and infection rates in the respective regions.

Even if looking to the future is still fraught with uncertainty, the industry association ACI Europe, for example, expects traffic at European airports to return to between nearly 50 percent and 80 percent of pre-crisis levels in 2022. For 2023, the forecast range is between 70 percent and around 90 percent. And in 2024 and 2025, the 2019 level could be exceeded again, at least in the optimistic scenario. The lower expected range is around 80 percent for 2024 and 90 percent for 2025. While our own expectations are more moderate than those of ACI – particularly for the next two years – we can still assume that things will pick up again, slowly but steadily.

In conclusion, let us turn to our outlook for the Fraport Group for the current year. As already announced at the press conference held for the presentation of the Annual Report, we are expecting passenger numbers at Frankfurt Airport to range from under 20 million up to 25 million passengers in 2021. At the Group airports in our international portfolio, we expect to achieve values between 40 and 70 percent of the 2019 level, depending on the development of the pandemic in the respective countries.

We expect Group revenue to be around two billion euros. For Group EBITDA we expect a range between around 300 and 450 million euros. We expect EBIT to be slightly negative and net profit to be negative as well. However, both figures will improve significantly compared with 2020.

This forecast does not take into account a possible reimbursement from the government of the costs incurred by us for maintaining Frankfurt Airport operational during the first lockdown period last year. In this regard, there is an agreement in principle between the German federal government and the Hesse state government, according to which we can expect to be reimbursed for the holding costs in the form of a so-called "lost grant" of roughly 160 million euros – as already reported at our annual press conference. We submitted the corresponding application a few days ago. We are grateful to the federal and state governments for this measure, as the subsidy strengthens the equity of our company.

Dear shareholders: One of the conditions for receiving this grant is that we do not pay a dividend for fiscal 2020. The dividend proposal of the Supervisory Board and Executive Board has been formulated accordingly. And since we also expect a net loss for the current year, we currently assume that we will not pay a dividend for this year in 2022 either.

All measures are currently aimed at ensuring that our company can continue to stabilize economically and invest in the future. At the last financial press conference, I said: We see the light at the end of the tunnel. Today I can say: Yes, things are clearly getting brighter! Nevertheless, we still have a long way to go, but things will soon be looking up again.

We thank you for your trust and continue to count on your support. Stay with us!