Fraport Interim Report Q2/6M 2018

August 8, 2018

Group Interim Management Report

Overview of Business Development

- Significant passenger growth of 9.1% at Frankfurt Airport.
- Consistently positive developments in traffic at Group airports outside Frankfurt.
- Increase in revenue in Frankfurt due to higher income from airport charges and security services, especially due to new business at the airports in Berlin and Cologne/Bonn. This was offset by lower proceeds from the sale of land than in the previous year.
- International business made a positive contribution to Group revenue, especially with Fraport Greece, Fortaleza, and Porto Alegre.
- Higher operating expenses resulted from traffic volume at the Frankfurt site, as well as from Fraport Greece and the Group companies Fortaleza and Porto Alegre. Fewer sales of land reduced expenses.
- Group EBITDA was €461.3 million, an increase of 9.8% over the previous year.
- Deterioration of the negative financial result from €50.4 million to €77.4 million (–€27 million), thanks to a sharp fall in interest result related to Fraport Greece and the Group companies Fortaleza and Porto Alegre.
- Slight improvement in the Group result by €3.9 million to €140.8 million.
- Reduction in free cash flow by €221.3 million to –€23.2 million because of the higher level of investment activities throughout the Group, as well as changes to the net current assets.

Key Figures

€ million	6M 2018	6M 2017	Change	Change in %
Revenue	1,532.2	1,355.4	+176.8	+13.0
Revenue adjusted by IFRIC 12	1,438.5	1,345.2	+93.3	+6.9
EBITDA	461.3	420.0	+41.3	+9.8
EBIT	268.9	240.7	+28.2	+11.7
EBT	191.5	190.3	+1.2	+0.6
Group result	140.8	136.9	+3.9	+2.8
Earnings per share (basic) (€)	1.46	1.39	+0.07	+5.0
Operating cash flow	325.2	406.4[1)]	– 81.2	– 20.0
Free cash flow	– 23.2	198.1	– 221.3	–
Average number of employees	21,614	20,485	+1,129	+5.5

€ million	6M 2018	31.12.2017	Change	Change in %
Shareholders' equity	4,012.3	4,028.7	– 16.4	– 0.4
Group liquidity	996.6	1,018.6	– 22.0	– 2.2
Net financial debt	3,697.8	3,512.4	+185.4	+5.3
Gearing ratio (%)	96.2	94.2	+2.0 PP	–
Total assets	11,016.0	10,832.4	+183.6	+1.7

[1)] Value adjusted on new definition (see section "statement of cash flows").

€ million	Q2 2018	Q2 2017	Change	Change in %
Revenue	850.5	762.8	+87.7	+11.5
Revenue adjusted by IFRIC 12	794.3	756.8	+37.5	+5.0
EBITDA	286.6	282.7	+3.9	+1.4
EBIT	186.6	185.6	+1.0	+0.5
EBT	165.3	164.4	+0.9	+0.5
Group result	121.2	118.1	+3.1	+2.6
Earnings per share (basic) (€)	1.21	1.19	+0.02	+1.7
Operating cash flow	244.7	280.5[1)]	– 35.8	– 12.8
Free cash flow	43.7	144.1	– 100.4	– 69.7
Average number of employees	22,002	20,756	+1,246	+6.0

[1)] Value adjusted on new definition (see section "statement of cash flows").

Information about Reporting

The scope of consolidation in the first half of 2018 differs from that in the same period in the previous year as follows, in particular:

- On April 11, 2017, Fraport took over operations of the 14 Greek regional airports. The revenue generated in the first half of 2018 amounted to €141.7 million (6M 2017: €58.2 million), which stood in contrast to operating expenses totaling €101.1 million (6M 2017: €33.0 million). The Group companies Fraport Regional Airports of Greece A and Fraport Regional Airports of Greece B ("Fraport Greece") generated EBITDA of €41.3 million (6M 2017: €25.2 million), EBIT of €19.2 million (6M 2017: €15.2 million), and a result of –€20.7 million (6M 2017: –€3.6 million).
- On January 2, 2018 the Group companies Fortaleza and Porto Alegre took over operations of the respective Brazilian airports. Revenue generated in the first six months of 2018 was €76.4 million, with operating expenses amounting to €57.9 million. The two Group companies generated EBITDA of €18.4 million, EBIT of €11.7 million, and a result of €3.5 million.

An overview of the calculation of key financial indicators and a description of specialist terms are presented on page 236 of the 2017 Annual Report.

Situation of the Group

Changes during the Reporting Period

During the reporting period, there have been no significant changes to the situation of the Fraport Group as presented in the 2017 Group management report, with respect to business model, structure, competitive position, strategy, and control (see 2017 Annual Report beginning on page 46).

On May 29, 2018 the Annual General Meeting confirmed the election of the ten nominated shareholder representatives to the Supervisory Board. There was no change in the composition of the Supervisory Board compared to the previous election term.

The delegates elected by Fraport employees performed the election of the ten employee representatives to the Supervisory Board on May 23, 2018. The Supervisory Board is elected for five years. More details on the new composition of the Supervisory Board is presented on the Group website under www.fraport.de/fraport/unternehmensführung.

Economic Report

General Statement of the Executive Board

In the first half of 2018, the airports of the Fraport Group recorded strong passenger development. At approximately 32.7 million, passenger numbers at Frankfurt Airport reached an all-time high (+9.1%). The Group airports also posted strong – in part double-digit – growth rates.

Group revenue increased by 13.0% to €1,532.2 million (+€176.8 million) in the reporting period. At the Frankfurt site, this increase was caused among other things by higher revenue from airport charges and security services, a rise in charges from ground services and infrastructure, as well as higher parking revenue, all of which were the result of an increase in traffic volume. Outside Frankfurt, the contributions to revenue growth came primarily from Fraport Greece, which took over of operations in the second quarter of 2017, and also the Group companies Fortaleza and Porto Alegre, which had not taken over of operations yet in the previous year's reporting period.

Higher operating expenses resulted primarily from increased expenses due to higher traffic volume at the Group companies FraGround and FraSec as well as Fraport Greece and the Group companies Fortaleza and Porto Alegre.

Correspondingly, Group EBITDA and Group EBIT rose significantly, coming in at €461.3 million (+9.8%) and €268.9 million (+11.7%), respectively. The financial result, negatively impacted by interest expenses of Fraport Greece and the Fortaleza and Porto Alegre Group companies, totaling –€77.4 million (6M 2017: –€50.4 million) led to a Group result of €140.8 million, just slightly above the level of the previous year (+2.8%).

Higher capital expenditure at the Frankfurt site and in the international business as well as changes in net current assets led to a negative free cash flow, which dropped from €198.1 million to –€23.2 million in the first six months of 2018. This resulted in an increase in net financial debt by €185.4 million to €3,697.8 million. The gearing ratio reached a level of 96.2%.

Overall, the Executive Board describes the operating and financial performance in the reporting period as positive.

Macroeconomic, Legal, and Industry-specific Conditions

Development of the macroeconomic conditions

The global economy is continuing to grow, although growth was modest in the first quarter 2018 (data on the first half of 2018 were not available until the editorial deadline). The economic situation in the Eurozone was cooling down, and was not able to match the high growth rates of the previous quarters. The economic growth in the USA also slowed down in the first quarter of 2018 compared to the previous quarter. The Federal Ministry for Economic Affairs and Energy explained this as being the result of uncertainty created for market players due to US trade policy. Less economic growth is also expected for the Japanese economy. The economic situation of emerging countries was heterogeneous. The speed of the Indian economic expansion picked up in the last quarter of last year, while Chinese economic growth fell below the trend of the last few years. The recessions recorded in Brazil and Russia appear to have been overcome, but growth is stalling here too. By mid-May 2018, oil prices had reached their highest level in over three years. The main cause for this, in addition to the positive growth in the global economy, were production cuts agreed by OPEC in 2017. The conflict between the USA and Iran has also helped to push oil prices higher in the meantime.

For the German economy, the first half of 2018 was cautiously positive against a backdrop of tension caused by geopolitical events. Gross domestic product grew by just 0.3% in the first quarter of 2018 on a seasonally and price-adjusted basis, compared to the fourth quarter of 2017. The Federal Ministry for Economic Affairs and Energy ascribed this, however, to some one-off effects (including the major flu epidemic at the beginning of 2018). Positive contributions came from equipment investment and investment in construction. Real private consumer spending also rose slightly. Employment increased by 1.4% in the first quarter of 2018 compared to the same quarter of the previous year. The rate of inflation also rose by 1.6% in the first quarter of the year compared to the same quarter of the previous year.

Development of the legal environment

During the reporting period, there were no changes to the legal environment that had a substantial influence on the business development of the Fraport Group.

Development of industry-specific conditions

According to the preliminary figures from Airports Council International (ACI), global passenger traffic grew by 6.4% in the January to May 2018 period. In the same period, air freight volume rose by 5.3%. European airports achieved a slightly stronger growth in passenger numbers of 6.7%. In terms of air freight, the performance of the European airports at 4.0% was lower than the overall performance. Passenger numbers at German airports grew by 2.4% up to and including May 2018. The increase in cargo tonnage (air freight and air mail) was, however, well below the European and global levels with an increase of 1.9%.

Passenger and cargo development by region

Changes compared to the previous year in %	Passengers January to May 2018	Air Freight January to May 2018
Germany	2.4	1.9
Europe	6.7	4.0
North America	5.1	6.9
Latin America	4.6	11.3
Middle East	– 0.8	0.4
Asia-Pacific	8.2	4.8
Africa	11.0	11.4
World	6.4	5.3

Source: ACI Passenger Flash and Freight Flash (ACI, July 15, 2018), ADV for Germany, with cargo instead of air freight (in and out), (June 28, 2018).

Significant Events

Fraport active in Brazil and New York

On January 2, 2018, Fraport took over operations at the Brazilian airports of Fortaleza and Porto Alegre. The expected financial contribution of both Group companies in fiscal year 2018 is presented in the chapter "Business Outlook" starting on page 18.

On April 1, 2018, the Group company Fraport USA took over responsibility for all gastronomy and retail spaces at Terminal 5 of JFK Airport in New York.

No other events that have had or will have a significant effect on the business development of the Fraport Group have occurred during the reporting period.

Business Development

Development at the Frankfurt site

At around 32.7 million **passengers**, passenger numbers hit a new record in the first half of 2018, reaching the highest growth rate since 1995 with 9.1%. Helped by considerable increases in offers and the school holidays starting as early as at the end of June, traffic to holiday destinations around the Mediterranean and to Eastern Europe saw the fastest growth. As a result, routes to Southern Europe grew by 21.9%, with Greece (+38.4%), Italy (+27.3 %) and the Canary Islands (+25.6 %) heading the list. Overall, **European traffic** (excluding Germany) grew by 14.9%. **Domestic traffic** (+4.2%) grew quicker than in the same period of the previous year. Travel to Berlin contributed especially strongly (+13.6%) to the increase. **Intercontinental traffic** grew noticeably less, by 2.8%. Apart from North Africa, which contributed over one third of the growth, increases were relatively minor. In particular, the Far East grew only slowly, affected by changes in availability.

Cargo volumes, at around 1.1 million metric tons in the first half of 2018, reached the same level as in the same period of the previous year. The slowdown in growth in the German industrial sector increasingly reduced growth in cargo traffic. In addition, temporary capacity bottlenecks in freight handling at the end of the second quarter of 2018 also depressed figures. In the regional breakdown, particularly markets in the west tended to perform better on the whole. While the cargo tonnage on routes to North and Latin America increased by 3.2% and 13.9%, respectively, it decreased in particular on Eastern European routes (with onward delivery to the Far East) by 30.4%.

In the first six months of 2018, **movements** rose by 8.6% to a new record high of around 247,000 takeoffs and landings. In each month except February 2018, growth in capacity was higher than 8%. The **maximum take-off weight** rose by 5.9% with a total value of around 15.3 million tons, which is also a new record.

Development outside the Frankfurt site

At **Ljubljana** Airport, passenger numbers in the first six months of 2018 were 15.0% higher year-on-year at over 831,000. The growth was based to a large extent on the addition of new routes by Adria Airways. In addition, passenger numbers developed positively on almost all routes on offer. The only routes to show decreases were Vienna, Belgrade, and London Gatwick.

The Brazilian airports **Fortaleza** and **Porto Alegre** welcomed 6.9 million passengers (+4.5%) in the first six months of 2018. In Fortaleza, international traffic profited especially thanks to the creation of an Air France/KLM hub (+24.6%). High volume domestic traffic also developed positively (+4.0%). In Porto Alegre, the decision by the airline Azul to base additional aircraft at this airport led to growth in the high volume domestic traffic (+3.1%). International growth was caused, among other things, by more frequent flights by Aerolineas Argentinas (+25.8%).

At **Lima** Airport, the passenger numbers increased significantly by 9.8% to over 10.6 million in the first half of 2018. Domestic traffic (+11.8 %) as well as international traffic (+7.5 %) grew in the reporting period. The strong growth in domestic traffic is above all due to low-cost flights increasingly displacing long-distance bus travel. The growth in international traffic was mainly due to the increasing attractiveness of Peru and increased ethnic travel.

During the reporting period, passenger volume at **Fraport Greece** reached approx. 10.6 million (+11.0%). This growth was primarily the result of a significant growth in international passenger traffic (+16.8%) of travelers from Germany, the UK, and Poland.

The Bulgarian airports in **Varna** and **Burgas** served some 1.7 million passengers in the reporting period, around 27.6% more than in the same period of the previous year. Mainly travelers from the UK, Poland, and Germany, but also strong domestic traffic, contributed to the growth in traffic. However, the number of Russian passengers was down, mainly as a result of traffic once again increasing between Russia and Turkey.

At **Antalya** Airport, around 12.3 million passengers represented an increase of 29.1% in the first half of 2018. While the number of domestic passengers in Turkey increased by 9.3% to over 3.6 million, the number of international passengers rose significantly by 39.8% to around 8.6 million. The main cause for this passenger growth was, in addition to travelers coming from Russia, tourists from Western Europe who once more increasingly choose Turkey as a holiday destination.

With nearly 2.8 million passengers, **Hanover** Airport experienced an increase of 7.8% in the reporting period. This trend is mainly due to the strong growth at Eurowings and Condor as well as a generally higher seat occupancy factor. The loss of Air Berlin was more than compensated for overall.

At just under 8.0 million travelers, **St. Petersburg** Airport saw an increase of 11.3% in the first half of 2018 compared to the previous year. Both international and domestic traffic – helped by the football World Cup being held in Russia – significantly grew by 20.9% and 6.1% respectively.

Xi'an Airport continued to show a dynamic development as passenger numbers increased by 7.6% to approximately 21.6 million. High-volume domestic traffic increased by 7.0% to approximately 20.2 million passengers, while international traffic rose by 17.3% to approximately 1.3 million passengers. The relatively modest increase in domestic traffic is the result of several high-speed train routes being opened from and to Xi'an.

Traffic development at the Group site

	Share in %	Passengers [1]		Cargo (air freight + air mail in m. t.)		Movements	
		6M 2018	Change in %	6M 2018	Change in %	6M 2018	Change in %
Frankfurt	100	32,677,172	+9.1	1,075,247	– 0.4	247,061	+8.6
Ljubljana	100	831,195	+15.0	6,051	+7.0	16,947	+3.9
Porto Alegre[2]	100	3,926,473	+4.3	18,785	+86.0	39,931	+3.0
Fortaleza[2]	100	2,961,377	+4.8	19,787	+15.5	26,364	+4.9
Fraport Greece[3]	73.4	10,617,182	+11.0	3,882	+3.2	89,716	+8.0
Lima	70.01	10,634,851	+9.8	131,397	+7.1	94,764	+6.2
Twin Star	60	1,651,880	+27.6	4,496	– 34.5	13,490	+19.4
Burgas	60	863,511	+20.0	4,447	– 33.8	6,815	+12.2
Varna	60	788,369	+37.1	49	– 67.2	6,675	+27.7
Antalya	51/50[4]	12,251,502	+29.1	n.a.	n.a.	73,969	+23.7
Hanover	30	2,760,709	+7.8	8,815	– 0.6	36,875	+2.1
St. Petersburg	25	7,951,468	+11.3	n.a.	n.a.	76,734	+8.6
Xi'an	24.5	21,575,833	+7.6	134,865	+10.1	160,276	+4.0

[1] Commercial traffic only, in + out + transit.
[2] Take-over of operations on January 2, 2018.
[3] Take-over of operations on April 11, 2017.
[4] Share of voting rights: 51 %, dividend share: 50 %.

	Share in %	Passengers [1]		Cargo (air freight + air mail in m. t.)		Movements	
		Q2 2018	Change in %	Q2 2018	Change in %	Q2 2018	Change in %
Frankfurt	100	18,246,260	+8.4	547,847	– 0.7	133,848	+8.8
Ljubljana	100	501,878	+15.5	3,018	+3.0	9,635	+5.7
Porto Alegre[2]	100	1,941,590	+2.2	9,827	+86.0	20,102	+3.9
Fortaleza[2]	100	1,399,541	+7.4	9,847	+9.2	13,220	+10.1
Fraport Greece[3]	73.4	8,843,819	+14.3	2,175	+46.9	71,262	+11.2
Lima	70.01	5,315,698	+9.4	65,613	+6.1	47,467	+6.0
Twin Star	60	1,435,662	+22.8	2,033	– 39.5	11,171	+17.6
Burgas	60	825,901	+20.2	2,003	– 39.8	6,289	+14.9
Varna	60	609,761	+26.7	30	– 4.5	4,882	+21.4
Antalya	51/50[4]	9,682,535	+31.3	n.a.	n.a.	56,295	+27.9
Hanover	30	1,697,980	+7.3	3,601	+1.7	21,243	+3.7
St. Petersburg	25	4,774,134	+12.5	n.a.	n.a.	43,622	+9.6
Xi'an	24.5	11,123,359	+8.8	70,340	+8.4	82,513	+5.0

[1] Commercial traffic only, in + out + transit.
[2] Take-over of operations on January 2, 2018.
[3] Take-over of operations on April 11, 2017.
[4] Share of voting rights: 51 %, dividend share: 50 %.

The Group's Results of Operations

Revenue

Group revenue increased by 13.0% in the first six months of 2018 to €1,532.2 million (+€176.8 million). The increase in Frankfurt was based on growth in passenger volume, reflected in increased revenue from airport charges and security services due to new business, a rise in charges from ground services and infrastructure, as well as higher parking revenue. Significant lower proceeds from the sale of land had a reducing effect on revenue (6M 2018: €1.8 million compared to 6M 2017: €20.8 million). Outside Frankfurt, it was primarily Fraport Greece (+€83.5 million), for which operations were taken over in the second quarter of 2017, and also the Fortaleza and Porto Alegre Group companies (+€76.4 million), for which operations had not been taken over yet in the previous reporting period, that made a contribution to revenue growth. Due to exchange rate effects, the contribution of the Group company Lima remained at the previous year's level (+€0.5 million) despite a positive development in passenger volume in the reporting period. As a result of the application of IFRIC 12, Group revenue included revenue in connection with capacitive capital expenditure totaling €93.7 million (6M 2017: €10.2 million) which was mainly incurred at Fraport Greece and the Group companies Fortaleza and Porto Alegre.

Expenses

Operating expenses (cost of materials, personnel expenses, and other operating expenses) amounted to €1,106.3 million and were €138.4 million higher than in the previous year. As a result of growth in passenger volume, personnel expenses increased in the Group companies FraGround (+€12.3 million) and FraCareS (+€3.2 million), and particularly due to the new business of the Group company FraSec (+€9.9 million). Fewer sales of land compared to the previous year helped to reduce expenses (– €9.8 million). Outside Frankfurt, Fraport Greece (+€67.8 million) as well as the Group companies Fortaleza and Porto Alegre (+€57.9 million) increased Group operating expenses. As a result of the application of IFRIC 12, Group expenses included expenses in connection with capacitive capital expenditure totaling €93.7 million (6M 2017: €10.2 million) which was mainly incurred at Fraport Greece and the Group companies Fortaleza and Porto Alegre.

EBITDA and EBIT

Group EBITDA increased by €41.3 million, reaching €461.3 million (+9.8%). The Group companies Fortaleza and Porto Alegre contributed €18.4 million of the increase in Group EBITDA, while Fraport Greece contributed €16.1 million. Higher depreciation and amortization, particularly in connection with Fraport Greece (+€12.2 million) and the Group companies Fortaleza and Porto Alegre (+€6.8 million) was partly offset by lower depreciation and amortization from the Group company Fraport USA, due to the unscheduled depreciation and amortization of the concession in Boston in the first half of 2017. Accordingly, Group EBIT was €268.9 million (+€28.2 million or +11.7%).

Financial result

The significant worsening of the negative financial result (from –€50.4 million to –€77.4 million) was primarily attributable to the poor interest result related to Fraport Greece (–€22.5 million) as well as the Group companies Fortaleza and Porto Alegre (– €4.5 million). In addition, the result from companies accounted for using the equity method were below the previous year's value besides a deteriorating operational development also due to a contractually agreed tax compensation payment by Fraport AG to the Frankfurt Airport Retail joint venture –reducing the tax expense of Fraport AG by the same amount. The Group company Antalya, accounted for using the equity method, showed a positive development in the reporting period (+€6.3 million).

EBT, Group result, and EPS

The worsened financial result led to EBT of €191.5 million (+€1.2 million). After income tax expenses of €50.7 million (6M 2017: €53.4 million), the Group result amounted to €140.8 million (+€3.9 million). This resulted in basic earnings per share of €1.46 (+€0.07).

Results of Operations for Segments

Aviation

€ million	6M 2018	6M 2017	Change	Change in %
Revenue	478.3	449.5	+28.8	+6.4
Personnel expenses	175.7	166.1	+9.6	+5.8
Cost of materials	25.1	22.9	+2.2	+9.6
EBITDA	120.7	100.8	+19.9	+19.7
Depreciation and amortization	65.5	61.5	+4.0	+6.5
EBIT	55.2	39.3	+15.9	+40.5
Average number of employees	6,124	5,831	+293	+5.0

€ million	Q2 2018	Q2 2017	Change	Change in %
Revenue	259.0	243.3	+15.7	+6.5
Personnel expenses	90.6	82.5	+8.1	+9.8
Cost of materials	9.4	11.1	– 1.7	– 15.3
EBITDA	80.9	74.6	+6.3	+8.4
Depreciation and amortization	35.5	31.1	+4.4	+14.1
EBIT	45.4	43.5	+1.9	+4.4
Average number of employees	6,172	5,809	+363	+6.2

Segment revenue increased by 6.4% in the reporting period to €478.3 million (+€28.8 million). The growth in passenger volume at Frankfurt Airport led to higher revenue from airport charges. Increased revenue from security services at the Frankfurt site and from the new business at the Berlin and Cologne/Bonn Airports also helped to increase revenue.

Additional expenses were incurred primarily at the Group company FraSec due to both an increase in personnel expenses (+€9.9 million) and related increases in costs of materials (+€2.8 million), partly due to the new business at the Berlin and Cologne/Bonn Airports.

EBITDA was up by €19.9 million on the previous year, at €120.7 million (+19.7%). Slightly higher depreciation and amortization resulted in a segment EBIT of €55.2 million (+€15.9 million).

Retail & Real Estate

€ million	6M 2018	6M 2017	Change	Change in %
Revenue	241.3	268.2	– 26.9	– 10.0
Personnel expenses	27.7	27.5	+0.2	+0.7
Cost of materials	64.1	78.5	– 14.4	– 18.3
EBITDA	182.1	193.7	– 11.6	– 6.0
Depreciation and amortization	42.7	43.2	– 0.5	– 1.2
EBIT	139.4	150.5	– 11.1	– 7.4
Average number of employees	647	654	– 7	– 1.1

€ million	Q2 2018	Q2 2017	Change	Change in %
Revenue	123.9	151.1	– 27.2	– 18.0
Personnel expenses	14.0	13.6	+0.4	+2.9
Cost of materials	30.1	42.6	– 12.5	– 29.3
EBITDA	93.1	110.5	– 17.4	– 15.7
Depreciation and amortization	22.1	22.1	0.0	0.0
EBIT	71.0	88.4	– 17.4	– 19.7
Average number of employees	650	653	– 3	– 0.5

In the reporting period, revenue was below the previous year's level (–10.0%) at €241.3 million. The negative revenue development is mainly due to significantly lower proceeds from the sale of land (6M 2018: €1.8 million compared to 6M 2017: €20.8 million). Lower passed on energy supply services reduced segment revenue (–€7.8 million).

Higher parking revenue (+€5.8 million) stood in contrast to the lower retail revenue (–€3.9 million). The net retail revenue per passenger decreased by 12.3% to €3.06 compared to the previous year (6M 2017: €3.49). Influences on retail revenue included in particular the above-average growth in passenger numbers on European routes, where passengers tend to spend less, as well as capacity bottlenecks at the terminals, particularly at security checkpoints, which reduced the time available for purchases. In addition, the devaluation of various currencies compared to the euro led to a loss of purchasing power.

Staff costs remaining at the same level as in the same period of the previous year, considerably lower costs of materials due to the lower sales of land (–€9.8 million) as well as the lower passed on energy supply services resulted in EBITDA of €182.1 million (–6.0%). With depreciation and amortization virtually unchanged, segment EBIT was €139.4 million (–7.4%).

Ground Handling

€ million	6M 2018	6M 2017	Change	Change in %
Revenue	325.2	308.4	+16.8	+5.4
Personnel expenses	230.7	218.4	+12.3	+5.6
Cost of materials	26.7	26.3	+0.4	+1.5
EBITDA	12.7	11.9	+0.8	+6.7
Depreciation and amortization	20.7	20.6	+0.1	+0.5
EBIT	– 8.0	– 8.7	+0.7	–
Average number of employees	8,966	8,596	+370	+4.3

€ million	Q2 2018	Q2 2017	Change	Change in %
Revenue	174.1	164.9	+9.2	+5.6
Personnel expenses	119.4	108.3	+11.1	+10.2
Cost of materials	14.1	13.0	+1.1	+8.5
EBITDA	10.5	16.1	– 5.6	– 34.8
Depreciation and amortization	10.8	10.3	+0.5	+4.9
EBIT	– 0.3	5.8	– 6.1	–
Average number of employees	8,921	8,478	+443	+5.2

In the first half of 2018, segment revenue increased by €16.8 million to €325.2 million (+5.4%). This was mainly due to increased revenue from charges in ground services and infrastructure in connection with the increased maximum take-off weights and passenger growth at the Frankfurt site. The effect of traffic volumes resulted in significantly increased personnel expenses, especially at the Group companies FraGround (+€12.3 million) and FraCareS (+€3.2 million). Therefore EBITDA increased only slightly by 6.7% to €12.7 million. Unchanged depreciation and amortization led to segment EBIT of –€8.0 million, which was €0.7 million higher than the previous year, but still remained negative.

International Activities & Services

€ million	6M 2018	6M 2017	Change	Change in %
Revenue	487.4	329.3	+158.1	+48.0
Revenue adjusted by IFRIC 12	393.7	319.1	+74.6	+23.4
Personnel expenses	151.9	138.6	+13.3	+9.6
Cost of materials	316.4	208.6	+107.8	+51.7
EBITDA	145.8	113.6	+32.2	+28.3
Depreciation and amortization	63.5	54.1	+9.4	+17.4
EBIT	82.3	59.5	+22.8	+38.3
Average number of employees	5,877	5,404	+473	+8.8

€ million	Q2 2018	Q2 2017	Change	Change in %
Revenue	293.5	203.5	+90.0	+44.2
Revenue adjusted by IFRIC 12	237.3	197.5	+39.8	+20.2
Personnel expenses	77.9	69.2	+8.7	+12.6
Cost of materials	177.4	113.9	+63.5	+55.8
EBITDA	102.1	81.5	+20.6	+25.3
Depreciation and amortization	31.6	33.7	– 2.1	– 6.2
EBIT	70.5	47.8	+22.7	+47.5
Average number of employees	6,258	5,815	+443	+7.6

In the first six months of 2018, the revenue from the International Activities & Services segment rose by €158.1 million to €487.4 million (+48.0%). The main drivers for the growth in revenue were Fraport Greece (+€83.5 million), for which operations were taken over in the second quarter of 2017, and also the Fortaleza and Porto Alegre Group companies (+€76.4 million), for which operations had not been taken over yet in the previous reporting period. The Group companies Twin Star and Fraport Slovenija contributed €7.4 million to the increase in segment revenue. Due to exchange rate effects (–€18.9 million), the growth in passenger volume at the Group company Lima did not result in higher revenue. Due to the termination of the concession in Boston effective October 31, 2017, as well as exchange rate effects, revenue at the Group company Fraport USA remained below the previous year's level (–€6.4 million). As a result of the application of IFRIC 12, segment revenue included revenue in connection with capacitive capital expenditure totaling €93.7 million (6M 2017: €10.2 million) which was mainly incurred at Fraport Greece and the Group companies Fortaleza and Porto Alegre.

The operating expenses (cost of materials, personnel expenses as well as other operating expenses) increased by €125.7 million, primarily due to Fraport Greece (+€67.8 million) and the Group companies Fortaleza and Porto Alegre (+€57.9 million). As a result of the application of IFRIC 12, segment expenses included expenses in connection with capacitive capital expenditure totaling €93.7 million (6M 2017: €10.2 million) which were mainly incurred at Fraport Greece and the Group companies Fortaleza and Porto Alegre.

EBITDA recorded a sharp increase of €32.2 million to €145.8 million (+28.3%). Despite higher levels of depreciation and amortization, primarily in connection with Fraport Greece (+€12.2 million) and the Group companies Fortaleza and Porto Alegre (+€6.8 million), segment EBIT grew by 38.3% to €82.3 million.

Development of the key Group companies outside of Frankfurt (IFRS values before consolidation)

Fully consolidated Group companies

€ million	Share in %	Revenue[1)]			EBITDA			EBIT			Result		
		6M 2018	6M 2017	Δ %	6M 2018	6M 2017	Δ %	6M 2018	6M 2017	Δ %	6M 2018	6M 2017	Δ %
Fraport USA	100	25.6	32.0	–20.0	2.4	6.4	–62.5	0.2	–0.8	–	0.0	2.1	–100
Fraport Slovenija	100	22.0	18.5	+18.9	8.6	5.7	+50.9	3.6	0.7	>100	3.1	1.0	>100
Fortaleza + Porto Alegre[2)]	100	76.4	–	–	18.4	–	–	11.7	–	–	3.5	–	–
Fraport Greece[3)]	73.4	141.7	58.2	>100	41.3	25.2	+63.9	19.2	15.2	+26.3	–20.7	–3.6	–
Lima	70.01	160.7	160.2	+0.3	59.0	59.5	–0.8	52.0	50.4	+3.2	33.9	29.9	+13.4
Twin Star	60	21.5	17.6	+22.2	11.3	8.7	+29.9	5.4	3.0	+80.0	2.8	0.4	>100

Group companies accounted for using the equity method

€ million	Share in %	Revenue[1)]			EBITDA			EBIT			Result		
		6M 2018	6M 2017	Δ %	6M 2018	6M 2017	Δ %	6M 2018	6M 2017	Δ %	6M 2018	6M 2017	Δ %
Antalya	51/50[4)]	115.4	85.8	+34.5	90.8	68.7	+32.2	36.2	14.1	>100	4.4	–8.1	–
Hanover	30	78.9	72.5	+8.8	12.7	12.6	+0.8	2.7	2.5	+8.0	1.4	0.0	>100
Pulkovo/Thalita	25	125.2	119.8	+4.5	65.9	66.2	–0.5	48.3	46.8	+3.2	–18.5	–23.3	–
Xi'an	24.5	123.2	114.0	+8.1	58.9	57.9	+1.7	35.5	32.3	+9.9	29.3	26.9	+8.9

Fully consolidated Group companies

€ million	Share in %	Revenue[1)]			EBITDA			EBIT			Result		
		Q2 2018	Q2 2017	Δ %	Q2 2018	Q2 2017	Δ %	Q2 2018	Q2 2017	Δ %	Q2 2018	Q2 2017	Δ %
Fraport USA	100	16.3	17.4	–6.3	2.0	3.9	–48.7	0.9	–1.5	–	0.7	1.3	–46.2
Fraport Slovenija	100	12.2	10.5	+16.2	5.3	3.2	+65.6	2.8	0.7	>100	2.4	1.0	>100
Fortaleza + Porto Alegre[2)]	100	45.6	–	–	9.2	–	–	5.8	–	–	2.0	–	–
Fraport Greece[3)]	73.4	97.4	58.2	+67.4	41.8	31.1	+34.4	30.7	21.2	+44.8	4.4	3.2	+37.5
Lima	70.01	84.4	80.4	+5.0	30.3	29.4	+3.1	26.8	25.0	+7.2	17.1	15.0	+14.0
Twin Star	60	18.0	14.9	+20.8	11.9	9.7	+22.7	8.9	6.9	+29.0	7.5	5.5	+36.4

Group companies accounted for using the equity method

€ million	Share in %	Revenue[1)]			EBITDA			EBIT			Result		
		Q2 2018	Q2 2017	Δ %	Q2 2018	Q2 2017	Δ %	Q2 2018	Q2 2017	Δ %	Q2 2018	Q2 2017	Δ %
Antalya	51/50[4)]	92.3	70.8	+30.4	82.3	61.1	+34.7	55.1	34.0	+62.1	31.4	14.3	>100
Hanover	30	44.3	40.7	+8.8	10.2	10.4	–1.9	5.3	5.3	0.0	3.8	4.1	–7.3
Pulkovo/Thalita	25	73.9	71.6	+3.2	41.2	43.5	–5.3	32.1	33.9	–5.3	–4.0	–23.2	–
Xi'an	24.5	63.7	58.4	+9.1	29.8	30.7	–2.9	18.1	19.7	–8.1	14.7	18.2	–19.2

[1)] Revenue adjusted by IFRIC 12: Lima 6M 2018: €148.9 million (6M 2017: €151.4 million); Q2 2018: €77.3 million (Q2 2017: €75.8 million); Fraport Greece 6M 2018: €92.3 million € (6M 2017: €56.8 million); Q2 2018: €72.2 million (Q2 2017: €56.8 million); Fortaleza + Porto Alegre 6M 2018: €43.8 million, Q2 2018: €21.5 million; Antalya 6M 2018: €109.8 million; Q1 2018: €92.3 million.
[2)] Sum of the Group companies Fortaleza and Porto Alegre. Operations from January 2, 2018.
[3)] The Group companies Fraport Regional Airports of Greece A and Fraport Regional Airports of Greece B are collectively referred to as “Fraport Greece”. Operations from April 11, 2017.
[4)] Share of voting rights: 51%, Dividend share: 50%.

In the first half of 2018, the Group company **Fraport USA** generated revenue of €25.6 million, which was €6.5 million below the level of the previous year due to exchange rate effects and the termination of the retail concession in Boston as of October 30, 2017. The retail concession in New York (+€4.5 million), taken over on April 1, 2018, helped to offset this. EBITDA of €2.4 million as well as lower depreciation and amortization in the amount of €5.0 million caused by the unscheduled depreciation and amortization of the concession in Boston in the same period of the previous year resulted in EBIT of €0.2 million. Tax effects led to a decreasing result in the first half of 2018.

With significantly higher passenger numbers, the Group company **Fraport Slovenija** reported revenue of €22.0 million, EBITDA of €8.6 million, EBIT of €3.6 million and a result of €3.1 million.

The Brazilian airports **Fortaleza** and **Porto Alegre** showed a positive development in the first half year following the takeover of their operations. Growth in traffic was reflected in solid revenue and result figures. Revenue in the reporting period was €76.4 million, EBITDA was €18.4 million, EBIT was €11.7 million and the result was €3.5 million.

The 14 Greek regional airports, for which the Group took over operations on April 11, 2017, collectively referred to as **Fraport Greece**, contributed revenue of €141.7 million, EBITDA of €41.3 million and EBIT of €19.2 million, driven by strong passenger development. The interest expenses relating to the financing of the one-time payment and the interest accrued on the concession liability led to a negative result of €20.7 million.

Thanks to the sharp increase in traffic, the Group company **Lima** showed a stable revenue and EBITDA development in the first six months of 2018 of €18.9 million and €7.0 million, respectively, despite negative exchange rate effects. Slightly lower depreciation and amortization and an improved interest result led to improved EBIT and a better result.

The Group company **Twin Star** generated revenue growth by €3.9 million to €21.5 million – driven by a strong passenger development – in the first half of 2018. Both EBITDA and EBIT, as well as the result of this Group company, showed significant rates of growth.

Owing to the significantly higher passenger volume in international traffic, the Group company **Antalya**, which is accounted for using the equity method, saw a steep increase in earnings figures in the reporting period. The company's result was positive again with €4.4 million (6M 2017: –€8.1 million).

The positive traffic development at the Group company **Hanover** had a positive impact on revenue (+8.8%). Because of higher operating expenses, EBITDA and EBIT were only slightly higher than in the previous year. The improved financial result led to a result of €1.4 million (+€1.4 million).

The Group company **Pulkovo/Thalita** recorded an increase in revenue of 4.5% to €125.2 million over the first six months of 2018, due to growth in passenger numbers. Higher operating expenses led to a fall in EBITDA. Lower depreciation and amortization increased the EBIT for the company. Correspondingly, the result increased to €–18.5 million (6M 2017: €–23.3 million).

The positive traffic development at the Group company **Xi'an** led to an increase in revenue of 8.1% in the first half of 2018. Despite increasing expenses, the company's EBITDA rose in comparison to the previous year. At €29.3 million, the earnings grew by €2.4 million (+8.9%). Offsetting the increase in traffic, the translation of the Chinese currency into euros had the effect of decreasing the result.

Asset and Financial Position

Asset and capital structure

At €11,016.0 million, **total assets** as at June 30, 2018 were €183.6 million (+1.7%) above the comparable value as at December 31, 2017. **Non-current assets** amounting to €9,830.8 million remained almost unchanged compared to fiscal year 2017 (+0.5%). **Current assets** increased by €132.1 million to €1,185.2 million (+12.5%). This was primarily due to higher trade accounts receivables as at the balance sheet date (+€59.1 million) as well as higher other receivables and financial assets relating to prepayments for construction services at the Brazilian airports in Fortaleza and Porto Alegre (+€32.2 million). The item "non-current assets held for sale" contains the shares of the Group company Flughafen Hannover-Langenhagen GmbH, which is accounted for using the equity method.

Shareholders' equity decreased slightly compared to the 2017 balance sheet date to €4,012.3 million (–0.4%). This is based on a positive Group result primarily due to the pay-out of profit earmarked for distribution for the previous fiscal year. The **shareholders' equity ratio** was at 34.9% (December 31, 2017: 34.4%). **Non-current liabilities** fell significantly by €224.0 million to €5,319.6 million (–4.0%). Correspondingly, **current liabilities** rose significantly by €424.0 million to €1,684.1 million (+33.6%). Both non-current and current financial liabilities changed, primarily because of drawing down overnight and time deposits, and maturity-related reclassifications.

Gross debt was €4,694.4 million as at June 30, 2018 (December 31, 2017: €4,531.0 million). **Liquidity** declined by €22.0 million to €996.6 million. Correspondingly, **net financial debt** increased by €185.4 million to €3,697.8 million (December 31, 2017: €3,512.4 million). The **gearing ratio** reached a level of 96.2% (December 31, 2017: 94.2%).

Additions to non-current assets

In the first six months of fiscal year 2018, additions to non-current assets at the Fraport Group amounted to €342.1 million and were thus significantly below the comparable figure for the previous year of €2,059.1 million. Of this amount, €196.5 million related to "property, plant, and equipment" (previous year: €112.5 million), €45.7 million to "financial assets" (previous year: €59.1 million), €0.5 million to "investment property" (previous year: €0.4 million), and €99.4 million to "other intangible assets" and "airport operating projects" (previous year: €1,887.1 million). The capitalization of interest expenses relating to construction work amounted to €12.4 million (previous year: €9.4 million).

At €184.6 million, the greater part of acquisitions of non-current assets was attributed to Fraport AG (previous year: €107.0 million). The focus was thereby on capital expenditure to increase capacity in the Airport Expansion South – mainly relating to Terminal 3 at the Frankfurt site – as well as modernization and maintenance measures for existing infrastructure. Additions to financial non-current assets consisted mainly of securities and associated companies, in particular the Group company Xi'an, which is accounted for using the equity method. The one-off payment as well as the capitalized future fixed concession payments for the acquisition and operation of the Greek regional airports were reflected in the additions to airport operating projects in the same period of the previous year.

Statement of cash flows

Cash flow from operating activities (operating cash flow) decreased significantly by €81.2 million to €325.2 million (–20.0%) in the first six months of 2018. The cause of this reduction were mainly changes in net current assets as at the balance sheet date. Adjusted for the changes to net current assets included in the statement of cash flows, operating cash flow in the first six months of 2018 was €365.8 million (adjusted value 6M 2017: €342.4 million), which corresponds to an increase of €23.4 million (+6.8%) compared to the same period of the previous year. The **cash flow used in investing activities, excluding investments in cash deposits and securities,** fell significantly by €1,106.4 million to €334.3 million. This is mainly due to the one-off payment of approximately €1.2 billion for the operational takeover of the 14 Greek Regional Airports, which increased investments in airport operating projects in the same period of the previous year. Higher capacitive capital expenditure at the Frankfurt site and the Group companies Fortaleza and Porto Alegre, as well as Fraport Greece counteracted the cash outflow (6M 2018: €355.2 million compared to 6M 2017: €203.7 million). Correspondingly, the **free cash flow** was –€23.2 million (6M 2017: €198.1 million).

Beginning in fiscal year 2018, fixed concession payments will be allocated to cash flow used in investing activities in the consolidated statement of cash flows (previously this was allocated to cash flow from operating activities). The previous year figures were adjusted accordingly (6M 2018: €33.7 million, 6M 2017: €17.1 million). Taking into account investments in and income from securities and promissory note loans, as well as repayments of time deposits, the overall **cash flow used in investing activities** was €299.1 million (6M 2017: €1,213.5 million).

Cash outflow used in financing activities totaled €12.7 million (6M 2017: cash inflow of €827.3 million). The previous year's figure includes the non-current financial debt incurred as part of the financing of Fraport Greece. Taking into account exchange rate fluctuations and other changes, Fraport reported cash and cash equivalents based on the statement of cash flows of €499.5 million as at June 30, 2018 (6M 2017: €455.9 million).

Reconciliation to the cash and cash equivalents as shown in the consolidated statement of financial position

€ million	June 30, 2018	June 30, 2017	December 31, 2017
Cash and cash equivalents in the consolidated statement of cash flows	499.5	455.9	461.0
Time deposits with a remaining term of more than three months	93.0	76.1	112.6
Restricted cash	32.1	23.3	55.8
Cash and cash equivalents in the consolidated statement of financial position	**624.6**	**555.3**	**629.4**

Value Management

The schedule for reporting value management is once a year at the end of the fiscal year. It is not reported quarterly.

Non-financial Performance Indicators

Non-financial performance indicators

	6M 2018	6M 2017	Change
Global satisfaction (Frankfurt) (%)[1)]	85	85	0 PP
Baggage connectivity (Frankfurt) (%)	98.4	98.7	– 0.3 PP
Employee satisfaction[2)]	–	–	–
Women in management positions (Germany) (%)	26.5	31.5	– 5.0 PP
Sickness rate (%)[3)]	–	–	–
CO_2 emission (t)[4)]	96,713	97,350	–637

1) Global satisfaction is surveyed quarterly only at the Frankfurt site. The Group airports in which Fraport holds a share of at least 50% report on this on an annual basis.
2) Employee satisfaction is only surveyed on an annual basis.
3) The sickness rate is only surveyed on an annual basis. Reporting on a six months basis is currently in implementation.
4) Fraport AG parent company figure. A Group-wide reporting is currently in implementation. As a result of subsequent verifications, there may be changes to the figures.

Customer satisfaction and product quality

Global satisfaction of passengers

The overall satisfaction of passengers at the Frankfurt site was 85% in the first half of 2018, at the same level as the previous year. From 85% in the first quarter 2018, overall passenger satisfaction rose in the second quarter to 86% (Q1 previous year: 85%, Q2 previous year: 85%). In particular, the satisfaction criteria relating to hospitality, friendliness, and assistance provided by airport personnel as well as the cleanliness of the terminals improved significantly during the reporting period, despite the growth in passenger numbers and the sometimes highly congested infrastructure.

Baggage connectivity

Baggage connectivity at the Frankfurt site was 98.4% in the first half of 2018, slightly below the previous year’s level (previous year: 98.7%). This was mainly caused by bad weather conditions and the resulting delays.

Attractive and responsible employer

Employee satisfaction

The employee satisfaction survey will be launched in the participating Group companies towards the end of the third quarter of 2018.

Women in management positions

As at June 30, 2018, the proportion of women in management positions at the first and second levels directly below Fraport’s Executive Board was 26.5% in Germany (previous year: 31.5%). The decline in the ratio is due to both personnel and organizational changes. This specifically arose in connection with a position that was vacant compared to the previous year and was previously held by a female executive, as well as executive positions which were included in the reporting due to organizational changes in the first half of 2018 and are currently held by men.

Occupational health and safety

Sickness rate

The sickness rate is currently only measured on an annual basis. Reporting on a six months basis is currently in implementation.

Climate protection

CO_2 emission

In the first six months of 2018, Fraport AG's CO_2 emission added up to 96,713 metric tons (–638 metric tons or –0.7%). Reductions in emission by 3,128 metric tons due to a mild winter and the ongoing energy efficiency improvement programs were offset by higher emission of 2,490 metric tons due to an increase in consumption resulting from increased traffic volumes, together with a slight deterioration in the ecological quality of the purchased electricity and district cooling energy, their so-called emission factors.

Employees

Development of the employees

Average number of employees

	6M 2018	6M 2017	Change	Change in %
Fraport Group	21,614	20,485	+1,129	+5.5
thereof Fraport AG	9,919	10,312	–393	–3.8
thereof Group companies	11,695	10,172	+1,523	+15.0
thereof in Germany	18,712	18,083	+629	+3.5
thereof abroad	2,902	2,402	+500	+20.8

	Q2 2018	Q2 2017	Change	Change in %
Fraport Group	22,002	20,756	+1,246	+6.0
thereof Fraport AG	9,885	10,252	–367	–3.6
thereof Group companies	12,117	10,504	+1,613	+15.4
thereof in Germany	18,720	17,926	+794	+4.4
thereof abroad	3,283	2,830	+453	+16.0

Compared with the same period of the previous year, the average number of employees in the Fraport Group (excluding apprentices and employees on leave) increased significantly to 21,614 in the first half of 2018 (previous year: 20,485). The main reason for this is the increased number of passengers in Frankfurt which led to an increased need for manpower, particularly at the Group companies FraGround and FraSec, by 466 and 359 employees, respectively. At Fraport AG, there was an opposite effect and a reduction in the number of staff (–393 employees) as a result of the personnel restructuring program initiated in 2016. Outside Germany, the manpower need increased in particular due to the operational takeover of the Brazilian airports at Fortaleza and Porto Alegre (+324 employees) this year.

Development of total employees

Total employees as at the reporting date

	December 31, 2018	December 31, 2017	Change	Change in %
Fraport Group	26,410	24,965	+1,445	+5.8
thereof Fraport AG	10,582	10,885	–303	–2.8
thereof Group companies	15,828	14,080	+1,748	+12.4
thereof in Germany	22,019	21,087	+932	+4.4
thereof abroad	4,391	3,878	+513	+13.2

Compared with the balance sheet date in the previous year, the total number of employees in the Fraport Group (including joint ventures, apprentices, and employees on leave) saw a major increase to 26,410 as at June 30, 2018 (June 30, 2017: 24,965 employees). This increase is due – in addition to the operational takeover of the two Brazilian airports at Fortaleza and Porto Alegre (+362 employees) – to the increase in traffic requiring more personnel in the German and overseas Group companies (+1,386 employees). The decrease at Fraport AG by 303 employees as at the reporting date was the result, among other reasons, of the retirement of personnel under the personnel restructuring program initiated in fiscal year 2016.

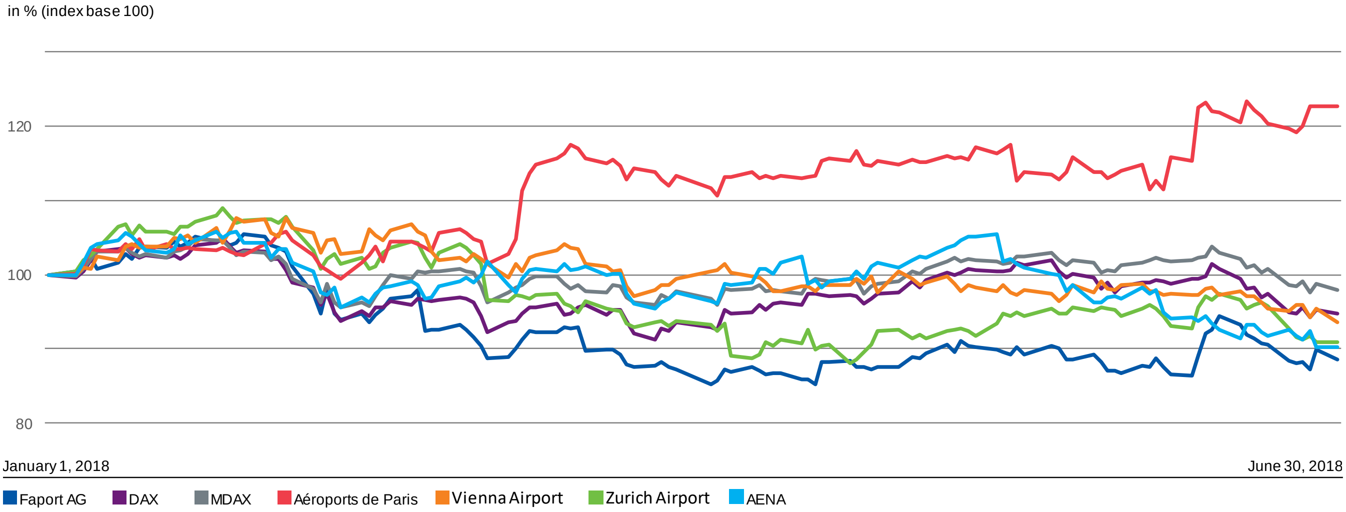
Research and Development

As stated in the 2017 Group management report, as a service-sector group, Fraport does not engage in research and development in the strict sense, therefore further disclosures in accordance with GAS 20 do not apply (see 2017 Annual Report, page 98). However, Fraport continues to utilize suggestions for improvements and innovations from employees, which play a successful role in retaining and expanding its international competitiveness (see 2017 Annual Report beginning on page 126).

There were no significant changes resulting from ideas and innovations influencing business development in the reporting period.

Share

2018 development of the Fraport share compared to the market and European competitors



Share performance

German equity markets were down at the end of the first half of 2018. At 12,306 points, Germany's benchmark index DAX closed 4.7% below the closing price of the 2017 fiscal year. In the same period, the MDAX showed a slight decline of 1.3% and closed at 25,854 points at the end of the first six months of 2018. In the first quarter of 2018, the DAX lost 6.4%, whereas the MDAX suffered a more moderate decline of 2.3%. The basically negative sentiment on the German stock market turned slightly more positive in the second quarter of 2018.

In particular, the announcement by the European Central Bank that it wanted to end its bond buying program by the end of the year, and would leave the key interest rate unchanged at 0% until at least the middle of 2019 created increasing certainty on European markets. A generally encouraging economic environment also had a positive effect. On the other hand, the protracted government formations in Germany in the first, then Italy in the second quarter of 2018 caused uncertainty. The focus continued to be on the negotiations regarding Brexit and its consequences for the whole of the European economy. Towards the end of the first half of 2018, the protectionist behavior of the US escalated again and dominated geopolitical developments.

In this challenging market environment, the Fraport share performed negatively, with a closing price of €82.62. After a drop in price of 12.8% in the first quarter of the current fiscal year, the share price slightly gained 3.1% in the second quarter – but then was down overall in the reporting period by 10.1%, or, taking into account the dividend payment on June 1, 2018 of €1.50 per share, by 8.4%. In addition to the generally difficult market environment, this drop was also caused by the upcoming high capital expenditures both in Frankfurt Airport and in the Group airports in Greece, Brazil, and Peru, with the associated forecasts of downward trends in free cash flow.

The shares of other stock-exchange listed European airports performed as follows in the reporting period: AENA –9.7%, Aéroports de Paris +22.7%, Vienna Airport –4.6%, and Zurich Airport –9.1%.

Development of the Fraport share

	6M 2018	6M 2017
Opening price in €	91.86	56.17
Closing price in €	82.62	77.30
Change in €[1)]	–9.24	+21.13
Change in %[2)]	–10.1	+37.6
Highest price in € (daily closing price)	96.94	78.64
Lowest price in € (daily closing price)	78.26	55.26
Average price in € (daily closing prices)	85.05	65.63
Average trading volume per day (number)	162,529	190,191
Market capitalization in € million (quarterly closing price)	7,640	7,148

[1)] Change including dividends: 6M 2018: –€7.74, Q2 2018: +€4.02
[2)] Change including dividends: 6M 2018: –8.4 %, Q2 2018: +5.0 %

Development in shareholder structure

Fraport was notified of the following changes in shareholder structure in the past reporting period:

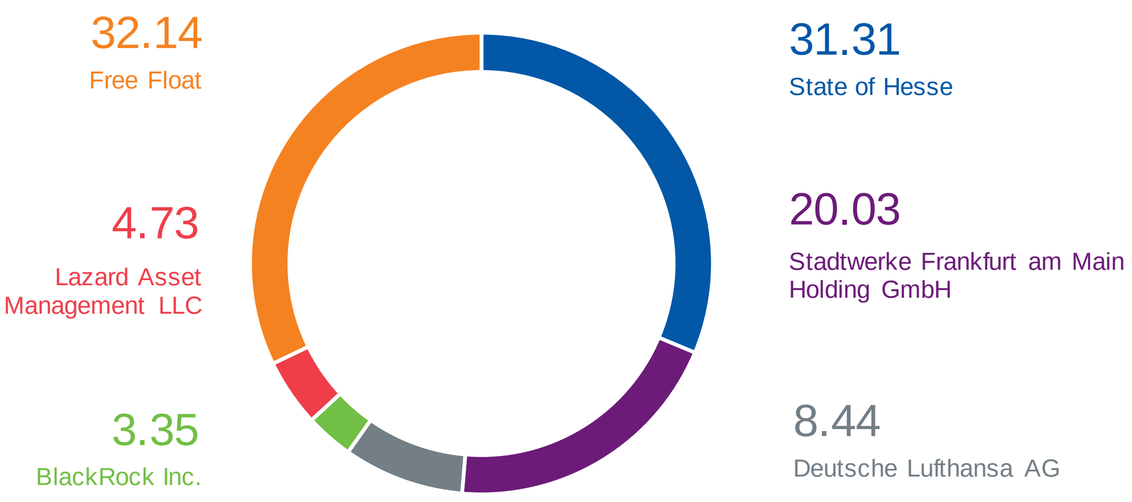
Notification of voting rights pursuant to Section 33 of the German Securities Trading Act (WpHG)

Holders of voting rights	Date of change	Type of change	New share of voting rights
Lazard Asset Management LLC[1)]	February 6, 2018	Falling below the 5 % threshold	4.73 %
BlackRock, Inc.[1)]	May 7, 2018	Falling below the 3 % threshold	2.25 %
BlackRock, Inc.[1)]	May 16, 2018	Exceeded the 3 % threshold	3.35 %

[1)] All voting rights were allocated pursuant to Section 34 of the WphG.

Shareholder structure as at June 30, 2018 [1)]

in %



[1)] The relative ownership interests were adjusted to the current total number of shares as at June 30, 2018 and therefore may differ from the figures given at the time of reporting or from the respective shareholders' own disclosure. Shares below 3% are classified under “free float”.

Dividend for the 2017 fiscal year (resolution for the appropriation of profit)

For fiscal year 2017 the Annual General Meeting passed a resolution on May 29, 2018 to pay an unchanged dividend of €1.50 per share. Compared to the share closing price in 2017 of €91.86, this corresponded to a dividend yield of 1.6% (previous year: 2.7%). The profit earmarked for distribution of €138.7 million (previous year: €138.7 million) corresponded to a pay-out ratio of 42.0% based on the profit attributable to shareholders of Fraport AG of the Group result of €330.2 million (previous year: 36.9%).

Events after the Balance Sheet Date

Disposal of Flughafen Hannover-Langenhagen GmbH shares

On August 6, 2018, Fraport AG signed an agreement to sell its shares in Flughafen Hannover-Langenhagen GmbH to iCON Flughafen GmbH. According to this, Fraport AG will sell its entire 30 percent share for a price of €109.2 million to iCON Flughafen GmbH.

The closing of the transaction is still dependent on the contractually agreed pre-emption rights held by the co-shareholders: the City of Hanover and the Hannoversche Beteiligungsgesellschaft mbH – a wholly-owned company belonging to the State of Lower Saxony.

Fraport AG currently expects the transaction to be concluded during the next two months.

Based on the current book value and the expectation that both co-shareholders will not exercise their pre-emption rights, Fraport AG expects the transaction to contribute about €85 million to the Group EBT. From this amount approximately €25 million will impact the Group EBITDA and EBIT of the current fiscal year. The Group's financial result will be positively influenced by about €60 million. After deduction of related income tax liabilities, the transaction will positively impact the Group result by about €77 million.

The financial impact of the transaction on the forecasted Group asset, financial, and earnings position for the fiscal year 2018 is outlined in the chapter "Business Outlook" starting on page 18.

There were no other significant events for the Fraport Group after the balance sheet date.

Risk and Opportunities Report

In the first half of 2018, there were no substantial changes to the risks and opportunities as presented in the Risk and Opportunities Report in the 2017 Annual Report starting on page 105.

Report on Forecast Changes

General Statement by the Executive Board

For the second half of 2018, the Executive Board continues to expect an expansion of the global economy, slightly above that of the previous year, which will have a positive impact on the development of air traffic in general, as well as on the Frankfurt site and the Fraport Group's airports. Based on passenger growth so far, the Executive Board forecasts for the Frankfurt site passenger numbers totaling slightly over 69 million passengers for 2018. Overall, the Executive Board expects a slightly more positive traffic development across the Group than forecasted in the 2017 Annual Report.

At the end of the first half of 2018, the Executive Board maintains its forecasts for the Group's asset, financial, and earnings situation for 2018 as a whole, and expects the Group's EBITDA, EBIT, EBT, and result to be at the upper level of the range forecast as stated in the Group management report for 2017. In addition, thanks to the sale of shares in the Flughafen Hannover-Langenhagen GmbH, the Executive Board expects to exceed the guidance ranges for the 2018 full year Group's EBITDA, EBIT, EBT, and result (see the chapter on "Events after the Balance Sheet Date" on page 16).

For the Retail & Real Estate segment, the Executive Board expects a decreasing segment revenue that will not have any effect on the forecasted segment EBITDA and EBIT. In the International Activities & Services segment, a slightly improved development in revenue and result contributions is forecasted for Fraport Greece and the Group companies Twin Star, Fraport Slovenija, and Fraport USA. On the other hand, based on the development of the Brazilian currency during the first half of 2018, the Executive Board expects lower EBITDA and EBIT contributions from Brazil.

At the closing of the reporting period, the Executive Board continues to assess that there are no significant risks that might jeopardize the Fraport Group as a going concern. There are no other substantial acquisitions or disposals of companies and increases and reductions in shares included in the forecast for the current fiscal year. The Executive Board continues to assess the financial situation in the forecast period as stable.

Business Outlook

Forecasted situation of the Group for 2018

The forecasted situation of the Fraport Group for 2018, as presented in the 2017 Group management report, remains unchanged with respect to business model, structure, competitive situation, strategy, and control (see 2017 Annual Report beginning on page 126).

Forecasted macroeconomic, legal, and industry-specific conditions for 2018

Development of the macroeconomic conditions

Financial and economic institutions expect slight growth in the world economy for 2018. Following global economic growth of approximately 3.8% in 2017, an increase of approximately 3.9% is expected for the current fiscal year. Global trade will rise by between 4.7% and 5.1%, according to current forecasts. In industrial countries, inflation of less than 2% is expected. There is no end in sight to the euro weakness in relation to the exchange rate of euro to US-$. The US still has an interest rate advantage. The ifo Institute assumes that oil prices will continue to rise.

The short- and medium-term effects of the pending UK exit from the EU on the economy of the eurozone remain a significant risk factor. Economic institutions are forecasting that fiscal year 2018 will continue to show a stable rise in economic performance of around 2% in Europe. The upturn will continue, albeit more slowly. Many forecasts for Germany therefore assume growth in the range of 1.7% to 2.1% which puts them slightly below the level of the previous year. Rising employment figures, which have a positive effect on private consumption, should support this.

The following GDP growth rates are expected for the countries with key investments: Slovenia +4.7%, Brazil +2.3%, Greece +1.9%, Peru +3.7%, Bulgaria +3.8%, Turkey +4.4%, Russia +1.7%, and China +6.6%.

Sources: OECD (July 2018), IMF (April 2018), Deutsche Bank Research (June 2018), DekaBank (July 2018), Federal Ministry for Economic Affairs and Energy (June 2018), European Commission (March 2018), ifo Economic Forecast Summer 2018 from ifo Schnelldienst 12/2018 (June 2018).

Development of the legal conditions

No further changes to the legal environment that would have a significant influence on the business development of Fraport can currently be discerned.

Development of the industry-specific conditions

Based on the expected development of economic conditions, and taking into account the financial situation of the airlines, IATA anticipates global passenger growth of 7.0% in 2018, based on revenue passenger kilometers (RPK). Regionally IATA anticipates the following growth rates (also based on RPK): Europe: +7.0%, North America: +4.0%, Asia-Pacific: +9.5%, Latin America: +6.5%, Middle East: +5.9%, and Africa: +4.5%. Globally, cargo is expected to grow by 4.0%. The high growth in demand is driven by strong economic development.

Sources: IATA „Airline Industry Economic Performance“ (June 2018).

Forecasted business development for 2018

Based on the passenger development in the first half of 2018, the Executive Board now expects a passenger volume of slightly over 69 million passengers at Frankfurt Airport for fiscal year 2018. This high growth results from strong demand due to a good economic situation in Germany and indeed worldwide. Demand here is increased by the growth in low cost traffic in the continental area, with a matching increase in capacity from established airlines, particularly the Lufthansa Group. For holiday traffic, Frankfurt should in part also benefit from the gaps in flight availability that still exist at other airports, created by the bankruptcy of Air Berlin.

After the last few weak months, the cargo tonnage handled, on the other hand, is likely to fall slightly or may still come in marginally positive in 2018. The influence of the overall economic environment, among other things, which will continue to be performing very well, will manifest itself, although it is likely to tail off over the course of 2018.

For the two Brazilian airports of **Fortaleza** and **Porto Alegre**, the Executive Board expects growth in passenger numbers in the mid to upper single-digit percentage range for 2018 (forecast in 2017 Annual Report: growth in the mid to upper single-digit percentage range). For the **Ljubljana** site, the Executive Board is forecasting a rise in traffic in the low double-digit percentage range (forecast in 2017 Annual Report: growth in the single-digit percentage range). Based on the positive economic assumptions and tourism forecasts, significant growth is expected in the high single-digit percentage range at the **Lima** Airport for the fiscal year 2018 (forecast in 2017 Annual Report: significant growth in high single-digit percentage range). For the **14 Greek regional**

airports, the Executive Board expects a rise in passenger numbers in the upper single-digit percentage range in 2018 (forecast in 2017 Annual Report: increase of around 5%). For the airports in **Varna** and **Burgas,** the Executive Board expects a rise in the lower double-digit percentage range in 2018 (forecast in 2017 Annual Report: growth in the single-digit percentage range). For the **Antalya** Airport, growth in the double-digit percentage range is also expected compared to 2017 (forecast in 2017 Annual Report: growth in the low double-digit percentage range). For **Hanover** Airport, a slight increase in traffic in the single-digit percentage range is forecast (forecast in 2017 Annual Report: growth in the single-digit percentage range). Due to the positive development of the economic and political situation in Russia, the Executive Board assumes that the positive trend from last year will continue and that passenger traffic at **St. Petersburg** Airport will grow in the low double-digit range in 2018 (forecast in 2017 Annual Report: growth in the low double-digit percentage range). For the **Xi'an** site, the Executive Board expects growth in the lower double-digit percentage range in 2018 (forecast in 2017 Annual Report: growth in the high single-digit percentage range).

Forecasted results of operations for 2018

At the end of the first half of 2018, the Executive Board maintains its forecasts for the Group's asset, financial, and earnings position (see 2017 Group management report, page 126 et seqq.).

Based on the forecasted passenger numbers in Frankfurt of slightly over 69 million passengers for fiscal year 2018 and an expected slightly better development in passenger numbers at the Group's airports, the Executive Board assumes that the Group EBITDA, EBIT, EBT, and result will lie at the upper level of the range predicted in the 2017 Group management report (forecast in 2017 Annual Report: Group EBITDA of between approximately €1,080 million and approximately €1,110 million, Group EBIT of between approximately €690 million and approximately €720 million, Group EBT between approximately €560 million and approximately €590 million, Group result between approximately €400 million and approximately €430 million).

In addition, the Executive Board expects, thanks to the sale of shares in the Flughafen Hannover-Langenhagen GmbH, to exceed the ranges of the 2018 full year Group's EBITDA, EBIT, EBT, and result. The Executive Board expects the transaction to contribute about €85 million to the Group EBT. From this amount approximately €25 million will impact the Group EBITDA and EBIT of the current fiscal year. The Group's financial result will be positively influenced by about €60 million. After deduction of related income tax liabilities, the transaction will positively impact the Group result by about €77 million (see chapter „Events after the Balance Sheet Date", starting on page 16).

The cash inflow from the completion of the transaction will reduce the Group's net financial debt.

For the Group companies Fortaleza and Porto Alegre, for which operations were taken over as of January 2, 2018, the Executive Board expects a lower EBITDA and EBIT contribution of around €35 million and €20 million, respectively, due to the development of the Brazilian currency in the first half of 2018, depending on the development in the second half of the year (forecast in 2017 Annual Report: EBITDA contribution of around €45 million, EBIT contribution of around €30 million).

Forecasted segment development for 2018

At the end of the first half of 2018, the Executive Board maintains its earnings outlook for the segments for the 2018 full year (see 2017 Group management report, page 126 et seqq.).

For the Retail & Real Estate segment, the Executive Board expects a decrease in retail revenue which will have a reducing effect on the segment revenue (forecast in 2017 Annual Report: Passenger growth to have positive impact on retail revenue). This is expected – mainly due to lower income from the sale of land – to be slightly below the level of the previous year in 2018 (forecast in 2017 Annual Report: more or less stable revenue). Despite the forecasted drop in retail revenue, the Executive Board maintains the forecasts for the EBITDA and EBIT for this segment because of the higher than expected other income compared to the previous year.

In the International Activities & Services segment, a slightly improved development in revenue and result contributions is forecasted for Fraport Greece and the Group companies Twin Star, Fraport Slovenija, and Fraport USA. Thanks to the sale of shares in the Flughafen Hannover-Langenhagen GmbH, the other income of the segment will increase by approximately €25 million (forecast in 2017 Annual Report: significant increase in EBITDA and EBIT). On the other hand, the Executive Board expects a lower EBITDA and EBIT contribution of around €35 million and €20 million, respectively, from Brazil, due to the development of the Brazilian currency in the first half of 2018, depending on the development in the second half of the year (forecast in 2017 Annual Report: EBITDA contribution of approximately €45 million, EBIT contribution of approximately €30 million).

Forecasted non-financial performance indicators for 2018

The Executive Board also confirms its forecast for the development of the non-financial performance indicators in the 2018 fiscal year (see 2017 Annual Report beginning on page 126 et seqq).

Group Interim Financial Statements

Consolidated Income Statement (IFRS)

€ million	6M 2018	6M 2017	Q2 2018	Q2 2017
Revenue	**1,532.2**	**1,355.4**	**850.5**	**762.8**
Change in work-in-process	0.1	0.4	0.0	0.1
Other internal work capitalized	16.2	17.8	7.8	9.8
Other operating income	19.1	14.3	7.2	8.2
Total revenue	**1,567.6**	**1,387.9**	**865.5**	**780.9**
Cost of materials	–432.3	–336.2	–231.0	–180.5
Personnel expenses	–586.0	–550.5	–301.9	–273.5
Other operating expenses	–88.0	–81.2	–46.0	–44.2
EBITDA	**461.3**	**420.0**	**286.6**	**282.7**
Depreciation and amortization	–192.4	–179.3	–100.0	–97.1
EBIT/Operating result	**268.9**	**240.7**	**186.6**	**185.6**
Interest income	13.6	16.0	7.2	7.6
Interest expenses	–102.3	–81.0	–51.8	–46.9
Result from companies accounted for using the equity method	5.0	9.5	18.0	16.1
Other financial result	6.3	5.1	5.3	2.0
Financial result	**–77.4**	**–50.4**	**–21.3**	**–21.2**
EBT/Result from ordinary operations	**191.5**	**190.3**	**165.3**	**164.4**
Taxes on income	–50.7	–53.4	–44.1	–46.3
Group result	**140.8**	**136.9**	**121.2**	**118.1**
thereof profit attributable to non-controlling interests	6.2	8.6	9.7	7.9
thereof profit attributable to shareholders of Fraport AG	134.6	128.3	111.5	110.2
Earnings per €10 share in €				
basic	1.46	1.39	1.21	1.19
diluted	1.45	1.39	1.20	1.19

Consolidated Statement of Comprehensive Income (IFRS)

€ million	6M 2018	6M 2017	Q2 2018	Q2 2017
Group result	**140.8**	**136.9**	**121.2**	**118.1**
Remeasurements of defined benefit pension plans	0.1	0.0	0.0	0.0
Equity instruments measured at fair value	–1.6	0.0	–1.6	0.0
Other comprehensive income of companies accounted for using the equity method	0.1	0.0	0.1	0.0
(deferred taxes related to those items	0.0	0.0	0.0	0.0)
Items that will not be reclassified subsequently to profit or loss	**–1.4**	**0.0**	**–1.5**	**0.0**
Fair value changes of derivatives				
Changes recognized directly in equity	10.9	13.2	11.7	13.2
Realized gains (+)/losses (–)	2.0	2.2	7.6	9.2
	8.9	**11.0**	**4.1**	**4.0**
(deferred taxes related to those items	–2.8	–3.0	–1.4	–0.8)
Debt instruments measured at fair value				
Changes recognized directly in equity	–2.0	2.4	1.9	–1.8
Realized gains (+)/losses (–)	0.0	0.0	0.0	0.0
	–2.0	**2.4**	**1.9**	**–1.8**
(deferred taxes related to those items	0.6	0.7	0.4	0.4)
Currency translation of foreign Group companies				
Changes recognized directly in equity	–23.4	–20.1	–9.5	–16.8
Income and expenses from companies accounted for using the equity method directly recognized in equity				
Changes recognized directly in equity	2.7	–3.6	1.5	–5.6
Realized gains (+)/losses (–)	0.0	0.0	0.0	0.0
	2.7	**–3.6**	**1.5**	**–5.6**
(deferred taxes related to those items	0.0	–0.5	0.0	–0.1)
Items that will be reclassified subsequently to profit or loss	**–16.0**	**–13.1**	**–3.0**	**–20.7**
Other result after deferred taxes	**–17.4**	**–13.1**	**–4.5**	**–20.7**
Comprehensive income	**123.4**	**123.8**	**116.7**	**97.4**
thereof attributable to non-controlling interests	8.3	4.1	13.3	4.0
thereof attributable to shareholders of Fraport AG	115.1	119.7	103.4	93.4

Consolidated Statement of Financial Position (IFRS)

Assets

€ million	June 30, 2018	December 31, 2017
Non-current assets		
Goodwill	19.3	19.3
Investments in airport operating projects	2,647.8	2,621.1
Other intangible assets	130.2	132.4
Property, plant and equipment	5,970.2	5,921.5
Investment property	87.8	96.4
Investments in companies accounted for using the equity method	247.9	268.1
Other financial assets	469.7	488.6
Other receivables and financial assets	193.0	190.9
Deferred tax assets	40.4	41.0
	9,806.3	**9,779.3**
Current assets		
Inventories	27.7	29.3
Trade accounts receivable	202.6	143.5
Other receivables and financial assets	312.8	245.5
Income tax receivables	17.5	5.4
Cash and cash equivalents	624.6	629.4
	1,185.2	**1,053.1**
Non-current assets held for sale	24.5	–
	24.5	**–**
Total	**11,016.0**	**10,832.4**

Liabilities and equity

€ million	June 30, 2018	December 31, 2017
Shareholders' equity		
Issued capital	923.9	923.9
Capital reserve	598.5	598.5
Revenue reserves	2,322.0	2,345.7
Equity attributable to shareholders of Fraport AG	3,844.4	3,868.1
Non-controlling interests	167.9	160.6
	4,012.3	**4,028.7**
Non-current liabilities		
Financial liabilities	3,743.8	3,955.6
Trade accounts payable	42.3	42.4
Other liabilities	1,055.8	1,090.1
Deferred tax liabilities	205.5	203.8
Provisions for pensions and similar obligations	34.3	34.2
Provisions for income taxes	71.4	70.3
Other provisions	166.5	147.2
	5,319.6	**5,543.6**
Current liabilities		
Financial liabilities	950.6	575.4
Trade accounts payable	184.0	185.9
Other liabilities	315.1	249.7
Provisions for income taxes	43.3	33.1
Other provisions	191.1	216.0
	1,684.1	**1,260.1**
Total	**11,016.0**	**10,832.4**

Consolidated Statement of Cash Flows (IFRS)

€ million	6M 2018	6M 2017	Q2 2018	Q2 2017
Profit attributable to shareholders of Fraport AG	**134.6**	**128.3**	**111.5**	**110.2**
Profit attributable to non-controlling interests	6.2	8.6	9.7	7.9
Adjustments for				
Taxes on income	50.7	53.4	44.1	46.3
Depreciation and amortization	192.4	179.3	100.0	97.1
Interest result	88.7	65.0	44.6	39.3
Gains/losses from disposal of non-current assets	–3.1	3.2	1.7	2.8
Others	–15.1	–1.0	–10.5	–0.3
Changes in the measurement of companies accounted for using the equity method	–5.0	–9.5	–18.0	–16.1
Changes in inventories	1.6	7.4	–0.1	7.7
Changes in receivables and financial assets	–75.5	–63.6	–28.8	–31.1
Changes in liabilities	53.2	142.3	61.2	115.4
Changes in provisions	–19.9	–22.1	–15.3	–38.6
Operating activities	**408.8**	**491.3**	**300.1**	**340.6**
Financial activities				
Interest paid	–34.5	–32.9	–24.6	–23.0
Interest received	5.0	7.1	2.3	3.2
Paid taxes on income	–54.1	–59.1	–33.1	–40.3
Cash flow from operating activities	**325.2**	**406.4**	**244.7**	**280.5**
Investments in airport operating projects	–158.7	–1,325.2	–87.0	–1,311.1
Capital expenditure for other intangible assets	–3.5	–3.9	–1.5	–1.4
Capital expenditure for property, plant, and equipment	–196.5	–112.5	–122.7	–59.6
Capital expenditure for "Investment property"	–0.5	–0.4	0.0	–0.2
Investments in companies accounted for using the equity method	0.0	–3.0	0.0	–0.8
Dividends from companies accounted for using the equity method	10.8	2.7	10.2	2.7
Proceeds from disposal of non-current assets	14.1	1.6	0.0	0.7
Cash flow used in investing activities excluding investments in cash deposits and securities	**–334.3**	**–1,440.7**	**–201.0**	**–1,369.7**
Financial investments in securities and promissory note loans	–53.0	–67.6	–10.0	–11.9
Proceeds from disposal of securities and promissory note loans	68.6	107.0	18.0	71.5
Increase/decrease of time deposits with a term of more than three months	19.6	187.8	10.0	3.3
Cash flow used in investing activities	**–299.1**	**–1,213.5**	**–183.0**	**–1,306.8**
Dividends paid to shareholders of Fraport AG	–138.6	–138.5	–138.6	–138.5
Dividends paid to non-controlling interests	–1.1	–2.2	–1.1	–1.0
Capital increase	0.0	2.5	0.0	2.5
Capital contributions for non-controlling interests	0.0	47.1	0.0	0.2
Cash inflow from long-term financial liabilities	2.0	1,065.0	0.0	864.9
Repayment of long-term financial liabilities	–101.3	–259.5	–70.0	–233.1
Changes in current financial liabilities	226.3	112.9	141.5	–62.7
Cash flow used in/from financing activities	**–12.7**	**827.3**	**–68.2**	**432.3**
Changes in restricted cash and cash equivalents	23.7	0.0	23.7	0.0
Change in cash and cash equivalents	**37.1**	**20.2**	**17.2**	**–594.0**
Cash and cash equivalents as at January 1 and April 1	461.0	448.8	476.8	1,061.2
Foreign currency translation effects on cash and cash equivalents	1.4	–13.1	5.5	–11.3
Cash and cash equivalents as at June 30	**499.5**	**455.9**	**499.5**	**455.9**

Consolidated Statement of Changes in Equity (IFRS)

€ million	Issued capital	Capital reserve
As at January 1, 2018	**923.9**	**598.5**
Foreign currency translation effects	–	–
Income and expenses from companies accounted for using the equity method directly recognized in equity	–	–
Remeasurements of defined benefit pension plans	–	–
Equity instruments measured at fair value	–	–
Debt instruments measured at fair value	–	–
Fair value changes of derivatives	–	–
Other result	**–**	**–**
Issue of shares for employee investment plan	–	–
Distributions	–	–
Group result	–	–
Consolidation activities / other changes	–	–
As at June 30, 2018	**923.9**	**598.5**
As at January 1, 2017	**923.6**	**596.3**
Foreign currency translation effects	–	–
Income and expenses from companies accounted for using the equity method directly recognized in equity	–	–
Fair value changes of financial assets available for sale	–	–
Fair value changes of derivatives	–	–
Other result	**–**	**–**
Issue of shares for employee investment plan	0.3	2.2
Distributions	–	–
Group result	–	–
Transactions with non-controlling interests	–	–
Capital contributions Fraport Greece	–	–
Consolidation activities / other changes	–	–
As at June 30, 2017	**923.9**	**598.5**

Revenue reserves	Foreign currency reserve	Financial instruments	Revenue reserves (total)	Equity attributable to shareholders of Fraport AG	Non-controlling interests	Shareholders' equity (total)
2,285.6	**11.4**	**48.7**	**2,345.7**	**3,868.1**	**160.6**	**4,028.7**
–	–25.6	–	–25.6	–25.6	2.2	–23.4
0.1	2.6	0.1	2.8	2.8	–	2.8
0.1	–	–	0.1	0.1	–	0.1
–	–	–1.6	–1.6	–1.6	–	–1.6
–	–	–1.4	–1.4	–1.4	–	–1.4
–	–	6.2	6.2	6.2	–0.1	6.1
0.2	**–23.0**	**3.3**	**–19.5**	**–19.5**	**2.1**	**–17.4**
–	–	–	–	–	–	–
–138.6	–	–	–138.6	–138.6	–1.1	–139.7
134.6	–	–	134.6	134.6	6.2	140.8
–0.2	–	–	–0.2	–0.2	0.1	–0.1
2,281.6	**–11.6**	**52.0**	**2,322.0**	**3,844.4**	**167.9**	**4,012.3**
2,136.2	**58.9**	**25.3**	**2,220.4**	**3,740.3**	**101.1**	**3,841.4**
–	–15.6	–	–15.6	–15.6	–4.5	–20.1
–	–6.4	2.3	–4.1	–4.1	–	–4.1
–	–	3.1	3.1	3.1	–	3.1
–	–	8.0	8.0	8.0	–	8.0
–	**–22.0**	**13.4**	**–8.6**	**–8.6**	**–4.5**	**–13.1**
–	–	–	–	–	–	2.5
–138.5	–	–	–138.5	–138.5	–2.2	–140.7
128.3	–	–	128.3	128.3	8.6	136.9
–28.4	–	–	–28.4	–28.4	–	–28.4
–	–	–	–	–	47.1	47.1
–2.7	–	–	–2.7	–2.7	–0.7	–3.4
2,094.5	**36.9**	**38.7**	**2,170.5**	**3,692.9**	**149.4**	**3,842.3**

Segment Reporting (IFRS)

€ million		Aviation	Retail & Real Estate	Ground Handling	International Activities & Services	Reconciliation	Group
Revenue	6M 2018	478.3	241.3	325.2	487.4	–	**1,532.2**
	6M 2017	449.5	268.2	308.4	329.3	–	**1,355.4**
Other income	6M 2018	13.7	11.4	4.8	5.5	–	**35.4**
	6M 2017	12.5	9.5	5.2	5.3	–	**32.5**
Income with third parties	**6M 2018**	**492.0**	**252.7**	**330.0**	**492.9**	**–**	**1,567.6**
	6M 2017	**462.0**	**277.7**	**313.6**	**334.6**	**–**	**1,387.9**
Inter-segment income	6M 2018	40.7	104.6	22.4	195.4	–363.1	**–**
	6M 2017	40.0	104.4	23.5	196.6	–364.5	**–**
Total income	**6M 2018**	**532.7**	**357.3**	**352.4**	**688.3**	**–363.1**	**1,567.6**
	6M 2017	**502.0**	**382.1**	**337.2**	**531.2**	**–364.5**	**1,387.9**
EBITDA	**6M 2018**	**120.7**	**182.1**	**12.7**	**145.8**	**–**	**461.3**
	6M 2017	**100.8**	**193.7**	**11.9**	**113.6**	**–**	**420.0**
Depreciation and amortization of segment assets	6M 2018	65.5	42.7	20.7	63.5	–	**192.4**
	6M 2017	61.5	43.2	20.6	54.1	–	**179.3**
Segment result EBIT	**6M 2018**	**55.2**	**139.4**	**–8.0**	**82.3**	**–**	**268.9**
	6M 2017	**39.3**	**150.5**	**–8.7**	**59.5**	**–**	**240.7**
Carrying amounts of segment assets	December 31, 2018	3,771.4	2,263.6	585.4	4,337.8	57.8	**11,016.0**
	December 31, 2017	3,669.0	2,319.6	586.9	4,210.5	46.4	**10,832.4**

Selected Notes

Accounting and Valuation Methods

The 2017 consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRS IC) as applicable in the European Union. These abbreviated interim financial statements of the Fraport Group for the period ending June 30, 2018 have been prepared in accordance with IAS 34. As far as they apply to the Fraport Group, all official bulletins of the IASB as at January 1, 2018 have been taken into account. The interim report also meets the requirements of German Accounting Standard No. 16 (GAS 16) on interim financial reporting.

With respect to the accounting and valuation methods applied in Group accounting, please see the 2017 Annual Report (see 2017 Annual Report beginning on page 148).

The interim financial statements were not reviewed or audited by an independent auditor.

The accounting and measurement of financial instruments under IFRS 9 superseded IAS 39 “Financial Instruments: Recognition and Measurement” on January 1, 2018. IFRS 9 introduces a standardized approach to categorizing and measuring financial assets on the basis of their cash flow characteristics and of the business models according to which they are managed. In principle, IFRS 9 provides for the following models for debt instruments: “Hold to obtain contractual cash flows”, “hold and sell” and “intention to trade”.

Debt instruments previously assigned to the “loans and receivables” category are now reported in the “hold to obtain contractual cash flows” model. Debt instruments previously assigned to the “available for sale” category are now assigned to the “hold and sell” model. These changes have no effect. No debt instruments will be assigned to the “intention to trade” model at Fraport in future. In this respect, there is no impact on the accounting for debt instruments at Fraport. Material changes to future transactions arise for other investments previously assigned to the “available for sale” category. In the future, these can no longer be recycled in the income statement when interests are sold. For financial assets, impairments are now to be reported based on expected losses, rather than waiting until losses have occurred. These changes do not have any material impact on the consolidated financial statements. The categorization and measurement of financial liabilities essentially remains unchanged, with no material changes. For liabilities designated at fair value, changes to the fair value, provided that they are due to changes in own credit risk, are no longer recorded in the income statement but rather under other comprehensive income. No liabilities are currently designated at fair value in the Fraport Group, so this did not result in any changes. For the recognition of hedge accounting, IFRS 9 contains new regulations geared towards a company’s risk management activities, particularly in relation to the management of non-financial risks. In hedge accounting, the application of IFRS 9 has not had a material impact on the Fraport Group.

Beginning in fiscal year 2018, fixed concession payments will be allocated to cash flow used in investing activities in the consolidated statement of cash flows (previously this was allocated to cash flow from operating activities). The previous year figures were adjusted accordingly (6M 2018: €33.7 million, 6M 2017: €17.1 million).

Disclosures on Carrying Amounts and Fair Values

The following tables show the carrying amounts and fair values of financial instruments as at June 30, 2018, and December 31, 2017, respectively:

Financial instruments as at June 30, 2018

€ million	Carrying Amount				Fair Value	Measurement categories pursuant to IFRS 13		
	Measured at amortized costs	FVOCI (without recycling)	FVOCI (with recycling)	FVTPL		Level 1 Quoted prices	Level 2 Derived prices	Level 3 Prices that cannot be derived
Financial assets								
Cash and cash equivalents	624.6				624.6	n.a.	n.a.	n.a.
Trade accounts receivable	202.6				202.6	n.a.	n.a.	n.a.
Other financial receivables and assets	94.6				119.8		70.8	49.0
Current securities			99.5		99.5	79.5	20.0	
Other financial assets								
Non current Securities			267.1		267.1	267.1		
Other investments		103.7			103.7			103.7
Loans to joint ventures	21.3				21.3		21.3	
Loans to associated companies	84.8				109.9			109.9
Other loans	3.7				3.7		3.7	
Total	**1,031.6**	**103.7**	**366.6**	**0.0**	**1,552.2**	**346.6**	**115.8**	**262.6**
Financial liabilities								
Trade accounts payable	226.3				230.2		230.2	
Other financial liabilities	1,056.6				1,318.9		1,318.9	
Financial liabilities	4,694.4				4,844.5	1,053.9	3,790.6	
Liabilities from finance leases	7.2				7.6		7.6	
Derivative financial liabilities								
Hedging derivatives [1]					18.6		18.6	
Other derivatives				16.6	16.6		16.6	
Share option				48.0	48.0			48.0
Total	**5,984.5**	**0.0**	**0.0**	**64.6**	**6,484.4**	**1,053.9**	**5,382.5**	**48.0**

[1] Hedge accounting.

Financial instruments as at December 31, 2017

€ million	Measured at amortized costs		Measured at fair value	December 31, 2017
Measurement category according to IAS 39	Loans and Receivables		Available for Sale	Total fair value
	Carrying amount	Fair value	Carrying amount[1]	
Financial assets				
Cash and cash equivalents	629.4	629.4		629.4
Trade accounts receivable	143.5	143.5		143.5
Other financial receivables and assets	110.2	134.5	98.2	232.7
Other financial assets				
Securities			271.7	271.7
Other investments			105.3	105.3
Loans to joint ventures	12.8	12.8		12.8
Loans to associated companies	84.8	109.0		109.0
Other loans	14.0	14.0		14.0
Total	**994.7**	**1,043.2**	**475.2**	**1,518.4**

	Measured at amortized costs		Measured at fair value		Total fair value
Measurement category according to IAS 39	Other financial liabilities		Held for Trading	Hedging derivatives	
	Carrying amount	Fair value	Carrying amount[1]	Carrying amount[1]	
Financial liabilities					
Trade accounts payable	228.3	233.0			233.0
Other financial liabilities	1,042.2	1,295.1			1,295.1
Financial liabilities	4,531.0	4,702.2			4,702.2
Derivative financial liabilities					
Hedging derivatives				27.6	27.6
Other derivatives			19.1		19.1
Share option			50.2		50.2
Total	**5,801.5**	**6,230.3**	**69.3**	**27.6**	**6,327.2**

[1] The carrying amount equals the fair value of the financial instrument.

The carrying amount of leasing liabilities as at December 31, 2017 was €8.6 million, the fair value at this time was €9.2 million.

As at December 31, 2017, the financial instruments recognized at fair value in the statement of financial position were assigned to the following measurement categories of the hierarchy defined in IFRS 13:

Measurement categories pursuant to IFRS 13

€ million	December 31, 2017	Level 1 Quoted prices	Level 2 Derived prices	Level 3 Prices that cannot be derived
Financial assets				
Other financial receivables and financial assets				
Available for sale	98.2	98.2		
Loans and receivables	134.5		85.8	48.7
Other financial assets				
Securities	271.7	271.7		
Other investments	105.3			105.3
Loans to joint ventures	12.8		12.8	
Loans to associated companies	109.0			109.0
Other loans	14.0		14.0	
Total	**745.5**	**369.9**	**112.6**	**263.0**
Financial liabilities				
Trade accounts payable	233.0		233.0	
Other financial liabilities	1,295.1		1,295.1	
Financial liabilities	4,702.2	948.0	3,754.2	
Liabilities from finance leases	9.2		9.2	
Derivative financial liabilities				
Derivatives without hedging relationships	19.1		19.1	
Derivatives with hedging relationships	27.6		27.6	
Share option	50.2			50.2
Total	**6,336.4**	**948.0**	**5,338.2**	**50.2**

Given the short maturities, the carrying amounts of cash and cash equivalents, trade accounts receivable, and current other financial receivables and assets as at the reporting date correspond to the fair value.

The fair values of listed securities are identical to the stock market prices on the reporting date. The valuation of unlisted securities was based on market data applicable on the valuation date using reliable and specialized sources and data providers. The values are determined using established valuation models.

The derivative financial instruments relate to interest rate hedging transactions, two of which contain floors. The fair values of these interest swaps are determined on the basis of discounted future expected cash flows, using market interest rates corresponding to the terms to maturity. The calculation of the fair market value of the floors is based on a standard option pricing model.

In order to determine the fair value of financial liabilities, the future expected cash flows are determined and discounted based on the yield curve on the reporting date. The market-driven and maturity-linked risk premium of the respective borrower as at the reporting date is added to the cash flows.

The fair values of loans to joint ventures and associated companies, as well as other non-current financial assets, are determined as the present value of future cash flows. Discounting was applied using the current maturity-linked interest rate as at the balance sheet date. The fair values of the loans are generally affected by the cash flow forecasts and interest rate developments.

The carrying amounts of other loans correspond to the respective fair values. Some of the other loans are subject to a market interest rate, and their carrying amounts therefore represent a reliable valuation for their fair values. Another part of the other loans is reported at present value as at the balance sheet date. The remaining other loans are promissory note loans with a remaining term of less than three years. Due to the lack of an active market, no information is available on the risk premiums of their respective issuers. As the promissory note loans are mainly floating interest rate loans, their carrying amounts were used as the most reliable value for their fair values.

The fair values of leasing liabilities are calculated by discounting the expected future cash flows based on current interest rates for similar financial liabilities with a comparable maturity.

Non-current liabilities are recognized at their present value. To determine fair value, the respective cash outflows are discounted at interest rates with similar terms and with the Fraport credit risk as at the reporting date. The carrying amounts of current liabilities are equal to the fair value. There is a general interest rate risk for fixed-interest loans that are extended at the ends of their terms.

The other investments assigned to level 3 are recognized at fair value and valued using a discounted cash flow method. The shareholders' equity option assigned to level 3 is recognized at fair value and valued using an option pricing model. For this model, the referenced company value is derived using a discounted cash flow method that takes into account the contractually agreed option prices over the option's term as well as volatilities.

For the calculation of the fair value, the significant input factors that are not observable for the level 3 fair value are the forecasted cash flows (future receipts and planned investments) and also the discount factor applied. The discount factor used was the WACC (country-specific, weighted average capital cost after taxes). The valuation of the equity option is made in euros and other investments in foreign currencies.

Fair value hierarchy level 3 reconciliation (values determined using valuation techniques) (June 30, 2018)

€ million	January 1, 2018	Additions	Gains/losses in income statement	Transfers into level 3	Gains/losses in OCI	June 30, 2018
Share option	–50.2	–	2.2	–	–	–48.0
Other investments	105.0	–	–	–	–1.5	103.5

As at December 31, 2017, the following reconciliation of Level 3 fair values resulted:

Fair value hierarchy level 3 reconciliation (values determined using valuation techniques) (December 31, 2017)

€ million	January 1, 2017	Additions	Gains/losses in income statement	Transfers into level 3	Gains/losses in OCI	December 31, 2017
Share option	–	–40.9	–9.3	–	–	–50.2
Other investments	–	–	–	104.5	0.5	105.0

If the assumptions are changed, the following fair values would result:

Sensitivities (June 30, 2018)

€ million					Sensitivities with regard to unobservable input parameters		Currency rate sensitivity (INR)
			Discount rate		Growth forecasts		
		+0,5%	–0,5%	+0,5%	–0,5%	+0,5%	–0,5%
Share option	7.1%	–33.7	–64.1	–50.2	–45.8	n.a.	n.a.
Other investments	12.0%	86.3	122.8	107.1	99.9	103.0	104.0

The sensitivities of the fair values were determined as at December 31, 2017 as follows:

Sensitivities (December 31, 2017)

€ million					Sensitivities with regard to unobservable input parameters		Currency rate sensitivity (INR)
			Discount rate		Growth forecasts		
		+0,5%	–0,5%	+0,5%	–0,5%	+0,5%	–0,5%
Share option	6.8%	–34.7	–67.6	–52.5	–47.9	n.a.	n.a.
Other investments	11.9%	89.5	122.6	106.9	102.8	104.5	105.6

Information on Revenue

Revenue

€ million	6M 2018	6M 2017
Aviation		
Airport charges	383.1	368.7
Security services	71.7	59.6
Other revenue	23.5	21.2
	478.3	**449.5**
Retail & Real Estate		
Real Estate	93.4	97.1
Retail	94.8	98.7
Parking	47.8	42.0
Other revenue	5.3	30.4
	241.3	**268.2**
Ground Handling		
Ground services	166.9	155.5
Infrastructure charges	152.1	145.6
Other revenue	6.2	7.3
	325.2	**308.4**
International Activities & Services	**487.4**	**329.3**
Total	**1,532.2**	**1,355.4**

We refer to the Group interim management report, chapter "Results of operations" for explanations about Group or segment revenue.

Of the revenue for the International Activities & Services segment, €209.7 million (6M 2017: €153.8 million) can be attributed to the aviation sector, and €184.0 million (6M 2017: €165.3 million) to the non-aviation business. In addition, this segment includes revenue based on the application of IFRIC 12 totaling €93.7 million (6M 2017: €10.2 million).

Companies included in Consolidation

At the start of the year, five additional airports took equal shares in Flughafen Parken GmbH, as planned at the time of its founding.

The sale and deconsolidation of the subsidiary had no significant effect on the Group interim financial statements.

As at June 30, 2018, a total of 73 companies including associates were consolidated in the Fraport Group.

Disclosures on Related Parties

There were no material changes arising regarding type and scope as at June 30, 2018. There continue to exist, as reported in the Group Notes to the 2017 Annual Report in Note 47 (see 2017 Annual Report, page 210 et seqq.), many business relationships with related companies and persons, which continue to be maintained unchanged at arm's length conditions.

Disclosures on the Procedure for Determining Taxes on Income

In the interim reporting period, taxes on income are recognized on the basis of the best estimates made for the weighted average annual income tax rate expected for the full year.

Disclosures on the Calculation of Earnings per Share

The calculation of earnings per share was based on the following parameters:

Earnings per share

	6M 2018 basic	6M 2018 diluted	6M 2017 basic	6M 2017 diluted
Group result attributable to shareholders of Fraport AG in € million	134.6	134.6	128.3	128.3
Weighted number of shares	92,391,339	92,741,339	92,363,530	92,593,308
Earnings per €10 share in €	1.46	1.45	1.39	1.39

	Q2 2018 basic	Q2 2018 diluted	Q2 2017 basic	Q2 2017 diluted
Group result attributable to shareholders of Fraport AG in € million	111.5	111.5	110.2	110.2
Weighted number of shares	92,391,339	92,741,339	92,370,006	92,620,578
Earnings per €10 share in €	1.21	1.20	1.19	1.19

Disclosures on the Development of Shareholders' Equity

The breakdown and development of shareholders' equity from January 1 to June 30, 2018 is presented in the statement of changes in equity in the Group interim financial statements as at June 30, 2018. The statement of changes in equity also shows the development for the previous year.

Disclosures on Contingent Liabilities and Other Financial Obligations

Compared to December 31, 2017, order commitments related to capital expenditure on non-current assets increased by €292.4 million from €330.5 million to €622.9 million as at June 30, 2018. The increase is due in part to the Expansion South project, primarily related to the construction of Terminal 3. Other financial commitments have increased by €161.3 million, due to a concession for the operation of gastronomy and retail areas of Terminal 5 at the John F. Kennedy International Airport in New York, taken over in the second quarter of 2018. The resulting rights and obligations will be accounted for under IFRS 16 as rights of use and lease liabilities as of January 1, 2019. No substantial changes have occurred to contingent liabilities as at June 30, 2018 compared to December 31, 2017.

New standards, Interpretations, and Changes

The adoption of new rules under IFRS 15 (Revenue from contracts with customers) did not result in any effects on the timing or value of the revenue included in the consolidated financial statements.

The application of IFRS 16 as of January 1, 2019 will lead, based on the current analysis, to a shift in the Group result KPIs EBITDA (+) and EBT (–) in the amount of €30 million to €40 million. Group result will worse by around €1 million to €5 million. Total assets, as a result of the application of rights of use and corresponding liabilities, will increase in the amount of €200 million to €300 million. There will be no impact on net financial debt.

Responsibility Statement

To the best of our knowledge, in accordance with the applicable accounting principles for interim financial reporting, the Group interim financial statements give a true and fair view of the asset, financial, and earnings position of the Group. Furthermore, the Group interim management report presents the business development, including the business performance and situation of the Group, in such a way as to give a true and fair view and describes the material opportunities and risks associated with the expected development of the Group for the remaining fiscal year.

Frankfurt/Main, August 8, 2018

Fraport AG

Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte	Giesen	Müller	Dr. Zieschang

Further information on the accounting and valuation methods used can be found in the most recent annual report at http://www.fraport.com/en/investor-relations/events-und-publications/publications.html

Financial Calendar 2018/2019

Wednesday, November 7, 2018
Interim Release Q3/9M 2018, online publication,
conference call with analysts and investors

Tuesday, March 19, 2019
2018 Annual Report, online publication,
conference call with analysts and investors

Wednesday, May 8, 2019
Interim Release Q1 2019, online publication,
conference call with analysts and investors

Tuesday, May 28, 2019
Annual General Meeting 2019,
Frankfurt/Main, Jahrhunderthalle

Friday, May 31, 2019
Dividend payment

Wednesday, August 7, 2019
Interim Report Q2/6M 2019, online publication,
conference call with analysts and investors

Thursday, November 7, 2019
Interim Release Q3/9M 2019, online publication,
conference call with analysts and investors

Traffic Calendar 2018/2019
(Online publication)

Monday, August 13, 2018
July 2018

Thursday, September 13, 2018
August 2018

Friday, October 12, 2018
September 2018/9M 2018

Tuesday, November 13, 2018
October 2018

Thursday, December 13, 2018
November 2018

Tuesday, January 15, 2019
December 2018/FY 2018

Wednesday, February 13, 2019
January 2019

Wednesday, March 13, 2019
February 2019

Friday, April 12, 2019
March 2019/3M 2019

Tuesday, May 14, 2019
April 2019

Friday, June 14, 2019
May 2019

Friday, July 12, 2019
June 2019/6M 2019

Tuesday, August 13, 2019
July 2019

Friday, September 13, 2019
August 2019

Monday, October 14, 2019
September 2019/9M 2019

Wednesday, November 13, 2019
October 2019

Friday, December 13, 2019
November 2019

Wednesday, January 15, 2020
December 2019/FY 2019

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www.fraport.com

Contact Investor Relations
Fraport AG
Christoph Nanke
Finance & Investor Relations
Telefon: + 49 69 690-74840
Telefax: + 49 69 690-74843
E-Mail: investor.relations@fraport.de
www.meet-ir.de

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Rounding
The use of rounded amounts and percentages means
slight discrepancies may occur due to
commercial rounding.