Annual Report 2018

Gute Reise! We make it happen

Fraport

The 2018 Fiscal Year at a Glance

Financial performance indicators

€ million	2018	2017	Change in %
Revenue	3,478.3	2,934.8	+18.5
Revenue adjusted for IFRIC 12	3,118.8	2,893.1	+7.8
EBITDA	1,129.0	1,003.2	+12.5
EBIT	730.5	643.0	+13.6
EBT	670.4	506.1	+32.5
Group result	505.7	359.7	+40.6
Profit attributable to shareholders of Fraport AG	473.9	330.2	+43.5
Earnings per share (basic) (€)	5.13	3.57	+43.7
Year-end closing price of the Fraport share (€)	62.46	91.86	–32.0
Dividend per share (€)[1)]	2.00	1.50	+33.3
Operating cash flow	802.3	818.7[2)]	–2.0
Free cash flow	6.8	393.1	–98.3
Total assets	11,449.1	10,832.4	+5.7
Shareholders' equity	4,368.0	4,028.7	+8.4
Group liquidity	1,163.2	1,018.6	+14.2
Net financial debt	3,545.4	3,512.4	+0.9
Return on revenue (%)	19.3	17.2	–
Return on shareholders' equity (%)	11.9	8.9	–
EBITDA margin (%)	32.5	34.2	–
EBIT margin (%)	21.0	21.9	–
ROCE (%)	11.4	9.6	–
ROFRA (%)	11.1	10.0	–
Gearing ratio (%)	88.7	94.2	–

Non-financial performance indicators

	2018	2017	Change
Global satisfaction of passengers (Frankfurt) (%)	86	85	+1 PP
Baggage connectivity (Frankfurt) (%)	98.4	98.5	–0.1 PP
Employee satisfaction	2.76	2.85	+0.09
Women in management positions (Germany) (%)	26.0	28.0	–2.0 PP
Sickness rate (%)	7.4	7.5	–0.1 PP
CO_2 emissions (t)	244,029	209,668	34,361

Employees

	2018	2017	Change in %
Average number of employees	21,961	20,673	+6.2
Employees as at the balance sheet date	23,299	22,024	+5.8
Employees in joint ventures	2,629	2,574	+2.1

1) Proposed dividend (2018).
2) Value adjusted for new definition (see chapter "Statement of cash flows").

Contents

To Our Shareholders

Letter of the CEO

Dear Shareholders,

2018 was an exceptional year for air transport in Europe in every respect. We welcomed more than 69.5 million passengers to Frankfurt Airport, an increase of over five million travelers or 7.8 percent compared to the previous year. This significant growth underscores the appeal of our home location. Yet it also involved some challenges: in particular, long waiting times at the security checkpoints in Frankfurt and other major airports in Germany caused stress among passengers from all over the world. The number of late and canceled flights has also risen sharply across Europe due to the high utilization of air space. This applies to Frankfurt as well as other larger airports and hubs. Throughout the industry, there was no light without shadows. All stakeholders agree that we need common solutions to improve reliability and punctuality in air traffic again. Airports, airlines, air traffic control, official bodies, and politicians are working on this.

For me personally, the satisfaction of our customers is the top priority. This is why we initiated a range of measures last year. Additional staff were hired in the security division and we will continue to strengthen our resources this year. The German Federal Police are testing more efficient checkpoints in order to increase the number of passengers checked per hour. It is encouraging that the initial results from the tests are positive and that more passengers can be checked per hour than with conventional checkpoint lanes. This is certainly an area where we urgently need to catch up. Germany ranks poorly by European standards. We are prepared to accept more responsibility in this respect, including investments in control technology. Checks need to become more efficient and processes more flexible. The government has taken the right step by putting this issue on the agenda in the coalition agreement. Only by working together can we eliminate the shortcomings on a permanent basis. I would like to take this opportunity to particularly thank all our employees and partners for their dedication and commitment over the past year.

The enormous passenger demand once again underlines the importance of investments in airports as a key component of public infrastructure. Progress is being made with the construction of Terminal 3 and its three piers, G, H, and J, in the south of the airport. Pier G is expected to be available for the 2021 winter flight schedule, while the other Terminal 3 piers will follow from the end of 2023. Last year, the City of Frankfurt granted the building permit for pier G. This will be constructed as a fully-fledged terminal building and integrated into Terminal 3 in the future. We are also making progress as planned with starting construction of the main building. In January of this year, work began on the structure of pier H. In addition, the go-ahead for the structural work on pier J will be given as the year progresses.

Sustainability and value retention are parameters that also apply to our commitment outside Frankfurt. Let's take a look at the development of our Group airports worldwide. Almost all airports achieved record levels of passenger numbers last year. In Antalya, for example, we welcomed more than 32 million passengers, more than ever before in the airport's history. Due to the consistently positive development, the International Activities and Services segment is the largest single segment in terms of operating earnings (EBITDA) for the first time in the history of the Fraport Group. This shows that our strategy of continuously developing the international portfolio and generating stable long-term returns is proving to be successful.

I am particularly satisfied with the development of the two Brazilian airports, Porto Alegre and Fortaleza. In the first year after the operational take-over, we were able to increase passenger numbers by a total of 7 percent to almost 15 million. With the planned expansions, we will further increase the importance of the two airports as economic contributors and location factors for all stakeholders involved, as well as for the respective regions. We are investing primarily in the renovation and expansion of terminals and airport infrastructure. Both the expansion projects and the overall management of the two airports are coordinated from a headquarters in Porto Alegre. This creates synergies and increases efficiency, as we have already demonstrated in Greece. There, we operate the 14 airports from the headquarters in Athens. We also saw strong development in that country last year. We welcomed almost 30 million passengers at the 14 regional airports, 8.9 percent more than in 2017. The expansion and modernization measures in Greece are progressing as planned. At the largest airport in our portfolio, Thessaloniki, construction of a new terminal began last year, for example. In addition, we will complete the first construction projects at three airports in 2019, including the redesign of attractive service and retail offers.

The fourth major expansion project that we are currently pressing ahead with in the Fraport Group is now also entering its crucial phase. At the airport in Lima, we are building another runway and a new passenger terminal. This will create capacity for further growth. As you, our esteemed shareholders, are aware, we prefer to acquire a majority stake in our investments, or at least exert a significant influence on the operating companies. This enables us to optimize our operations and further develop the airports over the long term. Yet the sale of our shares in Hanover Airport for around 109 million Euros last year shows that we are also successful in developing minority-owned airports and generating an increase in value.

In line with the positive Group-wide development of passenger numbers, the 2018 fiscal year was also a financial success for your company. We have achieved all our targets and, at a Group level, your company generated EBITDA of 1,129 million Euros and EBIT of around 731 million Euros. The Group result amounted to nearly 506 million Euros.

On this basis, the Supervisory Board and Executive Board of Fraport AG will propose to you, our esteemed shareholders, that the dividend per share be increased by 0.50 Euros to 2.00 Euros at the Annual General Meeting in May. The employees of Fraport AG, who again received employee shares last year, are participating in the positive development of the company and will additionally receive a profit-sharing bonus.

At this point and on behalf of my colleagues on the Executive Board, I would like to express my sincere thanks to our employees across the entire Group. It is due to their daily commitment that we have achieved such an outstanding result despite the challenges we face.

Looking ahead: Our company continues to face a wide range of challenges. We have put organizational measures in place to be ready for the future. Dr. Pierre Dominique Prümm will be appointed to the Executive Board effective July 1 of this year. As Executive Director Aviation and Infrastructure, he will be responsible for airside and terminal management as well as the development of infrastructure in the northern part of the Frankfurt airport, in particular, Terminals 1 and 2. A part of this will also be developing utilization concepts for the airlines in each terminal with a view towards the inauguration of Terminal 3.

How do we see the financial development in the current year? After significant growth in 2017 and 2018, we expect growth to be weaker in the 2019 fiscal year, but still robust. At the Frankfurt site, we expect passenger numbers to grow by between about 2 percent and roughly 3 percent. We also expect an overall positive development at our international airports. With regard to the development of our key financial performance indicators, we expect Group EBITDA in the range of around 1,160 million Euros and approximately 1,195 million Euros, with Group EBIT of between about 685 million Euros and around 725 million Euros. We forecast the Group result to lie in a range between around 420 million Euros and about 460 million Euros.

I look forward to welcoming you again to this year’s AGM on May 28, 2019 at the Jahrhunderthalle in Frankfurt/Main and I hope you enjoy reading the Annual Report. We hope you will continue to keep us in high regard and continue to place your trust in us.

Sincerely yours,

Stefan Schulte

The Fraport Executive Board

Michael Müller
Executive Director
Labor Relations
Born in 1957
Appointed until
September 30, 2022

Anke Giesen
Executive Director
Operations
Born in 1963
Appointed until
December 31, 2022

Dr. Stefan Schulte
Chairman of the Executive Board
Born in 1960
Appointed until
August 31, 2024

Dr. Matthias Zieschang
Executive Director
Controlling and Finance
Born in 1961
Appointed until
March 31, 2022

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board performed all the tasks incumbent on it under law, the company statutes, and rules of internal procedure, and continuously monitored the management of the company in fiscal year 2018. The Supervisory Board regularly obtained timely and comprehensive information from the Executive Board, in writing and orally, on the proposed business policies, fundamental questions concerning future management and corporate planning, the situation and development of the company and the Group as well as significant business transactions, and consulted with the Executive Board on these matters. Deviations in the development of business from the planning were explained in detail to the Supervisory Board. Based on the reports of the Executive Board, the Supervisory Board extensively discussed the business transactions of significance to the company. The Supervisory Board harmonized the strategic alignment of the company with the Executive Board. In addition, the Chairman of the Executive Board maintained regular contact with the Chairman of the Supervisory Board and informed him about the current developments concerning the business situation as well as substantial business transactions. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. Where required by law, the company statutes, or rules of internal procedure, the Supervisory Board voted on the relevant proposals made by the Executive Board after having thoroughly examined and consulted on those matters.

During the reporting period, the Supervisory Board convened four ordinary meetings, one extraordinary meeting, one constituent meeting, and one special session.

All members of the Supervisory Board participated in more than half of the meetings of the Supervisory Board and of the committees of which they are members.

Focal points of discussions of the Supervisory Board

The business development of the Fraport Group and its Group companies, with an emphasis on the traffic and earnings development at Frankfurt Airport and the business development of important airlines for the Frankfurt site were the subject of regular discussions by the Supervisory Board.

The Supervisory Board also covered the progress in the expansion to the south of the Airport site on an ongoing basis. The Executive Board of the Group company Fraport Ausbau Süd GmbH took part in the June and December meetings of the investment and capital expenditure committee and the Supervisory Board.

Apart from this regular reporting, the following matters were extensively discussed in particular:

> In 2018, the Supervisory Board once again obtained information on the various measures and initiatives to improve active and passive noise abatement at Frankfurt Airport, with a particular focus on the agreement concluded at the end of 2017 on implementing an upper noise limit. This agreement stipulates that the expected aircraft noise pollution must be significantly lower than the levels forecast in the zoning decision of December 18, 2007 in the event that expansion is approved, when the forecast number of aircraft movements, 701,000 per year, will be reached. For this purpose, the partners to the agreement prepared a monitoring report for the first time, which found that the airport complied with the upper noise limit in 2017. In the context of the reporting on the noise problem, progress reports were also regularly conducted on the roof protection and outdoor living area compensation programs.

> In the capital expenditure reporting, the Supervisory Board was also informed about construction-related capital expenditure on energy efficiency and environmental protection at the Frankfurt site. In addition to new construction projects, this expenditure also includes upgrading the technical facilities in the existing buildings, with the clear aim of avoiding CO_2 emissions and improving energy efficiency. E-mobility within the Fraport vehicle fleet is also being advanced with this objective.

> Significant attention in the reporting was also given to the challenges associated with the strong passenger growth at the Frankfurt site. In this regard, efforts for the increased assumption of management responsibility at security control points were presented.

- In addition, the Supervisory Board was informed about the ongoing talks with Deutsche Lufthansa in terms of deepening the system partnership in Frankfurt.
- Detailed reports were once more provided on the progress of the projects to utilize new communication media for passenger retention and to promote retail activities, which were commenced in 2015.
- An incident in May 2018 led to a decision to take a closer look at the topic of IT security. In addition, the Supervisory Board was also informed about the implementation of the new EU General Data Protection Regulation.
- In the context of its monitoring of the international business, the Supervisory Board followed, among other things, the progress of the takeover of the Brazilian airports in Fortaleza and Porto Alegre.
- In addition, the Supervisory Board dealt with the financial statements and management reports of the company and the Group as at December 31, 2017, as well as the 2017 Annual Report.

Furthermore, the Supervisory Board made specific decisions on the following subjects, among others:

- On March 15, 2018, the Supervisory Board adopted the agenda for the ordinary Annual General Meeting on May 29, 2018 and, in this respect, also approved the proposal of the nomination committee regarding the shareholder representatives for election to the Supervisory Board. Furthermore, the Supervisory Board again decided to propose to the AGM that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be appointed as the auditor for fiscal year 2018.
- During an extraordinary meeting on May 25, 2018, the Supervisory Board approved the sale of Fraport shares in Flughafen Hannover-Langenhagen GmbH, which was completed in October 2018.
- After corresponding preliminary discussions in the investment and capital expenditure committee, on June 25, 2018, the Supervisory Board approved the early extension of a partial hereditary building rights agreement regarding the Sheraton Hotel at Frankfurt Airport.

> Also after preliminary discussions in the investment and capital expenditure committee, the Supervisory Board redefined its decision from 2011 with respect to a sale of Fraport shares in Delhi International Airport Ltd. in India, which continues to be targeted.
> In connection with the implementation of the CSR Directive, on September 7, 2018, the Supervisory Board once again decided to conduct an independent review of CSR reporting by an external auditor.
> After the Bulgarian Government once again initiated efforts to privatize Sofia Airport, on December 10, 2018, the Supervisory Board agreed to submit a tender based on the recommendation of the investment and capital expenditure committee
> Likewise, on December 10, 2018 the Supervisory Board also approved the 2019 Business Plan.

As part of its strategy session at the beginning of September 2018, the Supervisory Board focused on the market development in the aviation sector, paying particular attention to trends and challenges in Europe, Germany, and Frankfurt.

Another focus was the development and organization of international business activities, in particular the market development and expansion activities at Lima Airport in Peru and the airports in Brazil were considered.

Work of the committees

The Supervisory Board continued its successful work with the committees it had formed to increase efficiency and to prepare for the Supervisory Board meetings. In individual appropriate cases and in accordance with law, decision-making powers of the Supervisory Board were granted to the committees. The chairpersons of the committees provided regular reports at the next Supervisory Board meeting to the plenum of the Supervisory Board on the work of the committees. The composition and responsibilities of the individual committees can be found in the chapter “Joint Statement on Corporate Governance and Corporate Governance Report” as well as on the Group’s website www.fraport.com/corporategovernance.

The **finance and audit committee** met six times during the reporting period and discussed substantial business transactions, the annual and consolidated financial statements, the management reports and the recommendation to the AGM for the appropriation of profit and for the amount of the dividend. Representatives of the auditor often participated in the meetings on individual agenda items. The finance and audit committee prepared the determination of the focal points of the 2018 fiscal year audit of accounts for the Supervisory Board. The half-year interim report and the other interim releases were discussed in detail prior to their publication. Comments were also made on the 2019 Business Plan of Fraport AG (prepared in accordance with the German Commercial Code, HGB) and the 2019 Group Plan (prepared in accordance with IFRS). Furthermore, the committee dealt with the awarding of the audit mandate to the auditor and made a proposal to the plenum for the election of the auditor for fiscal year 2018. In this context, the auditor’s confirmation of independence pursuant to Section 7.2.1 of the German Corporate Governance Code (GCGC) was obtained, the qualification of the auditor monitored, and the remuneration of same discussed. Furthermore, the issue of mandates for non-audit-related services to the auditor was discussed. After the cyclical change of the auditor for fiscal year 2013, it was proposed to the plenum again to recommend PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to the AGM as auditor for fiscal year 2018. Furthermore, with regard to the review of CSR reporting, the recommendation of the Supervisory Board was in favor of this auditing company.

Further focal points of the discussions were asset and liability management as well as the regular supplementary reports to the consolidated financial statements and/or the consolidated interim reports in accordance with Section 90 of the German Stock Corporation Act (AktG) . In addition, the committee discussed the risk management, the internal control system, the internal audit system as well as the compliance management system in detail and ensured that the Supervisory Board was appropriately informed.

The focal points of the discussion of the **investment and capital expenditure committee** in fiscal year 2018 were again the further business development of the investment business and capital expenditure with particular focus on expanding the Frankfurt site. During four regular meetings and one extraordinary meeting, the committee, inter alia, held in-depth discussion on the preparation of the Supervisory Board decisions on the sale of Fraport shares in Flughafen Hannover-Langenhagen GmbH, on the sale of Fraport shares in Delhi International Airport Ltd. in India, as well as on the tender regarding Sofia Airport in Bulgaria.

Given the fact that the investment and capital expenditure committee was granted decision-making powers with respect to investments and investment-related measures up to a limit of €30 million by the Supervisory Board, on June 18, 2018, the committee approved both the sale of Energy Air GmbH to Mainova GmbH as well as the extension of the hereditary building rights regarding the international mail center in Frankfurt.

The focus of attention also regularly turned to both the existing global Group companies and those at the Frankfurt site, while members of the Supervisory Board and the committee took the opportunity to gain an impression of the development at two Greek regional airports at the beginning of March 2018. In addition, the committee supervised the capital expenditure at the Frankfurt site, in particular the Airport Expansion South project. Finally, the committee worked in depth on the planning of capital expenditure in the context of the 2019 Business Plan.

The **human resources committee** met four times in fiscal year 2018 and regularly discussed the human resources situation in the Group. In addition to the current topics related to collective bargaining within the Group, discussions focused on the progress of the transfers and the “Growth 2018” campaign to meet the personnel needs triggered by strong passenger growth in Frankfurt. In addition, information about new regulations for the promotion of women to management positions, occupational safety and the number of accidents, the personnel structure in Group companies, as well as the development of the sickness rate and absences were topics of discussion.

The **executive committee** met three times during the reporting period. It dealt with Executive Board matters and remuneration issues arising in the 2018 fiscal year. In this context, it also made arrangements for the re-appointment of Dr. Schulte as Chairman of the Executive Board for a further five-year period.

The **nomination committee** formed to prepare the reelection of shareholder representatives, met once in the 2018 fiscal year to prepare the list of candidates for the Annual General Meeting on May 29, 2018, at which all shareholder representatives stood for election according to the regular schedule.

It was not necessary to convene the mediation committee in accordance with the German Co-Determination Act in fiscal year 2018.

Corporate Governance and statements of compliance

The Executive Board and the Supervisory Board addressed the implementation of the German Corporate Governance Code (GCGC) also in the past fiscal year.

Given the fact that the Government Commission on the German Corporate Governance Code made no adjustments in 2018 to the German Corporate Governance Code in its version of February 7, 2017, an adaptation to the Fraport Code of Conduct was not necessary.

Ultimately, based on the relevant resolution of the Supervisory Board of September 18, 2015, the implementation of the recommendation to set a company-specific limit for the term of membership of the Supervisory Board was thus waived. As a consequence, the relevant non-conformance once again had to be explained and justified in the 2018 statement of compliance.

In 2018, the Supervisory Board performed its regular efficiency audit by means of self-evaluation based on an internal survey. The results were discussed in depth at the December meeting. This did not result in any specific need for action.

Further details on Corporate Governance and the wording of the current statement of compliance pursuant to Section 161 of the AktG, released by the Executive Board and the Supervisory Board on December 10, 2018, are provided in the “Joint statement on corporate governance and corporate governance report” starting on page 16. The Fraport Code and the current and past statements of compliance can also be found on the Group’s website www.fraport.com/corporategovernance.

Conflicts of interest and their treatment

To avoid potential conflicts of interest, Mr. Gerber did not participate in the discussions with Lufthansa. At the June meeting of the investment and capital expenditure committee, Mayor Feldmann and Dr. Windt decided not to participate in the deliberations and resolutions with respect to the sale of Energy Air GmbH to Mainova GmbH or the extension of the hereditary building rights for the international mail center in Frankfurt.

Annual and consolidated audit of accounts

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Fraport AG and the consolidated financial statements as at December 31, 2018, as well as the management report of Fraport AG, the Group management report, and issued an unqualified auditor's report for each. The audit mandate was issued by the chairman of the Supervisory Board and the chairwoman of the finance and audit committee in accordance with the resolution of the Annual General Meeting of May 29, 2018.

The separate financial statements and the management report were prepared in accordance with the regulations of the HGB applicable to large capital companies; the consolidated financial statements and the Group management report were prepared in accordance with IFRS as applicable in the EU. Furthermore, the German legal regulations to be applied in addition to Section 315e (1) HGB in the preparation of the consolidated financial statements and the Group management report were applied. The individual financial statements and the management report, as well as the consolidated financial statements and the Group management report were audited by the auditors. The consolidated financial statements and the Group management report meet the conditions for exemption from the preparation of consolidated financial statements in accordance with German law. The auditor established that an early risk warning system, that meets the legal requirements and which makes it possible to identify at an early stage developments that could jeopardize the company as a going concern, was in place.

The documents mentioned as well as the proposal by the Executive Board for the utilization of the profit earmarked for distribution have been sent to the Supervisory Board by the Executive Board without delay. The finance and audit committee of the Supervisory Board examined these documents extensively and the Supervisory Board reviewed them also personally. The audit reports of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and the financial statements were available to all members of the Supervisory Board and were comprehensively dealt with in the accounting meeting of the Supervisory Board on March 14, 2019 in the presence of the auditor, who reported on the significant results of its audit and was available to respond to additional questions and provide further information. In the meeting, the chairwoman of the finance and audit committee provided a comprehensive report on the treatment of the annual financial statements and the consolidated financial statements in the committee. A focal point of this reporting was the key audit matters described in the auditor's report. The Supervisory Board approved the results of the annual audit. After the completion of the audit by the finance and audit committee and its own review, the Supervisory Board did not raise any objections. The Supervisory Board approved the annual financial statements prepared by the Executive Board; the annual financial statements were thus adopted.

The proposal by the Executive Board to use the profit earmarked for distribution to pay a dividend of €2.00 per no-par value share was assessed under particular consideration of the interests of the company and shareholders and agreed to as proposed.

The report prepared by the Executive Board on the relationships of Fraport AG with affiliated companies pursuant to Section 312 of the AktG (dependency report) for the period from January 1 to December 31, 2018 was submitted to the Supervisory Board. The report concludes with the following statement of the Executive Board, which is also included in the management report:

"The Executive Board declares that under the circumstances known to us at the time, Fraport AG received fair and adequate compensation for each and every legal transaction conducted. During the reporting year, measures were neither taken nor omitted at the request of or in the interests of the State of Hesse and the City of Frankfurt am Main and their affiliated companies."

The auditor reviewed the report on the relationships with affiliated companies and issued the following auditor's report:

"Based on our mandatory audit and the conclusions reached, we confirm that

1. the effective disclosures made in the report are correct,

2. the consideration paid by the company for the legal transactions referred to in the report was not unreasonably high."

The auditor participated in the discussions with the Supervisory Board on March 14, 2019 on the report regarding the relationships with affiliated companies and was available to the Supervisory Board to provide additional information. After the final result of the audit of the dependency report, no objections were made to the declaration of the Executive Board at the end of the report, which was also included in the management report.

Audit of the non-financial reporting

As part of the implementation of the CSR Directive Implementation Act, the Supervisory Board was also responsible for reviewing the content of the combined separate non-financial report. As preparation for the audit, the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, was commissioned to prepare a voluntary audit of the combined separate non-financial report with limited assurance.

At the meeting of the Supervisory Board to discuss the financial statements on March 14, 2019, the auditor, in addition to the results of its audit of the financial report, also reported on the significant results of its audit of the combined separate non-financial report and, in this regard, was available for additional questions and information.

Ultimately, it was determined that the combined separate non-financial report is correct and complies with the requirements under commercial law.

Personnel particulars

The terms of all members of the Supervisory Board ended at the close of the Annual General Meeting on May 29, 2018 after completion of the regular cycle.

In the run-up to the Annual General Meeting, the following employee representatives were elected or reelected to the Supervisory Board in accordance with the German Co-determination Act: Ms. Claudia Amier, Mr. Devrim Arslan, Mr. Hakan Bölükmese, Mr. Hakan Cicek, Mr. Detlev Draths, Dr. Ulrich Kipper, Ms. Birgit Kother, Mr. Ronald Laubrock, Mr. Qadeer Rana, and Ms. Katharina Wesenick.

At the Annual General Meeting, the following shareholder representatives were reelected to the Supervisory Board: City Treasurer Mr. Uwe Becker, Ms. Kathrin Dahnke, Mayor Mr. Peter Feldmann, Mr. Peter Gerber, Dr. Margarete Haase, Mr. Frank-Peter Kaufmann, Mr. Lothar Klemm, Mr. Michael Odenwald, Mr. Karlheinz Weimar, and Prof. Dr.-Ing. Katja Windt.

At its constituent meeting on May 29, 2018, the Supervisory Board reelected Mr. Karlheinz Weimar as Chairman and elected, for the first time, Mr. Ronald Laubrock as Vice Chairman.

Regarding the Executive Board, on September 7, 2018, the Supervisory Board decided to extend the appointment of Dr. Schulte as the Chairman of the Executive Board with effect from September 1, 2019 for an additional five years until August 31, 2024.

With the growing international business (particularly in Greece and Brazil) as well as the increased need to manage the upcoming capacity expansions at the Frankfurt site, on March 14, 2019 the Supervisory Board approved a notion to expand the Executive Board by appointing Dr. Dominique Prümm effective July 1, 2019 for a term of five years until June 30, 2024.

Looking back on the successful fiscal year 2018, the Supervisory Board would like to thank the Executive Board and the company's employees for their great commitment to the benefit of the company.

Frankfurt am Main, March 14, 2019

Karlheinz Weimar
(Chairman of the Supervisory Board)

Joint Statement on Corporate Governance and Corporate Governance Report

The Fraport AG Executive Board reports – in the name of the Supervisory Board as well – on the contents subject to the reporting requirements pursuant to Section 289f of the German Commercial Code (HGB) for Fraport AG as well as for the Fraport Group (Fraport AG and fully consolidated Group companies, hereinafter referred to as "Fraport") as part of a joint statement on corporate governance pursuant to Sections 315d and 289a of the HGB in conjunction with Section 289f of the HGB, in order to enable a general statement on the Group's corporate governance principles. The Executive Board and Supervisory Board also provide an annual report on corporate governance pursuant to Section 3.10 of the German Corporate Governance Code (GCGC) as part of the corporate governance report and publish this in conjunction with the general statement on corporate governance.

The term "corporate governance" at Fraport means responsible corporate management and control. The objectives of corporate governance at Fraport are long-term economic enhancement and creating as well as strengthening confidence among investors, customers, employees, and the public. Good corporate governance therefore has the highest priority at Fraport. In this context, efficient collaboration between the Executive Board and the Supervisory Board is as important as protecting shareholders' interests and maintaining open and transparent corporate communications. Fraport monitors the national and international developments in this area and regularly reviews its own corporate code, the Fraport Corporate Governance Code, in connection with new legal regulations and revised national and international standards, and modifies it to meet these as required.

In accordance with Section 317 (2) sentence 6 of the HGB, the following information pursuant to Sections 289f (2) and (5) and 315d of the HGB has been included by the auditor in the audit of the annual financial statements only to the extent that the auditor verified whether the information was actually given.

Statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

As a publicly listed corporation headquartered in Germany, corporate governance at Fraport AG primarily orients itself to German stock corporation law, capital market law, and the suggestions and recommendations of the GCGC. There is no obligation to implement the suggestions and recommendations of the GCGC. However, under Section 161 of the AktG the Executive Board and the Supervisory Board are obliged to issue a statement of compliance and to report and justify any deviations from the recommendations of the GCGC.

Statement of compliance with the GCGC of December 10, 2018

The Executive Board and the Supervisory Board last issued the following statement of compliance under Section 161 of the AktG on December 10, 2018:

The last annual statement of compliance was issued on December 11, 2017. Since then, Fraport AG has complied and will continue to comply with the recommendations made by the Government Commission on the German Corporate Governance Code in the version dated February 7, 2017 (GCGC), with the exception of the recommendations set forth in Section 5.4.1 (2) sentence 2 of the GCGC with regard to the specification of a regular limit of length of membership in the Supervisory Board.

Grounds:
Section 5.4.1 (2) sentence 2 of the GCGC contains, among other things, a recommendation that a regular limit of length of membership in the Supervisory Board be specified. The Supervisory Board of Fraport AG views such a limit on the duration of membership as inappropriate. Rather, in determining the composition of a functional and effective Supervisory Board, care should be taken to ensure a mix of experienced members and those newly elected to serve in this body. A rigid maximum duration runs contrary to this, as it would be necessary to replace all or most members of the Supervisory Board at regular intervals. However, the long-standing Supervisory Board members who would be affected by such a provision in particular have profound knowledge of the company, which they can use to the company's benefit in supervising and advising the Executive Board. As the Supervisory Board carries out its activities on a part-time basis, there are no concerns regarding their independence or their openness to new ideas, even with long-time members. It would therefore not be in the interests of Fraport AG if persons with particular supervisory

and advisory skills and abilities were to be required to leave the Supervisory Board based on a fixed time limit on their membership therein. In addition, a fixed maximum length of membership may run counter to the diversity the GCGC requires in the composition of the Supervisory Board, which is reflected in part in the different lengths of time for which members have served and, associated with these lengths, the members' experience levels.

The statement of compliance was promptly made permanently available to the shareholders on the company's website at www.fraport.com/corporategovernance.

GCGC recommendations

Fraport AG also voluntarily complies with the recommendations of the GCGC, solely with the following exceptions:

Transmission of the Annual General Meeting (AGM) via modern communication media (Section 2.3.3 of the GCGC).

Primarily for security reasons and personal privacy, Fraport AG only published the speeches of the Chairman of the Supervisory Board and the Chairman of the Executive Board at the beginning of the 2018 AGM on the Internet.

First-time appointment of members of the Executive Board (Section 5.1.2 (2) of the GCGC).

All Executive Board members were initially appointed for a term of five years, indicating Fraport AG's willingness to enter into a long-term arrangement. Furthermore, an initial term of five years still represents the common practice among experienced professionals and is therefore in line with the expectations of many potential Executive Board members.

Disclosures on other corporate management practices

Beyond the statutory provisions, Fraport utilizes the following corporate management practices:

Own corporate governance code

The Supervisory Board of Fraport AG has adopted its own corporate governance principles for the company. The Fraport Corporate Governance Code describes the fundamental principles for the management and control of the company as well as the responsible corporate governance that Fraport has undertaken to uphold. It also presents the specific implementation of the recommendations and suggestions of the GCGC at Fraport and defines the substantial rights of the shareholders.

The Fraport Corporate Governance Code is closely modeled on the GCGC and is regularly monitored and adapted where necessary in light of new legal regulations as well as revised national and international standards (last amended on June 26, 2017). The Fraport Corporate Governance Code can be accessed at the company's website at www.fraport.com/corporategovernance.

Compliance

In 2003, Fraport developed values-based compliance, which is continued and updated in a Compliance Management System (CMS). The Group CMS is focused on prevention, identifying non-compliance, and responding to infringements. Fraport has structured the Group CMS based on audit standard IDW PS 980. In addition to an internal representative and an external ombudswoman, Fraport has been offering an electronic whistleblower system (BKMS® system) since 2009. This enables Group-wide communication on information relating to serious legal violations to reach the compliance department via a range of reporting channels, which then processes and clarifies the information in a central case management system.

The area of compliance is organizationally assigned to the Fraport AG legal department. The Chief Compliance Officer is also the head of the central "Legal Affairs and Compliance" department.

Compliance and prevention measures are focused on a Group-wide compliance risk analysis, numerous communication measures, and a range of training courses, which either take place as classroom-based events or as e-learning. Beginning in fiscal year 2018, the material minimum requirements of the Group CMS have been implemented by the respective management boards in all national and international Group companies controlled by Fraport.

Fraport also anchors its commitment to comply with internationally accredited regulations, such as the principles of the UN Global Compact, OECD Guidelines, and ILO Core Labor Standards, across the company in its code of conduct. Guidelines for handling invitations and gifts were laid out in fiscal year 2018 for the employees of Fraport AG in a new guideline that governs, among other things, the electronic documentation of the approval of received gifts and invitations. The guideline supports employees in complying with existing laws and internal regulations.

In its supplier code, Fraport describes the requirements and principles for cooperations with contractors, suppliers, and service providers. They are obliged to comply with the applicable national laws and the relevant internationally recognized standards, guidelines and principles, as also stipulated in the code of conduct, and they commit to ensure compliance by their own suppliers.

Responsible corporate governance

Fraport is a community and partnership-oriented corporation. Fraport aims to remain competitive at all sites and in all operational units and thereby secure jobs with fair and just working conditions. This involves providing fair wages and salaries, and a package of benefits that goes beyond pay. Fraport offers a high level of job security, good working conditions based on collective bargaining agreements, career and personal development options, and a highly developed corporate ethic.

Fraport AG's funding concept for its community, cultural and social engagement is "Active for the region". It primarily serves to boost clubs and support volunteer work in the region around Frankfurt Airport. In addition, Fraport AG has set up an environmental fund as part of its dedication to fulfilling the environmental requirements that stem from operating the airport above and beyond the statutory regulations. The international Group companies manage their social commitment according to the local requirements.

Structure and functioning of the Executive Board and Supervisory Board

For Fraport, a responsible and transparent corporate management and control structure is the cornerstone for creating value and trust. In accordance with the statutory provisions, Fraport AG is subject to a "dual governance system", which is achieved by the strict separation of personnel in the management and control bodies (two-tier board). The Executive Board manages Fraport AG, the Supervisory Board monitors the Executive Board. The members of the Executive Board and the Supervisory Board work closely together in the interest of the company.

The structure of the management and control bodies at Fraport AG is as follows:

Executive Board

The Executive Board of Fraport AG has comprised four members since September 1, 2014: Dr. Stefan Schulte (Chairman), Anke Giesen, Michael Müller, and Dr. Matthias Zieschang. As the management body, it conducts the business of the company. The Executive Board is bound by the company's interests and corporate sociopolitical principles within the framework of the stock corporation law. In addition, its work is based on the rules of procedure, which have been approved by the Supervisory Board. The schedule of responsibilities for the Executive Board, which governs the allocation of responsibilities, is also attached to the rules of procedure as an annex.

On this basis, the Executive Board reports to the Supervisory Board on all relevant matters of business development, corporate strategy, and possible risks in a regular, timely, and comprehensive manner. In addition, the Executive Board must have the prior approval of the Supervisory Board for several matters, particularly for capital expenditure and equity investment measures above a value of €10 million, to the extent that this is not provided for in a business plan approved by the Supervisory Board. The length of the appointment of the Executive Board members is geared toward the long term and is – as already stated – five years as standard. Remuneration of the Executive Board comprises fixed and performance-related components. A detailed schedule of the remuneration is provided in the remuneration report in the Group management report.

The Executive Board usually meets weekly and constitutes a quorum if at least half of its members participate in the meeting. Resolutions are adopted by a simple majority of all the participating members of the Executive Board. In the case of a tie vote, the chairman holds the casting vote.

Supervisory Board

The Supervisory Board of Fraport AG supervises the activities of the Executive Board. It is composed of an equal number of representatives of shareholders and employees and comprises 20 members. The ten shareholder representatives are elected by the AGM, and the ten employee representatives are elected by the employees in accordance with the provisions of the German Co-Determination Act (MitbestG) for five years. The Supervisory Board has created rules of procedure, under which it has a quorum if – on the basis of a proper notice of meeting – at least half of its members participate in the voting in person or through submission of written votes. Resolutions are adopted with a simple majority unless otherwise mandated by law. In the event of a tie vote, the chairman of the Supervisory Board, who must be a shareholder representative, is entitled to a second vote. Beyond this, the rules of procedure regulate, in particular, the creation and powers of committees of the Supervisory Board.

The Supervisory Board generally meets four times a year (seven times in 2018) and regularly reviews the efficiency of its activities. The Supervisory Board reviews its activities in the past fiscal year on an annual basis in the Supervisory Board Report. A detailed schedule of its remuneration is provided in the remuneration report in the Group management report.

At the time of publishing this statement, the Supervisory Board was comprised as follows:

Composition of the Supervisory Board

Representatives of the shareholders	Representatives of the employees (as of May 29, 2018)	Representatives of the employees (until May 29, 2018)
Karlheinz Weimar (Chair)	Ronald Laubrock (Vice-Chair)	Gerold Schaub (Vice-Chair)
Uwe Becker	Claudia Amier	Dr. Roland Krieg
Kathrin Dahnke	Devrim Arslan	Mehmet Özdemir
Peter Feldmann	Hakan Bölükmese	Arrno Prangenberg
Peter Gerber	Hakan Cicek	Hans-Jürgen Schmidt
Dr. Margarete Haase	Detlev Draths	Werner Schmidt
Frank-Peter Kaufmann	Dr. Ulrich Kipper	Edgar Stejskal
Lothar Klemm	Birgit Kother	
Michael Odenwald	Qadeer Rana	
Prof. Dr.-Ing. Katja Windt	Katharina Wesenick	

Committees of the Supervisory Board

The Supervisory Board has formed the following committees based on the statutory provisions and the provisions of its rules of procedure. The following table provides an overview of the tasks, regulated number of meetings, the actual number of meetings in the past fiscal year, the planned number of members, and the actual number of members as at the date of publication of this statement.

Committees of the Supervisory Board

Committee	Functions	Regular number of meetings	Meetings 2018	Regular number of members	Members
Finance and audit committee	> Preparation of resolutions in the area of finance and audit-related resolutions > Tasks > monitors the accounting process > monitors the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of accounts, and compliance > Statement of opinion > on the business plan and plan changes that require approval, on the annual and consolidated financial statements, on the Executive Board recommendation for the appropriation of profits, on the management and Group management report, on the audit report of the auditor of the financial statements and of other auditors, on the Supervisory Board's recommendation for the audit report, and on the discharge of the Executive Board > on the assignment of the audit mandate to the auditor, the fee agreement, and the stipulation of the areas of focus of the audit. > The finance and audit committee is responsible for the auditor selection process. > It monitors the independence of the auditor and the quality of the audit of accounts. In this regard, it provides its advance consent to all of the auditor's legitimate non-audit services.	4	6	8	Dr. Margarete Haase (Chair) Ronald Laubrock (Vice-Chair, as of May 29, 2018) Uwe Becker Hakan Cicek (as of May 29, 2018) Kathrin Dahnke Dr. Ulrich Kipper (as of May 29, 2018) Lothar Klemm Qadeer Rana (as of May 29, 2018) Arno Prangenberg (Vice-Chair, until May 29, 2018) Dr. Roland Krieg (until May 29, 2018) Hans-Jürgen Schmidt (until May 29, 2018) Edgar Stejskal (until May 29, 2018)
Investment and capital expenditure committee	> Preparation of resolutions relating to capital expenditure, resolutions or decisions concerning the founding, acquisition, and sale of Group companies and ongoing monitoring of the economic development of existing Group companies > Final decision if the obligation or entitlement of Fraport AG arises from a capital expenditure measure (outside of the approved business plan) or an investment-related action between €10,000,000.01 and €30,000,000 > Final decision on the acquisition or disposal of, or charge on, property or land rights between €5,000,000.01 and €10,000,000 > Statement of opinion on the capital expenditure plan and on capital expenditure reporting	4	5	8	Lothar Klemm (Chair) Katharina Wesenick (Vice-Chair, as of May 29, 2018) Hakan Bölükmese (as of May 29, 2018) Detlev Draths (as of May 29, 2018) Peter Feldmann Frank-Peter Kaufmann Birgit Kother (as of May 29, 2018) Prof. Dr. Katja Windt Gerold Schaub (Vice-Chair, until May 29, 2018) Claudia Amier (until May 29, 2018) Werner Schmidt (until May 29, 2018) Edgar Stejskal (until May 29, 2018)
Human resources committee	> Preparation of resolutions in the area of human resources > Statement of opinion, in particular on changes in headcount, fundamental issues relating to collective bargaining law, the payment system, the employee investment plan, matters concerning the company retirement plan	4	4	8	Claudia Amier (Chair) Frank-Peter Kaufmann (Vice-Chair) Devrim Arslan Uwe Becker Hakan Bölükmese (as of May 29, 2018) Michael Odenwald Qadeer Rana (as of May 29, 2018) Prof. Dr. Katja Windt Hakan Cicek (until May 29, 2018) Mehmet Özdemir (until May 29, 2018)
Executive committee	> Preparations for the appointment of members of the Executive Board and the conditions of employment contracts, including remuneration > Final decision concerning outside activities of members of the Executive Board that require the approval of the Supervisory Board	As needed	3	8	Chairman of the Supervisory Board Karlheinz Weimar (ex officio) Vice Chairman Ronald Laubrock (ex officio, as of May 29, 2018) Claudia Amier Devrim Arslan (as of May 29, 2018) Detlev Draths (as of May 29, 2018) Peter Feldmann Dr. Margarete Haase Frank-Peter Kaufmann Vice Chairman Gerold Schaub (ex officio, until May 29, 2018) Werner Schmidt (until May 29, 2018) Edgar Stejskal (until May 29, 2018)
Committee in accordance with Section 27 of the Mit-bestG	> Preparation of a recommendation on the appointment or dismissal of members of the Executive Board if the entire Supervisory Board does not reach such decision	As needed	0	4	Chairman of the Supervisory Board Karlheinz Weimar (ex officio) Vice Chairman of the Supervisory Board Ronald Laubrock (ex officio, as of May 29, 2018) Claudia Amier Lothar Klemm Vice Chairman of the Supervisory Board Gerold Schaub (ex officio, until May 29, 2018) Devrim Arslan (until May 29, 2018)

Committees of the Supervisory Board

Committee	Functions	Regular number of meetings	Meetings 2018	Regular number of members	Members
Nomination committee	> Recommendation of suitable candidates to the Supervisory Board for its recommendations to the AGM	As needed	1	3	Karlheinz Weimar Uwe Becker Dr. Margarete Haase

Shareholders and AGM

The shareholders of Fraport AG exercise their rights at the AGM where they exercise their right to a voice and a vote. The shareholders are informed of business developments in the past year and the company's forecasts through the management report with sufficient time prior to the meeting. During the year, the shareholders are provided with comprehensive and timely information about current business developments through interim reports and other company publications on the company website. The AGM is held in the first six months of every fiscal year and makes decisions concerning the tasks assigned to it by law, such as the appropriation of profits, election and approval of the actions of the members of the Supervisory Board and approval of the actions of the Executive Board, the selection of the external auditor, amendments to the company statutes, and other tasks. The shareholders can either exercise their right to vote in person or can authorize third parties to exercise their right to vote. Each share entitles its holder to one vote in the voting.

Defining targets for the proportion of women on the Supervisory Board, Executive Board, and the two levels below the Executive Board

On May 1, 2015, the "Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector" came into force. The targets for the proportion of women on the Executive Board and the two levels below the Executive Board as well as the deadlines for reaching these targets must be determined based on this law. In principle, the targets for the proportion of women on the Supervisory Board must also be determined; however, this does not apply if there is already a fixed gender ratio for the Supervisory Board, as is the case at Fraport AG.

Targets for the Executive Board

The Supervisory Board sets the targets for the proportion of women on the Executive Board in accordance with Section 111 (5) of the AktG and Section 5.1.2 (1) of the GCGC.

The Supervisory Board set a target of 25% for the proportion of women on the Fraport AG Executive Board at its meeting of September 18, 2015. This target should have been reached by June 30, 2017. As the Executive Board consists of one female and three male members, this target was reached in the 2018 fiscal year. With the appointment of an additional male member to the Executive Board by the Supervisory Board effective July 1, 2019, this target will no longer be met. Nonetheless, the target remains in effect as regards future decisions on appointments to the Executive Board.

Targets for the first and second management levels below the Executive Board

The Executive Board sets the targets for the proportion of women at the two levels below the Executive Board in accordance with Section 76 (4) of the AktG and Section 4.1.5 of the GCGC.

At the turn of the year 2016/2017, the Executive Board set a target of 30.0% for the proportion of women in the first management level below the Executive Board ("direct reports") and a target of 30.0% for the proportion of women for the subordinate management levels ("direct reports" to the first management level) by December 31, 2021 for Fraport AG. At the end of 2017, the proportion of women in the first management level amounted to around 26.9% and 24.5% in the second management level.

Gender ratio on the Supervisory Board

After the “Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector” came into force on May 1, 2015, the statutory gender ratios of a minimum of 30% women and 30% men on the Supervisory Board must be complied with (Section 96 (2) of the AktG, Section 5.4.1 (3) of the GCGC) as part of the new elections and postings to Fraport’s Supervisory Board that become necessary from January 1, 2016.

In this respect, the Supervisory Board decided at its meeting of September 18, 2015 that these ratios are to be met separately for shareholders and for employees. This requirement was fulfilled in the new elections of the Supervisory Board in 2018, and the Supervisory Board currently comprises three female and seven male shareholder representatives and three female and seven male employee representatives.

Targets for the composition of the Supervisory Board; diversity concept for the Supervisory Board and Executive Board

On June 27, 2016, in accordance with Section 5.4.1 of the GCGC and Section 289f (2) of the HGB, the Supervisory Board adopted its specific targets for its composition as well as a competency profile for the overall board. The targets for the composition of the Supervisory Board and the competency profile for the overall board (including the diversity concept) are as follows:

“The objective is that the Supervisory Board should be composed in such a way that it ensures the competent control and support of the company’s Executive Board by the Supervisory Board. It should be taken into account that the Supervisory Board as a collective body has the overall knowledge, skills, and professional experience required to properly perform its tasks. It cannot be expected that each individual member of the Supervisory Board possesses the required knowledge and experience to the fullest extent; however, there should be at least one competent member of the Board for each aspect of the Supervisory Board’s activities to ensure that the Board's members together represent a comprehensive range of knowledge and experience. These should include, inter alia, an understanding of the relevant market environment, financial and commercial experience, and a strong commitment to the region.

In addition, each member of the Supervisory Board should be expected to have a certain level of essential general knowledge and experience that is appropriate to the nature, extent, and complexity of the business activities, and the risk structure of an international company such as Fraport AG.

In adherence to the age limits set by the Supervisory Board in accordance with Section 5.4.1 (2) of the Fraport Code, candidates should be put forward who are able to perform the duties of a member of a supervisory board of an international company and safeguard the reputation of Fraport AG through their integrity, motivation, availability and personality. The principles of diversity and the proportion of women and men based on the statutory provisions should be taken into account when nominating candidates for the Board. In addition, the Supervisory Board should have at least three independent members.”

Concerning the extent to which this policy has been implemented, it can be stated that the current Supervisory Board, whose members offer a wide range of economic, political, and corporate expertise, has the knowledge, skills, and experience required to properly perform its duties.

In addition, the Supervisory Board has both a sufficient number of members with international experience and an adequate number of members with a strong regional connection, as some of them hold seats in local and regional governments.

With regard to increasing diversity, the Supervisory Board had already updated the target it established in the fiscal year for the proportion of women on the Board: “The Supervisory Board shall be composed of at least 30% women and 30% men, and this ratio is to be met separately for shareholder representatives and for employee representatives.”

In line with this objective, the Supervisory Board comprises three female and seven male shareholder representatives and three female and seven male employee representatives since the 2018 Annual General Meeting.

Regarding the Board's objective of having at least three independent shareholder representatives within the meaning of Section 5.4.2 of the GCGC, the Supervisory Board currently has as its members Kathrin Dahnke, Dr Margarete Haase and Prof. Katja Windt, which means that it has reached its goal of having three independent shareholder representatives.

In the future, the nomination committee and the Supervisory Board will also adequately take into account this objective for the composition of the Supervisory Board when presenting candidates for election to the Supervisory Board at the Annual General Meeting.

In addition, in accordance with the recommendation in Section 5.4.1 (5) of the GCGC, they checked with the respective candidate before the election of the Supervisory Board in 2018 that each candidate was able to contribute the time expected.

The Supervisory Board also takes diversity into account regarding the composition of the Executive Board (Section 5.1.2 (1) sentence 2 of the GCGC). Given the identified qualifications and long-term contractual commitments of the current members of the Executive Board, the Supervisory Board does not yet pursue a diversity concept for the Executive Board.

Further information

Remuneration of the Executive Board and the Supervisory Board

The essential features of the remuneration system as well as the disclosures on the remuneration of the Executive Board and the Supervisory Board can be found in a separate remuneration report. This is part of the Group management report in compliance with Section 314 (1) number 6 of the HGB and Section 315a (2) of the HGB, and Sections 4.2.5 and 5.4.6 (3) of the GCGC.

Acquisition or disposal of company shares (directors' dealings)

Pursuant to Section 19 of the Market Abuse Regulation (MAR), management (directors) and persons closely related thereto are legally obliged to disclose the acquisition or disposal of shares of Fraport AG or any financial instruments related thereto, if the value of the transactions undertaken exceeds the sum of €5,000 within one calendar year. The notifications in this respect are immediately disclosed by Fraport AG.

Shareholdings of the bodies

The total shareholdings of all members of the Executive Board and Supervisory Board are less than 1% of the total number of shares issued by Fraport AG.

Risk and opportunity management

For Fraport, corporate governance also means handling corporate risks and opportunities responsibly. For this reason, Fraport has introduced a comprehensive Group-wide risk and opportunity management system. The structure of the risk and opportunity management system and a report on key risks and corporate opportunities are presented in detail by the Executive Board in the management report for the fiscal year. Depending on their importance for the company, changes to key risks or significant opportunities opening up during the year are published either in an ad hoc disclosure or as part of the financial reporting during the year or the interim releases.

The early risk recognition system is also part of the annual audit by the auditor. The effectiveness of the internal control and risk management system, and of the internal auditing system as well as the audit of accounts is monitored by the Supervisory Board. At Fraport, the finance and audit committee of the Fraport AG Supervisory Board performs this task in accordance with Section 107 (3) of the AktG.

Accounting and audit of accounts

Fraport prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union, and the additional applicable requirements of German commercial law pursuant to Section 315e (1) of the HGB. A Group management report is prepared in accordance with Section 315 of the HGB. The annual financial statements and management report of Fraport AG are prepared in accordance with the provisions of the HGB. Further information on the accounting principles is available in the notes to the respective financial statements. The annual and consolidated financial statements are published within 90 days of the end of the fiscal year.

The annual and consolidated financial statements and the management report and Group management report of Fraport are audited by an external auditor in accordance with Section 316 of the HGB. On the basis of the AGM's resolution, in fiscal year 2018 this was PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC"), which is thus auditing Fraport for the sixth year in a row. The confirmation of independence required in accordance with Section 7.2.1 (1) of the GCGC for the preparation of the vote was submitted by PwC. The audit of accounts is carried out in accordance with German auditing standards. It was agreed with the external auditor that it will immediately inform the Fraport AG Supervisory Board of possible grounds for disqualification or partiality if these are not remedied at once. The external auditor shall also immediately report on all findings and incidents arising during the performance of the audit of accounts that are significant for the tasks of the Supervisory Board. In addition, the external auditor has to inform the Supervisory Board and record in the audit report if it finds facts that reveal an inaccuracy in the statement of compliance submitted by the Executive Board and Supervisory Board in accordance with Section 161 of the AktG while performing the audit of accounts.

During the year, the external auditor also participated in discussions with the finance and audit committee regarding the Group interim financial statements and meetings with the Fraport AG Supervisory Board regarding the annual and consolidated financial statements.

Disclosure of the joint statement on corporate governance and corporate governance report

The Executive Board disclosed the joint statement on corporate governance and corporate governance report on March 19, 2019 on www.fraport.com/corporategovernance.

Combined Separate Non-financial Report

Description of Business Model

The Fraport Group is among the leading global airport groups with its international portfolio. Fraport provides all operational and administrative services for airport and terminal operation as well as other associated services. The range of services also includes planning and consulting services. Passenger traffic, which impacts on a majority of the services the Group provides, is key to the Group's revenue and earnings performance.

In contrast to time-limited airport operating models, the Fraport Group parent company, Fraport AG, wholly owns and operates Frankfurt Airport with no time limits. With more than 9,800 employees, Fraport AG, which has been stock exchange-listed since 2001, is also the biggest single company of the Group, which has more than 21,900 employees. Including the Frankfurt site, Fraport was active at 30 airports through Group companies at the time the consolidated financial statements were prepared. More information on the business model, the competitive position, and the Group structure can be found in the "Situation of the Group" section of the Group management report starting on page 54, as well as in the Fraport AG management report in the section "Situation of the Fraport AG" starting on page 4.

About This Report

This combined separate non-financial report describes, in accordance with Section 315b and 315c in conjunction with Section 289b – 289c of the HGB, the activities of the Fraport Group (Fraport AG and all fully consolidated Group companies, hereinafter: "Fraport") as well as the Fraport parent company (hereinafter: "Fraport AG"). It is identified whether the remarks refer to the Fraport Group or to Fraport AG.

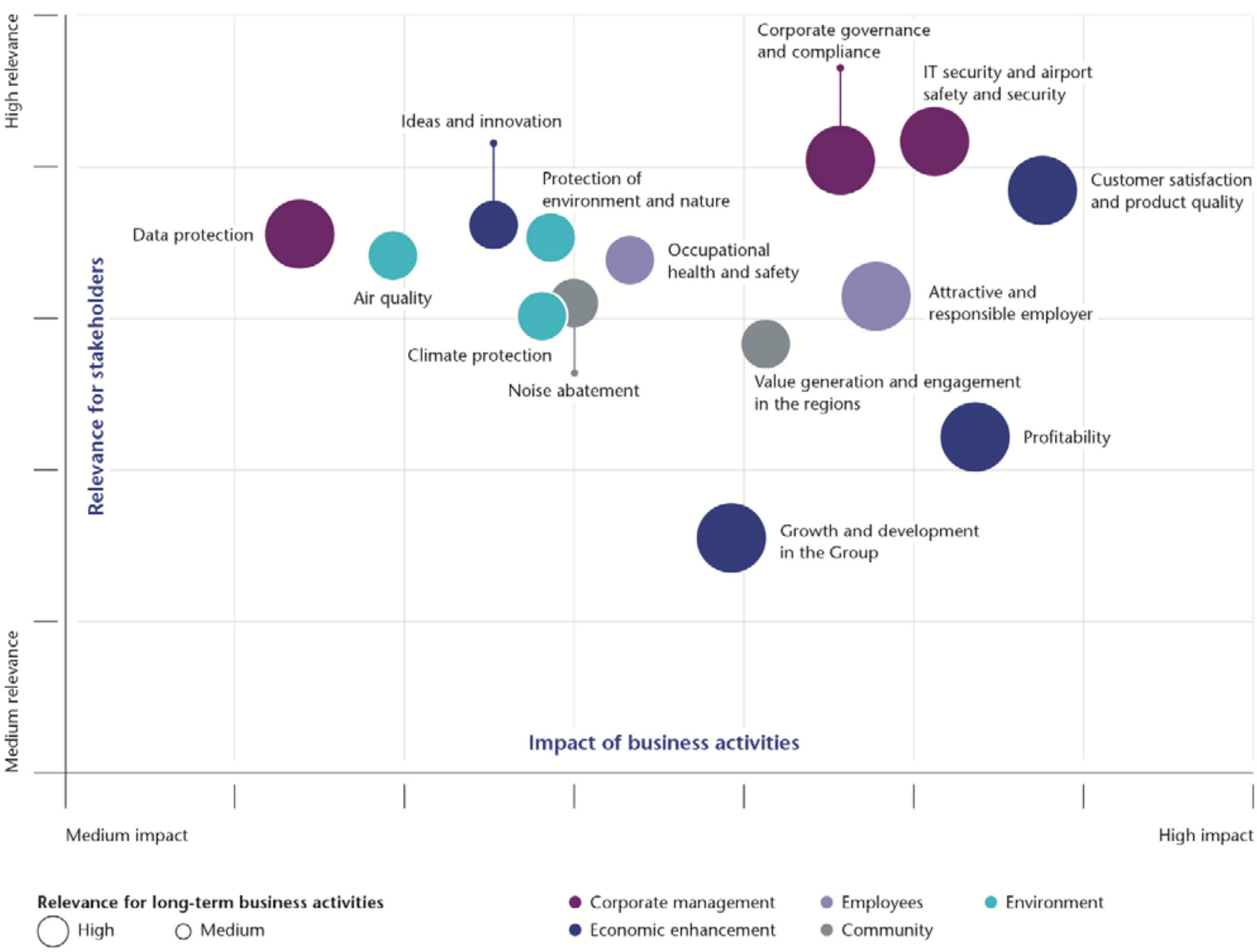
Derivation of materiality

In fiscal year 2018, Fraport continued with the implementation of its Group strategy developed on the basis of the mission statement implemented in 2015/2016. The mission statement encompasses the Group goals "Growth in Frankfurt and internationally", "Service-oriented airport provider", "Economically successful through optimal cooperation", "Learning organization and digitalization", and "Fairness and recognition for partners and neighbors". The vision of establishing Fraport as Europe's top airport operator and also to set global standards forms the basis of the Group strategy.

Based on these Group goals, the Executive Board has defined six key non-financial performance indicators in accordance with Section 315 (3) of the HGB in conjunction with Section 289 (3) of the HGB. These are global satisfaction of passengers and baggage connectivity, employee satisfaction, women in management positions, sickness rate, and CO_2 emissions. These performance indicators are also included in the Group management report in the chapters "Control", "Non-financial performance indicators", and "Business outlook" starting on page 67, as well as in the corresponding sections of the Fraport AG management report starting on page 10.

The materiality matrix pursuant to the requirements of the Global Reporting Initiative framework used by Fraport is the result of a systematic exchange with internal and external stakeholders. In 2018, Fraport AG conducted an elaborate assessment of the selected topics. Fraport's management and representatives of the most important stakeholders (airlines, analysts, banks, business partners, economic associations, employee representatives, employees, investors, local residents living near airports, media, NGOs, passengers, politicians and authorities, science, and shareholders) confirmed the relevance of the current topics in an online survey. Newly included were the additional topics of "Corporate governance and compliance", "Data protection", "IT security and airport safety and security", and "Air quality". Both groups were also asked to prioritize the topics. In a subsequent step, the new matrix was confirmed by the Executive Board. The graphic shows the impact of direct and indirect business activities on the corresponding aspect, its relevance for stakeholders, as well as the relevance for Fraport's business activities.

Materiality matrix



In accordance with Section 289c (3) of the HGB, the scope of the reportable non-financial aspects is based on a two-step materiality assessment. Material aspects are those that are relevant to an understanding of Fraport's business development, business performance and situation as well as to an understanding of the effects of Fraport's business activities on non-financial aspects.

Taking the aforementioned commercial requirements into account, the key topics identified according to the definition of materiality in the Global Reporting Initiative (GRI) have been attributed to non-financial aspects in accordance with Section 289c (2) of the HGB as follows: The aspect of "Employee-related matters" corresponds to the "Employees" dimension in the materiality matrix and is divided into "Attractive and responsible employer" and "Occupational health and safety". The aspect of "Social matters" corresponds to the dimension "Community" with the issues "Noise abatement" as well as "Engagement in the regions", and the aspect of "Environmental matters" corresponds to the dimension "Environment" with the issues "Climate protection", "Protection of environment and nature", and "Air quality". The aspects "Respect for human rights" and "Anti-corruption and bribery matters" are combined in the aspect "Corporate governance and compliance" in the materiality matrix.

Beyond these reportable non-financial aspects, Fraport has also identified "Customer satisfaction and security" as an additional aspect. This includes the topics of "Customer satisfaction and product quality", "IT security and airport safety and security", and "Data protection". The crossover aspect "Supply and subcontracting chain" is not an individual aspect but deals with all reportable information in connection with the non-financial aspects in a separate chapter.

The financial matters are not part of this report but can be found in the Group management report in the section “Economic Report” beginning on page 83 as well as in the corresponding section of the Fraport AG management report beginning on page 24. This concerns the topics “Profitability”, “Growth and development in the Group”, “Ideas and innovation”, and “Value generation”.

Use of frameworks

The combined separate non-financial report is based on the requirements of the Global Reporting Initiative (GRI) standards. The materiality matrix and the text on the aspects “Respect for human rights”, “Anti-corruption and bribery matters”, “Customer satisfaction and security”, “Employee-related matters”, “Environmental matters”, and Social matters” were prepared in reference to the requirements of the GRI. The GRI Report of the Fraport Group for fiscal year 2018 will be available on May 8, 2019 at www.fraport.com/responsibility. References to information beyond the scope of the Group management report and consolidated financial statements are additional information and do not form part of this combined separate non-financial report.

Identification of risks

Fraport defines the risks associated with the combined separate non-financial report as future developments or events that may negatively affect non-financial aspects. The risk evaluation is conservative, i.e. the greatest possible impact for Fraport is assessed. A distinction is made between a gross risk and net risk. The gross risk is the greatest possible negative impact of the risk prior to countermeasures. The net risk represents the expected residual impact after initiation or implementation of countermeasures. The risk assessment in this report reflects the net risk.

To identify these risks, the risk management system described in the section “Risk and Opportunities Report” of the Group management report and in the Fraport AG management report has been expanded and linked to a corresponding analysis of the risks that have or will have potential negative effects on the non-financial aspects.

For fiscal year 2018, there were no additional reportable risks for the Fraport Group and Fraport AG in connection with the non-financial aspects, which are necessary to understand the business development, business performance, the situation of the corporation as well as the impact of their activities on the non-financial aspects, beyond the material risks already listed in the Group’s Risk and Opportunities Report on page 113 as well as Fraport AG’s Risk and Opportunities Report on page 42.

Consideration of the supply and subcontracting chain specific to the business model

Unlike for manufacturing companies, there is no comparable relevance for the supply chain, but rather the focus is placed on the quality of the services offered and the functionality of the infrastructure required for this. Irrespective of this, it is crucial that business partners and suppliers are selected carefully. The Group companies each have their own procurement management.

Fraport compels business partners and suppliers to comply with its Supplier Code of Conduct as part of its General Terms and Conditions (GTC), depending on the local conditions. The Fraport Supplier Code of Conduct details how to treat employees correctly, including respecting human rights, environmental and climate protection, and integrity in the course of business, for example the prohibition of corruption and bribery. A violation of this code may result in the termination of the business relationship. A contractual penalty may be imposed and a claim for lump-sum damages may be raised in the event of antitrust violations and serious misconduct. Business partners and suppliers must also undertake to observe these principles in dealings with their own suppliers.

Fraport AG undertakes to focus on sustainability criteria when purchasing products and services. In addition, the company was one of the first in Hesse to sign a target agreement initiated by the Hessian Ministry of the Environment, Climate Protection, Agriculture and Consumer Protection in 2016. Consequently, social and ecological criteria are considered in purchasing decisions in addition to economic criteria.

Fraport AG has a heterogeneous requirement structure. Its requirements range from architectural services to the construction of airport infrastructure including maintenance, office materials, and IT services to aircraft push-backs. More than 60% (approximately €528 million) of Fraport AG's order volume of approximately €874 million was awarded to companies in the Rhine-Main region in 2018. Around 98% of the order volume was awarded to suppliers and service providers based in Germany, approximately 1% to those based in the EU and about 1% to those based in the US and Switzerland. As there are comparable legal standards in these countries, in particular in relation to respect for human rights (see page 29) and anti-corruption and bribery matters (see page 30), the first level of Fraport AG's supply chain is not deemed critical. Although orders with business partners and suppliers based outside the aforementioned countries seem insignificant in relation to the total order volume, of which they make up less than one percent, business relationships with suppliers from risk countries, known as the "Primary Impact Countries" (in accordance with the FTSE4Good Index), in particular require particular care. For this reason, an examination of the first level of the supply chain by contractors' country of origin is an essential part of regular monthly reporting for the "Central Purchasing, Construction Contracts" central unit.

If contracts for product groups that include suppliers or service providers from risk countries are to be put out to tender and awarded, the potential contractors will be reviewed depending on the order value. This also applies to orders for work clothes, for example. Fraport periodically checks in which countries production sites are located. If a business relationship is started with a supplier from one of these countries, sanction lists are extensively checked in advance. Sanction lists are official lists of people, groups or organizations subject to economic or legal restrictions. If there are irregularities, further checks are planned which may result in the withdrawal of an order.

Fraport AG has fulfilled the legally compliant assignment of external personnel based on independent service and work contracts, as opposed to temporary work, by implementing external staff compliance within the framework of a directive on assignment and deployment of external personnel. The directive includes a mandatory inspection process in determining different types of contracts and reduces the risk of false service or work contracts or covert contracts for temporary work. This review process also includes the assignment of external personnel by Group companies for Fraport AG. The Group companies independently ensure the legally compliant assignment of external personnel by implementing suitable processes.

A separate procurement process via the Group company Fraport Ausbau Süd was defined for the Expansion South project, in particular Terminal 3 in Frankfurt, due to the size and complexity of the project. By submitting an offer in this procurement process, building companies are obliged to comply with all requirements in the Posted Workers Act (Arbeitnehmer-Entsendegesetz, AEntG) and the Minimum Wage Act (Mindestlohngesetz, MiLoG), to make contributions to the collective bargaining parties' joint facilities, and also to only engage subcontractors or other third parties that meet these requirements. The Fraport Supplier Code of Conduct also forms part of any agreement.

A due diligence review process was defined for purchases made for the construction of Terminal 3, which has since been carried out depending on the order value. In addition to mandatory checking of sanction lists and company information, this includes extensive research online on potential business partners before business relationships are started.

The five largest suppliers to Fraport AG according to order volume are the companies FraSec, FraGround, Total Mineralöl, FraCareS, and Lüftungsanlagen- und Gebäudetechnik LAG. Fraport AG wholly owns the Group companies FraSec, FraGround, and FraCareS. These mainly involve ground services and security services. As fully consolidated Group companies, they must adopt the Code of Conduct for employees and are also obliged to comply with the Group Compliance Management System (CMS) policy. These guidelines include instructions to make the Supplier Code of Conduct part of the General Terms and Conditions and to use it insofar as this is possible for the Group companies pursuant to national law. If such inclusion in the General Terms and Conditions is not possible, or is only possible if the Supplier Code of Conduct is modified, the local management shall inform the department dealing with compliance at Fraport AG. The company Total Mineralöl supplies the Frankfurt site with fuel and is subject to the aforementioned conditions, as is the case for Lüftungsanlagen- und Gebäudetechnik LAG.

The international Group companies must also comply with all components of the Group CMS policy. This applies in particular to large construction projects such as the new terminal at Lima Airport. In Lima, compliance with the Fraport Supplier Code of Conduct is an integral part of the contract with the general contractor and its subcontractors. Fraport Greece also obliges its business partners and suppliers to comply with the Fraport Supplier Code of Conduct, which is an integral part of the contract with the general contractor for the expansion and modernization of the Greek regional airports. The Brazilian Group companies Fortaleza and Porto Alegre also include the Fraport Supplier Code of Conduct as part of the contract with the general contractor.

Correlations with the financial statements

The reportable correlations with the Group management report and the consolidated financial statements as well as the Fraport AG management report and financial statements are explained at the end of each respective non-financial aspect.

Voluntary external audit

The combined separate non-financial report has been economically audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft according to ISAE 3000 (revised) with limited assurance. An unqualified auditor’s opinion can be found on page 50.

Respect for Human Rights and Anti-Corruption and Bribery Matters

Respect for Human Rights

The Fraport Group has undertaken to comply with the most important internationally recognized codes of conduct – the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the Core Labor Standards of the International Labor Organization (ILO). In accordance with the values in the Fraport Code of Conduct, Fraport intends to operate with integrity and in an economically and ecologically sustainable manner. This responsibility is defined in the Code of Conduct for all employees. The same expectations can be found in the Fraport Supplier Code of Conduct. Fraport expects its suppliers and service providers to comply with the same standards regarding their handling of employees and their integrity in business activities. The Supplier Code of Conduct ensures the respect for human rights in assignments and also includes subcontractors.

Fraport rejects any form of forced or child labor. Among other things, the minimum age permitting full-time employment in compliance with the relevant national regulations is observed within the Fraport Group. The Code of Conduct and the Compliance Guidelines in place at each respective Fraport Group company are available to all employees on the internal information portals.

Fraport has established the appropriate reporting channels for any human rights violations. In the course of semi-annual compliance reporting, the Executive Board is notified about the activities of the department dealing with compliance at the Fraport AG and the status of measures.

The certified electronic whistleblower system (BKMS® System), which is available within the Fraport Group, is an important tool for preventing or uncovering violations of human rights. Fraport AG has also engaged an external lawyer to act as ombudswoman for all employees at the Group’s German companies as well as customers, suppliers, and other business partners. Her job is to receive, legally review and forward information about unlawful conduct that damages the company. An internal representative is also available to employees in Germany.

Regulations on working hours and complaints mechanisms, for example, are implemented in large financing projects, some of which are also demanded by external lenders. The Environmental and Social Action Plan (ESAP), which requires the implementation of a human resource policy as well as a management and a monitoring system, is, for example, a prerequisite for the financing of Fraport Greece. The plan applies not only to Fraport's employees, but also to suppliers and subcontractors. The ESAP also regulates the conditions for employees along the supply chain in order to prevent, for example, suppliers from employing refugees under inappropriate working conditions.

In its "Environmental Impact Study for the Expansion Program of the AIJCH" updated for fiscal year 2018, the Group company Lima has laid out the requirements for the contractual implementation of the airport expansion in line with social and ecological guidelines. In addition, the Group company recognizes the "Equator Principles", a set of rules by banks to comply with environmental and social standards in the area of project financing.

In addition to an electronic whistleblower system introduced in 2018, the Group companies Fortaleza and Porto Alegre have set up monthly meetings which, among other things, focus on the protection of employees. For the implementation of the expansion program, the Group company Porto Alegre is committed to initiate the relocation of over 900 families within the framework of the concession contract. The relocation is being conducted in a structured manner already practiced in Brazil. Thanks to the close cooperation with the competent authorities of the municipal administration and the regional government, the local legislation is strictly adhered to. The affected families will be compensated by the Group company Porto Alegre.

The aforementioned organizational concepts for identifying and reporting irregularities ensures that the Executive Board gains direct knowledge of any known cases of human rights violations or any other relevant information they receive. During the reporting period, there were no complaints related to human rights submitted to Fraport by way of the formal organizational complaint mechanisms.

Anti-Corruption and Bribery Matters

Ensuring legal and compliant behavior in the Fraport Group is part of the corporate culture as it has been laid out, in particular, in the code of conduct for employees. The Code of Conduct applicable to all employees worldwide takes into account the United Nations' anti-corruption conventions and is based on the ten Global Compact principles, the OECD guidelines, and the ILO Core Labor Standards. It covers corruption prevention and antitrust and competition law, among other things. The Executive Board is expressly committed to these principles as well as the zero tolerance principle, in particular in respect to corruption and violations of antitrust and competition law. The Code of Conduct is a key part of the Compliance Management Systems (CMS) of the Group companies and of Fraport AG's CMS. The comprehensive analysis of compliance risks, which is focused on the areas of anti-corruption, bribery, and antitrust and competition law, forms another important part of the CMS.

The objective of the Compliance Management Systems in the Fraport Group is to ensure corporate management based on values and with integrity which goes beyond the mere fulfillment of standards. The value-based corporate culture is the basis of the stable further development of the Compliance Management Systems. They are designed to be preventive and should enable Fraport employees to become aware of compliance risks and violations at an early stage and respond to them appropriately. For Fraport AG, the Executive Board has expressly committed to this value-based compliance. With the Group-wide Code of Conduct as well as various communication measures, the Executive Board supports the Managing Directors of the Group companies as well as Fraport AG employees and their managers to meet their responsibility to continuously implement the compliance targets.

Semi-annual compliance reports inform the Executive Board about the activities of the department dealing with compliance of Fraport AG and the status of measures to combat corruption. Both the Code of Conduct and the Compliance Guidelines are available to all employees on the internal information portals.

The certified electronic whistleblower system (BKMS® System), which is available within the Fraport Group, is an important tool for preventing or uncovering violations and thus preventing corruption and bribery. The ombudswoman commissioned by Fraport AG receives reports from employees of the German group companies and Fraport AG as well as customers, suppliers, and other business partners which may be the subject of corruption and bribery. Employees in Germany can also contact their internal representative.

In the interests of strengthening integrity and corruption prevention, Fraport AG laid out guidelines for accepting gifts and invitations in a new policy in fiscal year 2018.

Compliance due diligence is a standard process in Fraport AG's strategic business unit "Global Investments and Management", meaning that significant compliance aspects, such as reviews of business partners on the topics of corruption, price fixing, and fraud, are taken into account for each capital expenditure project and for consulting services.

The internal audit department provides independent and objective audit and consulting services in all major business units of Fraport AG, its subsidiaries and joint ventures, and Group companies, and compliance audits. The focal points of the audits are developed on the basis of a standardized, risk-oriented, planned approach.

The Group companies implement the Fraport Standards for the CMS based on the policy on the Group CMS. The Compliance Management Systems of the Group companies also ensure that the corporate culture of Fraport AG is transferred to the entire Group. Similar to Fraport AG, the compliance risk analysis is the focus of the local Compliance Management Systems. Measures to prevent corruption are derived by the Group companies on the basis of this compliance risk analysis. These include, for example, training measures and the addition of compliance-related processes.

Within the scope of large financing projects, additional measures against corruption and bribery are implemented in the Group companies, in part as stipulated by external lenders. Within the context of the invitation to bid for the expansion of the airport, the Group company Lima has obliged all bidders to sign an anti-corruption agreement. In accordance with Brazilian law, the Group companies Fortaleza and Porto Alegre trained their employees in the topic of anti-corruption and held separate trainings for executives in fiscal year 2018.

The aforementioned organizational concepts for identifying and reporting irregularities ensures that the Executive Board gains direct knowledge of any known cases of corruption and bribery or any other relevant information. In fiscal year 2018, there was no agreement with any business partner terminated due to allegations of corruption.

Customer Satisfaction and Security

Customer satisfaction and product quality

The customer comes first for Fraport. This is also reflected by the mission statement, "Gute Reise! We make it happen." The aim of the strategy is to establish itself as Europe's best airport operator and also to set global standards. This ensures the development of the company's value and competitiveness in the long term. The target is to win over the main customers, i.e. passengers, airlines, the freight community, and retail concessionaires, with attractive offers and the best service. At the Frankfurt site, Fraport works closely among others with the Federal Police to ensure that security and passport control processes are efficient and that a high volume of passengers is handled in sufficient time.

Passenger satisfaction is important for international Group companies too. The fully consolidated Group airports that are operated through concession agreements (see also the "Situation of the Group" section of the Group Management Report, starting on page 54) are contractually obliged to carry out surveys on passenger satisfaction. This is measured at the different sites using various key figures (see also the "Non-financial performance indicators" section of the Group management report, starting on page 103). Where appropriate, this system of collecting data is to be harmonized in the medium term.

Passenger satisfaction at Lima Airport was 94% in 2018 (2017: 82%). Travelers reacted positively to various improvements to the quality of services. For example, customs clearances, the look and feel of the public areas of the terminal, and retail offers were improved. At the airports in Varna and Burgas, the satisfaction level was nearly 74%. Here the system of collecting data used by Fraport AG was applied for the first time in fiscal year 2018. In the new system, the previous year's level of 97% resulted in a satisfaction rate of 82%, a decrease of 8 percentage points. While satisfaction at Varna Airport increased, it deteriorated in Burgas due to the high use of the terminal in the summer.

Despite significant passenger volume growth, the number of complaints in Ljubljana rose only slightly to 81 (previous year: 64). In March 2018, Fraport Greece launched an expanded market research program at all 14 airports. Based on these survey results in summer 2018, all airports received overall grades, despite on-going construction, of better than 3.00 (on a scale of 1 to 5, where 1 is very poor and 5 is excellent). The three top ranked airports were Rhodes (4.06), Aktion (3.94), and Kefalonia (3.86). At the two Brazilian airports Fortaleza and Porto Alegre, passenger satisfaction will be measured within the scope of the concessions guidelines in the future. The initial results are expected for the second quarter of 2019.

In order to guarantee service quality while traffic volume increases, and to meet passengers' and airlines' increasing requirements, Fraport is conducting extensive expansion and modernization measures at the Group airports. For example, a new terminal and a second runway will be built at Lima Airport.

Frankfurt Airport, the site with the most passengers, is a particular focus in the Group portfolio. The following will therefore discuss the service quality management implemented at that site.

Passenger satisfaction is considered the most important criterion for service quality. Global satisfaction describes passengers' satisfaction with the services offered and the overall service at Frankfurt Airport. Fraport is committed to the target of maintaining and increasing customer satisfaction continuously. Despite the expected temporary overload of terminal infrastructure due to traffic growth in the next few years, Fraport AG aims for a target of at least 80% global satisfaction at Frankfurt Airport. With the inauguration of Pier G of Terminal 3, passenger satisfaction should be at least 82.5% from 2021. From 2025, Fraport AG's target is at least 85% based on the complete capacity increase from Terminal 3. In Frankfurt, passenger satisfaction is mainly recorded using surveys. The global satisfaction of passengers at the Frankfurt site in 2018 was 86%, one percentage point above the level of the previous year (previous year: 85%).

With 69.5 million passengers in 2018, Frankfurt Airport recorded strong growth of 7.8% compared to the previous year. This resulted in increased waiting times at security checkpoints during peaks in traffic (particularly during school vacations and public holidays). This was reflected, among other things, in an increase in the number of complaints about the security inspection process. Passenger satisfaction with waiting times at security checkpoints was 80% in 2018 (previous year: 81%) and satisfaction with personnel at security check was 82% in 2018 (previous year: 82%). Despite the excellent results for most key figures in passenger satisfaction in the fiscal year 2018, the focus is on improving performance particularly at security checkpoints. Fraport is co-operating closely with the authorities of the German Federal Ministry of the Interior, Building and Community (BMI), the German Federal Police, and security companies in an effort to avoid long waiting times for passengers at the security checkpoints in the future.

The service program "Great to have you here!" launched in 2010 has increased global passenger satisfaction at Frankfurt Airport significantly. As part of five sub-initiatives, directions and signposting, ambiance and comfort, and the range of relaxation, work and entertainment options on offer in the terminals were all significantly improved. Most of the measures were successfully completed in 2018. Individual measures, such as the renovation of the sanitary facilities, will continue in fiscal year 2019. At the same time, in 2018, approximately 1,100 employees completed training within the scope of the "Service Excellence" program, in order to further improve hospitality and service orientation at Frankfurt Airport. In 2018, passenger satisfaction regarding the hospitality of airport staff was 91%, which represented a significant increase (previous year: 85%).

Fraport has also directly exchanged ideas with Deutsche Lufthansa, the security companies working at the Frankfurt site, retail concessionaires and other service providers, and Deutsche Bahn regarding service, hospitality, and customer satisfaction in the Service Quality Committee since 2016. The first important milestone was the definition and approval of the Service Guidelines for FRA. In these guidelines, the partners reiterate their desire and their joint responsibility to strengthen the Frankfurt site and to further develop service quality and trusting cooperation. The target is to ensure that common passengers, customers, and guests keep a good impression of Frankfurt Airport in addition to improving global satisfaction of the passengers, the willingness to recommend Frankfurt Airport, satisfaction with the hospitality, and improving the sense of security.

Fraport AG's Executive Board is informed in quarterly reports about the most important key figure passenger satisfaction indicators and involved in decision-making processes. The Executive Board also adopts annual target levels for the most important passenger satisfaction criteria. These levels are authoritative for all relevant business units and in some cases for service providers. Improvement measures are primarily set out in the service program, employee training, and other infrastructure projects. Also, the strategic relevance of global satisfaction of the passengers is made clear by considering it as part of Executive Board remuneration (see also the chapter "Remuneration report" starting on page 76 of the Group Management Report and of the Management Report of Fraport AG starting on page 16).

The reliable loading of luggage for departing flights and the fast delivery of luggage to the baggage claim for arriving flights have a major impact on customer satisfaction. The baggage connectivity figure provides information about the percentage of baggage at Frankfurt Airport that is loaded on time in relation to the total departing baggage. A high level of connectivity proves the good quality of baggage processes, which is one of the main responsibilities of Ground Services. This is particularly important because Frankfurt has a high proportion of transfer baggage with a transfer share of more than 55%. The objective is to achieve a long-term baggage connectivity of more than 98.5%. In the past fiscal year, baggage connectivity amounted to 98.4% and was therefore 0.1 percentage point below the previous year's and the target figure. In particular, delayed flights and poor weather conditions had a negative impact on the loading of baggage on time. In order to maintain connectivity at its current high level in the future coupled with increasing number of baggage items, Fraport is constantly working on optimization measures that are closely coordinated and implemented with airlines within the scope of regular performance discussions. In order to maintain baggage handling at a high level given the strong traffic growth in fiscal year 2018, recruitment of personnel was significantly expanded. On the other hand, IT processes were optimized to ensure the stability of the IT infrastructure of the baggage conveyor system, even when processing high volumes.

The Executive Board is informed about the development of baggage connectivity on a monthly basis. The division managers receive daily reports, so that countermeasures can be taken to restore the quality in the event of a decline in performance. The values are regularly discussed with the airlines, and measures are implemented for improvements wherever necessary. For example, Deutsche Lufthansa frequently receives a detailed monitoring report, and improvement measures are managed jointly.

Other parameters for measuring customer satisfaction and service quality at Frankfurt Airport include the annual ranking of the top 100 airports by the consultancy Skytrax. Frankfurt Airport was ranked tenth in 2018 worldwide, based on online passenger surveys (2017: tenth place).

IT security and airport safety and security

Security is the essential prerequisite for air transport; this applies equally to both passenger and freight transport. Accordingly, security management has always been the top priority at Fraport.

All 192 Member States (including all countries in which Fraport is active) of the International Civil Aviation Organization (ICAO) have contractually committed to comply with the safety standards and recommended practices for airports. The same applies for the 44 Member States of the European organization of European Civil Aviation Conference (ECAC). National legislation ensures the responsibilities within this framework. In contrast to most EU, ECAC, and ICAO Member States, German law allocates, for example, passenger and baggage checks to government authorities, whereas in foreign countries this is usually the responsibility of the airports. The application of stricter measures based on a local risk evaluation in individual EU Member States is also possible.

Within the Fraport Group, each company is subject to the security regulations in place in its respective country. Management must present proof of the fulfillment of the conditions to the supervisory authority in the respective country. Nonetheless, the security officers of the Group companies exchange information on certain projects or topics.

IT security

All important business and operating processes of Fraport are supported by IT systems and IT components. Due to the ongoing development of new technologies and the ever-increasing global threat of cyberattacks, there is an underlying risk potential for IT systems. Fraport takes account of this situation with active and preventative IT security management. This particularly focuses on safeguarding the security of IT systems that are critical to the company. The requirements for IT security are specified in the IT security policy and security guidelines that must be followed throughout the Group. Compliance with these requirements is checked regularly by the Internal Audit department, by IT security management, or external advisors (see also Risk and Opportunities Report from page 113).

As a rule, the IT systems of the Group companies at the Frankfurt site as well as the SAP systems of Fraport Greece are integrated into the technology of Fraport AG and managed from Frankfurt. Exceptions in this regard are only possible with the approval of the Executive Board. The Group companies outside of Frankfurt use their own IT infrastructure, which provides protection according to the Group's IT security policy.

A serious system failure or material loss of data could lead to serious business disruptions and security risks. In addition to this, attacks by viruses and hackers could lead to system failure and ultimately to the loss of business-critical or confidential data. To counter these risks, all of the IT systems of critical importance to the company are configured redundantly and are housed at separate sites. The risks in the area of IT security are included in the risk management system.

A separate section is responsible for IT security at Fraport AG. Its tasks are, among other things, the ongoing identification and implementation of measures to meet high safety standards.

Within the scope of a working group in the German Aviation Association, Fraport AG along with other airport operators, Deutsche Lufthansa and the German Air Traffic Control has developed the security standards of the industry. These are based on the new requirements laid out by the IT Security in Critical Infrastructures (KRITIS) research program. The goal is to establish a high standard of security within the aviation industry through the selection of security measures, the assignment of measures according to predefined confidence levels, and mutual assessment. The work should be completed in 2019, and the industry standard should be released by the German Federal Office for Information Security. The standard ensures that the statutory provisions will be implemented at Fraport AG by mid-2019.

The use of a standardized tool for all processes of IT security including documentation is currently being planned. In addition, the section coordinates awareness-raising activities for staff and external workers to ensure a high security awareness. The IT Security Officer at Fraport AG reports weekly to the Chief Information Officer, and a report is submitted to the IT Management Board every two months. The level of IT security is also part of the annual management report for ISO 9001 quality management certification. Proprietary key figures provide information about the status of IT security measures, divided into security and compliance aspects, at any time. The resulting overall score is regularly reported to the Executive Board.

The risk management and safety management systems as well as selected measures are subjected to regular organizational and technical audits and checks by the internal audit department. In 2018, Fraport AG once again implemented a variety of projects to adequately respond to the growing risks arising from information technology. Among other things, Fraport AG updated its awareness-raising campaign originally launched in 2012. In addition, new requirements from the German IT Security Act, such as the reporting of incidents and an independent audit of security levels, have been fulfilled.

Airport safety and security

This area encompasses both security and safety: Safety refers to the operational safety of the overall airport operations as well as the safety within the airport grounds. Security is understood in terms of defending against terrorist threats and protecting civil aviation. The relevant measures include passenger, baggage, and cargo inspections and reviewing the access control points for airport employees and suppliers.

Safety

The Safety Management System (SMS) is in place with the goal of avoiding personal injury and damage to aircraft, vehicles, or infrastructure due to accidents and technical defects. For example, anyone with access to the airside areas (apron and runway) must complete SMS training before they can enter the airside areas. Emergency and crisis management is also part of safety management.

Fraport AG is obliged to operate a SMS at Frankfurt Airport. It was established based on EU Regulation 2018/1139, 139/2014, and the relevant guidance materials. With the SMS, security incidents are recorded and evaluated, and potential vulnerabilities are identified. It is meant for all organizations and individuals with access to the airside areas at Frankfurt Airport. All factors that may affect the safety of airport operations are taken into account in the SMS, whether they are of a technical, organizational, or human nature. To this end, internal and external employees can send safety notices or messages. They are treated as confidential upon request, and they can also be placed anonymously.

The SMS in place for all people and organizations participating in the operation of the airport documents the responsibilities, methods, and operating procedures that are relevant to ongoing occupational safety. For example, the SMS contains specifications for identifying hazards as well as instructions for process and risk evaluations. Proactive recommendations are therefore possible with this system. The SMS was last updated on December 11, 2017. The EASA Safety Manager follows the guidelines of the European Aviation Safety Agency (EASA) and enjoys a direct reporting right to the Executive Board.

As a central reporting and alarm point for security matters, Fraport AG operates a Safety and Security Control Center at Frankfurt Airport which carries out the emergency and crisis management if necessary. The airport fire department, the medical services, the ambulance service, and the security services then coordinate operations in the field. A crisis unit is also commencing operations in the “Emergency Response and Information Center” (ERIC). It coordinates and executes all measures that require a concerted approach at the site beyond any routine damage and risk prevention. If necessary, the "care team" is activated, and this team interacts with passengers, greeters, and relatives on site or acts as an “emergency information center” to handle telephone inquiries. The care team consists of volunteer employees of Fraport AG and the Group companies at the Frankfurt site who are trained for the respective tasks.

The contingency plan for the Frankfurt Airport “FRA Not” documents which preparations have been made for various emergency scenarios and defines procedures to minimize the impact. These include, in particular, the rescue of humans and animals, the preservation of natural resources and material assets, as well as maintaining the airport’s operations. The FRA Not plan includes procedures to coordinate all internal and external bodies to deal with emergencies.

In order to train for the handling of emergencies and other security-related scenarios, regular exercises at the international airports are prescribed by ICAO and EASA. They are prerequisites for obtaining an operating license. Each respective operating company is responsible for carrying out the procedures.

In November 2018, Fraport AG together with Deutsche Lufthansa, the Regional Health Department in Frankfurt, the Frankfurt Fire Department, the Special Isolation Ward of Frankfurt University Hospital, and ambulance services and authorities at Frankfurt Airport rehearsed procedures in a medical emergency. In this case, the exercise is not only required by ICAO and EASA but also fulfilled international health regulations. Such exercises have no impact on flight operations.

The scenario of the exercise was based on the event that two passengers exhibit symptoms of a contagious infection while on a flight to Frankfurt. After a fictional landing scenario, the doctors of the Regional Health Department and Fraport AG practiced the procedures on board the aircraft. The additional medical treatment of all passengers as well as the transfer of the infectious passengers with special vehicles of the Fire Department to the Special Isolation Ward of Frankfurt University Hospital were part of the exercise. The results will be used for further education and training.

Security

Both international and European regulations contain guidelines on the structural design of airport infrastructure for the purposes of defending against attacks on the security of air transport. The security measures at the airports aim to prevent attacks, such as hijacking, acts of sabotage, or terrorist activities.

In Germany, passenger and baggage checks are part of the central functions of security according to Section 5 of the German Aviation Security Act (LuftSiG). They lie within the jurisdiction of the German Federal Ministry of the Interior, Building and Community and are carried out by the German Federal Police and any third parties it commissions. At Frankfurt Airport, Fraport employees as well as employees of the Group company FraSec and other private security providers currently carry out airport security checks on behalf of the German Federal Police.

According to Section 8 of the LuftSiG, all buildings and the site must be designed in such a way that the operation of the airport can be protected against attacks on the security of air transport and the proper implementation of all security measures is ensured. This applies, in particular, to the access controls to the airside areas as well as controlling persons, all carried objects, and vehicles before entering the security area. In addition, fencing, identification cards, training of personnel, as well as the safe transport of controlled luggage which protects it from unauthorized access are all part of these requirements. These security measures are the direct responsibility of the airport operator. They are presented in an air safety program approved by Hessian Ministry of Economics, Energy, Transport and Housing as the supervisory authority.

The education and training of all security personnel occurs in accordance with Group-wide regulatory and internal requirements. At the Frankfurt site, the training requirements apply to security personnel of Fraport AG as well as of the Group company FraSec. The Group company FraSec carries out access checks for vehicles and people as well as goods at access points to the security area on behalf Fraport AG.

Fraport AG does not limit its activities at Frankfurt Airport to the implementation of legal requirements, but rather also develops measures in agreement with the competent authorities responsible for maintaining the high safety standards. For example, the fence surrounding Runway West was upgraded with electronic sensors in 2018 that automatically report every touch. In addition, Fraport AG tested a vehicle for autonomous fence controls in cooperation with the Fraunhofer Institute. As an additional measure, a security-awareness campaign using various media was set up to raise awareness among employees at the airport regarding security and encourage them to report any incidents to the Safety and Security Control Center. While the focus in 2018 was on security measures at terminals, in 2019 safety will be given a greater priority.

As the operator of Frankfurt Airport, Fraport AG assumes responsibility for the task of exchanging all information relevant to security and for ensuring the continuous communication and close cooperation with the organizations responsible for security. In terms of work processes, regular weekly or monthly meetings are held with airlines, security service providers, and authorities for this purpose. Several times a year, Fraport AG invites managers of these companies as well as authorities to a meeting to exchange information.

Data protection

Protecting personal data is a priority for any company. As a responsible partner, Fraport always requires the highest standard in this area, regardless of whether it is the data of passengers, customers, employees, or contractors.

Data protection laws have always been a high priority in Germany, and data protection has been clearly regulated since 1980 by the Federal Data Protection Act (BDSG). While the BDSG only applies to Germany, the EU General Data Protection Regulation (GDPR), which came into effect in May 2018, has harmonized data protection in all EU Member States. However, there may be deviations from this law when transferred to national legislation.

Within the Fraport Group, the GDPR affects the Group companies within the EU. The Executive Board works towards ensuring the Group companies in other parts of Europe comply with the regulation as in Germany. The individual Group companies are independently responsible for the implementation. And the EU Group companies have fulfilled this responsibility. This compliance is monitored by Fraport AG. For the Group companies outside the EU, the laws on data protection are implemented in accordance with the national regulations. The objective is to ensure the handling of personal data in compliance with the data protection laws and to safeguard the rights of the data subjects.

The Data Protection Officer at Fraport AG monitors compliance with these regulations within the company. He reports directly to the Executive Board and is independent in exercising his tasks in the area of data protection. Violations of the GDPR or other related complaints can be sent directly to him, anonymously if necessary. In 2018, Fraport AG did not record any violations of data protection that were reportable according to the GDPR.

Fraport AG has a registration process for data protection and data security incidents in place. Complaints and access requests by data subjects are processed promptly and completely. To consolidate the processes and rules at Fraport AG, it implements existing processes in a data protection management system and is planning the implementation of a data protection policy. Existing training concepts have been revised and implemented with e-learning methods. For employees who handle sensitive data to a particular extent, classroom training sessions were also held, and the content of these sessions is available as video training.

Within the framework of the Association of German Commercial Airports (ADV), which includes many more airports in addition to Munich Airport, Fraport AG is part of a task force on the subject of GDPR. Participating in this task force allows Fraport to continuously evaluate its own measures against a benchmark.

To ensure compliance with the new regulation, Fraport AG has implemented a project to implement the requirements of the GDPR since 2017. The existing framework conditions have been checked and new processes established where necessary. They are also part of the quality management system according to ISO 9001. The processing directory in accordance with the requirements of the GDPR has been created and is constantly being updated. In addition, a guideline for deleting personal data was developed. The steering committee of the project receives regular reports on the progress. The Executive Board is informed regularly by a member of the steering committee.

In the course of examining the conditions, the Fraport website was assessed regarding, among other things, personal data to ensure compliance with GDPR. The data protection statements for all so-called data subject categories such as employees, visitors, applicants, passengers, or customers are available at privacy-statement.fraport.com.

Personal data of passengers are required by Fraport AG primarily for the use of parking garages and for baggage handling. The processing of travel data is the responsibility of the airlines. The majority of the personal data processed by Fraport is due to the issue of airport ID cards and is thus compulsory for security reasons.

Fraport AG has established a working group at the Frankfurt site, which is responsible for all issues relating to the use of video technology and consists of employees responsible for data protection, product management video, and requirements management of the relevant sections, and corporate safety, along with the involvement of the Works Council. It is developing a concept that lays out clear rules for users of all video data regarding the respective purpose and data protection requirements. The concept contains the roles and authorizations for the use of video technology throughout the entire airport grounds. Regulations on the use of Fraport video technology by authorities is also included.

In addition, a standardized approval process was established that is mainly based on the naming of video officers (VO) by the areas using the technology. The VO of the strategic business unit Airside and Terminal Management, Corporate Safety and Security has been appointed by the Executive Board to head the working group of all video officers. He is also a point of contact for the authorities. These measures ensure that the requirements for video surveillance are compatible with the privacy rights of passengers, visitors, and employees.

To ensure safety at airports, personal access rights must be managed and controlled. In Frankfurt, this is carried out by way of an identification management system as well as new access control systems for gates and all other access points to operational and security areas. Fraport AG has implemented both technical and organizational measures to protect data against misuse. The requirements of the GDPR are also fully complied with in this respect. Access to this system is allowed to only a limited group of people for a specifically defined task, so that misuse can also be identified and tracked as much as possible.

Non-financial key performance indicators

Issue	Target	Key figure	Target level	Term	Scope	Status at the end of 2018
Customer satisfaction and product quality	We want to maintain and improve our customer satisfaction.	Global satisfaction of passengers	≥80 %[1)]	2021	Fraport AG	86 %
		Baggage connectivity	>98.5 %	2019	Fraport AG	98.4 %

[1)] Target from 2021 forward: ≥82.5%, from 2025: ≥85%.

Employee-related Matters

Fraport AG has a long tradition as a company with a social and a partnership-based approach. Group-wide, Fraport aims to remain competitive at all sites and in all areas and thereby secure jobs with fair and just working conditions. This involves providing fair wages and salaries, and a package of benefits that goes beyond pay. Fraport offers a high level of job security, good working conditions based on collective bargaining agreements, career and personal development options, and a highly developed corporate ethic.

The Fraport Policy forms the overarching structure for all commitments and topic-specific codes of the Group. Pursuant to responsible corporate governance, Fraport has made a commitment to comply with internationally recognized standards of conduct, such as those defined in the principles of the UN Global Compact, the OECD guidelines, and the ILO Core Labor Standards. In 2013, Fraport published its own Code of Conduct to anchor these principles even more firmly within the company. This code commits employees to compliance with these fundamental principles.

Fraport Group has over 21,900 employees. Given the growing challenges, such as increasing international competition in the aviation industry and passengers' and airlines' increasing demands, and the continuous focus of the Group on earnings, the aim is to organize the personnel structure in such a way that this competitive pressure can be withstood. Employees' personal and professional skills are boosted Group-wide by training measures. This allows Fraport to ensure a high service quality.

The fundamental importance of the human resources strategy is taken into account by the three key non-financial performance indicators of employee satisfaction, women in management positions, and sickness rate. The Executive Director of Labor Relations is informed at quarterly meetings with the HR managers of the Group companies at the Frankfurt site, among other things, of the development of these key figures.

Attractive and responsible employer

As an attractive and responsible employer, Fraport aims to provide good working conditions and high levels of employee satisfaction. This key figure is calculated annually by surveying employees of Fraport AG and the Group companies. All labor-intensive Group companies in Frankfurt as well as the Group companies Lima, Fraport Slovenija, and Twin Star took part in the 2018 survey. In future, the survey will be expanded to all other key Group companies. The cultural conditions must be taken into account, and a common standard for assessment must be agreed.

At Fraport AG, the results are used to identify potential for improvement and derive appropriate measures. They are documented by the central unit Human Resources; the implementation is controlled and prepared for the respective units or German Group companies. In individual cases, the measures and the intended improvements can be included in the target agreements with executives. The strategic relevance of Group employee satisfaction is also clear, given that it is taken into account in the Executive Board's remuneration (see also the "Remuneration report" section of the Group management report beginning on page 76).

The key figure is calculated from nine aspects of satisfaction and the detailed analyses show potential areas of improvement. Fraport aims to maintain employee satisfaction at a stable level Group-wide and continually improve the rating in the long term to exceed 3.0 (index value in line with German school grading system). The average grade for satisfaction by the employees of the Fraport Group was at 2.76 in fiscal year 2018, and therefore above the adjusted value for the previous year of 2.85 (reported in the previous year: 2.87, the previous year's figure was adjusted for the Group company FCS). At Fraport AG, the figure should be better than in the previous year. The average grade for satisfaction by the employees of Fraport AG in the past fiscal year was 2.86 and thus slightly improved year on year (previous year: 2.88). Fraport has stepped up its recruitment and training activities in these areas to meet challenges such as the tangible impact of demographic change at the many airport sites and the increased burden on operational employees in particular due to the growth in traffic.

As a responsible employer, Fraport respects and promotes personal diversity and attaches great importance to ensuring that this is reflected in the way employees interact with each other. Diversity is a key goal for Fraport, which the Group systematically tackles as part of its diversity management. Diverse cultural backgrounds, international experience and gender aspects enrich the collaboration and promote innovation and creativity. This enables Fraport to flexibly respond to the changing requirements in the international markets and benefit from them.

As far back as 2007 Fraport published its "Diversity charter" – a company initiative to promote diversity in companies and institutions. The Group company agreement "Conduct of Partnership, Diversity, and Equality in the Workplace" formed the platform for principles such as freedom from discrimination and equal opportunities. The company agreement includes explicit definitions of values as well as specific internal regulations and structures. From an organizational perspective, responsibility for diversity is assigned to the Executive Director Labor Relations with corresponding resources.

Fraport places particular focus on promoting women in management positions at the two levels directly below the Executive Board as well as at the respective management levels at the German Group companies. For reporting purposes, executives who report directly to the Executive Board are categorized as level 1. Executives who report to this first level of leadership are categorized as level 2. Regarding the Group companies in Germany, the levels of management are categorized based on comparable positions at Fraport AG. This corresponds to the objectives in the "Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector". The company maintains its objective to increase the proportion of women in management positions in Germany across both levels to 30% by 2021. Fraport respects national laws and does not want to impose any quotas based on German law at the foreign Group companies.

In fiscal year 2018, the proportion of women in management positions in Germany was 26.0% (previous year: 28.0%). The proportion of women in management positions in Fraport AG in 2018 was 25.0% (previous year: 27.1%). The slight decline in the rate at both Fraport AG and the German Group companies is due to organizational and personnel changes. Fraport has worked to increase the proportion of women in management positions for many years. Particular focus is placed on all staff development processes that have an influence on increasing the proportion. This includes strategic succession planning across all levels of management as well as talent management and the Potential Assessment Center. The long-term measures that are already proving to be successful include the Cross Mentoring Program, the internal mentoring, and coaching within the context of the continued development of female executives. There are also offers, such as the option of holding an executive position on a part-time basis within the scope of an 80% or 90% workload. In the future, it will also be possible to work within the framework of an interim management. This allows for the management experience to be extended on a temporary basis. For job vacancies, suitable female candidates are also actively approached and systematic development and career paths are presented.

Occupational health and safety

Occupational health management in the Fraport Group has always focused on preserving the health, performance and therefore productivity of employees in the long term. With its preventive nature, Fraport contributes to maintaining employee performance and prevents work-related health risks. Employees are regularly informed about health-maintaining measures and their workplaces are ergonomically designed in the operational and administrative areas.

Fraport AG's multi-award-winning occupational health management initiates a wide range of health-promoting activities and measures with various focal points. For example, cooperation with gyms made it possible for employees to exercise close to their place of residence. Those who exercise regularly are rewarded with a contribution to membership fees. In 2018, the premiums for the collective operational supplementary health insurance were expanded to include greater reimbursements for dental prostheses. In total, around 2,000 contracts were concluded with employees and their relatives. All employees in Germany were given a "Fitbox" with suggestions for improving their own health. This also includes a calendar with suggestions for preventive measures. Each month, a new topic is presented and accompanied with corresponding information and activities. If possible given the state of operations and with approval by management, employees of Fraport AG can visit the health lectures during working hours. From an organizational perspective, responsibility for health management is assigned to the Executive Director Labor Relations with corresponding resources.

The effects of demographic change in the Group and the increase of the average age of employees contribute, among other things, to a continuous increase in the number of long-term illnesses. However, high levels of absenteeism, especially in the operational units and Group companies in Germany, cannot be attributed only to health issues, workload and age-related effects. It can be seen that absenteeism in the operational areas decreases significantly on public holidays, which leads to the conclusion that there are motivation-related absences, as these working days are compensated by special bonuses. In 2017, new evaluation options for sick leave and training for managers were developed and implemented. Since 2018, each employee can obtain his or her personal sickness rate as well as that of his or her unit on the Intranet.

The only possibility to adjust to increased volume of traffic at Frankfurt airport was through additional shifts. Fraport AG provided an attractive financial incentive for acquiring additional services under the motto "Growth in 2018 – Working Together". Food and drinks were provided to employees in highly stressful work areas such as in aircraft handling. Workers at the security checkpoints were also given massage vouchers.

Fraport evaluates the effectiveness of the measures by continuously analyzing the sickness rate, among other things. The calculation excluding absences beyond sick pay (extended sick leave) primarily reflects the development of short- and medium-term illnesses.

Fraport focuses on limiting or reversing the sickness rate, which is increasing due to seasonal and age-related absences, among other things. The target is to have a maximum rate of 7.2% in both the Group and at Fraport AG by 2025.

In 2018, the sickness rate in the Group was 7.4% (previous year: 7.5%). This development is primarily attributable to the improvement of the sickness rate at Fraport AG and the Group company FraSec, which both have a large number of employees. At Fraport AG, the sickness rate improved from 7.6% to 7.4%. In the Ground Services Strategic Business Unit, which has a large number of staff, as well as Airport Safety and Security, the sickness rate decreased noticeably.

A strong prevention culture means that, in addition to health management, occupational safety is systematically integrated into the company's processes and structures as well. Accident prevention not only serves personal safety but is also of great importance from an economic point of view, for example if work equipment, vehicles, or facilities are damaged or if employees are unable to work due to illness. Strengthening the personal responsibility of all employees and, in particular, the management is a top priority. Comprehensive measures to guarantee high occupational safety standards are required, for example, when handling dangerous goods, in Ground Services' operations, in maintenance, in internal transport and traffic, and during infrastructure construction activities.

Driver safety training is offered to employees whose work involves driving. There are special occupational safety seminars for managers, for example on transferring obligations of the business operator. Targeted and temporary measures and projects are intended above all to raise employees' awareness of safe conduct in operational areas. In the project "Mindful through '18" in 2018, the focus was placed on reducing accident-related lost working days and the cost of damage to vehicles and equipment. As an additional measure, these project will be followed by the project "Zero" as part of the agenda for Ground Services for 2019. Behavioral health and safety will be strengthened in this section, which is responsible for the loading and unloading of aircraft as well as the internal transport.

In accordance with the Occupational Safety and Health Act, Fraport has implemented an occupational safety unit under the Executive Director Labor Relations, which advises and supports business units in the further development of occupational safety. The key principles for the Group companies can be found in the occupational safety management manual. They are to be implemented independently by the managing directors and supplemented by company-specific rules in internal regulations. This rule is valid effective immediately for Fraport AG and Group companies that are allocated to the area of Occupational Safety and Health Act. Taking into account the national laws, the scheme is an option for action for the international Group companies. The procedures for recognizing the occupational safety management manual are nearly completed for the Group companies within the scope of the German Occupational Safety and Health Act. The Group companies of Lima, Fraport Slovenija, Twin Star, and Fraport USA have already provided confirmations. In addition, a self-assessment conducted in 2017 at the international Group companies revealed that key aspects of occupational safety and health according to German legislation have been applied and implemented.

Fraport measures the effectiveness of occupational safety measures by the number of accidents at work, among other things. The target is to continually reduce the total number of accidents at work per year and to achieve a "rate per 1,000 employees" (number of reportable accidents at work per 1,000 employees) of less than 25 within the Group by 2020. For all Group employees (permanent staff, temporary staff, apprentices, and leased laborer) the rate per 1,000 employees was 26.1 (previous year: 25.8). Fraport AG's target for the rate per 1,000 employees is a figure under 20. It was 19.3 in 2018 (previous year: 24.1; as a result of late submissions, there may be changes to the figures reported for the previous year). The most significant reduction of accidents was recorded in the Ground Services Strategic Business Unit.

Non-financial key performance indicators

Issue	Target	Key figure	Target level	Term	Scope	Status at the end of 2018
Attractive and responsible employer	We want to create good working conditions and increase employee satisfaction.	Employee satisfaction	Better than or equal to 3.0	2019	Group	2.76[1]
			Better than the previous year's figure	2019	Fraport AG	2.86
	We want to increase the number of women in management positions.	Women in management positions (first and second level below the Executive Board)	30 %	2021	Group	26%[2]
			30 %	2021	Fraport AG	25.0%
Occupational health and safety	We want to stabilize the sickness rate in the medium term and reduce it in the long term.	Sickness rate	≤7,2%	2025	Group	7.4%[3]
			≤7,2%	2025	Fraport AG	7.4%

[1] This includes Fraport AG and eleven Group companies at the Frankfurt site as well as the Group companies Lima, Twin Star, and Fraport Slovenija.
[2] This includes Fraport AG as well as all Group companies in Germany.
[3] Value without Group companies Fortaleza and Porto Alegre.

Social Matters

Airports are important business locations and contribute directly and indirectly to economic and social value creation. For example, Frankfurt Airport is the largest local workplace in Germany with almost 81,000 direct employees (as at December 31, 2015). The survey provides an insight into the sectors in which employees at the site work. Accordingly, two thirds of employees surveyed work for an airline, in airport operations, or in freight forwarding and transport operations. Other sectors are authorities and institutions, catering, security services, personnel services, consulting, hotels and restaurants, freight handling, cleaning, and retail. There is predominantly potential for growth in companies that offer security services and at authorities. The people who live in the metropolitan region around the airport also benefit from this. They not only benefit from the short journey to the airport; many of them also work at a company that benefits from being close to the airport.

Noise abatement

Airports located in the vicinity of metropolitan areas are a burden for many local residents. At the Group airports, noise abatement measures are implemented according to the national requirements on noise protection and, where appropriate, based on advanced specific local regulations. The airports comply with the relevant national laws and have correspondingly implemented their own monitoring systems where required. Frankfurt Airport is the site in the Group with the largest traffic volume by far. This also pertains the noise pollution felt by residents near the airport. The local management approach is therefore described below.

In two bodies Fraport AG works with the region affected by aircraft noise, representatives of the state government and other members of the aviation industry. The Aircraft Noise Commission (FLK) is a legally appointed body that advises the Hessian Ministry of Economics, Energy, Transport and Housing (HMWEVW), the Deutsche Flugsicherung and the Federal Supervisory Office for Air Traffic Control. The FLK advises the aforementioned bodies on measures to protect against aircraft noise and air pollution resulting from aircraft exhaust gases.

The key task of the Airport and Regional Forum (FFR), which is assigned to the Hessian State Chancellery, is to foster dialog between the region and the aviation industry and to facilitate discussion of the impacts of air traffic, with a particular focus on Frankfurt Airport and the Rhine-Main region. The FFR includes the “Active Noise Abatement” expert group, which advises on measures that may help to reduce aircraft noise and the impact on the area around the airport.

Fraport wants to grow further at its main site and ensure this growth generates as little noise as possible. For Fraport AG, this means that, in addition to the legal requirements, it is constantly working towards measures that reduce aircraft noise exposure. The development of aircraft noise exposure in the area around the airport is subject to continuous monitoring. Measurement analyses and the results of comprehensive simulations are regularly reported to the supervisory authority and the FLK, and are also publicly disclosed on the company’s website. Municipalities where there are Fraport aircraft noise measurement stations receive additional detailed analyses on request.

Fraport Noise Monitoring, FRA.NoM, tracks the level values continuously measured at stationary measuring stations and indicates the aircraft noise in the last three months. It also reports the approaches and takeoffs at Frankfurt Airport. The information system for aircraft noise issues, FRA.Map, is available online and allows local residents and interested parties to find information for their location or place of residence on an interactive map. The system also displays the areas that are targeted by noise abatement measures or entitled to compensation payments.

As regards measures to reduce noise exposure, a distinction needs to be made between active and passive noise abatement. In active noise abatement, noise is reduced directly at the source or by implementing noise-reducing operating concepts and takeoff or landing procedures. These measures include the “Ground Based Augmentation System” (GBAS) navigation system, which enables a steeper angle of approach of 3.2 degrees for all runways. Thus far, the GBAS could not be used for parallel approaches and the aircraft had to alternate landing on the two runways. Parallel flights have now been possible since December 2018. With the so-called noise abatement model, individual takeoff and landing runways are alternatively not used, which extends the local nighttime quiet period by one hour. Furthermore, the current structure of the noise-related charges as part of airport charges is an incentive to use low-noise aircraft.

During the summer months of 2018, there was a slight increase in landings after 11:00 p.m. This was due, among other things, to poor weather conditions or the flight schedules of the airlines. As an improvement measure, airlines added, for example, additional buffers in the flight plans at Frankfurt Airport. Moreover, takeoffs are no longer scheduled after 10:40 p.m. Late landings are examined and approved, if necessary, by the aircraft noise protection officer of the Hessian Ministry of Economics, Energy, Transport and Housing (HMWEVW). For landings and takeoffs close to the edge of the night time window, Fraport AG charges a noise surcharge of 50%, and of 200% after 11:00 p.m., in an effort to make delayed aircraft movements particularly unattractive. Such charges are used to finance the passive noise protection program and wake turbulence prevention.

The voluntary alliance for an emissions ceiling created in 2017 should help to ensure that the noise exposure at Frankfurt Airport during the day does not increase as much as would be permitted under the zoning decision, despite growth in aircraft movements. The traffic volume and traffic structure of the zoning approval for the expansion result in noise contours with continuous sound levels of 55 dB(A) and 60 dB(A). These contours have been reduced by 1.8 dB(A) across the board. The total areas within the reduced contours define the noise emission ceiling. If the limit is exceeded, Fraport AG and the airlines are obliged to examine further noise abatement measures. If the limit is repeatedly exceeded, any of the parties involved can take action outside of the alliance. In 2018, a monitoring report drawn up jointly by the alliance partners was published for the first time. This report shows that the noise emission ceiling was met in the 2017 fiscal year.

Passive noise abatement measures are intended to reduce the noise level inside buildings by way of structural modifications. Fraport AG has extensive statutory obligations to take measures in around 86,000 households close to Frankfurt Airport. Eligibility is defined by a noise protection area determined by the Hesse State Government in accordance with the strictest regulations of the Aircraft Noise Act. Fraport AG satisfies these requirements in full.

The state government promised affected residents additional, more extensive efforts than those previously made in the vicinity of the airport in announcing the “Together for the Region – Alliance for Noise Abatement 2012” program in February 2012. That same year, a regional fund was set up to this end with €265-270 million. The funds are predominantly provided by the State of Hesse and Fraport AG and can be used for both private households and public facilities qualifying for protection, such as schools, kindergartens, or hospitals. Some 17,300 households in the airport region may receive additional support for passive noise abatement from the regional fund. The application deadline for financing from the fund was December 31, 2017. In its place, the Equalization of Burdens Act, with which the State of Hesse has made an additional €22.6 million available to local authorities particularly by aircraft noise by the year 2021, has been in effect since January 1, 2018.

In the area of passive noise abatement, the Fraport Group held provisions in the amount of €47.9 million as at the balance sheet date December 31, 2018 (see Group Notes, note 39, and Fraport AG’s Notes, note 30).

Wake turbulences

Damage has repeatedly occurred on roofs in the direct vicinity of Frankfurt Airport in the past and wake turbulences from landing aircraft could not be ruled out as a cause. The HMWEVW subsequently issued supplemental planning zoning decisions on May 10, 2013 and May 26, 2014. These regulate the requirements for protecting roof coverings on buildings against wind gusts caused by wake turbulences and clarify the relevant prerequisites.

The HMWEVW defined an area with around 6,000 buildings as an eligible area in the decisions. Including fiscal year 2018, some 3,380 applications for roof protection (wake turbulence prevention) have been submitted and work on some 2,850 properties has been completed so far.

The Executive Director Controlling and Finance is regularly informed about the programs of measures regarding noise abatement and roof protection. The Executive Director Operations is also directly informed of individual issues where required.

In the area of wake turbulence prevention, Fraport Group held provisions in the amount of €29.6 million as at the balance sheet date December 31, 2018 (see also Group notes, note 39 and Fraport AG's Notes, note 30).

In order to support local residents in the determination of their rights and to assist their applications, Fraport provides an extensive range of information and services on the company website.

Engagement in the regions

Frankfurt Airport is the site in the Group with the largest traffic volume by far and is also the location of the company headquarters. For Fraport, social responsibility has been a corporate principle for many years. Fraport AG has therefore long supported numerous clubs and institutions in the Rhine-Main region in particular.

Fraport AG's funding concept for its community, cultural and social engagement is "Active for the region". It primarily serves to boost clubs and support volunteer work in the region around Frankfurt Airport. All activities are combined into an independent department. In organizational terms, the competent central unit is assigned to the Chairman of the Executive Board.

The so-called "neighborhood framework" describes the geographical boundary for support activities. The area is based on district and state borders taking into account the most important approach and takeoff routes. If these change, the neighborhood framework will also be modified – as it was most recently when Runway Northwest was inaugurated. The expansion allowed other cities and municipalities to participate in the company's support activities.

Donation priorities include the promotion of social and charitable institutions, particularly those that encompass measures relating to education, social equality, health, and the integration of marginalized groups in society. Employees can also apply for donations as patrons of their clubs.

Sports sponsorship in the Rhine-Main region includes both recreational and professional sports. Well-known names that have concluded long-term contracts with Fraport AG include the FRAPORT SKYLINERS and Eintracht Frankfurt. In the area of basketball, Fraport sponsors not only the German league team but also gives donations to support the project "Basketball goes to school". At Eintracht Frankfurt, the club is promoted and Eintracht AG is sponsored with the affiliated soccer school.

In the fields of culture and education, Fraport is involved in the Rheingau Music Festival, among other things. There are also long-term partnerships with the Frankfurt cultural institutions Städel Museum, Schirn Kunsthalle, and Liebieghaus sculpture collection. Overall, in 2018 Fraport supported more than 1,500 projects run by various clubs and institutions by making donations and providing sponsorships totaling around €6.0 million.

Fraport has financially supported youths' and young adults' integration into working life since 1999 with the ProRegion Foundation. The original objectives of the foundation were the provision of funding for the creation of additional apprentice positions or the securing of available apprentice capacities in the region. New priority areas have emerged in the past few years. In addition to projects for the vocational and social integration of young refugees, other projects on professional orientation and competence assessment in general education schools are receiving more and more funding.

The Foundation's committees have taken this social development as an opportunity to extend the purpose of the Foundation in addition to promoting vocational education in the field of "social integration". Since the Foundation only acts as a funding institution, it relies on close cooperation with proven providers of youth vocational education. These include Gesellschaft für Jugendbeschäftigung e. V., an association dedicated to youth employment in Frankfurt, Evangelische Verein für Jugendsozialarbeit, an association for youth social work, Verein für Kultur und Bildung e. V., an association for culture and education, and Berufsbildungswerk Südhessen in Karben, an institute whose goal is to prepare youth for careers and vocational training.

As one of the largest employers in Hesse, Fraport AG focuses on helping young people to integrate in the workplace with two career preparation programs. The programs "Startklar" (Ready to Roll) and "BIFF" (Berufliche Integration von Flüchtlingen in Frankfurt Rhein-Main or Professional Integration of Refugees in Frankfurt Rhine-Main) are aimed at young people without a apprentice position or young refugees.

Fraport has supported nature and environmental conservation projects, research, and environmental education since 1997 with the environmental fund. Its best-known project is the RhineMain Regional Park, which extends between Rüdesheim, Wetterau, the Kinzig Valley, and the Hessian Ried.

Fraport is also involved in the Wirtschaftsinitiative FrankfurtRheinMain (FrankfurtRhineMain Business Initiative), which 150 companies participate in. One outcome of this cooperation is the House of Logistics and Mobility (HOLM) competence center at Frankfurt Airport.

Even at the individual sites of the international Group companies, regions close to the airport benefit from the economic performance and the donations made and sponsorship activities undertaken by each Group company independently. The companies and their value chains as well as employee consumption contribute directly and indirectly to the positive economic development of the respective regions (see also the Group management report in the section entitled "Community" starting on page 107).

Environmental Matters

The operation of an airport and air traffic have various effects on the environment. Fraport considers itself responsible for taking due consideration of the resulting environmental requirements and expects the same of its suppliers and service providers.

The environmental policy from 2008 obliges all Group companies to make use of natural resources and the environment in a sustainable, conserving and preventive manner, and to continually improve their environmental performance. To this end, there are environmental management systems at Fraport AG and all fully consolidated Group companies that are classified as "fundamentally environmentally relevant" due to their business activities. These systems are, almost without exception, certified in accordance with the relevant standard ISO 14001 or the European EMAS Regulation. Companies that join the Group and do not yet have such a system are obliged in the course of the acquisition to introduce an environmental management system.

Environmental management systems serve to systematically organize, manage and monitor corporate environmental protection within the relevant company. In addition, they support those responsible for operational activities and the management with regard to the performance of their respective duties and improvements in environmental performance. The functionality and effectiveness of the environmental management systems is reviewed and certified by external certifiers (ISO 14001) or environmental verifiers (EMAS) on an ongoing basis. Fraport AG's employees' many years of experience in environmental management benefit all Group airports, for example in the form of technical support, including on site.

Lenders explicitly call for consideration of environmental concerns in the biggest construction project at Frankfurt Airport. The European Investment Bank requires a project progress report every two years that contains the description of all significant environmental aspects for the financing of the Terminal 3. This helps to reduce environmental risks and is one of the principles of transparency, which aims to increase the reliability of the EIB Group as seen by its shareholders and the citizens of the European Union in general.

In its “Environmental Impact Study for the Expansion Program of the AIJCH” updated for fiscal year 2018, the Group company Lima has laid out the requirements for the contractual implementation of the airport expansion in line with social and ecological guidelines. In addition, the Group company recognizes the “Equator Principles”, a set of rules by banks to comply with environmental and social standards in the area of project financing.

Fraport’s environmental policy includes a commitment to report each year on environmental activities and performance (www.fraport.com/responsibility). To this end, the Group companies report to Fraport AG once a year on a comprehensive catalog of standardized environmental indicators and projects as well as associated improvements, and Fraport AG compiles this information for reporting purposes.

The environmental management systems cover all environmental factors such as energy consumption, CO_2 emissions, air pollutant emissions, effects of business activities on nature and biodiversity, water consumption, and waste. The topics climate protection and the protection of environment and nature as well as air quality were determined to be important as a result of the materiality assessment according to GRI.

Climate protection

The management activities at Fraport AG mainly deal with the emissions the company is directly responsible for, but it also looks at emissions that it is only indirectly connected to and which it can therefore only indirectly influence. Based on the Federal Government’s climate change agreement 2050, Fraport AG wishes to reduce the CO_2 emissions at Frankfurt Airport to 80,000 t by 2030. This corresponds to a reduction by 65% compared to the emissions in the base year of the international climate change agreement (1990). In the past fiscal year, Fraport AG’s CO_2 emissions amounted to approximately 188,631 tons of CO_2, 0.8% less than in the previous year. The emission reductions from energy savings under ongoing programs to improve energy efficiency were nearly offset by the increased energy demand due to the unusually long and hot summer as well as strong passenger growth at Frankfurt Airport. For the Group as a whole (including Frankfurt), the Executive Board has set a climate protection target of a reduction of to 125,000 m. t. of CO_2 by 2030. If necessary, the objective will be adjusted to any changes in Fraport’s airport portfolio. The Group target currently used corresponds to a reduction of around 50% compared to the base year of 2015. In 2018, Group emissions amounted to 244,029 m. t. of CO_2 (previous year: 209,668 m. t. of CO_2). The increase in emissions is due to the first-time inclusion of Fraport Greece as well as the Group companies Fortaleza and Porto Alegre. The contribution from these airports amounted to 36,445 m. t. of CO_2. Without these airports, the emissions would have fallen by 1.0%.

A way of successfully managing CO_2 is to participate in the Airport Carbon Accreditation program of the ACI (Airports Council International), which Fraport played a major role in developing. Since 2010, it has evolved into the world standard for CO_2 reporting and management at airports. Participation at level 2 (“reduction”) or higher requires proof of both a CO_2 reduction target, a CO_2 management program in accordance with international requirements and of annual emission reductions verified by external auditors. Frankfurt Airport reached level 3 (“Optimisation”) back in 2012. Ljubljana Airport achieved level 2 in 2015 and is aiming for level 3+ (“neutrality”) in the medium term. Lima, Varna, and Burgas airports do not currently participate, nor do the airports of Fraport Greece and the Brazilian airports in Fortaleza and Porto Alegre. However, they are obligated to have their CO_2 footprint assessed by way of an external audit.

Fraport AG has used its own monitoring instrument, the CO_2 and energy consumption monitoring system, since 2013 to depict, analyze, and manage energy consumption at the Frankfurt site. It creates transparency about consumption and consumers, helps to improve energy efficiency and reduce energy costs. It also allows qualified statements to be made at any time about the current CO_2 emissions at Fraport AG and allows any undesirable developments with respect to the strategic CO_2 targets for Fraport AG to be detected at an early stage. The company’s monthly energy consumption, which is recorded in a sophisticated manner by building, system or equipment, serves as the database. All energy sources, such as electricity, district cooling, district heating, gas, fuel for vehicles, and other fuels, are taken into account.

Since 2014, all decisions relating to Fraport AG's energy management at Frankfurt Airport have been prepared in a separate body, known as the Energiezirkel, which is chaired by the Executive Director Controlling and Finance and reports to the Executive Board. Such decisions mainly concern improvements in building, system, and process energy efficiency. For the vehicle fleet and the aircraft handling equipment, the specialist departments assess the opportunities to use alternative forms of propulsion, in particular electric vehicles, as an alternative to vehicles with combustion engines.

Fraport AG has been involved in the Carbon Disclosure Project (CDP) since 2006, which analyzes climate risks, reduction goals and strategies of companies. The CDP manages the world's largest database on this topic, which is used by investors and also by political decision-makers. A score assesses a company's transparency and activities. Fraport AG achieved level C ("Awareness") in 2018. This is evidence of transparent reporting and the company's awareness of its influence on climate change.

Protection of environment and nature

As transport hubs, airports make intensive use of resources. The target is to equip all environmentally relevant, fully consolidated Group companies with a certified environmental management system. This serves to execute the Group's processes and activities in the most environmentally sound manner possible. At the end of the past fiscal year, 86.7% of the fully consolidated environmentally relevant Group companies were equipped with such a system.

Comprising an area of around 22 square kilometers, Frankfurt Airport is among the most compact major airports in the world. Around half of this land is unsurfaced. The largest open continuous area is located close to the runways. In nature conservation terms, this extensively maintained permanent grassland is a high-quality habitat that is home to many rare and endangered animal and plant species. Frankfurt Airport has since become a nationally significant retreat and protection area for some species, such as the skylark. The Wildlife Management department is responsible for preserving and further enhancing this value as long as flight operations allow. Its success in doing so is monitored extensively.

Wildlife Hazard Management at the international Group airports is implemented according to international regulations as well as, where appropriate, based on more rigorous national and local targets. The airports comply with the relevant national laws and have correspondingly implemented their own monitoring systems.

Wherever possible, Fraport AG extends the green areas at the Frankfurt site. For example, the new buildings in CargoCity South are increasingly being planned with ecological green roofs. Fraport AG will upgrade some 2,300 hectares of land in the immediate and wider vicinity of the airport from a nature conservation perspective as a legal requirement under the zoning decision for the airport expansion. High-quality habitats such as deciduous forests, orchards, marshes, and nutrient-poor grassland are being developed. Measures to counterbalance the Expansion South, in particular Terminal 3, are already included in this extensive package of measures. The implementation and evaluation of the measures are subject to continuous monitoring. For ecological compensation measures, Fraport Group held provisions in the amount of €26.5 million as at the balance sheet date December 31, 2018 (see Group Notes, note 39, and Fraport AG's Notes, note 30).

On a voluntary basis, Fraport AG also supports projects to preserve and promote ecosystems and biodiversity in the Rhine-Main region using funds from the environmental fund.

Air quality

Fraport has already focused on the issue of air quality at the Frankfurt site for many years, also with the assessment of the airport's share in the local concentration of nitrogen oxide. The current discussion on diesel pollutants has once again brought the subject to the fore. There is no obligation to monitor air quality, yet Fraport has set the objective of gaining a deeper understanding of the emission of air pollutants (emissions) by the airport and their effect on people and the environment (immissions).

At the Group airports, air quality measurements and measures to improve it are implemented according to the national requirements and based on advanced specific local regulations. The Group companies comply with the relevant national laws and have correspondingly implemented their own monitoring systems where required.

In Germany, Fraport AG cooperates with the German Aviation Association and the Airports Council International. In addition, there are collaborations with the Hessian Agency for Nature Conservation, Environment and Geology and the German Environment Agency to study so-called ultra-fine particulates.

At the Frankfurt site, with the largest share of traffic, Fraport has continually measured air pollutants since 2002 at its two to temporary five measuring stations. The results are regularly published on the website in the "Air quality annual report". In 2005, the area near the Runway Northwest was added to the network of air monitoring stations. In the approval procedure, the greatest impact on air quality by the airport was predicted for areas close to residential zones. The measurements show that the air quality on the airport grounds have remained unchanged at an urban level since the beginning of monitoring by Fraport.

At the local level, there is an overlap of air pollutant concentrations both related to the airport and those not attributed to the airport. The airport's impact on the air quality in the surrounding areas is limited to large extent to zones within a close proximity and to the nitrogen dioxide (NO_2) emissions component. Measurements and modeling suggest, however, that external influences, such as road traffic, also play a role in the air quality on airport grounds. In addition, the level of pollutant concentrations depends on the weather.

To gain information on the proportion of a certain polluter to the overall exposure in a region, computational models have been developed that include all the relevant sources of pollution and their emissions for a given zone. The program LASPORT takes into account various airport-related emission sources in the lower atmosphere, creates spread computations, and illustrates the exposures. It was developed on behalf of the Association of German Commercial Airports (ADV) in 2002 and is now being expanded in collaboration with specialists from Fraport AG.

From an organizational standpoint, the "Environmental Impact, Noise and Air Quality" department of the strategic business unit Airside and Terminal Management, Corporate Safety and Security is responsible for this task. The CO_2 emissions are collected and monitored by the department of Environmental Management. The department is allocated to the central unit Corporate Development, Environment, and Sustainability. The Executive Board is directly involved as it receives an annual report on the matter.

Fraport is working on a model for creating a systematic inventory of air pollutant emissions. Thus will enable future potential for mitigation to be identified, mitigation activities to be controlled, and have their success mapped. It serves also as a basis for data to determine the proportion of the airport's operations on pollution in the surrounding area. The selection of the pollutants to be observed depends on their relevance. They are especially relevant if they are regulated by a threshold value and are emitted in a noticeable amount at the Frankfurt site.

As an airport operator, Fraport can only indirectly influence emissions from aircraft. In order to motivate airlines to use low-emission aircraft, airport charges are levied on nitrogen oxide and hydrocarbon at the Frankfurt site. The emissions-based fee is charged per kilogram of nitrogen oxide equivalent emitted in the takeoffs and landings (“landing and take-off cycle”, LTO cycle) by an aircraft. The charges are levied per landing and per takeoff. The necessary information on aircraft and engine types is determined by way of a recognized fleet database.

Aircraft turbines mainly emit carbon dioxide (approximately 7%) and water vapor (approximately 3%) in addition to mixed air (about 90%). The additional resulting pollutants carbon monoxide, nitrogen oxides, sulfur dioxide, hydrocarbons, and soot account for less than one percent overall. The emission spectrum of aircraft turbines corresponds to that of road traffic. The quantities of these pollutants emitted by the aircraft at the Frankfurt site are calculated annually and published in the environmental statement.

In addition to flight operations, air pollutants at airports also arise from the apron and vehicle traffic as well as the operation of heaters run on oil or gas. As a way of reducing pollutants, Fraport has gradually upgraded its fleet of vehicles to include low-emission and electric motors.

Subsequent to the mediation on the expansion of Frankfurt Airport, Fraport established two service units in 2000: the Infofon hotline and a neighborhood dialog. In addition to complaints about aircraft noise and noise abatement, requests on air quality were also processed.

Non-financial key performance indicators

Issue	Target	Key figure	Target level	Term	Scope	Status at the end of 2018[1]
Climate protection	We want to reduce the CO_2 emissions of the Fraport Group.	CO_2 emissions (total of scope 1 and 2)	125.000 m. t. CO_2	2030	Group	244.029 m. t. CO_2[2]
			80.000 m. t. CO_2	2030	Fraport AG	188.631 m. t. CO_2

[1] As a result of subsequent verifications, there may be changes to the figures.
[2] Includes Fraport AG and Fraport Greece as well as the Group companies GCS, FraGround, Fraport Slovenija, Lima, Fortaleza, Porto Alegre and Twin Star.

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To Fraport AG, Frankfurt am Main

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB] ("Handelsgesetzbuch": "German Commercial Code") of Fraport AG, Frankfurt am Main, (hereinafter the "Company") for the period from 1 January to 31 December 2018 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material mis-statement whether due to fraud or error.

Independence and Quality Control of the Audit

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner´s Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of in-formation or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

[1)] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

> Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
> Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
> Identification of the likely risks of material misstatement of the Non-financial Report
> Analytical evaluation of selected disclosures in the Non-financial Report
> Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
> Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt/Main, 26 February, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Noll
Wirtschaftsprüfer
[German public auditor]

Nicolette Behncke
Wirtschaftsprüfer
[German public auditor]

Group Management Report for the 2018 Fiscal Year

Information about Reporting

Group accounting takes account of the International Financial Reporting Standards (IFRS) in force on the reporting date (December 31, 2018) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted in the European Union (EU). In addition, Fraport reports the information pursuant to Section 315e (1) of the German Commercial Code (HGB). Compared to the previous year, there were no significant changes to accounting and reporting standards, meaning that the previous year's figures were not restated and no significant adjustments to the report structure were necessary.

Compared to the previous year, the following substantial changes occurred:

On January 2, 2018, the Brazilian Group companies Fortaleza and Porto Alegre each took over operations of the eponymous airports. The contributions from these Group companies were allocated to the International Activities & Services segment. Adjusted for the revenue relating to capacitive capital expenditure based on the application of IFRIC 12, revenue generated in the 2018 fiscal year amounted to €90.9 million. This was offset by operating expenses (adjusted for the expenses relating to capacitive capital expenditure based on the application of IFRIC 12) totaling €53.5 million. The two Group companies generated EBITDA of €40.2 million, EBIT of €28.4 million, and a result of €12.5 million.

Fraport AG sold its share of 30% of Flughafen Hannover-Langenhagen GmbH to iCON Flughafen GmbH. The transaction was completed on October 9, 2018, and the sale price of the shares of Flughafen Hannover-Langenhagen GmbH was €109.2 million. The transaction had a positive effect on EBT of €83.6 million in the 2018 fiscal year. Of this amount, €25.0 million impacted Group EBITDA and EBIT. It also had a positive impact of €59.7 million on the Group's financial result and of €75.9 million on the Group result.

On April 11, 2017, Fraport took over operations of the 14 Greek regional airports. The 2018 fiscal year represented the first full-year recognition of the take-over of operations of these airports, which is reflected in the revenue and earnings figures of the Group companies Fraport Regional Airports of Greece A and Fraport Regional Airports of Greece B (collectively referred to as "Fraport Greece").

There were no further substantial changes in the companies included in consolidation nor any other substantial increases or reductions in shareholdings. The companies included in consolidation and the disclosures of shareholding pursuant to Section 313 (2) of the HGB are to be found in the Group notes.

An overview of the calculation of financial key figures and a description of specialist terms are presented in the "Glossary" chapter on page 244.

The Executive Board approved these consolidated financial statements and this Group management report for publication on February 26, 2019. The Supervisory Board gave its approval on March 14, 2019.

Overview of Business Development

Situation of the Group

> Operational take-over of the Brazilian airports in Fortaleza and Porto Alegre in January 2018
> Formulation of seven strategic challenges and intensified strategic programs to achieve the Group’s strategic objectives
> Disposal of shares in Flughafen Hannover-Langenhagen GmbH

Economic Report

> Construction of Terminal 3 is progressing
> Strong passenger growth in Frankfurt and at the Group airports
> Positive financial development
> The Brazil and Greece sites as well as the disposal of the Hanover shares made a significant contribution to financial key figures
> Correspondingly, earnings per share amounted to €5.13 (2017: €3.57)
> Positive free cash flow of €6.8 million despite a high level of capital expenditure
> Slight increase in net financial debt to €3,545.4 million and significant improvement of the gearing ratio to 88.7%
> Shareholders' equity ratio improved slightly to 34.9% (+0.5pp)
> Significant increase in value added in the Group by €127.1 million to €357.0 million
> Solid development of the non-financial performance indicators
> The annual average number of employees was 21,961 (2017: 20,673)
> Continuing focus on innovations and ideas and on the environment and community
> Share price development with a decrease of 32.0% to €62.46 was influenced by the overall stock market performance

Outlook Report

> Positive passenger forecasts Group-wide
> Revenue growth of over €3.2 billion as well as Group EBITDA between around €1,160 million and approximately €1,195 million forecast for 2019
> With capital expenditure of up to €1.2 billion, free cash flow for 2019 noticeably below the level in 2018 and expected to remain negative
> Increase in net financial debt to over €4 billion and a higher gearing ratio of up to 95% forecasted
> No risks jeopardizing the Group as a going concern discernible
Stable dividend per share of €2.00 for the 2019 fiscal year

Situation of the Group

Business model

The following section provides an overview of the Fraport Group's business model and the economically most important Group sites as well as their competitive positions.

A leading international airport group

Fraport Group (hereinafter also referred to as: Fraport) is among the leading global airport groups with its international portfolio. Fraport provides all operational and administrative services for airport and terminal operation as well as other associated services. The range of services also includes planning and consulting services. Passenger traffic, which impacts on a majority of the services the Group provides, is key to the Group's revenue and earnings performance.

The Fraport Group is divided into four segments: Aviation, Retail & Real Estate, Ground Handling, and International Activities & Services. The main site is Frankfurt Airport, one of the largest passenger and cargo airports in the world. Fraport AG Airport Services Worldwide (hereinafter: Fraport AG) is the owner of the Frankfurt Airport. Fraport's strength lies in integrated airport management, which guarantees comprehensive know-how in all airport services.

The Aviation segment covers the operation of landside and airside infrastructure at the Frankfurt site and thus covers the area of airport charges, which is legally regulated in Germany, and key security services. This segment is responsible for ensuring safe, efficient, and customer-oriented processes in the flight operating areas and terminals as well as the operational implementation of airport and air safety tasks in compliance with legal requirements. The close cooperation with authorities, including the German Federal Police, is of great importance to ensure smooth operation of the airside and landside processes.

The Retail & Real Estate segment is primarily responsible for the retail activities and is responsible for the marketing of real estate and land at Frankfurt airport. Its activities extend from the management of buildings and facilities through the management of the parking and retail areas to the rental of advertising space. One priority area will be expanding the retail offers and sale channels available online.

Ground services, ranging from loading, baggage, and passenger services through airmail and luggage transport to freight handling at Frankfurt Airport are summarized in the Ground Handling segment. The segment ensures the quality of Frankfurt Airport's role as a hub. The segment also includes the provision of corporate infrastructure, in particular the baggage transfer system, at the Frankfurt site.

The International Activities & Services segment includes the operation, maintenance, development, and expansion of airports and infrastructure facilities in Germany and abroad. This also includes the "Operational Readiness and Airport Transfer" (ORAT) services.

Key sites

Fraport Group airports

Continent	Site	Airport	Company	Share in %	Term	
Europe	Germany	Frankfurt	Fraport AG Frankfurt Airport Services Worldwide	100	1924	no time limits
	Slovenia	Ljubljana	Fraport Slovenija, d.o.o.	100	2014	2054[1]
	Greece	14 Airports	Fraport Regional Airports of Greece A S.A.	73.4	2017	2057
			Fraport Regional Airports of Greece B S.A. (below collectively referred to as Fraport Greece)	73.4	2017	2057
	Bulgaria	Varna	Fraport Twin Star Airport Management AD	60	2006	2041
		Burgas		60	2006	2041
	Russia	St. Petersburg	Northern Capital Gateway LLC/Thalita Trading Ltd.	25	2010	2040
South America	Brazil	Fortaleza	Fraport Brasil S.A. Aeroporto de Fortaleza	100	2017	2047
		Porto Alegre	Fraport Brasil S.A. Aeroporto de Porto Alegre	100	2017	2042
	Peru	Lima	Lima Airport Partners S.R.L.	70.01	2001	2041[1]
Asia	Turkey	Antalya	Fraport TAV Antalya Terminal İşletmeciliği A.Ş. (nachfolgend: Konzern-Gesellschaft Antalya)	50/51[2]	1999	2024
	China	Xi'an	Xi'an Xianyang International Airport Co., Ltd.	24.5	2008	no time limits
	India	Delhi	Delhi International Airport Private Ltd.	10	2006	2036[1]

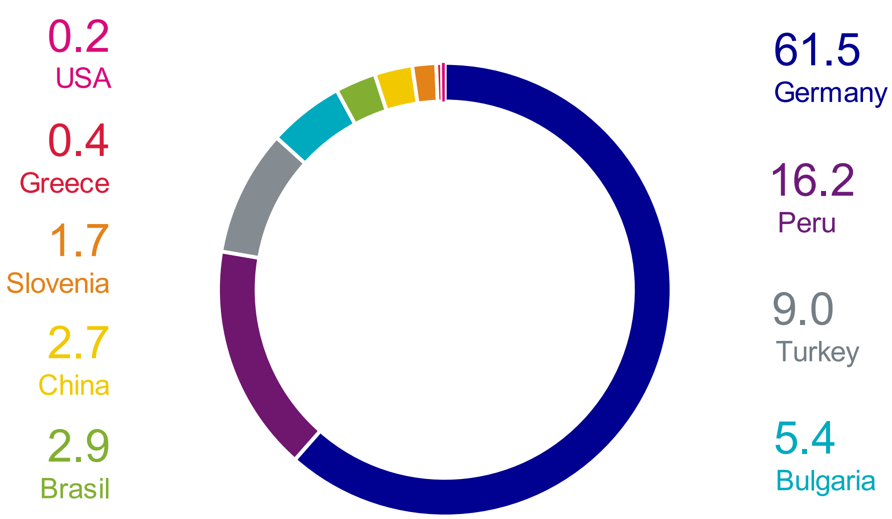
[1] Extension option.
[2] Share of voting rights: 51%, dividend share: 50 %.

In addition to the aforementioned airports, Fraport operates retail areas at the airports in Baltimore, Cleveland, and Pittsburgh through its Group company Fraport USA. In April 2018, Fraport USA took over operation of the retail area management in the JetBlue Airways Terminal 5 at JFK Airport in New York. From February 2019, Fraport USA also operates the retail area at Nashville Airport (see also the “Significant events” chapter starting on page 86).

Germany – almost exclusively Frankfurt Airport – was once again the most important site of the Fraport Group in the past fiscal year with a share of 61.5% in the Group result (2017: 66.0%). The share of the USA site rose compared with the previous year to 0.2% (2017: negative figure). The contribution to earnings (2.9%) from the Brazil site was added in 2018. Based on the strong development of passenger numbers in the 2018 fiscal year, the Turkey site recorded a contribution of 9.0% (2017: 4.3%). The contribution to earnings from the Greece site decreased due to the first full-year recognition of interest expenses (2017: 3.7%).

Share in Group result[1] by site before consolidation

in %



[1] Group result adjusted for proceeds from the disposal of the shares in Flughafen Hannover-Langenhagen GmbH in the amount of €75.9 million.

External influences

The main external factors influencing Fraport's business model, both in Germany and abroad, include disruptive events in addition to economic, political, and regulatory conditions. These factors can affect both the passenger numbers and the cargo volume at the Group airports and have a direct influence on the economic situation of the Fraport Group.

Economic growth fosters a demand for air travel and also promotes the prosperity of a society as a whole, which is a prerequisite for private travel. Currency rates are closely linked to economic development as well as to the interest rate policies of central banks and international currency trading. These, in turn, affect the appeal of tourist destinations, travel flows, and passengers' buying behavior. This development is very important, in particular for tourist locations such as Greece, Varna, Burgas, and Antalya, which have a comparatively low level of originating passengers. However, the two sites in Brazil are disproportionately affected by the local situation and risks, as approximately 90% of their air traffic is domestic travel.

Protectionist tendencies and trade disputes can strain global economic development. Further in economic and geopolitical crises as well as extreme climate situations or the possible spread of epidemics can have negative consequences on the demand for air travel, which therefore affects Fraport.

Positive and negative effects also arise from the appreciation and depreciation of currencies in connection with price fluctuations on commodity markets. Major influence on the frequency of travel in the aviation sector is the price of crude oil and thus the price of jet fuel. A high crude oil price usually translates to a rise in ticket prices. This dampens demand for air transport.

The emergence of new hubs and the further development of existing hubs, particularly in the Middle East and in Istanbul, may lead to a shift in global flows of transfer passengers to the detriment of Frankfurt Airport. In Germany, there may also be decreases in transfer traffic as a result of the expansion of hubs or if airlines change their business priorities. New aircraft with flight ranges of over 7,000 kilometers enable new direct services from smaller airports, which could reduce transfer traffic at traditional hubs such as Frankfurt Airport.

Politics affect Fraport's business activities at different levels. At a regional level, restrictions on operations, such as bans on night flights, have a negative impact on the airline offering and thus indirectly also negatively affect the passenger numbers and cargo volumes. Conversely, the lifting of restrictions has a positive influence. A similar situation can be observed at the national level: The introduction of taxes, such as the aviation tax in Germany, depresses demand for air traffic and distorts competition at the European level.

Through the deregulation of aviation law, international politics can open up new markets for air traffic or enlarge existing markets. However, uncertain geopolitical conditions such as in Ukraine or the Middle East and sanctions such as travel restrictions may once again close off markets. As a result, individual Group airports may see shifts in passenger flows, albeit temporarily, to other destinations. Due to the high share of Russian-dominated traffic, the St. Petersburg, Antalya, Varna, and Burgas sites are affected by political uncertainties related to Russia.

Britain's withdrawal from the European Union (EU) is also a factor that may affect air traffic in various ways, depending on the final outcome of the exit negotiations: Modified entry requirements and aviation laws as well as an influence on the exchange rate between the pound and euro are manifestations of this.

Disruptive events that could have an impact on passenger numbers include strikes and weather conditions. In addition, natural disasters such as floods or volcanic eruptions can have a negative effect on global air traffic. Their occurrence and impact can vary greatly from year to year and are unpredictable. In fiscal year 2018, approximately 360,000 passengers were affected by flight cancellations in Frankfurt due to weather conditions or strikes (previous year: approximately 228,000 passengers).

Terrorist attacks in Europe and around the world negatively affect passenger numbers in Frankfurt and at Group sites. International media offer varying reports on such attacks, depending on severity. As a result, there are varying degrees of decline in traffic from affected markets, and experience has shown that these are usually temporary.

Fraport monitors various lead indicators to identify trends in travel or freight flows at an early stage. At an economic level, these include industrial production, purchasing managers indices, the logistics indicator or private consumption in different economies. In addition, indicators specific to flight markets such as booking forecasts or the airlines' publications of flight plans are part of such regular monitoring activities.

Competitive position at the Frankfurt site

With 69.5 million passengers, Frankfurt Airport was the fourth largest passenger airport in Europe in the past fiscal year after London Heathrow (80.1 million), Paris Charles de Gaulle (72.2 million) and Amsterdam Schiphol (71.1 million), and ahead of Istanbul Atatürk (68.2 million). In Germany, Frankfurt Airport was by far the largest passenger airport, ahead of Munich with 46.3 million passengers in the 2018 fiscal year. Based on its cargo throughput (air freight and airmail) of 2.2 million metric tons, Frankfurt was Europe’s largest airport ahead of Paris Charles de Gaulle and Amsterdam Schiphol. In Germany, Leipzig/Halle Airport was the next largest competitor with 1.2 million metric tons of cargo. Compared internationally, Frankfurt Airport is among the largest passenger and cargo airports in the world.

The punctuality rate at Frankfurt Airport was 69.1% in the 2018 fiscal year, which was 5.0 percentage points below the previous year’s level. The fourth quarter of 2018, which was slightly more positive compared with the same period in the previous year, did not compensate for the downward trend of the first three quarters. Reasons for delays in the reporting year were primarily attributable to the airlines and European air traffic control as well as to weather conditions.

In respect to its competitive position, Frankfurt Airport competes, on the one hand, with airports in its catchment area for originating passengers and, on the other hand, for national and international transfer passengers on the basis of its function as an international transfer airport. The main customer at the Frankfurt site remains Deutsche Lufthansa, which accounted for more than 60% of passengers in Frankfurt in the 2018 fiscal year. The largest competitors for transfer passengers are primarily the hub airports London Heathrow, Paris Charles de Gaulle, Istanbul Atatürk, Amsterdam Schiphol, and Munich, which are also influenced to varying degrees by their resident main customers British Airways, Air France-KLM, Turkish Airlines, and Deutsche Lufthansa. Due to the dynamic development of many airlines and airports from the Persian Gulf region, the Frankfurt site is increasingly also in intercontinental competition with these airports, currently particularly with Dubai.

In particular, the expansion and modernization programs at the Frankfurt site contribute to maintaining and improving its international competitive position. The completed projects Runway Northwest or Pier A-plus as well as in particular Terminal 3, which is scheduled to take up operations in 2023, ensure airport capacities and the required level of infrastructure for the long term in order to give the site a successful, lasting competitive edge. In addition, low-cost traffic is continuing to gain importance at Frankfurt Airport. Fraport will meet the needs of the growing passenger demand by moving up construction of Pier G from the second construction phase for Terminal 3. After the City of Frankfurt granted building permit for Pier G in August 2018, construction will start in the spring of 2019. The construction of Terminal 3 involves an investment volume of approximately €3.5 billion.

The increased customer focus also has a positive impact on the competitive position (see also the “Strategy” chapter beginning on page 61). Despite the excellent results for most key figures in passenger satisfaction in the 2018 fiscal year, the focus is on improving performance particularly at security checks. Fraport works closely with the authorities of the Federal Ministry of the Interior, Building and Community, the German Federal Police, and security companies in an effort to avoid long waiting times for passengers at security checks in the future.

The ongoing enhancement of CargoCity North and CargoCity South also supports the competitive position in the cargo segment.

Competitive position outside the Frankfurt site

The competitive situation at the highly tourist-oriented sites of Greece and Antalya, Turkey, as well as in Varna and Burgas, both in Bulgaria, differs from that of the Frankfurt site. The key drivers of the sites' traffic and business development are tourist providers' charter traffic volumes without a significant focus on individual airlines. In addition to the economic development in each respective country where the traffic originates, the sites depend particularly on the appeal of the respective regions with regard to safety, quality, price level, and entry requirements.

The **Ljubljana** site is the airport serving Slovenia's capital city and at the same time the country's largest airport with around 1.8 million passengers. Its further development is therefore essentially connected to the country's economic and tourist prosperity and the development of neighboring regions and their airports, for example Zagreb in Croatia or Trieste in Italy. The key customer in Ljubljana is Adria Airways, which handles 56.5% of the passenger traffic. In addition, various destinations are also served by low-cost traffic providers, which have been able to achieve significant gains in market share in recent years. Short and long-term capital expenditure is necessary to increase the quality of service at the airport and improve operational processes. The largest capital expenditure in this context will be the expansion of the terminal, which is scheduled to be inaugurated at the start of the summer flight plan of 2021.

Since January 2, 2018, Group companies **Fortaleza** and **Porto Alegre** have been operating the respective airports in Brazil. Capital expenditure on airport infrastructure of around BRL2.3 billion is expected in the first five years of the term of the concession. Both airports have a similar traffic structure, with approximately 90% domestic traffic made up mostly of originating passengers. Given its favorable geographical location in northern Brazil with proximity to North America and Europe, Fortaleza Airport particularly offers above-average potential for growth to a relatively underdeveloped region economically, which has been enhanced since May 2018 by the creation of an Air France-KLM hub in cooperation with the Brazilian airline GOL. Porto Alegre Airport, located in the southern part of the country, also offers solid potential for growth, albeit at a lower level. In the past fiscal year, Fortaleza Airport was the eleventh-largest airport in Brazil with over 6.6 million passengers. The largest airline at the site is the South American company LATAM with a market share of 33.6%, followed by GOL at 32.0% and Avianca at 16.7%. Significant capital expenditure is being invested in modernizing and expanding the terminal. Porto Alegre Airport is the ninth largest in the country with approximately 8.3 million passengers. The largest airline at the site is GOL with a market share of 35.3%, followed by Azul at 26.0% and LATAM at 25.0%. Capital expenditure priorities will be to modernize and expand both terminals and the apron areas as well as to extend the runway.

Fraport Greece operates 14 Greek regional airports. These are the airports in Kerkyra (Corfu), Chania (Crete), Kefalonia, Kavala, Aktio/Prevezka, Thessaloniki, Zakynthos, Mykonos, Skiathos, Santorini (Thira), Kos, Mytilini (Lesbos), Rhodes, and Samos. With just under 29.9 million passengers in the 2018 fiscal year (+8.9%), the sites benefited to a great extent from the appeal of Greece as a tourist destination. At nearly 77%, the high share of international travelers demonstrates the importance of Greece as a holiday destination. Passengers from Great Britain represent the largest passenger group at approximately 23%. Based on passenger numbers, Aegean Airlines/Olympic Air is the largest airline at the 14 airports with a passenger share of 19.6%, followed by Ryanair with 11.6%. EasyJet is the third largest with a market share of around 5.7%. The 40-year concession agreements budget for capital expenditure of approximately €400 million on airport infrastructure in the first four years. Most of this will be spent on a comprehensive expansion and extension project. Five new terminals will be built, and six terminals will be expanded at the sites. A priority area is also expanding the shopping and services offers. The first airports where the investment measures will be completed in 2019 are Chania, Zakynthos, and Kavala. Upon completion of the capital expenditure measures at the respective airports, Fraport Greece will increase the airport charges per passenger from €13 to €18.50. Following the groundbreaking ceremony in September 2018, the new Terminal in Thessaloniki is now under construction. It is scheduled to open in 2021. In total, around €100 million is being invested in Thessaloniki Airport.

In Peru, the **Lima** site continues to benefit from the relatively high economic growth rate of the country as well as ever-increasing tourist demand. The airport benefits from a good geographical location, making it particularly attractive for transfer traffic between South and North America. Jorge Chávez Airport is Peru's most important airport and is once again among the ten largest airports in South America with over 22.1 million passengers (+7.3%) in the last fiscal year. The site's main customer is LAN Perú, which belongs to the LATAM Group and carries more than half the airport's passengers. Due to passenger growth, the Lima site's capacity is reaching its limit. In October 2018, the land needed for the expansion of the airport was granted by the government. The construction of a new terminal, a new runway including aprons and taxiways, as well as other peripheral infrastructure is planned with the objective of continuing to improve the airport's competitive position. The volume of the capital expenditure is expected to be around US$1.5 billion. The completion of the second runway is scheduled for 2021/2022, and the terminal should be completed no later than 2024.

The Black Sea airports in **Burgas** and **Varna**, with just under 3.3 million and approximately 2.3 million passengers, respectively, were the second and third-largest passenger airports in Bulgaria after Sofia. The sites' key passenger groups were passengers from Germany (over 20%), Russia (approximately 14%), and Poland (approximately 12%). Low-cost travel offers by the airlines Ryanair and Wizz Air and the rising demand for domestic travel particularly contributed to the positive passenger development in the 2018 fiscal year. As a result of the inauguration of the terminals in the 2013 fiscal year, both tourist sites initially have sufficient capacity to be able to serve the growth that is expected in these regions in the medium term. The expansion of the departure hall of the terminal at Burgas Airport is expected to start in fiscal year 2020 and should be completed by spring 2022.

With approximately 32.3 million passengers, the airport in **Antalya** posted a record result in the past fiscal year. Antalya was the third-largest passenger airport in Turkey in the past fiscal year behind Atatürk and Sabiha Gökçen Airports in Istanbul and one of the dominant tourist airports in the Mediterranean region. The largest passenger groups were travelers from Russia and Germany, accounting for a share of around 37% and 23%, respectively. The number of passengers from virtually all relevant markets increased compared to the previous year. In particular, passengers from western Europe (including Great Britain, Germany, and the Netherlands) showed high growth rates. The development of traffic in Antalya still depends on the political and economic stability in the country as well as exchange rate fluctuations. Mandatory capital expenditure on airport infrastructure is now no longer required.

In the previous fiscal year, **Xi'an** Airport was the seventh-largest airport in China, carrying around 44.7 million passengers. The site is largely influenced by a high percentage of originating passengers. Individual airlines with double digit growth rates are developing very dynamically in Xi'an. The largest passenger airline is China Eastern Airlines, which holds a market share of almost 30%. The transfer market, which has to date only been relatively small, offers the airport further potential. Due to the high growth prospects of the site, further expansion will be carried out in the next few years.

Additional information about business development in the past fiscal year can be found in the "Economic Report" chapter beginning on page 83.

Structure

Changes compared with the previous year

Compared with the previous year, no fundamental changes were made to the legal and organizational Group structure in the 2018 fiscal year.

As reported in the 2017 Group Management Report, the "Airport Security Management" strategic business unit was fully integrated into the "Airside and Terminal Management, Corporate Safety and Security" strategic business unit of Fraport AG, and the External Activities & Services segment was renamed "International Activities & Services" effective as of January 1, 2018.

On January 2, 2018, Fraport took over operations at the Brazilian airports of Fortaleza and Porto Alegre (see also the "Significant events" chapter starting on page 86).

On October 9, 2018, Fraport AG sold its share of 30% in Flughafen Hannover-Langenhagen GmbH to iCON Flughafen GmbH (see also the "Significant events" chapter starting on page 86).

The delegates elected by Fraport employees elected the ten employee representatives to the Supervisory Board on May 23, 2018. 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. More information on the current composition of the Supervisory Board can be found in the "Joint Statement on Corporate Governance and Corporate Governance Report" chapter starting on page 16.

Legal structure of the Group

In contrast to time-limited airport operating models, the Fraport Group parent company, Fraport AG, wholly owns and operates Frankfurt Airport with no time limits. With over 9,800 employees, Fraport AG, which has been stock exchange-listed since 2001, is also the biggest single company of the Group, which has more than 21,900 employees. It directly or indirectly holds the shares in the other Group companies and its head office is in Frankfurt am Main.

Including the Frankfurt site, Fraport was active at 30 airports through Group companies at the time the consolidated financial statements were prepared. The most significant Group companies include the Group companies Lima (concession agreement to operate Lima Airport until 2041 with an extension option), Fraport Greece (concession agreements to operate 14 regional airports until 2057), Fortaleza and Porto Alegre (concession agreements to operate Fortaleza Airport until 2047 and Porte Alegre Airport until 2042), Antalya (concession agreement to operate the terminals until 2024), Twin Star (concession agreement to operate the airports in Varna and Burgas until 2041), Fraport USA (agreements on the time-limited marketing of retail areas at the Baltimore, Cleveland, Pittsburgh, and Nashville airports as well as Terminal 5 of John F. Kennedy Airport in New York), Fraport Slovenija (right to use the airport in Ljubljana until 2054), and Xi'an (capital share in the operating company of the airport in Xi'an). Whereas the Group companies Fraport Slovenija, Fortaleza, Porto Alegre, Fraport USA, Fraport Greece A & B, Lima, and Twin Star are fully consolidated in the Fraport Group, the Group companies Antalya (joint venture) and Xi'an (associated company) are included using the equity method.

As at December 31, 2018 there were 56 consolidated companies excluding companies accounted for using the equity method, and 74 companies including companies accounted for using the equity method (in the previous year: 54 and 74 companies respectively). For a detailed overview of the shareholdings within the Group, please see Group note 56.

Organizational Group structure

As a management body, the Executive Board bears the strategic and operational responsibility for the Group. The Executive Board consisted at the time of preparing the consolidated financial statements of the four members Dr. Stefan Schulte (Chair), Anke Giesen (Executive Director Operations), Michael Müller (Executive Director Labor Relations), and Dr. Matthias Zieschang (Executive Director Controlling and Finance).

A detailed description of the structure and operation of the management and control body is presented in the "Joint Statement on Corporate Governance". The annually updated Joint Statement on Corporate Governance does not form part of the annual audit of the consolidated accounts by the auditor and can be found in the chapter "To Our Shareholders" starting on page 4.

For the purpose of managing the Group, the Executive Board has divided the business activities into four segments: "Aviation", "Retail & Real Estate", "Ground Handling", which are largely active at the Frankfurt site, as well as "International Activities & Services", which primarily includes the Group companies outside of Frankfurt. The segments encompass the strategic business units and service units of Fraport AG and also include the Group companies involved in each of these business processes.

The "Airside and Terminal Management, Corporate Safety and Security" strategic business unit as well as the Group companies FraSec and Fraport Ausbau Süd are allocated to the **Aviation** segment.

The **Retail & Real Estate** segment consists of the “Retail and Properties” strategic business unit. The Group companies Fraport Immo and the joint venture Frankfurt Airport Retail also belong to this segment.

The **Ground Handling** segment includes the “Ground Services” strategic business unit as well as the Group companies FraGround and FraCareS, among others.

The **International Activities & Services** segment primarily consists of the “Global Investments and Management” strategic business unit as well as the Group companies that conducted their business processes beyond the Frankfurt site, including Lima, Fraport Greece A & B, Fortaleza, and Porto Alegre. In addition to activities outside of the Frankfurt site, the segment includes the “Integrated Facility Management”, “Information and Telecommunication”, “Airport Expansion South”, and “Corporate Infrastructure Management” service units.

In addition to the aforementioned strategic business units and directly allocated service units, Fraport AG’s ten central units in Frankfurt provide, among other things, Group-wide services. The costs of the central units are allocated to the four segments appropriately. The central units include the areas of “Finance and Investor Relations”, “Personnel Services”, and “Corporate Communications”.

At the time the consolidated financial statements were prepared, the organizational structure of the Fraport Group was as follows:

Segment structure

Fraport Group

Segments[1)]	Aviation	Retail & Real Estate	Groung Handling	International Activities & Services
Directly assigned strategic business and service units of Fraport AG	Airside and Terminal Management, Corporate Safety and Security	Retail and Properties	Ground Services	Global Investments and Management Integrated Facility Management Information and Telecommunications Airport Expansion South Corporate Infrastructure Mangement

Central units

Controlling | Finance and Investor Relations | Internal Auditing | HR Top Executives | Human Resources | Accounting | Legal Affairs and Compliance | Corporate Development, Environment and Sustainability | Corporate Communications | Central Purchasing, Construction Contracts

[1)] Including assigned Group companies.

Strategy

Changes compared with the previous year

In the 2018 fiscal year, Fraport continued with the implementation of its Group strategy developed based on the mission statement implemented in 2015/2016.

In order to ensure the achievement of the strategic objectives of this mission statement and react to changing market conditions with more focus, seven strategic challenges were formulated within the scope of the 2018 strategy process. The strategic programs presented below have been intensified to identify the defined challenges and corresponding Group objectives.

Strategic challenges and program structure

Strategic challenges	Strategic programs	Group objectives
To successfully manage airport operations – during rapid traffic growth and capacity constraints	Manage growth	Growth in Frankfurt and internationally
To increase competitiveness and productivity at FRA – also through process automation and digitization	Future competitiveness of FRA	Economically successful through optimal cooperation
		Learning organization & digitalization
To be the employer of tomorrow – by offering future-oriented personnel policy, leadership and cultural change	Workplace of the future	Learning organization & digitalization
		Fairness and recognition for partners and neighbors
To be the preferred partner for our customers – by offering the best support for their business activities	Market-oriented B2B offering	Service-oriented airport operator
		Learning organization & digitalization
To provide the best travel experience for passengers – by creating desired offers that make the stay at the airport more pleasant	Passenger experience at FRA	Service-oriented airport operator
		Learning organization & digitalization
Developing infrastructure in line with demand – securing long-term business success	Developing infrastructure sustainably and in line with demand	Growth in Frankfurt and internationally
		Service-oriented airport operator
To make an appropriate contribution to climate protection – continuously reducing CO_2 emissions	Optimizing CO_2 emissions and energy efficiency	Economically successful through optimal cooperation
		Fairness and recognition for partners and neighbors

Long-term market development as a framework

Fraport continues to guide its strategy by the long-term forecasted development of the global aviation market and its market trends. Here, renowned aviation associations and aircraft manufacturers expect long-term stable growth of the aviation market. This is derived, in particular, from projected global economic growth and the continuing global expansion of the middle class, which consumes more. Supporting effects continue to result from the continuing internationalization of labor and education. Increasing traffic is also forecasted from migration and tourism. The intense competition between airlines has the effect of promoting growth. Disproportionate growth is still expected from and in the economic emerging markets.

Forecast for the long-term development of global air traffic underline growth expectation

Source	Period	Reference	CAGR
Airbus	until 2037	Revenue passenger kilometers	+4.4%
Boeing	until 2037	Revenue passenger kilometers	+4.7%
Embraer	until 2037	Revenue passenger kilometers	+4.5%
ACI	until 2040	Number of passengers	+4.0%

In an intense competitive environment, the quality of the service as well as providing reliable and fast processes are becoming increasingly important. For Fraport, a factor critical to success is therefore to offer various customer groups excellent products. Under the claim "Gute Reise! We make it happen" in the mission statement, the focus of the entire Group that is needed for this has been placed on the customer.

The vision of establishing Fraport as Europe's top airport operator and also to set global standards forms the basis of the mission statement. Fraport offers its customers a platform for their businesses at all sites which stands out from the competition through its quality of service as well as attractive pricing. As a result of the individual offers from Fraport and its business partners in Frankfurt and throughout the world, possibilities have been created to meet the mobility needs of society and thus strengthen the economic power of the regions concerned.

Strategic objectives

In the following section, the strategic objectives are described in detail:

Growth in Frankfurt and internationally

Frankfurt is the home site of the Fraport Group and will remain so in the future. Fraport seeks to further develop the Frankfurt site as a hub and secure and increase its appeal for network carriers. Given the strong growth of low-cost traffic in Europe, it is also important for the Frankfurt site to focus on this market segment. Fraport has responded to this development by opening up the Frankfurt site to low-cost carriers in 2017.

To further develop network carriers and low-cost carriers, it is also essential that sufficient landside and airside capacities are available at Frankfurt airport. This includes the completed Runway Northwest and Pier A-plus projects as well as in particular the construction of Terminal 3, which is scheduled to take up operation in 2023. After the City of Frankfurt granted building permit for Pier G in August 2018, construction of this first pier will start in the spring of 2019.

The role of Frankfurt Airport as one of the leading cargo hubs in Europe will also be strengthened. To ensure long-term competitiveness and meet the requirements of industry and consignors, Fraport, together with its site partners, makes sure that the airport meets all requirements for an efficient cargo hub. Fraport also continuously invests in the digital and physical infrastructure of the airport, thereby preparing the site for new and growing markets.

Also at the Group airports, the expected growth in traffic will be met by extensive expansion measures. In Lima, a six-year program to strengthen and expand the landside and airside capacity was launched in fiscal year 2018. Capital expenditure is being invested in modernizing and expanding airport infrastructure at the Brazilian airports. Five new terminals will be built, and six terminals will be expanded at the Greek airports by 2021. To increase the quality of service at Ljubljana Airport, the terminal will be expanded and is scheduled to be inaugurated at the start of the summer flight plan 2021.

Appropriate financing instruments for financing measures to be carried out in the near future are selected depending on how attractive the price is, the respective availability of funds and the volume of the financing, all while complying with and adhering to a balanced financing mix. The aforementioned projects are mainly financed on a long-term basis (see also the “Finance management” chapter starting on page 72).

Simple and transparent financing concepts are being pursued in connection with how financing is structured at Fraport AG as well as in the international business activities. Financial risks caused, among other things, by foreign currencies are met first and foremost by financing in the respective currency to the extent possible (natural hedging).

Taking into account the specific characteristics of a project as well as the local conditions, the fully consolidated Group companies in general seek to have necessary financing provided internally by Fraport AG. As a rule, Group companies included using the equity method are used in classic project financing structures in which the risk for Fraport AG is generally limited to the transferred capital and, where applicable, additionally necessary assumption of liability.

Fraport’s objective is to increase revenue in aviation. This growth should be, at best, in line with general market trends. In the non-aviation market, the objective is to secure sustainable EBITDA growth. Beyond the Frankfurt site, Fraport has achieved this goal, among other things, through the Group company Fraport USA, which has also been operating the retail space management at Nashville Airport since February 2019. International business activities continue to grow, generate a stable return in the long term, and increasingly contribute more to EBITDA and the result. At the same time, the portfolio is adjusted, through acquisitions and sales, if attractive opportunities present themselves on the market.

Fraport uses the traffic volumes at Frankfurt Airport as well as at the Group airports as an indicator for the Group-wide growth in traffic. The corresponding figures can be found in the “Business development” chapter starting on page 86.

Fraport measures the Group-wide growth in the result and controls this, among other things, by monitoring the development of Group EBITDA and the Group result, the ROFRA, net financial debt, and free cash flow. Additional key financial performance indicators relating to the Group objective “Growth in Frankfurt and internationally” can be found in the “Control” chapter beginning on page 67. A description of the development of performance indicators during the past fiscal year can be found in the “The Group’s results of operations”, “Asset and financial position”, and “Value management” chapters beginning on page 89. The associated forecasted figures for the 2019 fiscal year can be found in the “Business outlook” chapter beginning on page 131.

The key risks and opportunities associated with the expansion of airport infrastructure in and outside of Frankfurt can be found in the “Risk and Opportunities Report” beginning on page 113.

Service-oriented airport operator

The mission statement and the claim “Gute Reise! We make it happen” show the aspiration of having a strong customer and service orientation at all sites. For this purpose, Fraport strives to better understand customer needs. This is why customer surveys and further studies are conducted in Frankfurt and at the Group airports.

Fraport’s objective is to gain a leading position in the European aviation market by ensuring efficient processes and infrastructure in line with demand. Fraport uses digital technologies to design value-creating services for the customer.

A more fragmented passenger structure requires individual offers to be provided to customers, which make travel more convenient and intelligent. To create added value for its passengers, Fraport offers these along the entire travel chain, from planning all the way through to the end of the journey.

The B2B partners are also a priority area. The objective is to provide partners with an ideal basis to enable them to succeed in competition. Processes and interfaces are given technological support so that they can be continuously improved to further simplify and accelerate workflows. At the same time, close cooperation with business customers is intensified by standardizing communication channels.

At all fully consolidated Group companies, the focus is also on improving the quality of service and customer satisfaction by implementing a range of measures. The Group company Twin Star has also operated under the Group mission statement since 2017. It has been adapted to meet the local situation with a focus on customers under the claim "We place the airport in the traveler's heart".

Fraport uses, among other things, two non-financial performance indicators to measure the objective of "Service-oriented airport operator". The global passenger satisfaction in Frankfurt reflects the success of the service program that aims to increase passenger satisfaction and loyalty at the site. In addition, baggage connectivity is an essential measure for performance as a hub airport. The punctuality rate is another quality indicator for Frankfurt as a hub airport.

The key performance indicators relating to the Group objective "Service-oriented airport operator" can be found in the "Control" chapter beginning on page 67. A description of their development during the past fiscal year can be found in the "Non-financial performance indicators" chapter beginning on page 103; the associated forecasted figures for the 2019 fiscal year can be found in the "Business outlook" chapter beginning on page 131. More information can be found in the "Combined Separate Non-financial Report" chapter, which is not a part of the Group management report or the audit of consolidated accounts by the auditor, starting on page 25.

Economically successful through optimal cooperation

All Group companies, business fields, and services within the Group provide their services under quality and cost structures that can always keep pace with specialized air traffic service providers. Optimized collaboration within the Group enables the cost per traffic unit to be reduced and made more flexible.

In Frankfurt, this integrated business model should continue to be managed successfully and competitively. In addition, various projects are being drawn up which aim to design processes with the help of digitalization and automation to create competitive cost structures both landside and airside as well as in administrative areas.

Fraport has set the goal of reducing Group-wide CO_2 emissions, currently at 244,029 tons, down to 125,000 tons by 2030. Reducing energy consumption will contribute to optimizing the cost composition for cost of materials.

Key performance indicators relating to the Group objective "Economically successful through optimal cooperation" can be found in the "Control" chapter beginning on page 67. A description of the development of performance indicators during the past fiscal year can be found in the "The Group's results of operations", "Asset and financial position", and "Value management" chapters beginning on page 89. The associated forecasted figures for the 2019 fiscal year can be found in the "Business outlook" chapter beginning on page 131. In addition, the Executive Board is examining further measures to improve profitability, which are not part of the business outlook, and are shown by way of example in the "Risk and Opportunities Report" chapter beginning on page 113.

Learning organization & digitalization

At Fraport, customer orientation means: flexible and fast responses to everyday operations as a service provider. Risks and opportunities are recognized at an early stage, and changes in the market are anticipated. Learning takes place every day and everywhere, both in terms of leadership and in the area of expertise. In this regard, Fraport provides continued training, interactive learning, modern agile project techniques, as well as active feedback.

Fraport uses the resources and knowledge of its workforce in order to strengthen the Group companies as a whole. To meet the demand of learning from one another within the Group, regular meetings with experts from the "International Expert Working Group" continued to be held on specific issues.

Fraport provides multi-modal hubs for transport carriers – both physically and in the digital world. The company evaluates innovative technologies to determine their relevance to business and adapts them, individually or with partners, to the benefit of the company, customers, and employees. Fraport maintains contact with all stakeholders in a digital network.

Four strategic objectives for digitalization have been laid out:

- Digital customer experience: By offering a digitally based customer experience, Fraport focuses on the individual needs of both its business and private customers. Fraport is currently working on establishing an airport intelligence system that should provide business customers with specific airport information as self-service.
- New digital business models: Fraport uses digital technologies to develop new, digital business models, products, and services with the goal of entering new markets. With the project FraDrones, for example, Fraport is testing different scenarios for the operational use of drones. The initial tests focused on documentation of the topography of the airport and monitoring the progress of construction projects.
- Digital company: as a digital company, Fraport works towards linking data with its specific use while automating its processes. This increases efficiency, speed, and the quality of the process. Currently, new solutions are being drawn up, in particular, in the area of autonomous driving for a range of airport processes. This applies to personal transport at the airport as well as for Ground Services handling processes.
- Digital workplace: digital technologies are part of Fraport's workplace. Employees flexibly work together through connected networks. This allows for digital skills to consistently promote the digital transformation. The technologies include LEAN management projects in human resources development, the SCRUM methodology of agile software development, and the KANBAN method to achieve shorter lead times in development and project work.

More innovations and ideas in the Fraport Group can be found in the "Research and development" chapter starting on page 106.

Fairness and recognition for partners and neighbors

Fraport aims to be respectful and appreciative of its partners and neighbors Group-wide. At airports operated by Fraport in collaboration with partners, all stakeholders regularly work to balance interests with a view to the positive development of each Group company.

For Fraport, this includes reducing the burden of airports on the environment by compensating for such burdens. In the area of climate protection, Fraport has set the goal of reducing Group-wide CO_2 emissions to 125,000 metric tons by 2030 (see also the "Control" chapter starting on page 67).

At the Frankfurt site, active and passive noise abatement also helps to limit the undesired impact of air traffic. Emission-related airport charges provide financial incentives for airlines to use aircraft with low pollutant and noise emissions. At the Group airports, noise abatement measures are managed and implemented in accordance with local requirements.

Fraport takes its corporate responsibility seriously as an attractive and responsible employer for its employees. Fraport reacts to demographic change and the ever increasing lack of specialists with recruiting and retention management.

Fraport uses employee satisfaction, the ratio of women in management positions as well as the sickness rate to control its objective of being an attractive and responsible employer. In addition to CO_2 emissions, the Executive Board has defined these indicators as the most important non-financial performance indicators for the "Fairness and recognition for partners and neighbors" objective (see also the "Control" chapter starting on page 67). A description of the development during the past fiscal year can be found in the "Non-financial performance indicators" chapter beginning on page 103; the associated forecasted figures for the 2019 fiscal year can be found in the "Business outlook" chapter beginning on page 131.

An additional description of measures taken in the area of the environment and community is included in the chapters titled "Environment" and "Community" starting on page 107. More detailed information can be found in the Combined Separate Non-financial Report" chapter starting on page 25, which is not a part of the Group management report or the consolidated audit of accounts by the auditor, as well as on the Group's website at www.fraport.com/responsibility.

Control

The Control chapter explains the most important key figures primarily used by the Executive Board to make the corporate measures taken as part of the Group strategy measurable and to evaluate them. Here, the Executive Board differentiates between financial and non-financial performance indicators.

Changes compared with the previous year

There were no fundamental changes to the Group's control system for the past fiscal year as a result of the strategic process carried out throughout the company in 2018 or the resulting strategic program. The Executive Board continues to control the Group in accordance with key financial and non-financial performance indicators, which are derived from the Group strategy. In connection with the investment program in Frankfurt and at foreign Group airports, the Executive Board reports on the ratio of net financial debt to EBITDA as a key financial performance indicator.

In the 2018 fiscal year, the weighted average cost of capital (WACC) decreased from 6.7% to 6.5%, in particular due to lower shareholders’ equity costs.

For more information on the two issues mentioned above, see the corresponding sections of the following chapter.

Financial performance indicators

For Fraport, the growth-oriented development of financial performance indicators is critical for the long-term success of the company. The overriding importance of these indicators is reflected in the Group strategy as a set of criteria for the Group objectives “Growth in Frankfurt and internationally” and “Economically successful through optimal cooperation”. Control, derived from the Group strategy, is carried out primarily at the Group level, and segment-specific key figures are used to aid the process.

Fraport mainly uses key figures relating to the consolidated results of operations and to the Group asset and financial position, as well as key figures that link the results of operations with the asset and financial position, as key financial performance indicators (value management). In accordance with the long-term oriented Group strategy, the Executive Board manages and evaluates the development of financial performance indicators while also taking account of long-term forecasted market developments. In this context, strategic measures – such as the implementation of larger capital expenditure projects or the expansion of international business – can also lead to a short- to medium-term burden on the financial performance indicators.

The key financial performance indicators and their significance for Fraport are described in the following. The description of their development during the past fiscal year can be found in the chapters titled “The Group’s results of operations”, “Asset and financial position”, as well as “Value management” beginning on page 89. The associated forecasted figures for the 2019 fiscal year can be found in the “Business outlook” chapter beginning on page 131.

Results of operations key figures

The results of operations include the presentation and explanation of significant earnings components and key figures. While the results of operations in the context of regular reporting provide information about the past business development and are forecasted in the business outlook, earnings forecasts are also regularly drawn up over long-term periods for internal planning purposes. The information resulting from this is essential for the Executive Board with regard to the company’s long-term management.

The key financial performance indicators for Fraport are **revenue** as the key component of the total revenue, **EBITDA**, **EBIT**, **EBT** and the **Group result**.

Calculation of key financial performance indicators

Revenue
+
Other internal work capitalized
+
Other operating income
−
Operating expenses
=
EBITDA
−
Depreciation and amortization
=
EBIT
−
Financial result
=
EBT
−
Taxes
=
Group result

EBITDA and, indirectly, the Group result through the result per share (earnings per share, EPS) are part of the Executive Board remuneration and underline the relevance of these financial key figures as a control element (see also “Remuneration report” chapter starting on page 76; definitions for calculating the financial key figures can be found in the “Glossary” chapter on page 244).

Asset and financial position key figures

As well as in the results of operations, the result of the strategically adopted measures and operating activities of Fraport is also reflected in the Group’s asset and financial position. For Fraport, in particular the development of **shareholders’ equity**, the **shareholders’ equity ratio**, **liquidity** or **net financial liabilities**, the ratio **net financial debt to EBITDA**, the **gearing ratio**, the **operating cash flow**, and the **free cash flow** are significant.

The level of shareholders’ equity or the shareholders’ equity ratio represents the basis for the current and future operating activities for Fraport. A solid base of shareholders’ equity is, for example, essential for the financing of large strategic projects.

Apart from shareholders’ equity, liquidity or net financial debt, the ratio net financial debt to EBITDA, and the gearing ratio in particular serve as key financial indicators to the Executive Board to assess the financial situation. The gearing ratio indicates the Group’s leverage and varies as a rule depending on the phase of Fraport’s investment cycle. The gearing ratio therefore usually increases in times of high capital expenditure and falls when the company’s capital expenditure is lower. In the context of the capital expenditure program at the Frankfurt site, the Executive Board has defined that the gearing ratio should not exceed a value of about 140%.

In addition to the ratio net financial debt to EBITDA and the gearing ratio, the Executive Board uses the operating cash flow and the free cash flow as key performance indicators for the evaluation of the financial strength of the Group. The free cash flow provides information about the financial funds available to the Group from the operating activities of a period after deducting operating capital expenditure activities. These free funds can, in turn, be retained in order to increase the company's liquidity and to be available as a financial reserve for future capital expenditure, or to reduce the leverage (the gearing ratio) and/or to be distributed among shareholders as dividends (definitions for calculating the financial key figures can be found in the "Glossary" on page 244).

Links between the results of operations and the asset and financial position (value management)

In order to sustainably increase the Group's value, the Executive Board, in addition to the key figures of the results of operations, and asset and financial position, specifically draws parallels between the development of the results of operations, and the asset and financial position. In this context, the Executive Board plans and manages the Group's development according to the principles of value management.

At Fraport, the most important measurement and steering figure of this approach is the **"Fraport value added"** figure. The value added is annually consolidated and recorded at Group and at segment level. While EBIT and the pre-tax results of Group companies accounted for using the equity method are key figures of the results of operations, Fraport assets are derived from the consolidated statement of financial position, and are defined as the average of the Group's or segments' fixed interest-bearing capital required for operations including the carrying amounts of the Group companies accounted for using the equity method.

Calculation of the Fraport value added

EBIT ⊕ **Pre-tax result of the Group-companies accounted for using the equity method** ⊖ **Fraport assets** ⊗ **WACC** ⊜ **Fraport value added**

Fraport assets:

Goodwill
+ Other intangible assets at cost/2
+ Investments in airport operating projects at cost/2
+ Construction in progress and lands at cost
+ Other property, plant, and equipment at cost/2
+ Carrying amounts of the Group companies accounted for using the equity method and other investments
+ Inventories
+ Trade accounts receivable
– Current trade accounts payable

To avoid economic enhancement coming solely from depreciation and amortization of assets, the Fraport Executive Board recognizes regularly depreciable or amortizable assets within Fraport assets at half of their historical acquisition/manufacturing costs (at cost/2), and not at residual carrying amounts. Goodwill and investments in Group companies accounted for using the equity method are recognized at carrying amount because they are not subject to regular depreciation and amortization. The Fraport assets not included in depreciation and amortization, in particular, assets under construction, are fully recognized at acquisition/manufacturing costs.

Fraport calculates the weighted average cost of capital (WACC) using the capital asset pricing model and uses this regulatory specific WACC to calculate its airport charges. Given the continuously changing economic environment, interest rate levels, and/or Fraport's risk and financing structure, Fraport regularly reviews, and, if needed, adjusts its WACC. The WACC is also used for the value management of the Fraport Group. The WACC for 2018 calculated in the 2017 fiscal year was 6.5% (before taxes, previous year: 6.7%). For details on the use and calculation of the cost of capital in the context of impairment tests, please refer to Group note 4 in the Notes to the Consolidated Financial Statements.

The WACC is comprised as follows:

Calculation of the WACC

Equity cost rate	Debt cost rate
Total market yield 8.1% (risk-free interest rate 1.4 % plus market risk premium 6.7 %)	Debt cost rate before taxes 3.2 %
Beta factor 0.85	
Equity cost rate before taxes 10.4 %	Debt cost rate before taxes 3.2 %
Shareholders’ equity ratio 52 % (based on market value)	Debt ratio 48 % (interest-bearing 36 %/ non interest-bearing 12 %)
WACC before taxes 6.7 %	

To allow comparisons between segments of varying size, in addition to its value added Fraport uses the measurement and steering figure **“Return on Fraport Assets”**, in short: **ROFRA**. ROFRA shows whether the business areas created value (ROFRA > WACC) or not (ROFRA < WACC).

ROFRA is also an element of the Executive Board remuneration and underlines the long-term goal of Group-wide business activities that create value. For the regulated Aviation segment, this means generating a value added of zero. For the other segments – in particular the Ground Handling segment that has a negative value added figure – value added figures should be significantly positive (see also the “Remuneration report” chapter starting on page 76; definitions for calculating the financial key figures can be found in the “Glossary” chapter on page 244).

Non-financial performance indicators

In addition to the key figures for its financial development, Fraport measures the development of “non-financial performance indicators”, which are also essential for the long-term success of the company and result primarily from the Group objectives “Service-oriented airport operator” and “Fairness and recognition for partners and neighbors”. The key performance indicators include, for example, service quality as perceived by passengers at Frankfurt Airport, the sickness rate, and the Group's CO_2 emissions. To improve the company control, the Executive Board has assigned the non-financial performance indicators to the categories “Customer satisfaction and product quality”, “Attractive and responsible employer”, “Occupational health and safety”, and “Climate protection”.

The description of the development of the key non-financial performance indicators during the past fiscal year can be found in the “Non-financial performance indicators” chapter beginning on page 103. The associated forecasted figures for the 2019 fiscal year can be found in the “Business outlook” chapter beginning on page 131. More information on the topic of “Corporate Social Responsibility” can be found on the company website at www.fraport.com/responsibility and in the “Combined Separate Non-financial Report” chapter starting on page 25. Neither report is a part of the Group Management Report or the audit of consolidated financial statements by the auditor.

Customer satisfaction and product quality

For Fraport, the quality of performed services and the associated customer satisfaction are decisive competitive factors and of key significance for the long-term success of the business. The clear objective is to raise its own quality and a high level of customer satisfaction. Fraport uses a number of performance indicators for the purposes of measurement and control. The key indicators at the Frankfurt site include the **global satisfaction** of passengers and **baggage connectivity**. Beyond the Frankfurt site, the focus at the Group airports is also on passenger satisfaction. This is measured at the fully consolidated Group airports with various key figures. Where appropriate, this system of collecting data is to be harmonized in the medium term.

Global satisfaction describes passengers' satisfaction with the services offered and the overall service at Frankfurt Airport. Despite the expected temporary overload of terminal infrastructure due to traffic growth in the next few years, Fraport aims for a target of at least 80% global satisfaction. With the inauguration of Pier G of Terminal 3, passenger satisfaction should be at least 82.5% from 2021. From 2025, Fraport's target is at least 85% based on the complete capacity increase from Terminal 3. In Frankfurt and at the other Group sites, passenger satisfaction is mainly recorded using surveys. Also, the relevance of passenger satisfaction to control activities is clear given and it is taken into account in the Executive Board's remuneration (see also the "Remuneration report" chapter starting on page 76).

Baggage connectivity provides information about the percentage of baggage at Frankfurt Airport that is loaded on time in relation to the total departing baggage. Baggage connectivity measures, among other things, the performance of the airport in its role as a hub with a transfer share of more than 55% and thus a high proportion of transfer baggage. A growing volume of baggage also increases the challenge of misrouting as few pieces of luggage as possible. A high level of connectivity proves the good quality of baggage processes. The objective is to achieve a long-term baggage connectivity of more than 98.5%.

Attractive and responsible employer

For Fraport, appeal and responsibility as an employer is, like customer satisfaction and product quality, a key factor to ensure the long-term success of the business. Fraport understands appeal to mean the creation of good working conditions in order to gain and retain committed and qualified employees. In order to measure and control its appeal and responsibility as an employer, Fraport uses various performance indicators, such as **employee satisfaction** and the ratio of **women in management positions**.

Employee satisfaction is a central instrument for measuring employee mood. Fraport is convinced that satisfied employees achieve better customer loyalty and improved performance. This key figure is calculated annually by surveying employees of Fraport AG and the Group companies. All labor-intensive Group companies in Frankfurt as well as the Group companies Fraport Slovenija, Lima, and Twin Star took part in the survey in 2018. In future, the survey will be extended to all other key Group companies. The cultural conditions must be taken into account, and a common standard for assessment must be agreed. Also, the strategic relevance of employee satisfaction is clear given and it is taken into account in the Executive Board's remuneration (see also the "Remuneration report" chapter starting on page 76). The key figure is calculated from nine aspects of satisfaction, and the detailed analyses show potential areas of improvement. Fraport aims to maintain employee satisfaction at a stable level Group-wide and continually improve the rating in the long term to exceed 3.0 (index value in line with German school grading system). Fraport has stepped up its recruitment and qualification activities in these areas to meet challenges such as the tangible impact of demographic change at the many airport sites and the increased burden on operational employees in particular due to the growth in traffic.

As a responsible employer, Fraport respects and promotes personal diversity and attaches great importance to ensuring that this is reflected in the way employees interact with each other. Diversity is a key goal for Fraport, which the Group systematically tackles as part of its diversity management. Fraport particularly focuses on the promotion of **women for management positions** in the first and second levels directly below the Executive Board and at the respective management levels at the German Group companies. For reporting purposes, executives who report directly to the Executive Board are categorized as level 1. Executives who report to this first level of management are categorized as level 2. Regarding the Group companies in Germany, the levels of management are categorized based on comparable positions at Fraport AG. This corresponds to the objectives in the "Act on Equal Participation of Women and Men in Management Positions in the Private and Public Sector". The objective is to increase the proportion of women in management positions in Germany across both levels to 30% by 2021. Fraport respects local circumstances and does not impose any quotas based on German law at the foreign Group companies.

Occupational health and safety

As a responsible employer, Fraport contributes to maintaining employees' performance and preventing work-related health hazards through preventive health management. Fraport evaluates the effectiveness of the measures for health management by, among other things, continuously analyzing the **sickness rate**. The calculation excluding absences beyond sick pay (extended sick leave) primarily reflects the development of short- and medium-term illnesses. The effects of demographic change in the Group and the increase in the average age of employees contribute, among other things, to a linear increase in the number of long-term illnesses. The focus is on limiting or reversing the sickness rate, which is increasing due to seasonal and age-related absences, among other things. The objective is a maximum rate of 7.2% by 2025.

Climate protection

The operation of an airport and air traffic have various effects on the environment. Fraport is committed to the due and proper consideration of the environmental requirements associated with this. Fraport's environmental policy places importance on the sustainable and careful use of natural resources as well as a continuous improvement of its environmental performance. As part of this effort, environmental management systems have been implemented at Fraport AG as well as in all fully consolidated Group companies that are classified as "fundamentally environmentally relevant" based on their business activities. The Executive Board has determined **CO_2 emissions** as the most important key figure for measuring environmental impact. The objective is to reduce CO_2 emissions that are directly or indirectly attributable to Fraport AG and the fully consolidated Group airports to 125,000 metric tons by 2030. If necessary, the objective will be adjusted to any changes in Fraport´s airport portfolio. The Group target currently used corresponds to a reduction of around 50% compared to the base year of 2015. The target is based on the national reduction rates agreed to at the United Nations Climate Change Conference in Paris.

Finance management

The core objectives of finance management of Fraport AG are **securing liquidity**, **limiting financial risks**, achieving an appropriate level of **profitability**, and ensuring **flexibility**. The highest priority is to secure liquidity. Based on the Group's solid shareholders' equity base, this is generally secured through both internal financing via operating cash flow and external financing in the form of debt. Simple and transparent financing concepts are being pursued in connection with how financing is structured at Fraport AG as well as in the international business activities. Financial risks caused, among other things, by foreign currencies are met first and foremost by financing in the respective currency to the extent possible (natural hedging). The following section shows how finance management is implemented at Fraport AG.

To secure liquidity within the scope of its finance management, Fraport AG aims to achieve balanced financing composed of bilateral loans, bonds (capital market), loan financing from public loan institutions, and promissory note loans. The significant financing measures to be carried out in the near future at Fraport AG arise mainly from the refinancing of existing financing maturities, from capital requirements, in particular from the capital expenditure for Terminal 3 at the Frankfurt site as well as possible further acquisitions abroad. Appropriate financing instruments are selected based on the situation, i.e., depending on how attractive the price is, the respective availability of these funds as well as the volume of the financing, all the while complying with and adhering to a balanced financing mix. In keeping with the long-term nature of capital expenditure, the financing of these projects is mostly long term as well. In line with the finance policy, money can be borrowed both at a fixed and at a floating interest rate. To reduce interest rate risks from borrowing with floating interest rates, interest rate hedging transactions can be concluded as a rule. In addition, Fraport AG has a strategic liquidity reserve to ensure its independence from financing sources. The medium- and long-term investment horizon corresponds to the greatest possible extent to the expected long-term cash outflows. To cover payments expected in the short term, Fraport AG uses operating liquidity and holds time deposits and liquid securities with a short remaining term. Fraport AG limits default risks in its liquidity reserves with broadly diversified investment. Based on this strategy, there have been no defaults or losses within asset management in previous fiscal years. To improve profitability, asset management invests for the most part in rated corporate bonds and only in selective cases without a rating. The majority of the investments concern listed corporate bonds and promissory note loans, commercial paper, and time deposits at banks. All the investments are fungible or can be liquidated at any time on short notice.

The majority of the fully consolidated Group companies in Germany are integrated into the Fraport AG cash pool. The liquidity in these Group companies is permanently guaranteed – via access to their own liquidity at any time as well as, within the scope of the agreements also concluded in some cases, to the financial resources of Fraport AG – so that external financing is not necessary. At the same time, the close connection of these companies to Fraport AG also ensures that attention is paid to other strategic objectives of financial management within these Group companies.

For the fully consolidated foreign Group companies and the Group companies included using the equity method, liquidity is secured depending on the relevant company shareholding, either by concluding project financing, bilateral loans, or by internal provision of funding via a Group loan or shareholders' equity. Adherence to the core objectives within financial management of these Group companies always takes place with the involvement of Fraport AG's Finance department. Taking into account the specific characteristics of a project as well as the local conditions, the fully consolidated Group companies in general seek to have necessary financing provided internally by Fraport AG. As a rule, Group companies included using the equity method are used in classic project financing structures in which the risk for Fraport AG is generally limited to the transferred capital and, where applicable, additionally necessary assumption of liability.

The pending substantial strategic financing measures in the foreign Group companies stem, in particular, from the expansion commitments within the framework of the concession agreements for Fortaleza and Porto Alegre, Lima, and the 14 Greek regional airports. Regarding the financing of capital expenditure in Brazil, corresponding loan agreements with local development banks in the local currency were concluded in the past fiscal year. It is planned to finance the existing expansion commitments in Lima with a financing mix. This consists of shareholders' equity to be additionally contributed, operating cash flow and external financing. In contrast to Brazil, in connection with raising external financing, not only local sources are to be used, but financing from the international banking and capital market should be taken into account.

Financing from the European Investment Bank was secured and in part allocated for expansion commitments in Greece. This financing will continue to be drawn as planned in the coming years in line with the capital expenditure measures.

Due to the effects on the consolidated statement of financial position as at December 31, 2018, the financing and liquidity analysis in the "Asset and financial position" chapter beginning on page 95 relates only to Fraport AG and the fully consolidated Group companies in Germany and abroad. Additional key financial risks and opportunities, i.e. also referring to the Group companies accounted for using the equity method are stated in the "Risk and Opportunities Report" beginning on page 113.

Legal disclosures

As a listed corporation headquartered in Germany, Fraport AG is subject to a number of statutory disclosure requirements. Important reporting obligations that apply to this management report as a result of these requirements are shown in the following.

Takeover-related disclosures

The capital stock of Fraport AG is €924,687,040. It is divided into 92,468,704 no-par-value bearer shares. The company holds treasury shares (77,365 shares), which are offset from capital stock on the balance sheet. The issued capital stated in the commercial balance sheet as at December 31, 2018 and reduced by treasury shares is €923,913,390 (92,391,339 no-par-value bearer shares). There are no differing classes of shares. Additional information regarding treasury shares in accordance with Section 160 (1) no. 2 of the German Stock Corporation Act (AktG) can be found in Group note 31.

On the basis of the consortium agreement concluded between the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH dated April 18/23, 2001 with a supplement as at December 2, 2014, the total voting rights in Fraport AG held by both shareholders, calculated in accordance with Section 34 (2) of the German Securities Trading Act (WpHG), amounted to 51.47% as at December 31, 2018. They were attributed as follows: State of Hesse 31.31% and Stadtwerke Frankfurt am Main Holding GmbH 20.16%. The voting rights in Fraport AG owned by the City of Frankfurt/Main are held indirectly via the Stadtwerke Frankfurt am Main Holding GmbH subsidiary. According to the last official reports in accordance with the WpHG or disclosures by individual shareholders, other voting rights in Fraport AG were attributable as follows (as at December 31, 2018): Deutsche Lufthansa AG 8.44%, Lazard Asset Management LLC 5.02%, and BlackRock Inc. 3.03%. The relative ownership interests were adjusted to the current total number of shares as at the balance sheet date, and therefore may differ from the figures given at the time of reporting or from the respective shareholders' own disclosures.

The appointment and dismissal of Executive Board members is carried out in compliance with the relevant provisions of the AktG (Sections 84 and 85). Pursuant to Section 179 (1) sentence 2 of the AktG in conjunction with Section 11 (3) of the company statutes, the Supervisory Board is entitled to amend the company statutes only with respect to the wording. Other amendments to the company statutes require a resolution of the AGM, which, according to Section 18 (1) of the company statutes, must be passed in general by a simple majority of the votes cast and the capital stock represented at the time of the resolution. If, by way of exception, the law requires a higher capital majority (e.g., when changing the purpose of the company as stated in the company statutes, Section 179 (2) sentence 1 of the AktG; or when creating contingent capital, Section 193 (1) sentence 1 of the AktG), the resolution of the AGM has to be passed by a three-quarter majority of the represented capital stock.

At the AGM on May 23, 2017, the existing authorized capital was canceled and new authorized capital of €3.5 million was approved, which can be used for issuing shares to employees of Fraport AG and companies controlled by Fraport AG (see also Group note 31). The Executive Board is entitled, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by up to a total of €3.5 million until May 22, 2022 by issuing new shares in return for cash. The statutory subscription rights of the shareholders may be excluded. In the 2018 fiscal year, the shares for issue within the scope of the employee investment plan were acquired by Fraport AG on the market. The option adopted at the AGM on May 23, 2017, to increase the share capital by issuing new shares in return for cash for use within the scope of the employee investment plan was therefore not utilized.

Report on the relationships with affiliated companies

Due to the shares of 31.31% (previous year: 31.31%) held by the State of Hesse and 20.16% (previous year: 20.03%) held by Stadtwerke Frankfurt am Main Holding GmbH, as well as the consortium agreement concluded between these shareholders on April 18/23, 2001 with a supplement as at December 2, 2014, Fraport AG is a publicly controlled enterprise. There are no control or profit transfer agreements.

The Executive Board of Fraport AG therefore compiles a report on the relationships with affiliated companies in accordance with Section 312 of the AktG. At the end of the report, the Executive Board made the following statement: “The Executive Board declares that under the circumstances known to us at the time, Fraport AG received fair and adequate compensation for each and every legal transaction conducted. During the reporting year, measures were neither taken nor omitted at the request of or in the interests of the State of Hesse and the City of Frankfurt am Main and their affiliated companies.”

Joint Statement on Corporate Governance and Corporate Governance Report

Within the scope of a Joint Statement on Corporate Governance as required by Section 315d of the HGB in conjunction with Section 289f of the HGB, the Fraport AG Executive Board reports – in the name of the Supervisory Board as well – on the contents subject to the reporting requirements pursuant to Section 289f of the HGB for Fraport AG as well as for the Fraport Group. The Executive Board and Supervisory Board also provide an annual report on corporate governance pursuant to Section 3.10 of the German Corporate Governance Code (GCGC) as part of the corporate governance report and publish this in conjunction with the Joint Statement on Corporate Governance. The Joint Statement on Corporate Governance as well as the Corporate Governance Report are published in the chapter “To Our Shareholders” and on the corporate website at www.fraport.com/corporategovernance.

Combined Separate Non-financial Report

The requirements for reporting non-financial information as laid out in the CSR Directive Implementation Act are met in the form of a separate non-financial report in accordance with Section 315b (3) of the HGB in conjunction with Section 298 (2) sentence 1 of the HGB. Pursuant to Section 298 (2) sentence 3 of the HGB it is laid out which information relates to the Fraport Group and which information only pertains to Fraport AG. In accordance with Section 315b (3) no. 2a of the HGB, the Combined Separate Non-financial Report is published together with the Group Management Report in accordance with Section 325 of the HGB. The Combined Separate Non-financial Report, which is not a part of the Group Management Report or the consolidated audit of accounts by the auditor, can be found in the eponymous chapter starting on page 25 as well as on the Group’s website at www.fraport.com/responsibility.

Key features of the internal control and risk management system

The description of the key features of the internal control and risk management system with respect to the accounting process in accordance with Section 315 (4) HGB can be found in the “Risk and Opportunities Report” chapter beginning on page 113 of this report.

Remuneration report

The following remuneration report describes the main features of the remuneration system for the Executive Board and Supervisory Board of Fraport AG in accordance with the statutory regulations, and the recommendations of the German Corporate Governance Code (GCGC) as amended on February 7, 2017. It summarizes which principles apply in determining the total remuneration of the members of the Executive Board, and explains the structure and amount of the compensation of the Executive Board and Supervisory Board members.

Remuneration of the Executive Board members in fiscal year 2018

Remuneration system

Executive Board remuneration is set by the Supervisory Board upon the recommendation of its executive committee and is reviewed on a regular basis. The remuneration of the Executive Board members of Fraport AG is intended to be in proportion to the tasks of the position and the company's situation and in line with a transparent and sustainable corporate management approach which focuses on the long term.

Remuneration is comprised as follows:

> Non-performance-related components (fixed salary and compensation in kind)
> Performance-related components with a short- and medium-term incentive effect (bonus)
> Performance-related components with a long-term incentive effect (Long-Term Strategy Award and Long-Term Incentive Program)

In order to comply with the requirements of the GCGC, starting in fiscal year 2014, a maximum limit was defined with each Executive Board member for the sum of the aforementioned respective remuneration components. For the Chairman of the Executive Board this amounts to €2.3 million and €1.65 million for every other member of the Executive Board. This maximum limit refers to the amount of payments that result from the rewards in a fiscal year.

In addition to the remuneration components specified above, the members of the Executive Board received allocations to pension commitments. In principle, the pension commitments, including performance-related contributions, are in a fixed proportion to the respective fixed annual gross salary, and are therefore subject to implicit maximum limits. Further information on pension commitments for Executive Board members can be found in Group note 37.

Non-performance-related components

During the term of their employment contract (generally five years), Executive Board members, as a rule, receive an unchanging fixed annual salary across the entire period.

The amount of the fixed annual salary is reviewed on a regular basis to ensure that it is appropriate.

The fixed annual compensation also covers any activity performed by an Executive Board member for companies in which Fraport AG holds an indirect or a direct interest of more than 25% (so-called "other board mandates related to Group companies").

In addition, the remuneration for Executive Board members includes compensation in kind and other payments (ancillary benefits). In particular, compensation in kind is the pecuniary benefit subject to income tax from the private use of a company car with driver. It is also possible to make use of Fraport AG's VIP service free of charge for private matters and accompanied by family members. Private use is taxed as a non-cash benefit, and Fraport AG bears the taxes. This compensation in kind is generally available to all Executive Board members in the same way; the amount of compensation depends on the personal situation. This compensation in kind is generally available to all Executive Board members in the same way; the amount of compensation depends on the personal situation.

Executive Board members also receive half of the total contributions toward their pension insurance in the case of voluntary insurance, and in the case of statutory insurance, half of the total statutory contributions.

For contributions to voluntary statutory or private medical and health care insurance, each member of the Executive Board receives a tax-free employer contribution in line with legal provisions.

Performance-related components

Without a long-term incentive effect (bonus)

The bonus is dependent on the EBITDA and ROFRA of the Fraport Group for the respective fiscal year. EBITDA is the Group operating result, ROFRA the interest on Group assets; i.e., the total return on capital (“Return on Fraport Assets”). Both key figures (EBITDA and ROFRA) are recognized business management parameters for measuring the success of a company.

The bonus for an Executive Board member is calculated by multiplying EBITDA and ROFRA, each minus a basic allowance, by a multiplier contractually stipulated for each Executive Board member and adding together the aforementioned results. The bonus amount for one fiscal year is capped at 175% of the bonus paid for 2009 – or if the member was appointed during the year or the employment contract was amended in 2009, an amount extrapolated for the entire year. For Executive Board members appointed as of 2012, the maximum bonus amount for a fiscal year is limited to 140% of the bonus calculated pro forma for fiscal year 2011. According to employment contracts extended in 2016 and 2017, the maximum amount of the bonus for Dr. Zieschang was raised to €785.0 thousand from April 1, 2017, for Mr. Müller to €714.0 thousand from October 1, 2017, for Ms. Giesen to €714.0 thousand from January 1, 2018 and for Dr. Schulte to €950.0 thousand from September 1, 2019. 50% of anticipated bonus payments are paid out monthly during the fiscal year. The remaining bonus payments are payable within one month after the Supervisory Board has approved the respective consolidated financial statements for the relevant fiscal year.

50% of the calculated bonus payments have a conditional payback provision. If EBITDA and ROFRA in the following year do not reach at least an average of 70% of the corresponding key figure for the fiscal year in question, the Executive Board member has to pay back 30% of the bonus to Fraport AG. Should the same apply to the second year after the relevant fiscal year, 20% of the bonus has to be repaid. A possible repayment obligation exists for each following year separately and must be individually reviewed for compliance each year.

If the Supervisory Board is of the opinion that the relevant business figures have decreased due to influences outside of the Executive Board’s control, it can grant a bonus at its discretion or waive the repayment in full or in part, based on the Executive Board member’s performance. If an Executive Board member holds an active position for less than one fiscal year, a pro rata bonus payment is made.

With a long-term incentive effect

(Long-Term Strategy Award, LSA)

The LSA creates an additional long-term incentive effect that appropriately and on an ongoing basis takes into consideration the interests of the main stakeholders of Fraport AG, specifically employees, customers, and shareholders.

As part of the LSA, each Executive Board member is promised a prospective financial reward for one fiscal year. After three fiscal years have expired (the fiscal year in question and the two following years), the extent to which the targets have been met is determined and the actual payment is calculated based on these results. The paid amount can exceed or fall below the prospective amount but is capped at 125% of the amount originally stated. Performance targets are customer satisfaction, sustained employee development, and share performance. All three targets are equally important under the LSA. As in the previous year, a prospective sum of €120 thousand has been promised to the Chairman of the Executive Board for the performance period of 2018 to 2020, with a payout in 2021, while a prospective sum of €90 thousand each has been promised to the other members of the Executive Board.

Customer satisfaction is evaluated on an annual basis using an established assessment system for airlines, real estate management, retail properties, and passengers. Whether or not a target has been met is determined by comparing the corresponding data (in percentage points) at the beginning of the three-year period with the average achieved over the same period. If the actual result exceeds or falls below the target by two full percentage points, the bonus paid for customer satisfaction is increased or decreased correspondingly.

Sustained employee development relates to employee satisfaction and the changes in headcount. The Supervisory Board decides to which extent the target has been met. Its decision is based on the results of the employee satisfaction barometer (an annual survey among employees of the Fraport Group) and the responsible development of headcount in view of the Group's economic situation.

For the share performance target, the Fraport share price development over the corresponding three-year period is compared with the average development of the MDAX and a share basket, which includes the shares of the operating companies of the Paris, Zürich, and Vienna airports. The payment for this share performance target is again determined by comparing the reference value calculated at the beginning of the three-year period with the actual development. Positive or negative deviations increase or decrease the prospective bonus accordingly.

Entitlement to LSA payments is established by approval by the Supervisory Board of the consolidated financial statements for the last fiscal year of the performance period.

If an Executive Board member leaves Fraport AG before the end of a three-year period already commenced, the performance targets for such an Executive Board member are not calculated until after this three-year period has expired. The award for the entire period is then paid on a pro rata basis for the amount of time the Executive Board member actually worked for the company. There is no right to payment for a three-year period which has not yet expired at the time the employment contract has been legally terminated due to extraordinary circumstances that are within the control of the Executive Board member (termination by request of the Executive Board member without cause pursuant to Section 626 of the German Civil Code [BGB], termination for cause within the control of the Executive Board member in accordance with Section 626 of the BGB), or if the Executive Board member has been removed from his or her office for cause pursuant to Section 84 (3) of the AktG. If an Executive Board member joins the company during the course of a fiscal year, the Supervisory Board decides if and to what extent the Executive Board member is entitled to participate in the LSA program for this fiscal year.

Long-Term Incentive Program (LTIP)

The LTIP is a virtual stock options program. The Executive Board members of Fraport AG are promised a contractually stipulated amount of virtual shares within their employment contracts, so-called performance shares, for each fiscal year on the condition that and depending on whether they meet predefined performance targets (the so-called target tranche). After four fiscal years, the so-called performance period, it will be determined to what extent these performance targets have been met and the number of performance shares actually due to the Executive Board member, the so-called actual tranche. The actual tranche can exceed or fall below the target tranche but is capped at 150% of the target tranche.

The two performance targets "earnings per share" (EPS) and "rank total shareholder return MDAX" are relevant for deriving the actual tranche from the target tranche, with earnings per share (EPS) being weighted at 70% and rank total shareholder return MDAX at 30%. For the fiscal year 2018, 9,000 performance shares were allocated to Dr. Stefan Schulte as a target tranche, while the other Executive Board members were allocated 6,850 performance shares.

In order to determine to what extent the EPS performance target has been met, the weighted average target EPS during the performance period, based on the strategic development planning applicable at the time of the award, is compared with the average EPS actually achieved during the performance period. For the evaluation to what extent the target has been met, the target EPS for the first fiscal year accounts for 40%, the second for 30%, the third for 20%, and the fourth for 10%. If targets have been met 100% across the performance period, the actual tranche corresponds to the target tranche. If the actual EPS differs from the target EPS, the number of allocated performance shares is adjusted accordingly. If the actual EPS falls below the target EPS by more than 25 percentage points, no performance shares are issued for the EPS performance target. If the actual EPS falls below the target EPS by 25 percentage points, the actual tranche amounts to 50% of the target tranche. If the actual EPS exceeds the target EPS by 25 percentage points, the actual tranche amounts to 150% of the target tranche. Intermediate values can be calculated using a straight-line method. Any performance exceeding the targets by more than 25 percentage points is not taken into account.

The extent to which the rank total shareholder return MDAX performance target has been met is calculated by determining the weighted average rank of Fraport AG amongst the 50 companies listed in the MDAX in relation to the total shareholder return (share price development and dividends) over the performance period. Just as with the EPS performance target, the four relevant fiscal years will be weighted in decreasing order. The actual tranche equals the target tranche if Fraport AG, during the performance period, ranks number 25 among total shareholder return MDAX with its weighted average. For each rank exceeding or falling below 25, the actual tranche is increased or reduced by 2.5 percentage points. If Fraport AG ranks worse than 45th place, no performance shares will be issued for the rank total shareholder return MDAX performance target; if Fraport AG ranks better than 5th place, there will not be a further increase in the number of performance shares issued over 5th place.

The relevant share price used for calculating the LTIP payment corresponds to the weighted average of the company's closing share prices in Xetra, or a similar trading system replacing Xetra at the Frankfurt Stock Exchange, during the first 30 trading days immediately subsequent to the last day of the performance period.

For all performance shares allocated from the fiscal year 2014 onwards, the LTIP payment is limited to 150% of the product of the performance shares of the target tranche multiplied by the "relevant share price at the time of issuance". The "relevant share price at the time of issuance" corresponds to the weighted average of the company's closing share prices in Xetra or a similar trading system replacing Xetra at the Frankfurt Stock Exchange during the month of January of the fiscal year, in which the relevant performance period begins. Entitlement to the LTIP payment is established by approval by the Supervisory Board of the consolidated financial statements for the last fiscal year of the performance period.

Furthermore, for all LTIP performance share tranches allocated after December 31, 2013, maximum payment amounts have been defined, which amount to a maximum of €810.0 thousand for Dr. Schulte and for the other Executive Board members a maximum of €616.5 thousand per performance share tranche.

The rules for LTIP entitlements of former Executive Board members are largely the same as for the LSA. In addition, a former Executive Board member is not entitled to any performance shares for a target tranche whose performance period had not yet lasted at least twelve months at the time the employment contract was legally terminated. The LTIP fair value accrual allocation resulted in the following expenses for the fiscal year 2018: Dr. Stefan Schulte €749.3 thousand (previous year: €1,066.0 thousand), Anke Giesen €570.3 thousand (previous year: €811.3 thousand), Michael Müller €570.3 thousand (previous year: €669.0 thousand), Dr. Matthias Zieschang €570.3 thousand (previous year: €811.3 thousand).

Further information regarding share-based remuneration via LTIP is provided in the Group notes under note 45.

Remuneration of the Executive Board 2018

In the tables below, the contributions, inflows, and pension-related expenses afforded to each member of the Executive Board are displayed individually based on the recommendations of Section 4.2.5 (3) of the GCGC:

Remuneration of the Executive Board (Contributions granted)

in €'000	Dr. Stefan Schulte (Chairman of the Executive Board; Executive Director since April 15, 2003)			
	2017	2018	2018 (Min.)	2018 (Max.)
Fixed salary	415.0	415.0	415.0	415.0
Ancillary benefits[1)]	20.1	46.9	46.9	46.9
Total[1)]	**435.1**	**461.9**	**461.9**	**461.9**
One-year variable remuneration (bonus)[2)]	841.1	870.1	0.0	870.1
Multiyear variable remuneration				
Long-Term Strategy Award (3 years)				
Tranche 2017 (1/1/2017 to 12/31/2019)	120.0	–	–	–
Tranche 2018 (1/1/2018 to 12/31/2020)	–	120.0	0.0	150.0
Long-Term Incentive Program (4 years)				
Tranche 2017 (1/1/2017 to 12/31/2020)[3)]	443.5	–	–	–
Tranche 2018 (1/1/2018 to 12/31/2021)[3)]	–	749.3	0.0	810.0
Total[4)]	**1,839.7**	**2,201.3**	**461.9**	**2,292.0**
Pension-related expenses[5)]	528.5	545.8	545.8	545.8
Total remuneration	**2,368.2**	**2,747.1**	**1,007.7**	**2,837.8**

1) Ancillary benefits vary depending on personal circumstances; there is no set minimum or maximum.
2) The bonus includes the payments on account for the fiscal year 2018 and the addition to the bonus provision in 2018.
3) LTIP was carried at fair value as at the time of offer. This meant the total cap was exceeded for the contributions in 2018 for Ms. Giesen, Mr. Müller, and Dr. Zieschang. The actual exceeded amount of the total cap can only be determined along with the fair value calculated at the time when the LTIP tranche 2018 is paid.
4) For the Chairman of the Executive Board, the total cap (not including pension-related expenses) amounts to €2.3 million and €1.65 million for all other members of the Executive Board. If the total cap is exceeded, the last payment component for each respective year will be reduced accordingly (see footnote 3).
5) Pension-related expenses were reported according to IAS 19.

Remuneration of the Executive Board (Inflows)

in € ´000	Dr. Stefan Schulte (Chairman of the Executive Board; Executive Director since April 15, 2003)	
	2017	2018
Fixed salary	415.0	415.0
Ancillary benefits	20.1	46.9
Total	**435.1**	**461.9**
One-year variable remuneration (bonus)[2)]	779.5	893.1
Multiyear variable remuneration		
Long-Term Strategy Award (3 years)		
Tranche 2014 (1/1/2014 to 12/31/2016)	60.0	–
Tranche 2015 (1/1/2015 to 12/31/2017)	–	135.0
Long-Term Incentive Program (4 years)		
Tranche 2013 (1/1/2013 to 12/31/2016)	503.0	–
Tranche 2014 (1/1/2014 to 12/31/2017)	–	743.5
Total	**1,777.6**	**2,233.5**
Pension-related expenses	528.5	545.8
Total remuneration	**2,306.1**	**2,779.3**

1) An offsetting of the remuneration in 2018 for the Supervisory Board activities at Hanover-Langenhagen Airport was made against the bonus payment to Dr. Zieschang in the amount of €1,785.00 for the 2018 fiscal year.
2) The bonus includes the payments on account for the fiscal year 2018 and the ex-post adjustment to the bonus for the fiscal year 2017.

											Contributions granted
Anke Giesen (Executive Director Operations; Executive Director since January 1, 2013)				Michael Müller (Executive Director Labor Relations; Executive Director since October 1, 2012)				Dr. Matthias Zieschang (Executive Director Controlling and Finance; Executive Director since April 1, 2007)			
2017	2018	2018 (Min.)	2018 (Max.)	2017	2018[7)]	2018 (Min.)	2018 (Max.)	2017	2018	2018 (Min.)	2018 (Max.)
300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	320.0	320.0	320.0	320.0
26.6	41.7	41.7	41.7	31.2	38.3	38.3	38.3	43.3	118.1	118.1	118.1
326.6	**341.7**	**341.7**	**341.7**	**331.2**	**338.3**	**338.3**	**338.3**	**363.3**	**438.1**	**438.1**	**438.1**
593.7	686.5	0.0	714.0	593.7	686.5	0.0	714.0	625.2	755.2	0.0	785.0
90.0	–	–	–	90.0	–	–	–	90.0	–	–	–
–	90.0	0.0	112.5	–	90.0	0.0	112.5	–	90.0	0.0	112.5
337.6	–	–	–	337.6	–	–	–	337.6	–	–	–
–	570.3	0.0	616.5	–	570.3	0.0	616.5	–	570.3	0.0	616.5
1,347.9	**1,688.5**	**341.7**	**1,784.7**	**1,352.5**	**1,685.1**	**338.3**	**1,781.3**	**1,416.1**	**1,853.6**	**438.1**	**1,952.1**
141.3	136.4	136.4	136.4	122.9	120.0	120.0	120.0	365.6	376.3	376.3	376.3
1,489.2	**1,824.9**	**478.1**	**1,921.1**	**1,475.4**	**1,805.1**	**458.3**	**1,901.3**	**1,781.7**	**2,229.9**	**814.4**	**2,328.4**

					Inflow
Anke Giesen (Executive Director Operations; Executive Director since January 1, 2013)		Michael Müller (Executive Director Labor Relations; Executive Director since October 1, 2012)		Dr. Matthias Zieschang (Executive Director Controlling and Finance; Executive Director since April 1, 2007)	
2017	2018	2017	2018	2017	2018[1)]
300.0	300.0	300.0	300.0	320.0	320.0
26.6	41.7	31.2	38.3	43.3	118.1
326.6	**341.7**	**331.2**	**338.3**	**363.3**	**438.1**
550.2	630.4	550.2	630.4	554.6	669.9
45.0	–	45.0	–	45.0	–
–	110.0	–	110.0	–	110.0
382.8	–	198.4	–	382.8	–
–	565.9	–	293.3	–	565.9
1,304.6	**1,648.0**	**1,124.8**	**1,372.0**	**1,345.7**	**1,783.9**
141.3	136.4	122.9	120.0	365.6	376.3
1,445.9	**1,784.4**	**1,247.7**	**1,492.0**	**1,711.3**	**2,160.2**

Provisions for pensions and similar obligations

Pension obligations to currently active Executive Board members were as follows:

Pension obligations

in €'000	Obligation 31.12.2017	Change in 2018	Obligation 31.12.2018
Dr. Stefan Schulte	8,105	–2,092.0	6,013
Anke Giesen	750	+112.0	862
Michael Müller	706	+160.0	866
Dr. Matthias Zieschang	4,072	–28.0	4,044
Total	**13,633**	**–1,848.0**	**11,785**

Due to the extension of Dr. Schulte's contract in fiscal year 2018, the corresponding vesting period was also extended.

Other agreements

Each member of the Executive Board has entered into an obligation to purchase shares in Fraport AG amounting to at least half a year's fixed gross salary (cumulative cost at the time of purchase) and hold them for the duration of the respective contract of employment. Already existing holdings of Fraport AG shares are taken into account. The obligation to purchase and hold shares is reduced pro rata if the employment contract has a term of less than five years. If the Executive Board member is reappointed, the equivalent value of the shares an Executive Board member is obliged to hold is increased to at least a full annual gross salary.

Each member of the Executive Board has agreed to a two-year non-competition clause. During this term, reasonable compensation in the form of an annual fixed gross salary pursuant to Section 90a of the HGB shall be paid. Partial payments shall be made monthly. The compensation shall be generally credited against any retirement pensions owed by Fraport AG, inasmuch as the compensation together with the retirement pensions and other generated income exceeds 100% of the last fixed salary received.

In the event that the service contracts extended from 2016 are withdrawn without good reason, the service contract will be terminated upon mutual agreement between the member of the Executive Board and Supervisory Board at the end of the calendar month after the withdrawal of the appointment upon payment of compensation of two times the total annual remuneration but no more than the outstanding payment for the remaining term of the service contract. When calculating the total annual remuneration, the remuneration for the last fiscal year will be adjusted before withdrawal of the appointment.

Other benefits

As other benefits, Executive Board members have the option of private use of a company vehicle with a driver, private use of a company mobile device, a D&O liability insurance with a deductible pursuant to Section 93 (2) sentence 3 of the AktG, an accident insurance, the opportunity to make use of a manager check-up every two years, and a lifetime entitlement to use the VIP service of Fraport AG free of charge also for private events and accompanied by family members, as well as access to a parking spot at Frankfurt Airport. Fraport AG reimburses travel costs for company trips and other business expenses in line with the regulations in general use at Fraport AG.

Remuneration of the Supervisory Board in the fiscal year 2018

The remuneration of the Supervisory Board is laid down in Section 12 of the Statutes of Fraport AG. It is provided solely as fixed remuneration. According to this, every member of the Supervisory Board shall receive a fixed remuneration of €22.5 thousand for each full fiscal year payable at the end of the fiscal year, the Chairman and the Chairman of the finance and audit committee shall receive twice that amount, the Vice-Chairman and the Chairmen of the other committees shall each receive one and a half times this amount. For their membership on a committee, Supervisory Board members receive an additional, fixed remuneration of €5 thousand per committee for each full fiscal year. This additional compensation is paid for a maximum of two committee memberships. Supervisory Board members that become members of or leave the Supervisory Board during a fiscal year receive pro rata remuneration. The same holds true in the case of any change in the membership of committees. Each Supervisory Board member receives €800 for every Supervisory Board meeting he or she attends and every committee meeting attended of which he or she is a member. Accrued expenses will also be reimbursed (see also Group note 55).

The following remuneration was paid to the individual members of the Supervisory Board for fiscal year 2018:

Remuneration of the Supervisory Board 2018

in € Supervisory Board Member		Fixed salary	Committee remuneration	Attendance fees	Total
Amier	Claudia	33,750.00	10,000.00	12,800.00	56,550.00
Arslan	Devrim	22,500.00	10,000.00	9,600.00	42,100.00
Becker	Uwe	22,500.00	10,000.00	11,200.00	43,700.00
Bolükmese	Hakan	13,376.71	5,945.80	8,800.00	28,122.51
Cicek	Hakan	22,500.00	5,000.00	9,600.00	37,100.00
Dahnke	Kathrin	22,500.00	5,000.00	9,600.00	37,100.00
Draths	Detlef	13,376.71	5,945.80	7,200.00	26,522.51
Feldmann	Peter	22,500.00	10,000.00	6,400.00	38,900.00
Gerber	Peter	22,500.00	0.00	4,000.00	26,500.00
Haase	Dr. Margarete	45,000.00	10,000.00	13,600.00	68,600.00
Kaufmann	Frank-Peter	22,500.00	10,000.00	15,200.00	47,700.00
Kipper	Dr. Ulrich	13,376.71	2,972.90	7,200.00	23,549.61
Klemm	Lothar	33,750.00	10,000.00	14,400.00	58,150.00
Kother	Birgit	13,376.71	2,972.90	6,400.00	22,749.61
Krieg	Dr. Roland	9,375.00	2,083.33	3,200.00	14,658.33
Laubrock	Ronald	20,065.07	5,945.80	8,000.00	34,010.87
Odenwald	Michael	22,500.00	5,000.00	6,400.00	33,900.00
Özdemir	Mehmet	9,375.00	2,083.33	2,400.00	13,858.33
Prangenberg	Arno	9,375.00	2,083.33	2,400.00	13,858.33
Rana	Qadeer	13,376.71	5,945.80	9,600.00	28,922.51
Schaub	Gerold	14,062.50	4,166.67	4,800.00	23,029.17
Schmidt	Hans-Jürgen	9,375.00	2,083.33	3,200.00	14,658.33
Schmidt	Werner	9,375.00	4,166.67	4,800.00	18,341.67
Stejskal	Edgar	9,375.00	4,166.67	6,400.00	19,941.67
Weimar	Karlheinz	45,000.00	10,000.00	8,800.00	63,800.00
Wesenick	Katharina	13,376.71	2,972.80	6,400.00	22,749.51
Windt	Prof. Dr. Katja	22,500.00	10,000.00	11,200.00	43,700.00
Total		**530,637.83**	**158,535.13**	**213,600.00**	**902,772.96**

Remuneration of the Economic Advisory Board in fiscal year 2018

For membership on the Economic Advisory Board, an annual remuneration of €2,500.00 is paid and €2,000.00 per meeting attended, with the Chairman receiving twice that amount. Travel expenses are reimbursed independently.

Economic Report

General statement of the Executive Board

A new passenger record was set at Frankfurt Airport in the past fiscal year with over 69.5 million travelers. The increase by 7.8% compared to the previous year is primarily attributable to offers for new travel destinations and frequency increases. In line with the weakening world economy, the cargo volume in the 2018 fiscal year was slightly below the previous year at approximately 2.2 million metric tons (–0.8%). The Fraport Group's airports showed a uniformly positive passenger development.

Group revenue increased by 18.5% in the 2018 fiscal year to €3,478.3 million. Adjusted for the revenue relating to capacitive capital expenditure based on the application of IFRIC 12, revenue increased by 7.8% to €3,118.8 million. At the Frankfurt site, this development was caused among other things by higher revenue from airport charges, a rise in revenue from ground services and infrastructure charges, which were the result of an increase in traffic volume as well as higher revenue from security services in particular due to new businesses. Beyond the Frankfurt site, the Group companies Fortaleza and Porto Alegre (+€90.9 million), and Fraport Greece (+€53.2 million) contributed significantly to revenue growth. Higher operating expenses resulted primarily from increased expenses due to higher traffic volume at the Group companies FraGround and FraCareS, as well as from new businesses at the Group company FraSec. Beyond the Frankfurt site, these were primarily from Fraport Greece and the Group companies Fortaleza and Porto Alegre. In addition to the positive development in operations, the disposal of the shares in Flughafen Hannover-Langenhagen GmbH (+€25.0 million), Group EBITDA, and Group EBIT rose, coming in at €1,129.0 million (+12.5%) and €730.5 million (+13.6%), respectively. The disposal of the shares as well as the strong development of the Group company Antalya, which is accounted for using the equity method, improved the negative financial result from –€136.9 million in the previous year to –€60.1 million, which led to a Group result of €505.7 million (+40.6%).

Despite higher capital expenditure at the Frankfurt site and in the international business, and taking into account changes in net current assets, the free cash flow was slightly positive at €6.8 million (previous year: €393.1 million). Higher gross debt led to a only slight increase in net financial debt by €33.0 million to €3,545.4 million; this was due to an increase in cash and cash equivalents, in part due to the disposal of the shares in Flughafen Hannover-Langenhagen GmbH. The gearing ratio improved to 88.7%.

Due to the very good traffic development in Frankfurt and at the Group airports, the Executive Board describes the operational and financial development of the Fraport Group as positive overall in fiscal year 2018. Regarding its operating and financial forecasts, Fraport has had a good start to the 2019 fiscal year up to the date on which these consolidated financial statements were prepared.

Macroeconomic, legal, and industry-specific conditions

Development of the macroeconomic conditions

In 2018, the global economy once again grew; however, this growth weakened slightly over the course of the year. The global economy is increasingly exposed to higher risks that arise from the economic and financial policy conditions. These include current trade disputes, uncertainties surrounding Brexit, diverging interests of the EU member countries, and economic crises or even currency fluctuations, for example in Turkey and Argentina.

Gross domestic product (GDP)/world trade[1)]

Real changes compared to the previous year in %	2018	2017
World	+3.7	+3.7
Eurozone	+1.8	+2.4
Germany	+1.4	+2.2
USA	+2.9	+2.3
China	+6.6	+6.8
Japan	+0.9	+1.8
World trade	**+4.0**	**+4.7**

[1)] 2018 figures: Estimates based on International Monetary Fund (IMF, January 2019), German GDP: The Federal Statistical Office, Press release (February 14, 2019).

Economic activity in Europe had slowed recently. The German economy fell short of original expectations. In particular, the delays in production in the automotive industry had a cooling effect on the economy in the second half of the year in the course of the changeover to the new globally standardized emission tests. Private consumption, however, continued to be the main economic driver. Also, capital investments were a key factor in the contribution to growth.

Brexit weighed on the British economy and particularly affected the country’s own industry. In France, the economy also showed more restrained development. The Italian economy stagnated during the year, as political developments led to uncertainty. Spain, however, remained one of the fastest growing economies in Europe.

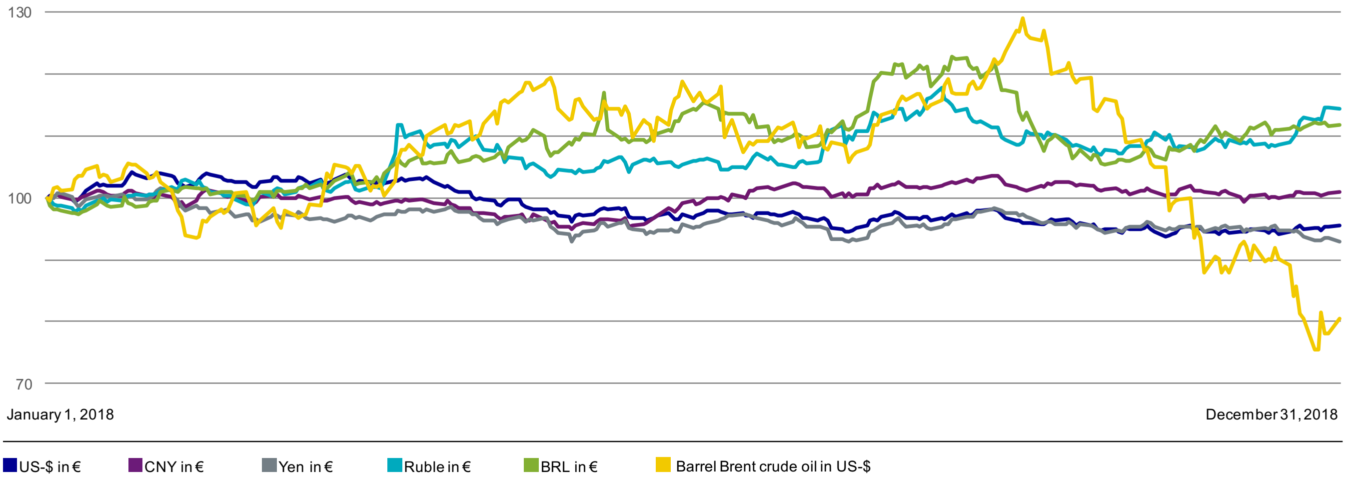
The United States achieved significant growth, mainly due to comparatively strong consumption expenditure of households, while its economy showed growth below expectations towards the end of the year due to the trade disputes. In Japan, the economy weakened towards the end of the past fiscal year. There was uneven development in emerging markets. The Chinese economy grew dynamically, but it remained behind the growth rates of previous years and will be burdened by a trade dispute with the United States. The Indian economy has kept its expanding pace. Growth once again accelerated in Russia and Brazil.

During the course of 2018, global trade suffered from the restrictive US trade policy. The global economic situation was gloomy. German exports were also affected by this development.

Short-term interest in the euro area rates have fallen further over the past year. As a result, the average 6-month Euribor remained negative at –0.27% (previous year: –0.26%). In the long-term segment, the average 10-year euro swap rate rose from 0.81% to 0.96%. Fraport AG benefited from the interest rate situation, particularly with regard to short-term loans, and was also able to take on additional loans at attractive rates despite the rise in long-term interest rates that nonetheless remain at a low level.

Crude oil price and significant exchange rates for Fraport 2018

Values at index base 100



Development of the legal environment

During the past fiscal year, there were no changes to the legal environment that had a significant 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 5.9% in the 2018 fiscal year. Air freight volume rose by 3.3%. European airports achieved above-average growth in passenger numbers at 6.2%. In air freight, European airports developed slightly below the overall market at +2.0%. The passenger numbers at German airports grew by 4.0%. Cargo tonnage increased by 1.8%.

Passenger and cargo development by region

Changes compared to the previous year in %	Passengers 2018	Air freight 2018
Germany	+4.0	+1.8
Europe	+6.2	+2.0
North America	+5.1	+5.0
Latin America	+5.3	+7.5
Middle East	+2.1	+0.1
Asia-Pacific	+6.6	+2.4
Africa	+9.9	+11.5
World	**+5.9**	**+3.3**

Source: ACI Pax Flash and Freight Flash (ACI, February 15, 2019), ADV for Germany; cargo instead of air freight (ADV, January 2, 2019).

Significant events

Fraport active in Brazil and New York

On January 2, 2018, the Group companies Fortaleza and Porto Alegre each took over operations of the eponymous Brazilian airports. The financial contribution of both Group companies in the 2018 fiscal year is presented in the “The Group’s results of operations” and “Results of operations for segments” chapters starting on page 89.

Since April 1, 2018, the Group company Fraport USA has been responsible for all gastronomy and retail spaces at Terminal 5 of JFK Airport in New York. From February 2019, Fraport USA will also operate the retail area at Nashville Airport.

Progress of construction of Terminal 3

On August 16, 2018, Fraport AG received approval for the early construction of the Pier G as part of the second phase of construction of Terminal 3 from the planning commission of the City of Frankfurt am Main. Pier G is being built as a full terminal building and will be integrated into Terminal 3. The building contract was awarded in December 2018. Start of construction is planned for the spring of 2019. The building contract for Pier H as part of the first construction phase of Terminal 3 was awarded on November 14, 2018 by the Group company Fraport Ausbau Süd. In addition to the main terminal building and Pier H, the preliminary construction of Pier J will also start in the first half of 2019 (see also the “Business model” chapter starting on page 54).

Disposal of the shares in Flughafen Hannover-Langenhagen GmbH

On October 9, 2018, Fraport AG sold its share of 30% in Flughafen Hannover-Langenhagen GmbH to iCON Flughafen GmbH at a sales price of €109.2 million. The sale of shares had a positive effect on EBT of €83.6 million in the 2018 fiscal year. Of this amount, €25.0 million impacted Group EBITDA and EBIT. It also had a positive impact of €59.7 million on the Group’s financial result and of €75.9 million on the Group result (see also the “The Group’s results of operations” and “Results of operations for segments” chapters starting on page 89).

Sale of the Group company Energy Air GmbH

On October 24, 2018, Fraport AG and Mainova AG signed a sale and purchase agreement effective January 1, 2019, on 100% of the shares in Energy Air GmbH. Energy Air GmbH supplies Fraport and the majority of the companies located at Frankfurt Airport with energy. The sale increased other operating income of the Retail & Real Estate segment in the first quarter of 2019 by around €12 million (see also “Business outlook” chapter starting on page 131).

No other events that have had or will have a significant effect on the business development of the Fraport Group have occurred over the past fiscal year.

Business development

Development at the Frankfurt site

The number of passengers rose by 7.8 % to over 69.5 million in 2018. The volume of the previous year was exceeded by approximately 5.0 million passengers. This not only represented a new record for a single year but also new absolute record growth. The month of July marked the highest monthly result with approximately 6.9 million passengers. Over the course of the year, the number of daily passengers exceeded the 200,000 mark on 165 days, and on 13 days even reached a value of over 230,000 travelers. On July 29, the highest daily volume with 237,966 passengers was reached.

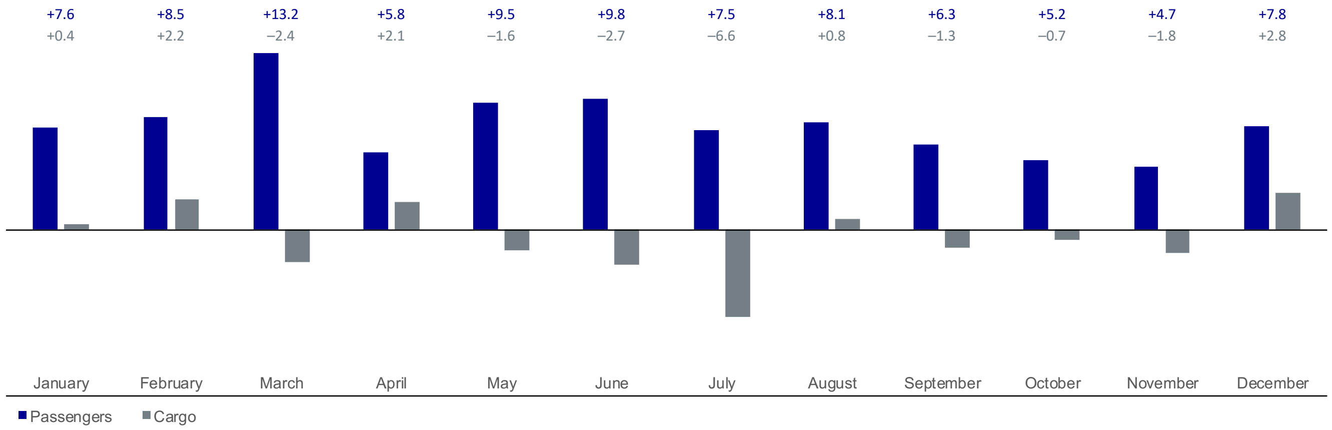
Both the offer of new travel destinations as well as rate increases led to this strong growth in demand. **Domestic traffic** rose noticeably by 4.8%. This growth was driven primarily by travel to and from Berlin. The distinct growth of the traffic regions of southern and eastern Europe led to double-digit growth for Mediterranean airports, in particular Turkey as a holiday destination. Consequently, **European traffic** was once again the driver of growth at 12.1%. Tourist-oriented destinations outside Europe were also a main focus. **International traffic** grew by 2.8%. Here, the markets in northern and central Africa as well as Central America generated significant growth. Traffic to Thailand and Vietnam in the Far East increased.

In 2018, the **Cargo volume** fell slightly below the previous year's volume by 0.8% with around 2.2 million metric tons. This result was line with economic development. Over the course of 2018, the global economy increasingly deteriorated, and problems in automobile manufacturing negatively impacted the German export-oriented industry in the second half of the year. While the Cargo volume still stagnated in the first half of 2018, it declined in the second half of the year by 1.4%.

In 2018, **aircraft movements** rose by 7.7% to a new record high of around 512,000 takeoffs and landings due to a wide range of new offers from airlines. The **maximum take-off weights** rose by 5.1% with a value of around 31.6 million metric tons, which is also a new record (+1.5 million tons). The maximum take-off weights were disproportionately lower compared to the aircraft movements due to the use of aircraft that are on average lighter and smaller.

2018 passenger and cargo development at Frankfurt Airport

Percentage change compared to 2017 on monthly basis



Development outside the Frankfurt site

At **Ljubljana** Airport, passenger numbers in the 2018 fiscal year were up 7.7% compared to the previous year at around 1.8 million. The growth was based to a large extent on the addition of new routes by Adria Airways. In addition, passenger numbers showed positive development on the majority of routes on offer.

The Brazilian airports **Fortaleza** and **Porto Alegre** welcomed around 14.9 million passengers (+7.0%) in 2018. In Fortaleza, international traffic profited especially thanks to the creation of an Air France/KLM hub (+61.7%). High volume domestic traffic also developed positively (+9.4%). 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 (+2.8%). International growth was caused, among other things, by more frequent flights by Aerolineas Argentinas (+19.0%).

Fraport Greece welcomed just under 29.9 million passengers (+8.9%) in the past fiscal year. This growth was primarily the result of a significant growth in international passenger traffic (+11.5%) of travelers from Great Britain, Germany, Italy, and Poland.

Lima Airport once again recorded significant growth in the number of passengers in fiscal year 2018 of 7.3% to over 22.1 million. Both domestic traffic (+7.5%) and international traffic (+7.1%) grew in the reporting period. The growth in domestic traffic was primarily due to low-cost flights increasingly displacing long-distance bus travel, which was also favored by a rise in offers from low-cost airlines in domestic travel. The growth in international traffic was mainly due to the increasing economic and tourist appeal of Peru and more ethnic travel.

The Bulgarian airports in **Varna** and **Burgas** served some 5.6 million passengers in the reporting period, thus around 12.2% more than in the previous year. Mainly travelers from and to Poland, Germany, and Great Britain, but also strong domestic traffic, contributed to the growth in traffic. The amount of Russian passengers in Burgas declined, though they still represent the largest passenger group (–14.0%), while the Varna site reached a moderate growth in this regard. As a whole, the extended range of low-cost offers contributed to traffic growth.

At **Antalya** Airport, around 32.3 million passengers in the 2018 fiscal year signified an increase of 22.5%, which was an all-time high. While the number of passengers traveling within Turkey increased by 2.2% to over 7.5 million, the number of international passengers rose significantly by 30.3% to around 24.8 million. The passenger growth was primarily due to tourists from western Europe, mainly from Germany and Great Britain, along with travelers coming from Russia who increasingly chose Turkey as a vacation destination.

With over 18.1 million travelers, passenger traffic at **St. Petersburg** Airport saw a 12.4% increase in the reporting period compared with the previous year. Both international and domestic traffic – helped by the football World Cup in Russia and the strong growth by the Russian low-cost airline Pobeda – significantly grew by 14.9% and 10.8%, respectively.

Xi'an Airport continued to show a dynamic development as passenger numbers increased by 6.7% to approximately 44.7 million. High-volume domestic traffic increased by 5.4% to approximately 42.0 million passengers, while international traffic rose by 32.6% to approximately 2.6 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 sites

	Fraport share in %	Passengers[1)		Cargo (air freight + air mail in m. t.)		Movements	
		2018	Change in %	2018	Change in %	2018	Change in %
Frankfurt	100	69,510,269	+7.8	2,176,387	–0.8	512,115	+7.7
Ljubljana	100	1,812,411	+7.7	12,378	+0.4	35,512	+3.0
Fortaleza[2)]	100	6,614,227	+11.5	46,016	+21.6	58,278	+11.5
Porto Alegre[2)]	100	8,301,172	+3.6	39,957	+87.3	80,984	+1.9
Fraport Greece[3)]	73.4	29,877,203	+8.9	8.168	+24,3	244,250	+8.1
Lima	70.01	22,118,454	+7.3	285,637	+0.7	192,694	+3.1
Twin Star	60	5,558,363	+12.2	8,565	–41.0	41,060	+9.7
Burgas	60	3,277,229	+9.9	8,429	–41.1	23,284	+8.5
Varna	60	2,281,134	+15.8	136	–40.6	17,776	+11.4
Antalya	51/50[4)]	32,268,535	+22.5	n.a.	n.a.	188,569	+20.2
St. Petersburg	25	18,122,286	+12.4	n.a.	n.a.	165,418	+8.6
Xi'an	24.5	44,653,433	+6.7	312,555	+20.3	329,783	+3.6

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

Comparison with the forecasted development

Airport	2018	Forecast 2017 [adjustment during the year]	2017[1]	Change in %
Frankfurt	69,510,269	Passenger numbers between approximately 67 million and approximately 68.5 million [passenger volume of slightly over 69 million passengers]	64,500,386	+7.8
Cargo in m. t.	2,176,387	Slight increase of around 1% [Slight fall or zero growth]	2,194,056	–0.8
Ljubljana	1,812,411	Growth in the single-digit percentage range [Growth in the low double-digit percentage range]	1,683,045	+7.7
Fortaleza	6,614,227	Growth in passenger numbers in the mid to upper single-digit percentage range	5,929,404	+11.5
Porto Alegre	8,301,172	Growth in passenger numbers in the mid to upper single-digit percentage range	8,009,735	+3.6
Fraport Greece	29,877,203	Rise of approximately 5% [rise in the upper single-digit percentage range]	27,433,908	+8.9
Lima	22,118,454	Significant growth in the high single-digit percentage range	20,607,443	+7.3
Twin Star	5,558,363	Growth in the single-digit percentage range [rise in the lower double-digit percentage range]	4,953,039	+12.2
Antalya	32,268,535	Growth in the low double-digit percentage range [growth in the double-digit percentage range]	26,346,068	+22.5
St. Petersburg	18,122,286	Growth in the low double-digit percentage range	16,125,520	+12.4
Xi'an	44,653,433	Growth in the high single-digit percentage range [growth in the low double-digit percentage range]	41,856,604	+6.7

[1] As a result of late submissions, there may be changes to the figures reported for the previous year.

The Group's results of operations

Group revenue increased by 18.5% in the 2018 fiscal year to €3,478.3 million (+€543.5 million). Based on the application of IFRIC 12, Group revenue included revenue in connection with the capacitive capital expenditure totaling €359.5 million (previous year: €41.7 million). Adjusted for revenue from IFRIC 12, Group revenue increased by €225.7 million to €3,118.8 million (+7.8%). The growth in passenger numbers at Frankfurt Airport led to higher revenue from airport charges, increased revenue from security services also due to new businesses, and higher revenue from ground handling services and infrastructure charges. Increased parking revenue also had a positive impact on Group revenue. Significantly lower proceeds from sales of land (2018: €1.9 million compared to 2017: €22.9 million) and lower passed-on energy supply services had a reducing effect on Group revenue. In total, revenue at the Frankfurt site increased to €65.2 million. Beyond Frankfurt, the Group companies Fortaleza and Porto Alegre (+€90.9 million), for which operations had not been taken over yet in the previous year, and Fraport Greece (+€53.2 million), for which operations were taken over in the second quarter of 2017, primarily contributed to revenue growth. The Group companies Lima, Twin Star, and Fraport Slovenija contributed €20.3 million to the increase in revenue.

Other operating income increased compared to the previous year, among other things, due to the disposal of the shares in Flughafen Hannover-Langenhagen GmbH (+€25.0 million) as well as releases of provisions that became statute-barred (+€27.1 million) to €88.2 million (+€49.3 million). At €3,602.7 million, the **total revenue** was €592.3 million above the comparable value for the previous year (+19.7%).

Personnel expenses increased in the 2018 fiscal year by €89.4 million (+8.2%) to €1,182.3 million. In order to maintain the quality of ground handling services in the face of strong traffic growth in Frankfurt, personnel expenses increased significantly, especially at the Group companies FraGround (+€26.7 million) and FraCareS (+€7.1 million). New business at the Berlin and Cologne/Bonn sites led, among other things, to an increase in personnel expenses at the Group company FraSec (+€22.1 million). Outside of Frankfurt, personnel expenses increased primarily due to the two Brazilian Group companies (+€11.3 million) and Fraport Greece (+€3.7 million).

Adjusted for the expenses relating to capacitive capital expenditure based on the application of IFRIC 12, the **cost of materials** increased by €50.9 million to €729.6 million (+7.5%). Of this, €24.5 million was attributed to the Group companies Fortaleza and Porto Alegre and €21.0 million to Fraport Greece. Increased expenses due to higher traffic volume in Frankfurt were offset by lower expenses related to sales of land and passed-on energy supply services.

Compared to the previous year, **other operating expenses** rose by €8.4 million to €202.3 million (+4.3%). The main drivers of this development were the Group companies Fortaleza, Porto Alegre, and Lima.

Operating expenses (cost of materials, personnel expenses, and other operating expenses) amounting to €2,473.7 million were €466.5 million higher than in the previous year (+23.2%). Based on the application of IFRIC 12, Group expenses included expenses in connection with the capacitive capital expenditure totaling €359.5 million (previous year: €41.7 million), which was primarily attributed to Fraport Greece and the Group companies Fortaleza and Porto Alegre.

Correspondingly, **EBITDA** increased by €125.8 million to €1,129.0 million (+12.5%). Relative to Group revenue, this meant that there was an **EBITDA margin** of 32.5% (previous year: 34.2%). Adjusted for the revenue in connection with the application of IFRIC 12, the EBITDA margin was 36.2% (previous year: 34.7%).

At €398.5 million, **depreciation and amortization** increased by €38.3 million compared to the previous year's level (+10.6%). This rise is attributable, among other things, to higher levels of depreciation and amortization in connection with Fraport Greece (+€13.0 million) and the Group companies Fortaleza and Porto Alegre (+€11.8 million), as well as due to adjustments to actual useful lives. The absence of the unscheduled depreciation and amortization recognized in the previous year within the Group company Fraport USA due to the termination of the concession in Boston as at October 31, 2017 had a reducing effect (–€8.6 million). Correspondingly, **Group EBIT** was €87.5 million above the previous year's level at €730.5 million (+13.6%).

The negative **financial result** in the amount of –€60.1 million (previous year: –€136.9 million) improved primarily due to the disposal of the shares in Flughafen Hannover-Langenhagen GmbH (+€59.7 million), which, along with the result of the Group company Antalya accounted for using the equity method (+€23.1 million), significantly increased the result from companies accounted for using the equity method. The other financial result improved in a year-on-year comparison, in particular, due to the early repayment of the project financing of the Group company Lima, which had a negative effect of €10.2 million in the previous year. This was offset by the poor interest result relating to Fraport Greece (–€24.9 million) as well as the Group companies Fortaleza and Porto Alegre (–€3.8 million).

Group EBT improved by €164.3 million to €670.4 million (+32.5%), of which €83.6 million was attributable to the disposal of the shares in Flughafen Hannover-Langenhagen GmbH. With an income tax expense of €164.7 million (previous year: €146.4 million), the **Group result** was €505.7 million (+40.6%). The disposal of the shares in Flughafen Hannover-Langenhagen GmbH contributed €75.9 million to the rise in Group result. This resulted in **basic earnings per share** of €5.13 (previous year: €3.57).

Comparison with the forecasted development

€ million	2018	Forecast 2017 [adjustment during the year]	2017	Change	Change in %
Revenue adjusted for IFRIC 12	3,118.8	Up to approximately €3.1 billion	2,893.1	+225.7	+7.8
Expenses adjusted for IFRIC 12	2,114.2	Increase of approximately 5%	1,965.5	+148.7	+7.6
EBITDA	1,129.0	Between around €1,080 million and approximately €1,110 million [upper level of range + contribution from Hanover sale]	1,003.2	+125.8	+12.5
Depreciation and amortization	398.5	Increase by up to €30 million	360.2	+38.3	+10.6
EBIT	730.5	Between about €690 million and around €720 million [upper level of range + contribution from Hanover sale]	643.0	+87.5	+13.6
Financial result	–60.1	Virtually constant [Improvement due to Hanover sale]	–136.9	+76.8	–
EBT	670.4	Between around €560 million and approximately €590 million [upper level of range + contribution from Hanover sale]	506.1	+164.3	+32.5
Group result	505.7	Between around €400 and about €430 million [upper level of range + contribution from Hanover sale]	359.7	+146.0	+40.6
Dividend per share in €	2.00	Increase	1.50	+0.5	+33.3

As reported in the Interim Report Q2/6M 2018, the projected ranges of EBITDA, EBIT, EBT, and Group result were exceeded through the disposal of the shares in Flughafen Hannover-Langenhagen GmbH in 2018 fiscal year. Also, the financial result improved significantly as a result of this disposal. In particular, expenses adjusted for IFRIC 12 rose more than forecasted due to higher personnel expenses to manage traffic growth in Frankfurt. Depreciation and amortization also increased by continuous adjustments to actual useful lives at the Frankfurt site. Additional key figures developed in line with forecasts.

Results of operations for segments

Aviation

€ million	2018	2017	Change	Change in %
Revenue	1,006.4	954.1	+52.3	+5.5
Personnel expenses	360.6	329.5	+31.1	+9.4
Cost of materials	57.1	48.9	+8.2	+16.8
EBITDA	277.8	249.5	+28.3	+11.3
Depreciation and amortization	139.6	117.8	+21.8	+18.5
EBIT	138.2	131.7	+6.5	+4.9
Average number of employees	6,195	5,881	+314	+5.3

Revenue for the Aviation segment increased by 5.5% in the 2018 fiscal year to €1,006.4 million (+€52.3 million). The growth in passenger numbers at Frankfurt Airport led to higher revenue from airport charges. Increased revenue from security services, particularly from the new business at the Berlin and Cologne/Bonn Airports, as well as the passenger growth in Frankfurt also helped to increase revenue.

The segment’s other operating income increased primarily driven by higher year-on-year releases of provisions which became statute-barred (+€17.2 million). This was offset by an increase in personnel expenses at the Group company FraSec (+€22.1 million) as well as increases in non-staff costs (+€12.3 million), partly due to increased expenses connected with capital expenditure, the strong passenger development in Frankfurt, and new business at the Berlin and Cologne/Bonn Airports.

EBITDA was up by €28.3 million on the previous year, at €277.8 million (+11.3%). Higher depreciation and amortization (+€21.8 million) due to the adjustments to actual useful lives resulted in segment EBIT of €138.2 million (+€6.5 million).

Retail & Real Estate

€ million	2018	2017	Change	Change in %
Revenue	507.2	521.7	–14.5	–2.8
Personnel expenses	54.2	53.6	+0.6	+1.1
Cost of materials	126.8	150.7	–23.9	–15.9
EBITDA	390.2	377.5	+12.7	+3.4
Depreciation and amortization	88.2	83.7	+4.5	+5.4
EBIT	302.0	293.8	+8.2	+2.8
Average number of employees	646	651	–5	–0.8

At €507.2 million, revenue of the Retail & Real Estate segment in the 2018 fiscal year was below the previous year’s value (– 2.8%). The negative revenue development was due to significantly lower proceeds from sales of land (2018: €1.9 million compared to 2017: €22.9 million. In addition, lower passed-on energy supply services reduced segment revenue.

In contrast, the segment posted higher parking revenue (+€8.3 million) and slightly increased retail revenue (+€0.8 million). The net retail revenue per passenger deceased by 7.4% to €3.12 compared to the previous year (2017: €3.37). 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. In addition, the devaluation of various currencies compared to the euro led to a loss of purchasing power.

Other operating income (+€4.1 million) increased primarily due to the disposal of a commercial property of Fraport AG at the Frankfurt site. Personnel expenses remaining at the same level as in the previous year, considerably lower costs of materials mainly due to lower sales of land (–€13.7 million) as well as the lower passed-on energy supply services resulted in EBITDA of €390.2 million (+3.4%). Higher depreciation and amortization (+€4.5 million) due to the adjustment to actual useful lives resulted in a segment EBIT of €302.0 million (+2.8%).

Ground Handling

€ million	2018	2017	Change	Change in %
Revenue	673.8	641.9	+31.9	+5.0
Personnel expenses	461.0	431.0	+30.0	+7.0
Cost of materials	54.8	51.6	+3.2	+6.2
EBITDA	44.4	51.4	–7.0	–13.6
Depreciation and amortization	43.7	39.8	+3.9	+9.8
EBIT	0.7	11.6	–10.9	–94.0
Average number of employees	9,073	8,600	+473	+5.5

In the 2018 fiscal year, revenue of the Ground Handling segment increased by €31.9 million to €673.8 million (+5.0%). This was mainly due to increased revenue from ground handling services (+€23.1 million) and infrastructure charges (+€9.7 million) in connection with the increased maximum take-off weights and growth in passenger numbers at the Frankfurt site. In order to maintain the quality of ground handling services in the face of strong traffic growth in Frankfurt, personnel expenses increased significantly, especially at the Group companies FraGround (+€26.7 million) and FraCareS (+€7.1 million). Non-staff costs also increased by €5.2 million due to the higher traffic volume. Correspondingly, EBITDA decreased to €44.4 million (–€7.0 million). Slightly higher depreciation and amortization led to a segment EBIT of €0.7 million, which was €10.9 million below the previous year.

International Activities & Services

€ million	2018	2017	Change	Change in %
Revenue	1,290.9	817.1	+473.8	+58.0
Revenue adjusted for IFRIC 12	931.4	775.4	+156.0	+20.1
Personnel expenses	306.5	278.7	+27.8	+10.0
Cost of materials	850.3	469.3	+381.0	+81.2
Cost of materials adjusted for IFRIC 12	490.8	427.6	+63.2	+14.8
EBITDA	416.6	324.8	+91.8	+28.3
Depreciation and amortization	127.0	118.9	+8.1	+6.8
EBIT	289.6	205.9	+83.7	+40.7
Average number of employees	6,047	5,541	+506	+9.1

Revenue in the International Activities & Services segment in the 2018 fiscal year grew significantly by €473.8 million on the previous year to reach €1,290.9 million (+58.0%). Adjusted for the revenue in connection with the capacitive capital expenditure based on the application of IFRIC 12 totaling €359.5 million, the segment revenue increased by €156.0 million to €931.4 million (+20.1%). The Group companies Fortaleza and Porto Alegre (+€90.9 million), for which operations had not been taken over yet in the previous year and Fraport Greece (+€53.2 million), for which operations were taken over in the second quarter of 2017, primarily contributed to revenue growth. The Group companies Twin Star and Fraport Slovenija contributed a total of €11.1 million to the increase in revenue. Due to exchange rate effects, the growth in passenger numbers at the Group company Lima did not result in comparably higher revenue (+€9.2 million). The termination of the concession in Boston effective October 31, 2017, as well as exchange rate effects led to a decrease in revenue at the Group company Fraport USA (–€3.5 million).

Cost of materials in the segment increased significantly by €381.0 million to €850.3 million (+81.2%). Adjusted for the expenses in connection with the capacitive capital expenditure based on the application of IFRIC 12 totaling €359.5 million, cost of materials increased by €63.2 million to €490.8 million (+14.8%). Of this, €24.5 million was attributed to the Group companies Fortaleza and Porto Alegre, €21.0 million to Fraport Greece, and €13.7 million to the Group companies Fraport USA, Lima, Twin Star, and Fraport Slovenija. Personnel expenses increased primarily due to the two Brazilian Group companies (+€11.3 million) and Fraport Greece (+€3.7 million) as well as the service units at the Frankfurt site due to effects from collective bargaining agreements to €306.5 million (+€27.8 million).

EBITDA recorded a significant increase of €91.8 million to €416.6 million (+28.3%). The two Brazilian Group companies contributed €40.2 million and Fraport Greece €29.4 million to EBITDA growth. Higher depreciation and amortization, particularly in connection with Fraport Greece (+€13.0 million) and the Group companies Fortaleza and Porto Alegre (+€11.8 million) was offset by the absence of the unscheduled depreciation and amortization recognized in the previous year within the Group company Fraport USA due to the termination of the concession in Boston as at October 31, 2017 (–€8.6 million). Segment EBIT increased by 40.7% to €289.6 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		
		2018	2017	Δ %	2018	2017	Δ %	2018	2017	Δ %	2018	2017	Δ %
Fraport USA	100	58.3	61.8	–5.7	6.2	13.0	–52.3	1.8	–1.6	–	0.8	–3.9	–
Fraport Slovenija	100	46.3	41.7	+11.0	18.5	15.6	+18.6	8.5	5.9	+44.1	7.3	5.3	+37.7
Fortaleza + Porto Alegre[2]	100	258.4	–	–	40.2	–	–	28.4	–	–	12.5	–	–
Fraport Greece[3]	73.4	414.8	234.9	+76.6	146.8	117.4	+25.0	101.3	84.9	+19.3	1.8	13.5	–86.7
Lima	70.01	358.3	325.6	+10.0	119.6	120.0	–0.3	104.7	103.4	+1.3	69.6	54.4	+27.9
Twin Star	60	74.0	67.5	+9.6	42.0	39.6	+6.1	30.1	28.0	+7.5	23.2	20.8	+11.5

Group companies accounted for using the equity method

€ million	Share in %	Revenue[1]			EBITDA			EBIT			Result		
		2018	2017	Δ %	2018	2017	Δ %	2018	2017	Δ %	2018	2017	Δ %
Antalya	51/50[4]	323.1	260.2	+24.2	277.3	222.6	+24.6	168.1	114.1	+47.3	77.5	31.4	> 100
Pulkovo/Thalita	25	274.0	258.2	+6.1	171.3	147.4	+16.2	135.6	107.3	+26.4	–23.2	–29.9	+22.4
Xi'an	24.5	247.3	231.2	+7.0	91.5	90.3	+1.3	44.3	41.6	+6.5	37.7	37.3	+1.1

[1] Revenue adjusted for IFRIC 12: Lima 2018: €316.1 million (2017: €306.9 million); Fraport Greece 2018: €265.0 million (2017: €211.8 million); Fortaleza + Porto Alegre: 2018: €90.9 million; Antalya 2018: €316.8 million; Pulkovo/Thalita 2018: €270.3 million.
[2] Sum of the Group companies Fortaleza and Porto Alegre. Operations as of 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 as of April 11, 2017.
[4] Share of voting rights: 51%, dividend share: 50 %.

In the 2018 fiscal year, the Group company **Fraport USA** generated revenue of €58.3 million, which was €3.5 million below the level of the previous year due to exchange rate effects and the termination of the retail concession in Boston as at October 30, 2017. The retail concession in New York (+€14.6 million), taken over on April 1, 2018, helped to offset this. EBITDA of €6.2 million as well as lower depreciation and amortization caused by the unscheduled depreciation and amortization of the concession in Boston in the previous year resulted in EBIT of €1.8 million. The result was positive at €0.8 million.

In 2018, strong passenger growth had a significantly positive effect on all key financial figures of the Group company **Fraport Slovenija**. Revenue was €46.3 million, EBITDA was €18.5 million, EBIT was €8.5 million, and the result was €7.3 million.

The Brazilian airports **Fortaleza** and **Porto Alegre** showed a positive development over the course of the entire year following the take-over of their operations. Growth in traffic was reflected in solid revenue and result figures. Adjusted for the revenue relating to capacitive capital expenditure based on the application of IFRIC 12, revenue in the 2018 fiscal year was €90.9 million, EBITDA was €40.2 million, EBIT was €28.4 million, and the result was €12.5 million.

The 14 Greek regional airports, for which the Group took over operations on April 11, 2017, collectively referred to as **Fraport Greece**, generated revenue adjusted for the revenue relating to capacitive capital expenditure based on the application of IFRIC 12 of €265.0 million, EBITDA of €146.8 million, and EBIT of €101.3 million, driven by strong passenger development. Despite interest expenses related to financing the initial one-off payment as well as the compounding of the concession liability, the result was positive at €1.8 million.

Thanks to the sharp increase in traffic, the Group company **Lima** showed stable revenue development in the 2018 fiscal year despite negative exchange rate effects and after having been adjusted for the revenue relating to capacitive capital expenditure based on the application of IFRIC 12; the company’s revenue amounted to €316.1 million. In the year-on-year comparison, the creation of provisions in 2018 led to a slight decline in EBITDA of €119.6 million (–€0.4 million). 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 of €6.5 million to €74.0 million – driven by the strong passenger development – in 2018. The Group company’s EBITDA, EBIT, and result developed positively.

Owing to the significantly higher passenger volume in international traffic and a record result based on this, the Group company **Antalya**, which is accounted for using the equity method, saw significant growth in its financial figures in fiscal year 2018. At €77.5 million, the company more than doubled its result (previous year: €31.4 million).

The Group company **Pulkovo/Thalita** posted growth in revenue of 4.7%; adjusted for the revenue in connection with the capacitive capital expenditure based on the application of IFRIC 12, the company’s revenue was €270.3 million. In addition to an increase in revenue, the rise in EBITDA and EBIT resulted from the derecognition of liabilities which had an effect on profit and loss as well as lower depreciation and amortization. Correspondingly, the result rose to –€23.2 million (previous year: –€29.9 million).

The positive traffic development at the Group company **Xi’an** led to an increase in revenue of 7.0% in the 2018 fiscal year. Despite increasing operating expenses, the company's EBITDA rose in comparison to the previous year. Offsetting the increase in traffic, the translation of the Chinese currency into euros had the effect of decreasing the result. At €37.7 million, the result increased slightly (+1.1%).

Comparison with the forecasted development

Aviation in € million	2018	Forecast 2017 [adjustment during the year]	2017	Change	Change in %
Revenue	1,006.4	Growth of around 5%	954.1	+52.3	+5.5
EBITDA	277.8	Noticeable improvement	249.5	+28.3	+11.3
EBIT	138.2	Well above the previous year´s level	131.7	+6.5	+4.9

Retail & Real Estate in € million	2018	Forecast 2017 [adjustment during the year]	2017	Change	Change in %
Revenue	507.2	Nearly stable [slightly below the previous year´s level]	521.7	–14.5	–2.8
EBITDA	390.2	Roughly at the previous year´s level	377.5	+12.7	+3.4
EBIT	302.0	Roughly at the previous year´s level	293.8	+8.2	+2.8

Ground Handling in € million	2018	Forecast 2017 [adjustment during the year]	2017	Change	Change in %
Revenue	673.8	Noticeable rise	641.9	+31.9	+5.0
EBITDA	44.4	Slightly higher than the previous year´s level	51.4	–7.0	–13.6
EBIT	0.7	Slight rise	11.6	–10.9	–94.0

International Activities & Services in € million	2018	Forecast 2017 [adjustment during the year]	2017	Change	Change in %
Revenue	1,290.9	Noticeable increase	817.1	+473.8	+58.0
EBITDA	416.6	Significant increase [additional increase by approximately €25 million due to Hanover sale]	324.8	+91.8	+28.3
EBIT	289.6	Significant increase [additional increase by approximately €25 million due to Hanover sale]	205.9	+83.7	+40.7

Depreciation and amortization in the Aviation segment rose, contrary to the forecast in 2017, due to adjustments to the actual useful lives that were higher than predicted and led to a segment EBIT that increased slightly compared to the previous year.

As predicted in the Interim Report Q2/6M 2018, revenue of the Retail & Real Estate segment was slightly below the previous year's level given the lower proceeds from sales of land and passed on energy supply services as well as the weaker retail figures. Segment EBITDA and EBIT reached values slightly above the 2017 forecast, primarily due to the disposal of a commercial property of Fraport AG at the Frankfurt site and a significant drop in non-staff costs.

In order to maintain the quality of ground handling services in the face of strong traffic growth in Frankfurt, operating expenses increased significantly and led to a considerable decline in segment EBITDA and EBIT, which was contrary to the 2017 forecast.

The other segment key figures developed in line with the 2017´s forecast.

Asset and financial position

Asset and capital structure

The **total assets** of the Fraport Group as at December 31, 2018 were significantly above the level on the 2017 balance sheet date at €11,449.1 million (+5.7%).

Non-current assets increased by €327.1 million to €10,106.4 million primarily due to higher investments in airport operating projects in connection with Fraport Greece, the Group companies Fortaleza and Porto Alegre, as well as Lima. These included the capital expenditure on the infrastructure of the airports. Capital expenditure for property, plant, and equipment increased, which was mainly connected to the Frankfurt Airport South expansion project. This was offset by capital expenditure in other financial assets, which significantly declined compared to the previous year mainly due to transfers of maturities. **Current assets** rose to €1,325.5 million (+25.9%) primarily due to an increase in cash and cash equivalents. Other reasons for this were higher other receivables and financial assets relating to prepayments for construction services at the Brazilian airports in Fortaleza and Porto Alegre, as well as higher trade accounts receivable as at the balance sheet date.

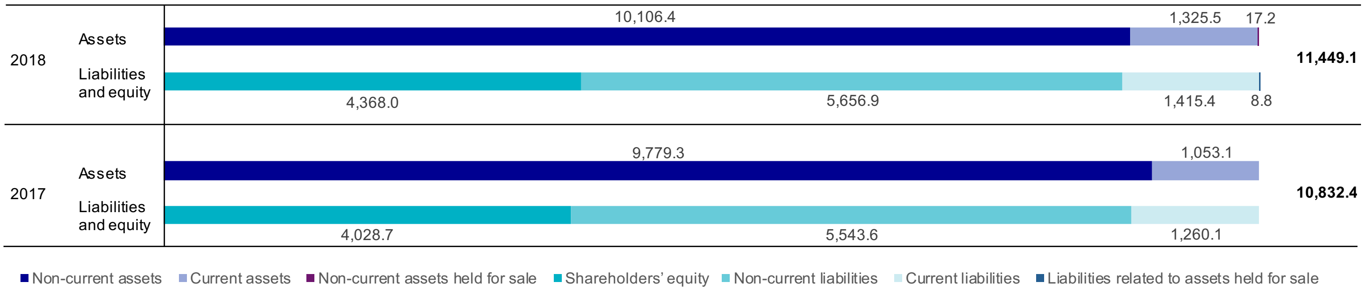
Taking into account the profit earmarked for distribution for the past fiscal year, **shareholders' equity** rose in 2018 from €4,028.7 million to €4,368.0 million (+8.4%) thanks to the positive Group result. After deducting the "non-controlling interests" item in the amount of €187.7 million and the profit earmarked for distribution of €184.9 million, the **shareholders' equity ratio** reached 34.9% as at December 31, 2018, virtually remaining at the same level as in the previous year (+0.5 percentage points).

At €5,656.9 million, **non-current liabilities** merely posted a slight change compared to the previous year (+2.0%). Increased financial liabilities were partially offset by lower other liabilities. **Current liabilities** increased significantly by €155.3 million to €1,415.4 million (+12.3%). This was due to higher trade accounts payable, particularly for Fraport Greece as well as at the Group companies Fortaleza and Porto Alegre. In addition, higher financial liabilities in connection with the financing of the expansion commitments at the airports in Fortaleza and Porto Alegre also had an enhancing effect.

The **Group's liquidity** increased significantly as at December 31, 2018 due to a higher level of cash and cash equivalents based among others on cash inflows in connection with the disposal of the shares in Flughafen Hannover-Langenhagen GmbH by €144.6 million to €1,163.2 million (previous year: €1,018.6 million). In contrast, current and non-current financial liabilities increased by €177.6 million to a total of €4,708.6 million (previous year: €4,531.0 million), which mainly resulted from the financing related to Fraport Greece and the Brazilian Group companies. This led to a slight increase of €33.0 million in **net financial debt** to €3,545.4 million (previous year: €3,512.4 million) and an improved **gearing ratio** of 88.7% (previous year: 94.2%). The **net financial debt to EBITDA** ratio reached a level of 3.1 (previous year: 3.5).

Structure of the consolidated financial position as at December 31

€ million



Additions to non-current assets

In the 2018 reporting period, additions to non-current assets in the Fraport Group amounted to €982.5 million (previous year: €2,591.1 million). The significant decline was due to higher capital expenditure in “airport operating projects” in a year-on-year comparison in connection with Fraport Greece as well as the Group companies Fortaleza and Porto Alegre.

Capital expenditure for property, plant, and equipment in the 2018 fiscal year amounted to €472.4 million (previous year: €287.1 million). Capital expenditure in “airport operating projects” amounted to €370.5 million (previous year: €2,197.9 million). Additions to “financial assets” in the past fiscal year were €125.1 million (previous year: €96.9 million); €12.5 million were connected to the item “other intangible assets” (previous year: €9.0 million) and €2.0 million to “investment property” (previous year: €0.2 million). The capitalization of interest expenses relating to construction work amounted to €26.8 million (previous year: €20.4 million).

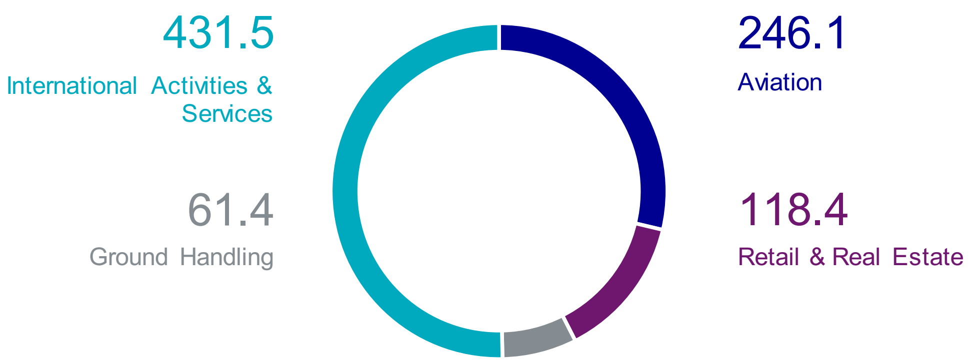
At Fraport AG, the additions to non-current assets amounted to €450.9 million (previous year: €279.0 million). The focus was thereby on capital expenditure to increase capacity in the Airport Expansion South – mainly relating to Terminal 3 at the Frankfurt site – as well as modernization and maintenance measures for existing infrastructure.

Additions to non-current financial assets of €125.1 million resulted in particular from the positive contributions to earnings from the Group company Antalya, which is accounted for using the equity method, and the associated Group company Xi’an and from securities.

The additions to airport operating projects; property, plant, and equipment; intangible assets; and investment property are attributed to the individual segments as follows:

Share in Group result by segment

€ million



Capital expenditure amounting to €246.1 million (previous year: €156.3 million), which was attributed to the **Aviation** segment, particularly concerned the ongoing construction work in connection with the Frankfurt Airport South expansion project, in particular the construction of Terminal 3 and expansion of the passenger transportation system.

In the 2018 fiscal year, the **Retail & Real Estate** segment recorded capital expenditure amounting to €118.4 million (previous year: €64.9 million), which was due in part to capacity-expanding measures within the scope of the Expansion South project.

The **Ground Handling** segment recorded additions amounting to €61.4 million (previous year: €32.3 million). In addition to capital expenditure in connection with the Expansion South project, these also had to do with the modernization measures for existing facilities.

In the **International Activities & Services** segment, additions to non-current assets amounted to €431.5 million (previous year: €2,240.7 million). The additions resulted primarily from the commitment to expand and extend infrastructures at the Greek and Brazilian airports.

The concession agreements in Greece, Brazil, and Lima include expansion and extension commitments on airport infrastructure. Additional information can be found in the “Finance management” chapter starting on page 72, as well as in the “Business outlook” and “Medium-term outlook” chapters starting on page 131.

Fair values

Differences between the carrying amounts and fair values may arise for assets and liabilities that are not valued at fair value in the Fraport consolidated financial statements. For an overview of the valuation methods used for significant balance sheet items, see Group note 4 in the Notes to the Consolidated Financial Statements.

Investments in airport operating projects make up approximately 95% of the intangible assets in non-current assets. While their carrying amount results from amortized acquisition costs and primarily depends on the amount of the determined acquisition costs and term of the respective concession agreements as the basis of the regular depreciation and amortization, the fair value of the investments in airport operating projects is primarily driven by the development of traffic volume and passenger numbers at the concession airports and the resulting cash flows.

Property, plant, and equipment of the Fraport group is mainly made up of land/buildings (approximately 54%) and technical equipment and machinery (approximately 25%) of Fraport AG. While the fair value of land is derived from standard land values (see also Group note 21), the fair value of airport infrastructure (buildings, technical equipment, and machinery) is determined in reference to the corresponding replacement costs.

The fair value of investment property (see also Group note 22) is based on the standard land value (land) or capitalized income value (buildings). The fair value of land designated as land for sale in the inventories (see also Group note 28) is also based on standard land values.

For information on the fair values of derivative and non-derivative financial instruments see Group note 40 in the Notes to the Consolidated Financial Statements.

Statement of cash flows

Cash flow from operating activities (operating cash flow) decreased slightly by €16.4 million to €802.3 million (–2.0%) in the past fiscal year despite a sound operating result across the Group. The cause of this reduction was 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 2018 fiscal year was €844.9 million (adjusted value 2017: €711.3 million), which corresponds to an increase of €133.6 million (+18.8%) compared to the previous year.

Cash flow used in investing activities, excluding investments in cash deposits and securities fell significantly by €1,227.4 million to €669.8 million. This is mainly due to the one-off payment of approximately €1.2 billion for the take-over of operations of the 14 Greek regional airports as well as the acquisition costs for the concessions of the Fortaleza and Porto Alegre Airports, which increased investments in airport operating projects in the previous year. Higher capacitive capital expenditure at the Frankfurt site and, in part, the Group companies Fortaleza and Porto Alegre, as well as Fraport Greece counteracted the cash outflow

(2018: €770.4 million compared to 2017: €389.8 million). The sale price of the shares in Flughafen Hannover-Langenhagen GmbH amounting to €109.2 million as well as higher dividends from companies accounted for using the equity method (+€35.4 million), primarily from the Group company Antalya, also reduced the cash outflow. Correspondingly, the **Free Cash Flow** was positive at €6.8 million (2017: €393.1 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 (until 2017, allocation to operating cash flow with reducing effect). The previous year's figures have been adjusted accordingly (2018: €45.6 million, 2017: €28.0 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 €646.5 million (2017: €1,632.5 million).

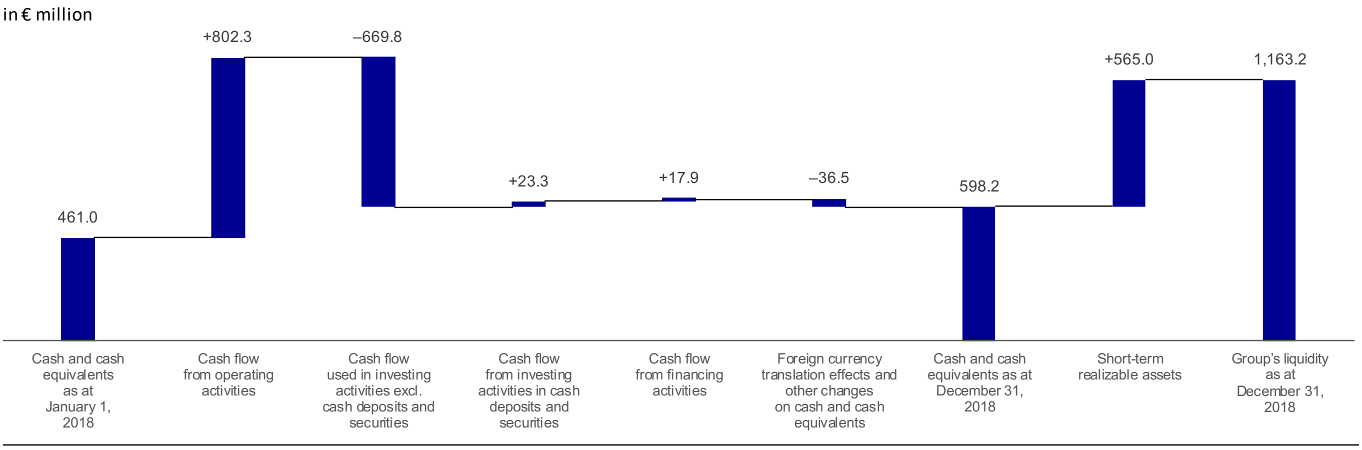
The **cash from financing activities** totaled €17.9 million (2017: cash inflow of €879.7 million). The previous year's figure includes the non-current financial liabilities incurred as part of the financing of Fraport Greece and the Brazilian airports. Taking into account exchange rate fluctuations and other changes, Fraport reported cash and cash equivalents based on the statement of cash flows of €598.2 million as at December 31, 2018 (December 31, 2017: €461.0 million).

The following table shows a reconciliation to cash and cash equivalents as shown in the consolidated statement of financial position.

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

in € million	December 31, 2018	December 31, 2017
Bank and cash balances	442.3	185.4
Time deposits with a remaining term of less than three months	155.9	275.6
Cash and cash equivalents as at the consolidated statement of cash flows	**598.2**	**461.0**
Time deposits with a remaining term of more than three months	108.8	112.6
Restricted cash	94.3	55.8
Cash and cash equivalents as at the consolidated statement of financial position	**801.3**	**629.4**

Summary of the statement of cash flows and reconciliation to the Group's liquidity



Financing analysis

In 2018, the finance management of the Fraport Group continued to pursue balanced funding via the operating cash flow and a diversified debt financing base with a balanced maturity profile. As at the balance sheet date, there was a balanced mix of financing consisting of bilateral loans (38.5%), bonds (20.2%), project financing (19.4%), and promissory note loans (21.9%).

To reduce interest rate risks from borrowing with floating interest rates, in the past interest rate hedging transactions were concluded in some cases. The nominal volume relating to this was €435 million at the end of the year, which was down by €115 million (–21.0%). Overall, the financial liabilities had an average remaining term of 4.3 years with an average interest maturity of approximately 4.0 years. Taking into account interest rate hedging transactions, the floating rate portion of the gross debt of the

Fraport Group was approximately 22%, and the fixed portion approximately 78%. The cost of debt after hedging measures was 3.2%.

Fully-consolidated Group companies in Germany are usually integrated into the Fraport AG cash pool, so that acquiring separate external funding was not necessary. In fully-consolidated foreign Group companies, funding was primarily carried out through common project financing schemes in the 2018 fiscal year. No analysis or calculation of the financial debt structure and liquidity at segment level is carried out.

The key features of the Group financing instruments with regard to type, maturity, and interest rate structures are presented in the following table:

Financial debt structure

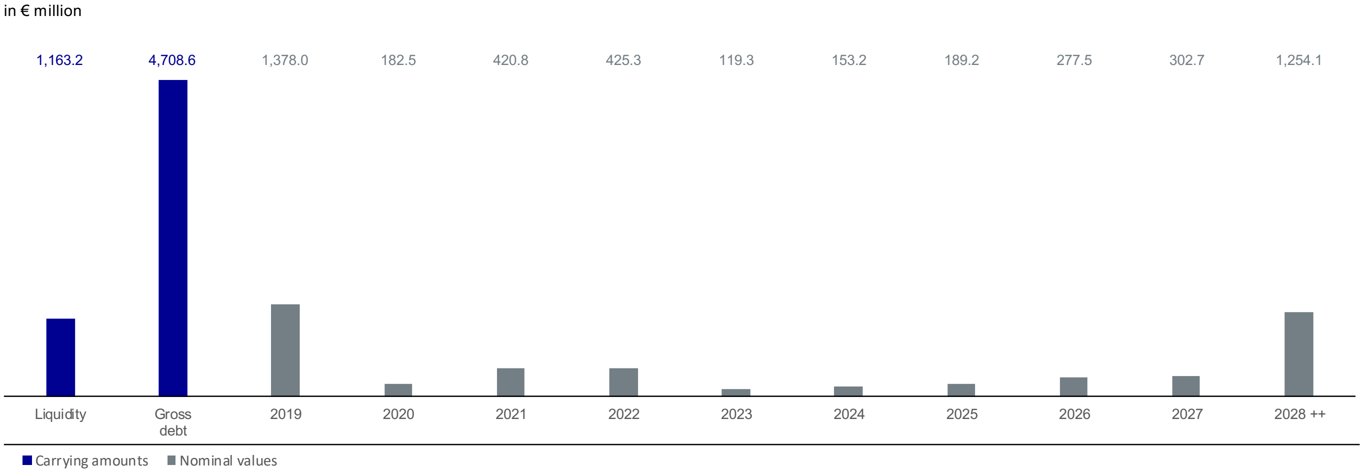
Financing type	Year of origin	Nominal volume in € million	Maturity	Repayment structure	Interest	Interest rate
Promissory note loans	2012	235	2020	End of term	Fixed	2,42% p. a.
			2022			2,90 % p. a.
			2030			4,00 % p. a.
	2012	60	2020	End of term	Fixed	2,74 % p. a.
			2022			3,06 % p. a.
	2013	50	2028	End of term	Fixed	4,00 % p. a.
	2014	350	2021	End of term	Fixed	1,436 % p. a.
	2014	50	2021	End of term	Fixed	1,436 % p. a.
	2017	135	2025	End of term	Fixed	1,395 % p. a.
			2027			1,81 % p. a.
	2017	150	2024	End of term	Fixed	1,086 % p. a.
			2027			1,609 % p. a.
Bond issue	2009	800	2019	End of term	Fixed	5,25 % p. a.
Private placement	2009	150	2029	End of term	Fixed	5,875 % p. a.
Bilateral loans	1999 – 2018	1,811.1	2019 – 2028	Mainly end of term	Mainly fixed	0,149 % – 6,65 % p. a.
Project financing (fully consolidated foreign Group companies)	2017 – 2018	911.5	2034 – 2041	Ongoing repayments During the term	Mainly fixed	4,50 % – 6,00 % p. a.

The contractual agreements for the financial liabilities of Fraport AG include two customary non-financial covenants consisting of a negative pledge and a pari passu clause. Only the special-purpose loans of Fraport AG contained in bilateral loans include, among other things, commonly accepted credit clauses regarding changes in shareholder structure and in the control of the company (so-called change-of-control clause). If these have a proven negative effect on the credit rating of Fraport AG, the creditors have above a certain threshold the right to call the loans due ahead of time.

Independent project-financing arrangements of fully consolidated foreign Group companies, in particular in Greece and Brazil, contain a series of credit clauses typical for this type of financing. These clauses include regulations under which certain debt service coverage ratios and control indicators for leverage and credit terms must be complied with. Failure to comply with the agreed credit clauses may lead to restrictions on the distribution of dividends and/or to the early redemption of loans or to the additional payment of shareholders' equity. Compliance with these criteria is examined on an ongoing basis. Regarding the financial indicators, all of the clauses had been complied with as at the balance sheet date 2018.

The maturity profile of the Fraport Group's financial debt showed a largely balanced repayment structure as at the balance sheet date (financial debt in foreign currencies translated as at the balance sheet date rate).

Maturity profile as at December 31, 2018



Liquidity in the fully consolidated foreign Group companies was €681.6 million (previous year: €523.8 million). As it is partly subject to drawing restrictions arising from the conditions stipulated in the project financing agreements, it is not part of the asset management at Fraport AG.

Liquidity analysis

The strategy of broad diversification of investments in corporate bonds was continued in the 2018 fiscal year. The key characteristics of Fraport AG's investment instruments in terms of type, remaining term, and interest structure are presented in the following table:

Asset structure of Fraport AG

Investment type	Market value [1] in € million	Average remaining term in years	Interest
Promissory note loans	10.0	0.3	Floating
	3.5	1.9	Fixed
Overnight funds	0.0	0.0	Fixed
Time deposits	108.7	0.4	Fixed
	0.0	0.0	Floating
Bonds	69.7	1.2	Floating
	238.7	2.5	Fixed
thereof governmental	0.0	0.0	Fixed
thereof financials	25.0	0.9	Floating
	30.2	0.8	Fixed
thereof insurances	0.0	0.0	Fixed
thereof industrials	44.7	1.3	Floating
	208.5	2.7	Fixed
Commercial papers	40.0	0.4	Fixed

[1] As a result of rounding, there may be discrepancies when summing up.

As at December 31, 2018, industrial promissory note loans and industrial bonds were distributed across the following industry sectors (market value: €306.7 million):

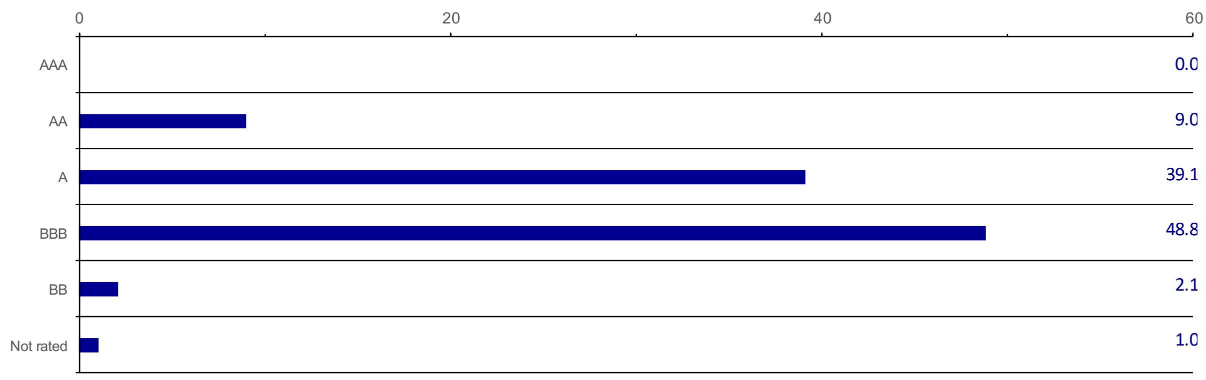
Allocation of industrial assets

in %

The ratings of all investments used in asset management are presented in the graphic.

Rating structure of assets

in %



As at the balance sheet date, rated (99.0%) and non-rated assets (1.0%) were in the portfolio.

The cost of carry, which is calculated using a (tiered statement) maturity-matching principle, was –0.16% (–€0.7 million) as at December 31, 2018.

As at the 2018 balance sheet date, the Fraport Group had unused credit lines amounting to €826.7 million (previous year: €758.0 million) available, €341.7 million of which has, however, been earmarked for future capital expenditure on infrastructure.

Significance of off-balance-sheet financial instruments for the financial position

Fraport focuses on the products presented in the “Financing analysis” section for financing its activities. Off-balance-sheet financial instruments are of no material significance in Fraport’s financing mix.

Rating

In light of Fraport’s unrestricted access to the capital market at attractive prices, very healthy liquidity supply combined with its comfortable portfolio of free, approved credit lines, there has not been a need for an external rating so far.

Comparison with the forecasted development

€ million	2018	Forecast 2017 [adjustment during the year]	2017	Change	Change in %
Capital expenditure in property, plant, and equipment & airport operating projects	842.9	Slightly under €1 billion	2,485.0	–1,642.1	–66.1
Operating cash flow	802.3	Noticeably above previous year´s level subject to changes to working capital	818.7	–16.4	–2.0
Free cash flow	6.8	Noticeably below previous year´s level and in negative territory	393.1	–386.3	–98.3
Net financial debt	3,545.4	Increase up to € 4 billion [cash inflow from sale of Hanover shares with reducing effect]	3,512.4	+33.0	+0.9
Net financial debt to EBITDA[1]	3.1	–	3.5	–0.4	–
Gearing ratio (%)	88.7	Slight rise	94.2	–5.5 PP	–
Group’s liquidity	1,163.2	Significant decrease	1,018.6	+144.6	+14.2
Shareholders’ equity	4,368.0	Noticeable higher than the previous year´s level	4,028.7	+339.3	+8.4
Shareholders’ equity ratio (%)	34.9	Remaining approximately the same as the previous year´s level	34.4	+0.5 PP	–

[1] Establishment in the reporting for full year 2018, first-time forecast for 2019.

Delays resulted in less capital expenditure for property, plant, and equipment and airport operating projects than predicted; along with higher dividends from companies accounted for using the equity method, this led to a positive free cash flow. Due to changes in net current assets, operating cash flow was slightly below than the value of 2017; adjusted to these changes the operating cash flow rose noticeably by 18.8%. The positive free cash flow resulting from lower investing activities as well as higher Group liquidity from the sale of the shares in Flughafen Hannover-Langenhagen GmbH led to only a slight increase in net financial debt, contrary to the 2017 forecast, to €33.0 million. Correspondingly, the gearing ratio improved. The additional key figures developed in line with the 2017 forecast.

Value management

Development of the value added

€ million	Fraport Group		Aviation		Retail & Real Estate		Ground Handling		International Activities & Services	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Adjusted EBIT[1]	856.7	696.6	138.4	131.8	304.2	292.8	–7.1	16.4	421.3	255.6
Fraport assets	7,688.8	6,965.8	2,902.2	2,683.8	1,937.5	1,891.1	624.0	574.2	2,225.1	1,816.8
Costs of capital before taxes	499.8	466.7	188.6	179.8	125.9	126.7	40.6	38.5	144.6	121.7
Value added before taxes	357.0	229.9	–50.3	–48.0	178.2	166.1	–47.7	–22.1	276.7	133.9
ROFRA in %	11.1	10.0	4.8	4.9	15.7	15.5	–1.1	2.9	18.9	14.1

[1] Adjusted EBIT = EBIT + earnings before taxes of the Group companies accounted for using the equity method.

At €357.0 million, the value added of the Fraport Group in the 2018 fiscal year was €127.1 million, significantly higher than the value of the previous year (previous year: €229.9 million). In addition to the strong growth in traffic in Frankfurt and at the Group airports, the improvement to value added is attributed to the disposal of the shares in Flughafen Hannover-Langenhagen GmbH, the take-over of operations of the Brazilian airports in Fortaleza and Porto Alegre, and the positive operating performance of the Group company Antalya, which is accounted for using the equity method.

The value added of the Aviation segment remained almost constant at –€50.3 million (previous year: –€48.0 million). The improved operating result was offset by higher Fraport assets and thus increased capital costs due to construction within the scope of the Expansion South project. In addition, EBIT in the Retail & Real Estate segment led to an increase in the value added from €166.1 million to €178.2 million. The value added of the Ground Handling segment decreased from –€22.1 million to –€47.7 million. This decline resulted from, among other things, a weaker operating result of the Group company FCS, which led to a negative segment ROFRA for the first time. The value added of the International Activities & Services segment increased significantly from €133.9 million to €276.7 million. In addition to the increase in traffic at the Group airports, the improvement to value added, which led to a significantly higher Segment EBIT, is attributed to the disposal of the shares in Flughafen Hannover-Langenhagen GmbH, the take-over of operations of the Brazilian airports in Fortaleza and Porto Alegre, and the positive performance of the Group company Antalya, which is accounted for using the equity method.

The ROFRA of the Fraport Group increased correspondingly from 10.0% to 11.1%.

Comparison with the forecasted development

	2018	Forecast 2017 [adjustment during the year]	2017	Change	Change in %
Group value added	357.0	Increase by around 10%	229.9	+127.1	+55.3
ROFRA (%)	11.1	Approximately at the previous year´s level	10.0	+1.1 PP	–
Value added Aviation	–50.3	Noticeable improvement, remain in negative territory	–48.0	–2.3	–
Value added Retail & Real Estate	178.2	Approximately at the previous year´s level	166.1	+12.1	+7.3
Value added Ground Handling	–47.7	Slight improvement, remain in negative territory	–22.1	–25.6	–
Value added International Activities & Services	276.7	Slightly at or slightly above the previous year´s level	133.9	+142.8	> 100

The Group value added increased significantly due to the disposal of shares in Flughafen Hannover-Langenhagen GmbH, which meant that the ROFRA was higher than the 2017 forecasted development.

The value added of the Aviation segment deteriorated, contrary to the 2017 forecast, due to higher depreciation and amortization relating to adjustments in actual useful lives, which kept EBIT from reaching the level predicted in 2017. The decline in WACC from 6.7% to 6.5% led to slightly lower capital costs in the Retail & Real Estate segment and a slightly improved performance in the segment value added compared to the forecast. The value added of the Ground Handling segment was below forecast due to the lower segment EBIT. The value added of the International Activities & Services segment was significantly higher than the 2017 forecast due to the disposal of shares and the strong performance of the Group company Antalya, which is accounted for using the equity method.

Non-financial performance indicators

Customer satisfaction and product quality

Global satisfaction of passengers

The global satisfaction of passengers at the Frankfurt site was 86% in 2018, one percentage point above the level of the previous year (previous year: 85%). Numerous service and infrastructure measures such as improvement of the signposting and the range of relaxation, work, and entertainment options had a positive impact on individual satisfaction criteria. As a result, passenger satisfaction with the hospitality of the airport staff improved significantly from 85% to 91%. The strong passenger growth led to lower passenger satisfaction with the waiting times at security checks of 80% (previous year: 81%).

Passenger satisfaction at Lima Airport was 94% in 2018 (2017: 82%). Travelers reacted positively to improvements to the quality of services. For example, customs clearances, the look and feel of the public areas of the terminal, and retail offers were improved. At the airports in Varna and Burgas, the satisfaction level was nearly 74%. The system of collecting data used by Fraport AG was applied for the first time in fiscal year 2018. In the new system, the previous year’s level of 97% resulted in a satisfaction rate of 82%, a decrease of 8 percentage points. While satisfaction at Varna Airport increased, it deteriorated in Burgas due to the high use of the terminal in the summer. Despite significant passenger volume growth, the number of complaints in Ljubljana rose only slightly to 81 (previous year: 64). In March 2018, Fraport Greece launched an expanded market research program at all 14 airports. Based on these survey results for summer 2018, all airports received overall grades, despite on-going construction, of better than 3.00 (on a scale of 1 to 5, where 1 is very poor and 5 is excellent). The three top-ranked airports were Rhodes (4.06), Aktio (3.94), and Kefalonia (3.86). At the two Brazilian airports Fortaleza and Porto Alegre, passenger satisfaction will be measured within the scope of the concessions guidelines in the future. The initial results are expected for the second quarter of 2019.

Baggage connectivity

In the past fiscal year, baggage connectivity at Frankfurt Airport amounted to 98.4% and was therefore 0.1 percentage points below the previous year's figure. In particular, delayed flights and poor weather conditions had a negative impact on the loading of baggage on time. In the first quarter of 2018, connectivity declined by 0.5 percentage points (98.3% compared to 98.8% in the first quarter of 2017). The levels in the second and third quarter of 2018 remained virtually unchanged at 98.4% and 98.3%, respectively (Q2 2017: 98.6% and Q3 2017: 98.4%). At 98.6%, the level in the fourth quarter was 0.4 percentage points above the same period of the previous year (98.2%).

Attractive and responsible employer

Employee satisfaction

The average grade for satisfaction by the employees of the Fraport Group was 2.76 in the past fiscal year and therefore slightly better than the adjusted figure from the previous year of 2.85. Employee satisfaction improved at Fraport AG as well as the vast majority of Group companies. The response rate was slightly below the level of the previous year at 53% (previous year: 54%, the value of employee satisfaction as well as the response rate of the previous year were adjusted for the Group company FCS).

Women in management positions

In the 2018 fiscal year, the proportion of women in management positions at the first and second level directly below Fraport's Executive Board was 26.0% in Germany (previous year: 28.0%). The slight decline in the rate is due to organizational and personnel changes.

Occupational health and safety

Sickness rate

In the 2018 fiscal year, the sickness rate declined by 0.1 percentage points to 7.7% (previous year: 7.5%). The sickness rate particularly improved at Fraport AG, which has a large number of employees, and the Group company FraSec.

Climate protection

CO_2 emissions

In the past fiscal year, CO_2 emissions amounted to approximately 244,029 metric tons of CO_2, and were thus 16.4% higher than in the previous year (previous year: 209,668 t CO_2). The increase in emissions is attributable to the first-time incorporation of the Group companies Fortaleza and Porto Alegre. The emission value of these airports was 36,445 tons of CO_2. Without these airports, emissions would have decreased by 1.0%.

Comparison with the forecasted development

Indicators	2018	Forecast 2017 [adjustment during the year]	2017	Change
Global satisfaction of passengers (Frankfurt) in %	86	At least 80 %	85	+1 PP
Baggage connectivity (Frankfurt) in %	98.4	Better than 98.5 %	98.5	–0.1 PP
Employee satisfaction	2.76[1)]	Better than 3.0	2.85[2)]	+0.09
Women in management positions (Germany) in %	26.0	Slight increase	28.0	–2.0 PP
Sickness rate in %	7.4[3)]	Stabilization	7.5	–0.1 PP
CO_2-Emissions in t.[4)]	244,029	Slight increase	209,668	34,361

1) This includes Fraport AG and eleven Group companies at the Frankfurt site as well as the Group companies Lima, Twin Star and Fraport Slovenija.
2) The previous year's figure was adjusted for the Group company FCS. This includes Fraport AG and eleven Group companies at the Frankfurt site as well as the Group companies Twin Star and Fraport Slovenija.
3) Value without Group companies Fortaleza and Porto Alegre.
4) As a result of subsequent verifications, there may be changes to the figures.

Explanations for the changes in the values compared to the 2017 forecast for baggage connectivity, the ratio of women in management positions, and CO_2 emissions can be found in the preceding "Non-financial Performance Indicators" chapter. Further non-financial performance indicators developed as forecasted.

Employees

Development of employees

Average number of employees	2018	2017	Change	Change in %
Fraport Group	21,961	20,673	+1,288	+6.2
thereof Fraport AG	9,867	10,204	–337	–3.3
thereof Group companies	12,094	10,470	+1,624	+15.5
thereof in Germany	18,913	18,120	+793	+4.4
thereof abroad	3,048	2,553	+495	+19.4

The average number of employees in the Fraport Group (excluding apprentices and employees on leave) increased by 1,288 to 21,961 in the 2018 fiscal year (previous year: 20,673). The main reason for this is the increased passenger numbers in Frankfurt which led to an increased need for manpower, particularly at the Group companies FraGround (+519 employees) and FraCareS (+183 employees). In addition, the Group company FraSec increased staff (+359 employees) particularly as a result of new business at the Cologne/Bonn and Berlin sites. At Fraport AG, the headcount (–337 employees) was lower, partly as a result of an increased fluctuation in connection with the staff restructuring program initiated in fiscal year 2016.

Outside of Germany, the headcount increased primarily due to the take-over of the operations of the Brazilian airports in Fortaleza and Porto Alegre (+238 employees) as well as new hires at Fraport Greece (+92 employees). The positive passenger development in the Group companies Twin Star and Fraport Slovenija required additional staff (+93 employees).

Development of employees in the segments

Average number of employees	2018	2017	Change	Change in %
Aviation	6,195	5,881	+314	+5.3
Retail & Real Estate	646	651	–5	–0.8
Ground Handling	9,073	8,600	+473	+5.5
International Activities & Services	6,047	5,541	+506	+9.1

The number of employees in the Aviation segment increased in the 2018 fiscal year, mainly as a result of new hires at the Group company FraSec within the scope of the new business. By contrast, the headcount in the Retail & Real Estate segment remained virtually unchanged (–5 employees). In order to maintain the quality of ground handling services in the face of strong traffic growth in Frankfurt, staff were added in the Ground Handling segment (+473 employees), especially at the Group companies FraGround and FraCareS. In the International Activities & Services segment, the average number of employees increased in the reporting period in particular due to the Group companies Fortaleza and Porto Alegre (+238 employees) and Fraport Greece (+92 employees).

Development in personnel structure

Fraport values the diversity of its employees. This diversity helps the Group to better understand the concerns of its customers, develop innovative solutions, and remain competitive in a globalized economy. Diversity management is therefore a central component of its human resources strategy. It is based on a Group agreement that includes the establishment of principles of anti-discrimination, advancement of women into management positions, and diversity. These principles form part of recruitment decisions and training measures.

Development of employees as at the balance sheet date

Total employees as at the balance sheet date	December 31, 2018	December 31, 2017	Change	Change in %
Fraport Group	23,299	22,024	+1,275	+5.8
thereof Fraport AG	10,595	10,747	–152	–1.4
thereof Group companies	12,704	11,277	+1,427	+12.7
thereof in Germany	20,498	19,545	+953	+4.9
thereof abroad	2,801	2,479	+322	+13.0
Joint ventures	2,629	2,574	+55	+2.1

Compared with the previous year's balance sheet date, the number of employees (employees including temporary employees, apprentices, and employees on leave) of the Fraport Group as at December 31, 2018 increased from 22,024 to 23,299 (+1,275 employees). In Germany, the increase is due in particular to the Group companies FraSec (+413 employees), FraGround (+413 employees), and FraCareS (+188 employees). Outside of Germany, the headcount increased primarily due Fraport Greece (+62 employees) and the take-over of operations of the Brazilian airports in Fortaleza and Porto Alegre (+134 employees). In contrast, the headcount decreased at Fraport AG, mainly due to the personnel restructuring program initiated in 2016 (–152 employees). As at the balance sheet date, 2,629 employees worked at joint ventures (+55 employees). The increase is particularly attributable to the Group company Antalya (+34 employees).

With regard to permanent employees, the staff turnover rate of 7.9% in the past year was below the rate of 8.3% in the previous fiscal year. This decrease was caused by fewer employees leaving the Group coupled with an increase in the number of new employees, especially due to the Group companies FraGround, FraSec, and FraCareS.

The percentage of women increased slightly in fiscal year 2018 to 25.7% (previous year: 25.0%). The average age of the Group's workforce remained unchanged at 43.6 years (previous year: 43.6 years). The ratio of foreign workers in Germany (this excludes German nationals with an immigrant background) was 25.0% (previous year: 23.8%). The percentage of persons with major disabilities, relative to the total number of employees excluding apprentices and temporary staff, reached 7.7% on a Group-wide basis (previous year: 7.9%).

Occupational safety and accident prevention

Fraport measures the effectiveness of occupational safety measures, among other ways, based on the number of accidents at work and the rate per 1,000 employees derived from this number. The total number of accidents (+78 accidents) as well as reportable occupational accidents (+42) rose slightly in the year under review, in particular in the Ground Handling segment. Given the significant increase in the headcount in 2018, the rate per 1,000 employees, based on the total Group workforce (permanent staff, temporary staff, apprentices, and leased labor) was virtually unchanged at 26.1 (previous year: 25.8; as a result of late submissions, there may be changes to the figures reported for the previous year).

Research and development

Fraport pursues the objective of introducing new technologies and continuously optimizing complex processes to meet a wide range of customer demands while staying true to the economic and business requirements. As a service group, Fraport does not conduct research and development in the narrowest sense. Nevertheless, a small amount of development costs are capitalized from internally generated intangible assets, such as software. This mainly applies to software related to the operation of the baggage conveyor system and the Ground Services' handling processes at Frankfurt Airport, which is developed in the "Information and Telecommunication" service unit (see also Group note 4 and note 20).

In addition, Fraport has set up a two-tracked approach to use all of its potential: The idea management system brings together employee creativity while innovation management enables the targeted development of projects with external partners (see also the "Risk and Opportunities Report" chapter starting on page 113).

In total, 475 ideas were submitted in the reporting year (previous year: 596) and 49 ideas were implemented (previous year: 81), which particularly led to improvements to operations.

Within the scope of on-going efforts to introduce innovation, Fraport works with the German air traffic control and other competent authorities in close collaboration to assess the potential use of drones at Frankfurt Airport. Furthermore, an initial project in the area of robotics/artificial intelligence was launched: During a four-week trial, passengers at Terminal 1 were able to interact with a robot for requests for information on flights and terminal services. In the area of Ground Services, the use of exoskeletons as well as various so-called "wearables" is being tested, which facilitate physical work and simplify processes with multiple manual steps (see also the "Risk and Opportunities Report" chapter starting on page 113).

In addition, Fraport cooperates with companies from its own value chain at what's called the "innovation.hub". Workshops are held on the topics of open innovation, collaboration, and prototyping.

Environment

At its airport sites, Fraport serves the mobility requirements of the relevant regions and countries. At the same time, flight operations are invariably associated with direct and indirect burdens for local residents and the environment. In this area of conflict, Fraport faces up to its corporate responsibility. To the extent that this is feasible, Fraport ensures that the burden on the environment from airport operations is reduced.

The measures that Fraport starts and implements are wide-ranging and have clear objectives. The overarching issues include, among other things, climate, nature, and resource protection. The measures in the area of climate protection are measured in particular with reference to the CO_2 emissions of the Group (see also the chapter "Control" starting on page 67 and the chapter "Non-financial performance indicators" starting on page 103). With regard to nature and resource protection, Fraport has set a goal, among other things, of providing all environmentally relevant fully consolidated Group companies with a certified environmental management system.

Climate, environment, and nature conservation

Management activities at Fraport mainly deal with the emissions the company is directly responsible for, but it also looks at emissions that it is only indirectly connected to and which it can therefore only indirectly influence. Measures to reduce energy consumption at Frankfurt Airport mainly concern improvements in the energy efficiency of buildings, equipment, and processes. For the vehicle fleet and the aircraft handling equipment, the specialist departments assess the opportunities to use alternative forms of propulsion, in particular electric vehicles, as an alternative to vehicles with combustion engines.

As transport hubs, airports make intensive use of resources. Environmental management systems enable the Group to run its processes and activities in the most environmentally sound manner possible. At the end of the past fiscal year, 86.7% of the fully consolidated environmentally relevant Group companies were equipped with such a system.

Community

Noise abatement

As regards measures to reduce noise exposure at the Frankfurt site, a distinction needs to be made between active and passive noise abatement. In active noise abatement, noise is reduced by implementing noise-reducing operating concepts and takeoff or landing procedures. These measures include the "Ground Based Augmentation System" (GBAS) navigation system, which enables a steeper angle of approach of 3.2 degrees for all runways in Frankfurt. With the so-called noise abatement model, individual takeoff and landing runways are alternatively not used, which extends the local nighttime quiet period by one hour. Furthermore, the current structure of the noise-related charges as part of airport charges is an incentive to use low-noise aircraft.

The voluntary alliance for an emissions ceiling created in 2017 should help to ensure that the noise exposure during the day at Frankfurt Airport does not increase as much as would be permitted under the zoning decision, despite growth in aircraft movements. If this limit is exceeded, Fraport AG and the airlines are obliged to examine further noise abatement measures. If the limit is repeatedly exceeded, any of the parties involved can take action outside of the alliance.

Passive noise abatement measures are intended to reduce the noise level inside buildings by way of structural modifications. Fraport AG has extensive statutory obligations to take measures in around 86,000 households close to Frankfurt Airport. Eligibility is defined by a noise protection area determined by the Hesse State Government in accordance with the strictest regulations of the Aircraft Noise Act. Fraport AG satisfies these requirements in full.

Damage repeatedly occurred on roofs in the direct vicinity of Frankfurt Airport in the past and wake turbulences from landing aircraft could not be ruled out as a cause. The Hessian Ministry of Economics, Energy, Transport and Regional Development subsequently issued supplemental planning zoning decisions on May 10, 2013 and May 26, 2014. These regulate the requirements for protecting roof coverings on buildings against wind gusts caused by wake turbulences and clarify the relevant prerequisites. The decisions defined an eligible area with approximately 6,000 buildings.

Value creation statement

Airports are important business locations and contribute directly and indirectly to economic and social value creation. Frankfurt Airport, for example, with nearly 81,000 direct employees (as of December 31, 2015) is the largest regional place of work in Germany. Additional employment effects are also created in enterprises that are appointed by Fraport for the construction and modernization of airport infrastructures. With a catchment area of around 38 million people in a radius of approximately 200 kilometers and in its role as the largest cargo airport in Europe, the Frankfurt site is one of the country's most important business locations.

In this context, Fraport makes a major contribution to social value creation. The company's direct value creation includes expenses for personnel, capital expenditure, taxes, interest, and dividend distribution to its shareholders. Over the past fiscal year, corporate performance (gross value generation) amounted to approximately €3.7 billion. The net value generation amounted to around €2.4 billion. The Fraport Group's indirect value generation includes consumption by airport employees and companies located at each airport, which also have their own value chain and employment effects and thus directly and indirectly make a contribution to the positive economic development of their respective regions.

More information on Fraport's environmental and social commitment can be found in the "Combined Separate Non-financial Report" chapter starting on page 25 and on the company website at www.fraport.com/responsibility.

Share and Investor Relations

Share performance 2018

The German equity markets showed a clearly negative development in 2018. At 10,559 points, Germany's benchmark DAX closed the reporting period 18.3% below the 2017 fiscal year's closing price. The MDAX also posted a sharp drop by 17.6% to 21,588 points. Both indices already started the year with a negative number. In the first quarter of 2018, the DAX and MDAX lost 6.4% and 2.3%, respectively. In the second quarter, the general mood became slightly more optimistic. 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. Generally encouraging economic conditions 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. As a result, the DAX and MDAX closed out the second quarter with a slight gain at 1.7% and 1.0%, respectively. In the third quarter, the positive market trends from the first half of the year remained in place only in part, and the indices moved in different directions (DAX: –0.5% and MDAX: +0.6%). In the fourth quarter, the mood at the German Stock Exchange changed for the worse. The market reacted negatively to the impending Brexit in 2019 and its unforeseen consequences for the entire European economy. The protectionist behavior of the United States continued to have a negative effect and dominate geopolitical and economic developments worldwide. This resulted in a decrease in the DAX by 13.8% and the MDAX by 17.0% in the fourth quarter.

This volatile market environment also affected the Fraport share with a closing price of €62.46 (previous year: €91.86). After a price drop of 12.8% in the first quarter, the share price rebounded with a slight increase by 3.1% in the second quarter; in the following quarter, however, it fell by 7.9% and finished the year with an additional drop of 17.9% in the fourth quarter. The overall decrease in the 2018 fiscal year was thus 32.0% or, taking into account the dividend payment of €1.50 per share on June 1, 2018, 30.4%. In addition to the generally difficult market environment, this decline was due to the weak retail performance and the development of the operational costs in the face of increased traffic in Frankfurt. The pending high capital expenditure both in Frankfurt Airport and in the Group airports in Peru, Brazil, and Greece, with the associated forecasts of downward trends in free cash flow in the subsequent fiscal years also contributed to the lower share price.

The Fraport share had a market capitalization of €5.8 billion at the year-end (previous year: €8.5 billion). The share was thus, based on market capitalization, the 23rd largest stock among the 60 MDAX shares (previous year: 15th place). Measured by traded stock market turnover (XETRA), the Fraport share was ranked 45th among the MDAX stocks (previous year: 14th place). With an average of 160,367 shares traded daily, the share's trading volume in 2018 was lower in a year-on-year comparison (previous year: 173,015).

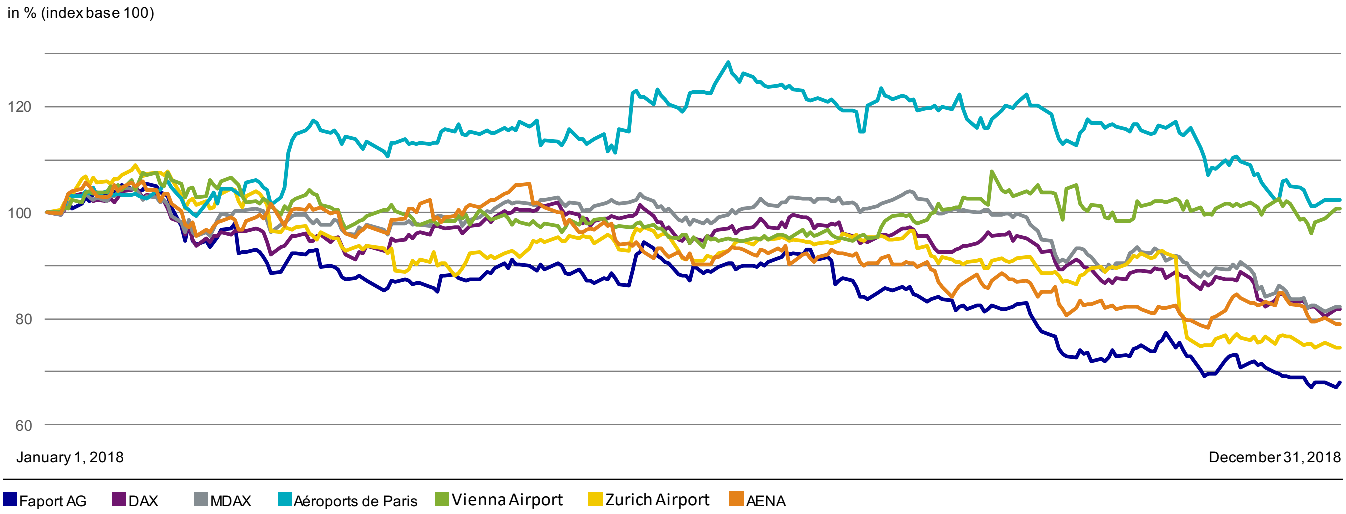
Fraport share

	2018	2017	2016	2015	2014	2013	2012	2011
Opening price in €	91.86	56.17	58.94	48.04	54.39	43.94	38.00	47.16
Closing price in €	62.46	91.86	56.17	58.94	48.04	54.39	43.94	38.00
Change in €[1)]	–29.40	+35.69	–2.77	+10.90	–6.35	+10.45	+5.94	–9.16
Change in %[2)]	–32.0	+63.5	–4.7	+22.7	–11.7	+23.8	+15.6	–19.4
Highest price in € (daily closing price)	96.94	91.86	58.94	62.30	57.77	57.41	49.37	58.10
Lowest price in € (daily closing price)	61.56	55.26	45.25	48.04	47.19	42.33	38.41	37.60
Average price in € (daily closing prices)	79.18	74.12	51.77	56.34	52.13	48.83	44.70	49.14
Average trading volume per day (number)	160,367	173,015	173,666	151,188	100,101	118,554	156,604	190,671
Market capitalization in € million (year-end closing price)	5,776	8,494	5,192	5,443	4,436	5,020	4,052	3,494

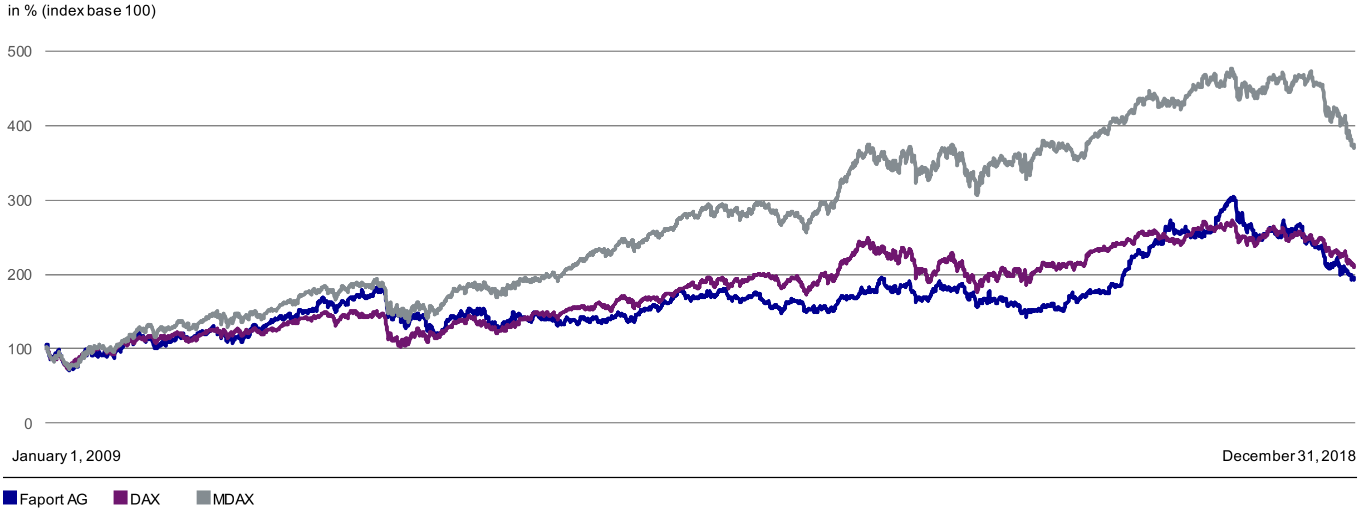
[1)] Change including dividends: 2018: –€27.90€, 2017: –€37.19.
[2)] Change including dividends: 2018: –30.4%, 2017: 66.2%.

The shares of other stock-exchange listed European airports performed as follows: Aéroports de Paris +2.4%, Vienna Airport +0.8%, Zurich Airport +25.4%, and AENA –21.0%.

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



Last 10 years development of the Fraport share compared to DAX and MDAX



Development in shareholder structure

Fraport was notified of the following changes in shareholder structure in the past fiscal year:

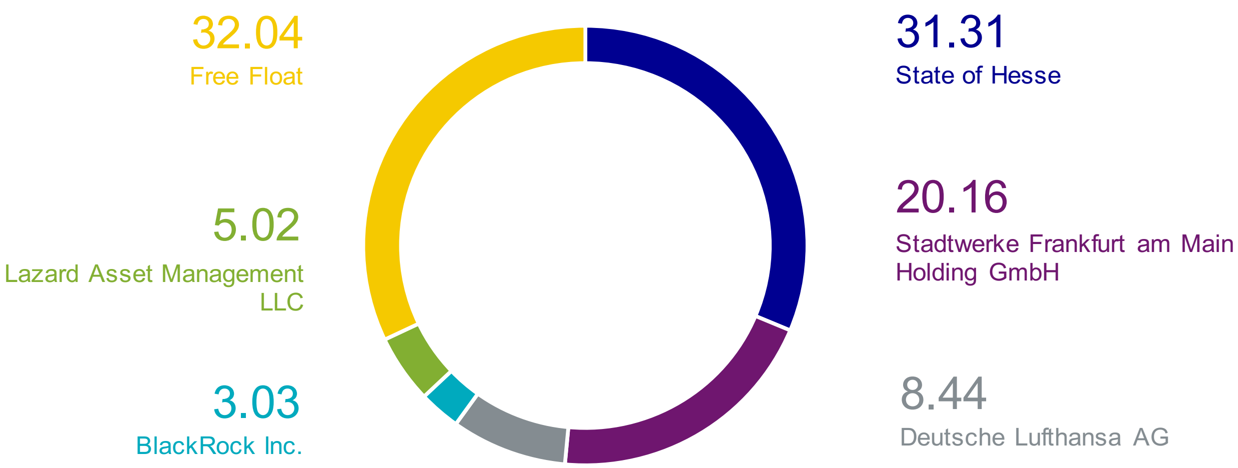
Notification of voting rights pursuant to Section 33 of the German Securities Trading Act (WpHG)

Holders of voting rights	Date of change	Type of change	New share of voting rights
Lazard Asset Management LLC[1]	January 31, 2018	Fell below the 5 % threshold	4.73 %
BlackRock, Inc.[1]	May 2, 2018	Fell below the 3 % threshold	2.25 %
BlackRock, Inc.[1]	May 11, 2018	Exceeded the 3 % threshold	3.35 %
BlackRock, Inc.[1]	August 9, 2018	Exceeded the 3 % threshold	3.03 %
BlackRock, Inc.[1]	August 10, 2018	Exceeded the 3 % threshold	3.17 %
BlackRock, Inc.[1]	December 21, 2018	Exceeded the 3 % threshold	3.01 %
Lazard Asset Management LLC[1]	December 27, 2018	Exceeded the 5 % threshold	5.02 %
BlackRock, Inc.[1]	December 28, 2018	Fell below the 3 % threshold	2.95 %
BlackRock, Inc.[1]	December 31, 2018	Exceeded the 3 % threshold	3.03 %

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

Shareholder structure as at December 31, 2018 [1]

in %



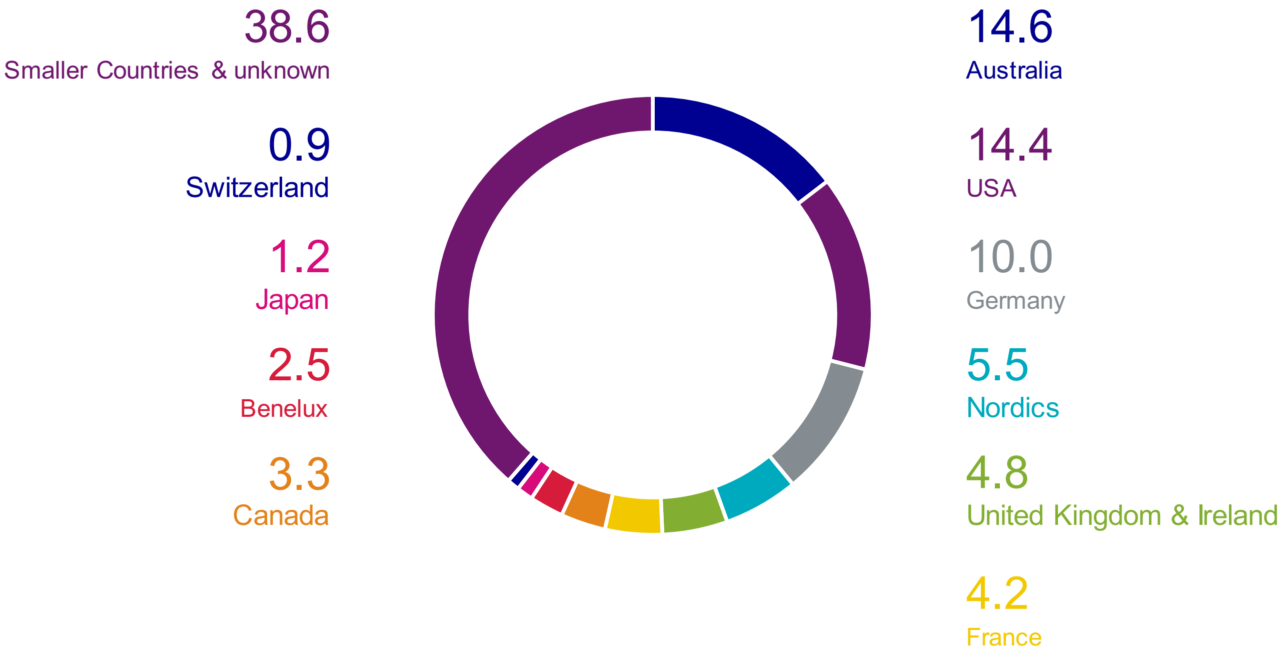
[1] The relative ownership interests were adjusted to the current total number of shares as at December 31, 2018 and therefore may differ from the figures given at the time of reporting or from the respective shareholders' own disclosure. Shares below 3 % are classified under "Free Float".

The majority (51.47%) of the approximately 92.5 million shares are held by German institutions. The State of Hesse held 31.31% and the City of Frankfurt am Main 20.16%, which holds these voting rights indirectly via the subsidiary Stadtwerke Frankfurt am Main Holding GmbH. Deutsche Lufthansa AG held 8.44% or over 7.8 million no-par-value shares, making it the third largest individual shareholder of Fraport AG. The asset manager Lazard Asset Management LLC, whose shareholding is managed from Australia, held 5.02% as at December 31, 2018. BlackRock Inc., as the world's largest institutional investor, held 3.03% of the Fraport shares as at the balance sheet date.

To the extent it was known, the proportion of Fraport shares in free float was split across the following countries:

Allocation of free float[1)]

in %



[1)] Free float = total number of shares as at December 31, 2018 excluding shares held by the State of Hesse, Stadtwerke Frankfurt am Main Holding GmbH, Deutsche Lufthansa AG, and treasury shares. Shares held via several subsidiaries were not combined.
Source: IPREO.

Dividend for the 2018 fiscal year (recommendation for the appropriation of profit)

Fraport pursues a consistent dividend policy. The aim is that shareholders participate appropriately and with a long-term orientation in the business development. Correspondingly, the Executive Board aims to distribute approximately 40% to 60% of the profit attributable to shareholders of Fraport AG, where the dividend per share should at least match the level of the previous year.

For the 2018 fiscal year, the Executive Board intends to propose to the AGM a dividend of €2.00 per share, which is €0.50 higher than the previous year. Compared to the share closing price in 2018 of €62.46, this would correspond to a dividend yield of 3.2% (previous year: 1.6%). The profit earmarked for distribution of €184.9 million (previous year: €138.7 million) would then equate to a pay-out ratio of 39.0% based on the profit attributable to shareholders of Fraport AG in the Group result of €473.9 million (previous year: 42.0%). Adjusted for the disposal of the shares in Flughafen Hannover-Langenhagen GmbH valued at €75.9 million, the profit attributable to the shareholders of Fraport AG in the Group result amounting to €398.0 million would then equate to a dividend pay-out ratio of 46.5%.

Investor Relations (IR)

Timely, consistent, and transparent communication with investors and analysts is of utmost importance for Fraport IR work. The IR team maintains personal contact with existing and potential investors in the context of road shows, capital market conferences, and meetings at the company's headquarters at Frankfurt Airport. Over the past fiscal year there were also targeted individual and Group meetings as well as presentations with the company's chief executive officer and chief financial officer. The key topic in the talks in 2018 was the increase in traffic at the Frankfurt site with the development of the main customer as well as the low-cost airlines. In this regard, the necessary expansion of capacity through Terminal 3 and Pier G was discussed. The weak retail business, the future development of airport charges, and the operational challenges associated with strong traffic growth, especially at security checks, were also topics of discussion. Regarding international business, the strong increase in traffic, in particular, as well as the pending high level of capital expenditure in the Group airports in Peru, Brazil, and Greece were addressed. Possible extensions and reductions in the portfolio were often a topic of conversation.

Throughout the year, the IR team was available by phone on +49 (0)69 690-74840 or by e-mail at investor.relations@fraport.de for direct dialog. The telephone conferences for analysts on the financial publications, the AGM in May 2018, and the provision of up-to-date information on the IR website at www.meet-ir.com rounded off the range of IR services in the past fiscal year.

Annual General Meeting (AGM)

At the last AGM on May 29, 2018, Fraport received a clear majority for all agenda items from its shareholders. Of the capital entitled to vote, 81,163,849 ordinary shares and the same number of voting rights (87.77% of capital) were represented. The detailed voting results as well as further information about the AGM are published on the company website at www.fraport.com/en/our-company/investors/general-meeting.html. The AGM for the 2018 fiscal year will be held on May 28, 2019 at the Jahrhunderthalle in Frankfurt.

Data relevant to the capital market

		2018	2017
Share capital Fraport AG[1]	€ million	924.7	924.7
Total number of shares as at December 31	Number	92,468,704	92,468,704
Number of floating shares as at December 31[2]	Number	92,391,339	92,391,339
Number of floating shares (weighted annual average)	Number	92,391,339	92,377,435
Absolute share of capital stock	per share, in €	10.00	10.00
Annual performance (including dividend)	in %	–30.4	66.2
Beta relative to the MDAX		0.77	0.55
Earnings per share (basic)	in €	5.13	3.57
Earnings per share (diluted)	in €	5.11	3.56
Price-earnings ratio		12.2	25.7
Dividend per share[3]	in €	2.00	1.50
Profit earmarked for distribution	€ million	184.9	138.7
Dividend yield as at December 31[3]	in %	3.2	1.6

ISIN	DE 000 577 330 3
Security identification number (WKN)	577 330
Reuters ticker code	FRAG.DE
Bloomberg ticker code	FRA GR
Selected indexes	MDAX, FTSE4Good Index, Deutschland Ethik 30 Aktienindex, Ethibel Sustainability Index (ESI) Excellence Europe

[1] Including treasury shares.
[2] Total number of shares as at the balance sheet date, less treasury shares.
[3] Proposed dividend (2018).

Events after the Balance Sheet Date

Effective January 1, 2019, Fraport AG sold its shares in Energy Air GmbH to Mainova AG for a purchase price of €12.3 million. For the 2019 fiscal year, the sale will result in operating income of €12 million, which will increase other operating income (see also the “Significant events” chapter on page 86).

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

Risk and Opportunities Report

The Fraport Group has set up a comprehensive, Group-wide risk and opportunity management system, which enables Fraport to identify and analyze risks at an early stage, and to control and limit them though appropriate measures, as well as to take advantage of opportunities. This ensures an early identification of potential risks that could jeopardize the Fraport Group. Fraport defines risks as future developments or events that could have a negative impact on the achievement of operational planning and strategic targets. Opportunities are regarded as future developments or events that can lead to a positive planning deviation or strategic target deviation.

Risk strategy and objectives

At Fraport it is always ensured, within the context of the integrated strategy and planning process that the risks associated with the opportunities are in an appropriate relationship to each other. This is ensured through a comprehensive risk and opportunity management, which guarantees that risks and opportunities are identified at an early stage, are evaluated, controlled, and monitored in a standardized manner and are transparently communicated using a systematic reporting. Already as part of the strategic planning processes and when preparing the long-term business plan, a comparison is made with the opportunities and risk strategy, which results from the anticipated business development. As a result, Fraport avoids risks that are not directly related to the original business purpose.

The risk management organization

The Fraport Executive Board bears overall responsibility for an effective risk management system that ensures comprehensive and standardized management of all considerable and substantial risks. In this context, by preparing the development plan, it has also approved the risk strategy and risk objectives for the Group. The Executive Board appoints the Chief Risk Officer and the members of the Risk Management Committee (RMC), approves the rules of procedure for the RMC, and is the addressee for the quarterly reporting of relevance to the Group and ad hoc reports in the risk management system.

The RMC is the highest executive body in the risk management system below the Executive Board and is made up of senior managers from the company’s operating and supporting units. The management of the RMC is performed by the Risk Management and Internal Control System department. The management of the RMC is responsible for the organization, maintenance, and further development of the Group-wide risk management and internal control system (ICS), as well as the regular updating and implementation of the risk management and ICS guideline in the Fraport Group. The RMC reports to the Executive Board on a quarterly basis immediately after its meetings.

Risk and opportunity management is a key function of the respective business, service, and central units that are responsible for their business processes; this involves material risks being managed using appropriate measures and being reduced to an acceptable level, as well as actively utilizing opportunities.

All employees are encouraged to actively participate in the risk and opportunity management according to their area of responsibility.

The risk management system is documented in a guideline for Fraport AG and one for the Group companies to be included, and is closely linked to the central ICS and the compliance management system, and is interlinked with them in an integrated system. It follows the “COSO II” (Committee of the Sponsoring Organizations of the Treadway Commission) framework and covers risks in the areas of strategy, operating business, finance, and compliance.

Using a risk-oriented scope procedure, which is to be performed annually, the Risk Management and Internal Control System department determines which Group companies should be included in the standardized ICS procedure. Based on an annually updated analysis, this process records internal risks along the significant business processes, mitigates them through suitable control activities and/or reduces them to an appropriate level. Based on an annual self-assessment by the responsible departments and Group companies (so-called control self-assessment), the effectiveness of the key process controls is assessed, and the results of this effectiveness assessment are then reported to the Executive Board and the Supervisory Board. Linking the risk management system to the ICS creates a more comprehensive transparency regarding the material risks existing in the Group and a closed “risk workflow” is established.

Process-integrated and process-independent monitoring measures form the elements of the internal monitoring systems. The central Group Internal Audit unit is integrated into the internal monitoring system of the Fraport Group with process-independent audit activities.

PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft GmbH (PwC) has examined the risk early-warning system of Fraport AG within the context of the annual financial statement audit with regard to stock corporation law requirements. It fulfills all of the legal requirements that apply to such a system.

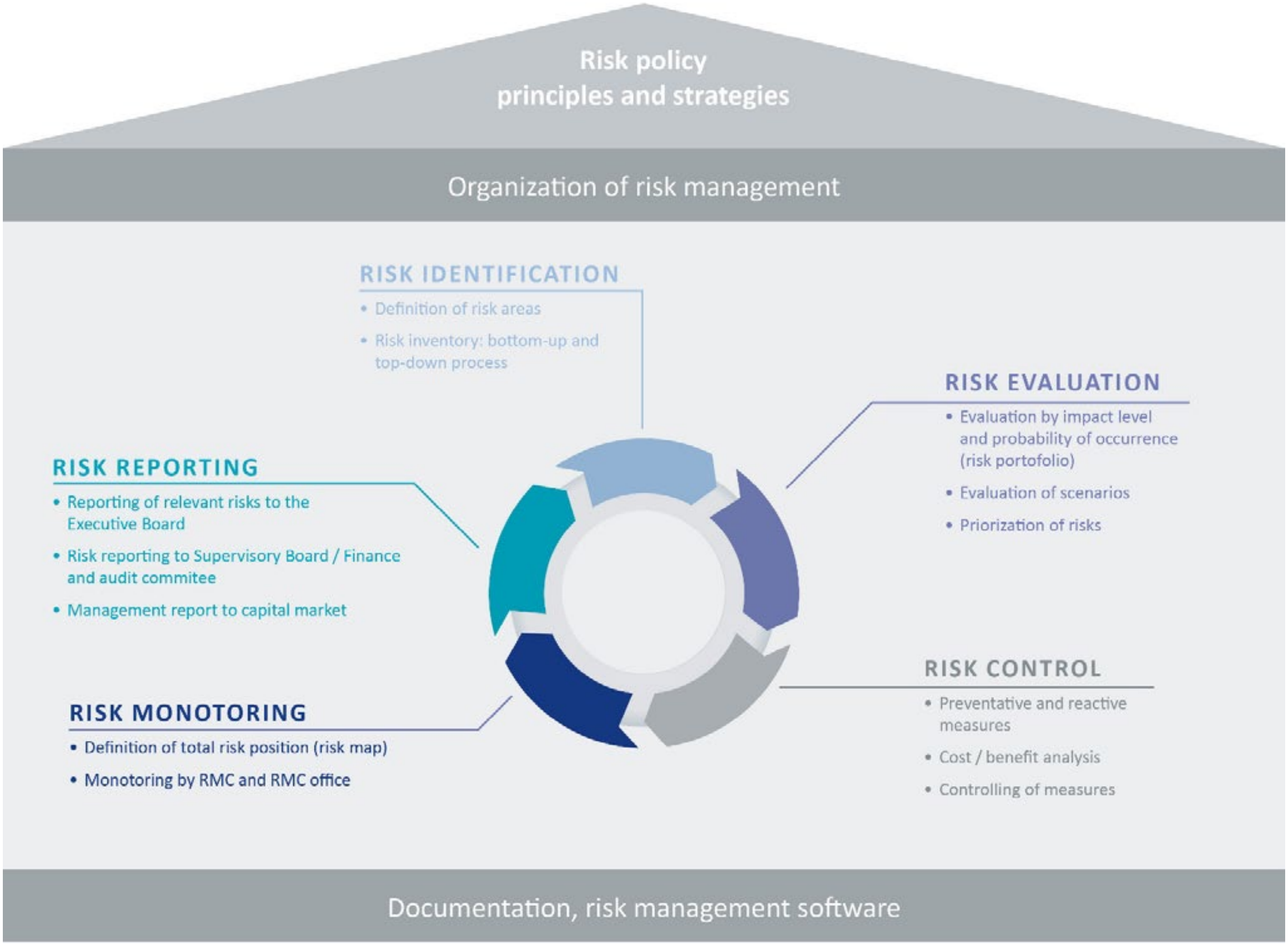
The Supervisory Board of Fraport AG has the function of supervising the effectiveness of the internal control and risk management system in accordance with Section 107 (3) of the AktG. This responsibility is executed by the finance and audit committee of the Supervisory Board.

Risk transfer through the purchase of insurance policies is controlled by the Group company Airport Assekuranz Vermittlungs-GmbH.

The Fraport risk management system only covers risks. An opportunities consultation takes place quarterly within the context of risk reporting by the central the risk management.

Risk management process

The risk management process comprises the following steps. In order to support the entire process, Fraport uses an integrated risk management software solution.



Identification of risks

Risks are identified using various instruments by the operational business, service, and central units of Fraport AG, as well as the Group companies and the central risk management. The risk identification methods used range from market and competition analysis, to the evaluation of customer surveys, information about suppliers and institutions, right through to monitoring risk indicators from the regulatory, economic, and political environment. Division Managers are responsible for the accuracy of the information received from their units that is processed in the risk management system. They are obligated to constantly monitor and manage risk areas, and report on all risks in their divisions and their integrated investments to the Risk Management and Internal Control System department on a quarterly basis. Outside of regular quarterly reporting, newly identified substantial risks must be immediately reported on an ad hoc basis.

Evaluation of risks

The systematic evaluation of risks determines the impact and probability of occurrence of the identified risks, and makes it possible to estimate the extent to which the individual risks could jeopardize the objectives and strategy of the Fraport Group, or which risks will very likely, due to their nature, jeopardize the company as a going concern. For this purpose, the financial impact and its probability of occurrence is ascertained by the responsible business, service, and central units (= risk owners). The reference basis is always the rolling 24-month period. However, this does not mean that risk owners only analyze and evaluate the risks from a short-term perspective; possible infrastructural risks are in particular monitored in accordance with their long-term impact. During the evaluation process, the potential impact (= impact level) is divided into four categories: “low”, “medium”, “high” and “very high”. The impact level is evaluated according to how the risks impact the relevant detection variable (EBIT, financial result, or liquidity). Furthermore, qualitative factors (media reporting/attention, effect on stakeholders), which could be important for Fraport’s reputation and which also determine the risks, are also included in the analysis. The probability of occurrence for individual risks is also divided into four categories: “unlikely”, “possible”, “likely” and “very likely”. The risk level (“low”, “moderate”, “considerable” and “substantial”) arises from the combination of impact level and probability of occurrence.

The risk evaluation is conservative, i.e., the most unfavorable impact for Fraport is assessed. A distinction is made between a gross evaluation and a net evaluation. The gross risk is the greatest possible negative (financial) impact prior to risk-minimizing measures. The net risk represents the expected residual (financial) impact after initiation or implementation of countermeasures. The risk assessment in this report only reflects the net risk.

Risk control

Risk owners are tasked with developing and implementing suitable measures to minimize and control risk. In addition, general strategies must be developed to deal with the identified risks. These strategies include risk avoidance, risk reduction with a view to minimizing the (financial) impact or the probability of occurrence, transfer of risk to a third party (for example, through the purchase of insurance policies), or risk acceptance. The decision regarding the implementation of the relevant strategy and/or measures also considers the costs in relation to the effectiveness of potential countermeasures. Here, the Risk Management and Internal Control System department works closely with the risk owners in order to monitor the progress of countermeasures and to evaluate their effectiveness from a Group perspective.

Risk monitoring and reporting

Integrated risk management aims to ensure a transparent presentation of the Fraport Group’s risk situation. For this, the Risk Management and Internal Control System department consolidates and aggregates the quarterly risk reports from the divisions and Group companies as required and provides these to the RMC for assessing the risk situation using a “risk map”. Risks are reported to the Executive Board when they are classified as “considerable” or “substantial” on the basis of their net risk according to systematic evaluation standards used Group-wide.

In the event of very significant changes to previously reported risks or newly identified “substantial” risks, reporting also takes place outside of the regular quarterly reporting as ad hoc reporting.

Twice a year, the Executive Board reports the “considerable" (“amber”) and “substantial” (“red”) risks, including their changes, to the Supervisory Board with a focus on the finance and audit committee of the Supervisory Board. The following graphic shows the addressees of the risk reporting, depending on the net evaluation of the risks.

Reporting matrix

Probability of occurance	Low ≤ €3 million	Medium > €3 – 10 million	High > €10 – 20 million	Very high > €20 million
Very likely > 80 %	Strategic business units, service and central units/ Group companies	Finance and audit committee/Executive Board, RMC	Management report, finance and audit committe / Executive Board, RMC	Management report, finance and audit committe / Executive Board, RMC
Likely > 50 % – 80 %	Strategic business units, service and central units/ Group companies	RMC	Management report, finance and audit committe / Executive Board, RMC	Management report, finance and audit committe / Executive Board, RMC
Possible > 20 % – 50 %	Strategic business units, service and central units/ Group companies	RMC	Finance and audit committee / Executive Board, RMC	Management report, finance and audit committe / Executive Board, RMC
Unlikely ≤ 20 %	Strategic business units, service and central units/ Group companies	Strategic business units, service and central units/ Group companies	RMC	Finance and audit committee / Executive Board, RMC

Level of financial impact

Legend: Low risks Moderate risks Considerable risks Substantial risks

This process ensures the early detection of risks that could jeopardize the Fraport Group as a going concern. An integral component of Fraport's risk management system is also assessment financial risks, whereby the presentation of financial instruments overall and, in particular, hedging transactions in accounting is monitored and controlled.

This process is described in the financial risks section ("Risk report" pursuant to § 315 (2) Nr. 1 HGB). At Fraport, this process represents a subsection of the accounting-related internal control system.

Business risks

The risks that could have a substantial effect on the business activities or on the asset, financial, and earnings position and/or reputation of Fraport are explained in the following description. In this description, they are aggregated more intensively than when used for internal control in some cases; however, the risks are classified according to the same risk categories (strategic risks, operating risks, financial risks and compliance risks) that are used in the internal risk management reporting system. Unless specified otherwise, the risks described relate to all segments to varying extents (Aviation, Retail & Real Estate, Ground Handling, and International Activities & Services). Selected, non-substantial risks are indicated on a voluntary basis in order to provide a comprehensive view of the risk situation.

Fraport AG is the parent company of the Fraport Group and comprises all of the described segments. Therefore, it is also – directly or indirectly – subject to the risks described.

The following overview table briefly illustrates the changes in risk compared to the previous year. This is followed by a comprehensive description of the risks.

Risk overview

Risk	Probability of occurrence		Level of financial impact		Risk level		Page
Strategic risks							
Macroeconomic risks	Possible	➔	High	↓	Considerable	↓	118
Market, competitive and regulatory risks	Possible	➔	Very high	➔	Substantial	➔	118
Drainage for the parallel runway system	Possible	➔	Very high	➔	Substantial	➔	120
Operating risks							
Risks from capital expenditure projects	Possible	➔	Very high	➔	Substantial	➔	120
Risks from investments and projects: Lima expansion	Possible	➔	Very high	➔	Substantial	➔	121
Personnel risks	Possible	➔	Low	➔	Low	➔	121
Additional provision ZVK	Possible	➔	Very high	➔	Substantial	➔	122
Profit sharing 2016	Canceled						
Risks of exceptional incidents	Unlikely	➔	Very high	➔	Considerable	➔	122
Cyber risks	Possible	↑	High	➔	Considerable	↑	123
Financial risks							
Interest rate risks (cumulative)	Unlikely	➔	High	➔	Moderate	➔	123
Foreign currency risks	Possible	➔	Very high	➔	Substantial	➔	123
Credit risks	Unlikely	➔	Low	➔	Low	➔	124
Other price risks	Unlikely	➔	Medium	➔	Low	➔	124
Legal and compliance risks							
Compliance breaches	Unlikely	➔	High	➔	Moderate	➔	124

↑ Higher than previous year ➔ Unchanged from previous year ↓ Lower than previous year

Strategic risks

Macroeconomic risks

A further, albeit weaker expansion of the global economy is expected for 2019 (see also the “Business outlook” chapter beginning on page 131). There are increasing risks that arise from the economic and financial policy conditions. Growth in the euro area is expected to be restrained. A negative influence on the growth of the euro countries can be expected from the economic consequences of Great Britain’s intention to leave the EU (Brexit) and a possible “no deal”-Brexit. A renewed flare-up of the European debt crisis (Italy, Greece) and the weakening of the EU by divergent interests of the Member States or their government constellations would inhibit growth. The global economy is burdened by protectionist tendencies and the trade disputes with the United States.

The continued risks in China (structural change), the Middle East/Syria (geopolitical tensions), and Russia (continuing sanctions) as well as in various emerging countries could have a dampening effect on the global economy and, as a result, on Germany’s export-based economy. The economic crises in Turkey and Argentina could spread, and could particularly have a negative impact on the demand for air cargo. Such developments would have a significant impact on global and regional air traffic development and thus also have an adverse effect on the Fraport Group.

The probability that the individual macroeconomic risks described will occur is considered to be “possible”. These risks are countered positively by the fact that Fraport is more geographically diversified than in the past. The share of foreign Group companies on the Group result has increased significantly in the last two years, most recently with the two airports in Brazil. But if the macroeconomic risks occur simultaneously or in concurrence with each other, the potential impact on the asset, financial, and earnings position at Fraport is considered to be “high”.

Market, competitive and regulatory risks

In addition to an appealing infrastructure, the success of an international airport is dependent on its airline customer structure and the associated global and dense route network, the fleet structure and the fares offered by the airlines.

Subdued global economic development and increasing competitive pressure in all transport sectors have led to consolidations and also some insolvencies of airlines in the past. Some smaller airlines were forced to file for bankruptcy also in 2018. With rising fuel prices and continuing intense competition, it is likely that more airlines will continue to consolidate. Decisions by airlines on where they will station their fleets to the detriment of one of the Group airports, changed routes, and shifting customer preferences for airports and airlines are also possible. The creation of new or further development of existing hub systems in the Middle East such as the new airport in Istanbul will lead to a considerable increase in offers, which could cause a shift in the global flows of transfer passengers. This may be a disadvantage for the Frankfurt site (and thus for Fraport). At the Frankfurt site, this possibility is being tackled in particular through capital expenditure to expand capacities. In Europe, there may also be decreases in transfer traffic as a result of the expansion of competitive hubs or changes in the airlines' priorities. This applies especially to Munich Airport, where long-distance travel offers and connectivity are being systematically expanded. New aircraft types such as the Boeing 737 MAX or Airbus 321 LR, with ranges up to 7,000 km, allow for direct flights to/from smaller airports, including intercontinental routes. This could reduce transfer traffic at traditional hubs such as Frankfurt Airport.

Furthermore, due to the increasing market and competitive pressure, the potential risk also exists that future capital costs from planned capital expenditure may only be capable of being priced into the achievable charges to a limited extent, or there may be effects on achievable charges.

Political and regulatory decisions on regional, national, and European level have a one-sided impact on the market, and therefore competition through taxes, fees, and regulations, such as the aviation tax, the EU emissions trading, the CO_2 regulations, noise protection requirements, and bans on nighttime flights. There is therefore the risk of airlines using alternative sites and routes outside Frankfurt in the medium term if restrictions are tightened. More medium- to long-term risks in the form of a weaker competitive advantage among European airlines and consequently among European airports cannot be ruled out. In Europe, the decline in the capacity of air space coupled with growing air traffic may lead to capacity bottlenecks for growth.

As recent years have shown, terrorist attacks and the development of trouble spots can initially cause sharp drops in air travel and, in turn, influence the choice of travel destinations. A corresponding decline in outgoing and incoming tourism in Germany would then also have a negative impact on traffic at Frankfurt Airport. The same applies to the regions in which the Fraport Group's airports are located or have their main target areas. In 2018, tourists returned to the countries affected by terrorist attacks in previous years; however, renewed attacks are possible and could once again result in restraint in the travel market. In addition, restricted opportunities to fly over trouble spots or flight bans between states may lead to further limitations on services supplied.

Fraport strives to counter these risks to the best of its ability through continuous market monitoring for prompt identification of potential negative changes but also through balanced, needs-based expansion planning. In view of the dynamic market environment, Fraport assesses the potential impact (impact level) of these risks as “very high” and the probability of occurrence as “possible”.

There is a risk that the existing night flight ban will have a long-term negative impact on the conditions for the development of the Frankfurt site.

If additional restrictions of airport operation, demanded in some cases in the political discussion, were implemented into law, this could result in a further weakening of the competitive position of Frankfurt Airport, which – depending on the configuration – would have a considerable impact on traffic volume, as well as traffic structure, at Frankfurt site. However, it must be considered that these restrictions (for example, extended night flight ban, maximum noise limits, or tighter rules for delays) would have to overcome high legal hurdles. The risk of an institutionally imposed, legally binding noise limit was reduced significantly for the foreseeable future by the voluntary Alliance for a Noise Limit announced on November 7, 2017. The zoning decision and airport approval remain unaffected by this alliance. The alliance includes the State of Hesse (Hessian Ministry of Economics, Energy, Transport and Regional Development (HMWEVW)), airlines, the Aircraft Noise Commission, the forum on the airport and region, and Fraport. Only when the noise limits are significantly exceeded twice in consecutive years – this is not expected for the foreseeable future – does the HMWEVW reserve the right to take measures, for example, noise abatement, outside of the alliance. Depending on the design and implementation of any such measures, Fraport could appeal the decision. Any potential subsequent introduction of a government imposed noise limit is expected to be legally supported by the amendment of the federal state development plan (LEP), which came into effect on June 22, 2018. As listed in the grounds for the amended LEP, the noise limit as well as the approach for developing noise abatement measures described in the alliance’s announcement from November 7, 2017 represent a final and comprehensive implementation of the corresponding federal state planning requirements.

The revised LEP also envisages tightening requirements for nighttime quiet periods. At the same time, it is explicitly stated in the federal state planning requirements that the previous principle on nighttime quiet periods which form the basis for the current night flight regulations in the zoning decision will remain unaffected. According to the explanation of the amended LEP, the new requirement does not aim to change the current night flight regulations. In addition, the HMWEVW stated in its explanation of the LEP draft that the current restrictions on night flights already addresses the ideas behind observing the nighttime quiet period, meaning that there are currently likely to be no imminent additional restrictions on night flights pending. Due to the significant increase in delays at night after 11:00 p.m. in the past year, political pressure is mounting to change the rules for delays. In this regard, however, any change must also overcome considerable legal hurdles.

Drainage for the parallel runway system

Capital expenditure of up to €300 million for a state-of-the-art drainage system for the parallel runway system could be necessary in connection with the operation of Runway West and the existing parallel takeoff and landing runway system depending on the results of investigations due to the expected official order. There is a risk that, if deicing fluids are detected in the groundwater, the higher water authorities will call for a state-of-the-art drainage system and impose a corresponding water order. The impact level is assessed as "very high", the risk level as "substantial" and the probability of occurrence of the risk as "possible".

Operating risks

Risks from capital expenditure projects

In particular, the expansion and modernization programs at the Frankfurt site contribute to maintaining and improving its international competitive position. Fraport AG carries out its capital expenditure for construction in two separate programs: "FRA-Nord" for projects in existing infrastructure and "Expansion" for projects meant to expand or create capacity.

The completed projects Runway Northwest or Pier A-plus as well as in particular Terminal 3, which is scheduled to take up operations in 2023, ensure long-term airport capacities and the required level of infrastructure in order to give the site a successful, lasting competitive edge. Fraport AG will meet the needs of the growing passenger demand by moving up construction of Pier G from the second construction phase for Terminal 3. After the City of Frankfurt granted planning permission for Pier G in August 2018, construction will start in the spring of 2019 (see also the chapter "Business model" beginning on page 54 and chapter "Significant events" beginning on page 86).

Fraport's capital expenditure plan covers a period of ten years and is subject to various risks. Increases in construction costs, suppliers going out of business, changes in planning, or weather-related delays could, for example, all lead to extra costs. Long-term capital expenditure projects, such as the Expansion South project, are subject to risks in relation to external influences from the public, the environment, politics, crises or customer/market developments, technological changes, engineering practices or other legal requirements. In particular, the current market situation has also led to price increases in recent tenders, which are sometimes well above the construction price index of the German Federal Statistical Office and sometimes higher than the project reserves formed as a precaution. The current market situation also affects professional planning services, since the missing capacities (shortage of skills) cannot be built up fast enough.

Monitoring measures are implemented to adequately counter these potential risks, thus ensuring that countermeasures can be introduced at an early stage. These include active market cultivation as well as systematic change management in order to counter possible cost increases.

The potential loss from the capital expenditure projects amounts to approximately €400 million net (impact level: "very high"). Taking the project-related monitoring measures into account, the probability of the risk materializing is "possible".

Risks from investments and projects
(Segment International Activities & Services)
Airport operating projects and investment companies abroad, like Fraport AG at the Frankfurt site itself, are subject to general economic and company-specific risks as well as industry-specific market risks. In addition, there are general political risks at individual sites abroad.

In principle, Fraport's investments outside of the Frankfurt site can be distinguished from one another as either capital-intensive capital expenditure, such as the acquisition of long-term concessions or the acquisition of shares in airports, or as business models with no capital investment or only a small amount, such as the conclusion of service contracts (management contracts). Here, Fraport is also active in countries, such as Brazil, China, Russia, and Turkey, which can hold higher risks for investors than is the case for capital expenditure in Germany. These risks typically include country, market, and foreign exchange risks, which can lead to a significant impairment of the future earnings outlook, right up to a total loss of the investment.

For reasons of bidding strategy, as well as risk minimization, Fraport often works in cooperation with a local partner who has experience with the relevant typical national regulations and customs. Within the context of major capital expenditure and depending on the project conditions, Fraport frequently employs project financing that allows no recourse or only limited recourse to Fraport AG as the capital provider. These types of project financing, which are also referred to as non-recourse or limited-recourse, are used for risk reduction. Notwithstanding this, the subscribed shareholders' equity of the relevant project company and shareholder loans granted by Fraport AG are exposed to a default risk. In order to minimize these risks, Fraport AG uses investment protection insurances, wherever possible and economically reasonable.

In connection with the existing airport operating projects, which are generally long-term, risks arise primarily in connection with the estimation of the future development of air traffic and consumer behavior by passengers. A possible lack of growth and/or downturn in air traffic could have a significant negative effect on the earnings development of concessionary companies, which could also result in "substantial" risks to project financing or the capital invested. Unforeseen official interventions in the tariff, tax, and levy structure of the airports to the detriment of the airport operators can also cause risks. Additional risks, such as delays in connection with the construction and continuing development of airport infrastructure, which as a rule adhere to a contractually stipulated schedule, may also implicitly occur from this.

For the Jorge Chávez Airport in Lima, Peru, operated by Lima Airport Partners (LAP), various risks currently exist regarding the planned expansion of the airport. Due to the size and complexity of the project, the possibility of changes to the planned costs cannot be excluded. In the first half of 2019, the first steps in the construction work on the second runway will be implemented successively. It is scheduled to be completed in 2021/2022. The start of the construction of the terminal is planned for the end of 2019, and it should be completed by no later than 2024. In addition to the usual construction risks, other risks arising from environmental, social or other conditions cannot be ruled out. In the event that a risk occurs, it is assumed it would be a substantial risk.

Personnel risks
Fraport intends to continue utilizing the growth in global air traffic to create sustainable and attractive jobs at all Group sites. Fraport is aware that the current demographic shift will intensify the competition for high-quality professionals and managers, particularly at the Frankfurt site. This relates to the acquisition of new professionals and managers, as well as retaining existing employees. In order to adequately deal with the risk of the need for manpower, Fraport has taken measures in the fields of qualification, commitment, and work satisfaction. In order to increase the number of applicants, a diversified recruiting campaign with a range of actions has been and will continue to be carried out (employees recruit employees, employees as job ambassadors, increased presence through various media appearances). At the same time, Fraport AG has established an attractive, voluntary program for staff restructuring for its employees; this program was concluded in 2018. In particular, the focus was placed on the operating units, especially the ground services at the Frankfurt site, which place a high demand on personnel. Long-term employees were offered options such as partial retirement, early retirement, or an exit with severance pay. The program supported the staff restructuring and improved the overall cost structure of personnel expenses. On the basis of the initiated measures, the potential impact (impact level) of the risk is assessed as "low" and the probability of occurrence as "possible".

For the purpose of granting a company pension under the mandatory insurance scheme based on collective bargaining agreement, Fraport AG is a member of the Zusatzversorgungskasse Wiesbaden (ZVK). This is currently structured – as with the statutory insurance scheme – as a solidarity model. If the requirement for work performance declines, in addition to the demographic development, the number of employees for whom levies and restructuring charges are paid will fall. Because of this, the funding shortfall will grow continuously in the company pension plan. Therefore, it cannot be ruled out that the ZVK could charge further compensation amounts in order to cover the growing compensation funding shortfall. The employer's contribution and employee contribution will be increased to meet the higher financing need of the company pension scheme. In view of the high complexity of the issue and unclarified legal questions, a precise assessment of the potential financing impact (impact level) is currently not possible; the probability of occurrence is assessed as "possible". However, if the risk was realized, its impact would be "very high".

A disagreement had existed between the Fraport AG works council and the company's Executive Board since April 2017 in regard to determining the budget amount for the 2016 employee profit-sharing plan. With its decision of December 3, 2018, the State Labor Court of Hesse confirmed a decision by the Labor Court of Frankfurt am Main in favor of Fraport AG, in which a complaint by the works council of Fraport AG was rejected and its appeal was thrown out. Compared to the previous year, this risk no longer applies.

Risks of exceptional incidents

Operations in Frankfurt and other Group airports may be impaired by local events such as accidents, terrorist attacks, fires, or technical malfunctions, drone flights near the airport as well as events that influence the operation of national and international air traffic (such as natural disasters, extreme weather conditions, armed conflicts, and epidemics).

Fraport has taken a series of measures in order to minimize or counteract such negative effects. In order to protect the IT infrastructure and the critical operating systems from significant negative effects, Fraport and the other Group airports have developed plans for maintaining critical business and operating processes (business continuity and emergency teams), as well as the restoration of the IT services. Furthermore, a central crisis team is established in Frankfurt which carries out all of the necessary processes airport-wide in the event of emergencies. In order to verify the adequacy of these plans and measures and to continuously improve them, malfunction scenarios are set up and exercises are carried out on a regular basis.

In addition to these preventative measures, Fraport AG's insurance protection covers the risks that are usually insurable at airport companies. In particular, it covers damage events which result in the loss of or damage to assets, including resulting business interruptions, as well as the statutory liability of Fraport AG from all business capacities, legal situations, and activities in relation to the operation of Frankfurt Airport, as well as all additional risks that are conventional or necessary in the business or industry, as well as in the operation. Insurance protection regularly also covers the risks from terrorism regarding property and third-party liability. Fraport AG and the domestic Group companies, in which an interest of at least 50% is held, are covered against risks of environmental damage from potential accidents, for statutory and public-law claims.

Foreign Group companies generally cover the aforementioned risks using separate local insurance policies.

If one of the described risks were to occur, this could have a "very high" financial impact (impact level) – in spite of possible insurance protection – depending on the seriousness. This assessment takes account of far-reaching consequences for the Fraport business, for example, from natural disasters or terrorist attacks. As such unusual disruptions tend to be rare, Fraport assesses the probability of occurrence as "unlikely".

Cyber risks

All important business and operating processes of Fraport AG are supported by IT systems and IT components. A serious system failure or material loss of data could lead to serious business disruptions and security risks. In addition to this, attacks by viruses and hackers could lead to system failure and ultimately to the loss of business-critical and/or confidential data. To counter these risks, all of the IT systems of critical importance to the company are configured redundantly and are optionally housed at separate sites. The possibility of residual risks resulting from the architecture and operation of the IT facilities cannot be completely ruled out due to their nature.

Due to the ongoing development of new technologies and the ever-increasing global threat of cyberattacks, there is an underlying risk potential for IT systems. Fraport takes account of this situation with active and preventative IT security management, which particularly focuses on Fraport AG's business-critical IT systems and their availability. The requirements for IT security are specified and compliance with these requirements is reviewed in the IT security policy and security guidelines that must be followed throughout the company. Furthermore, compliance with data protection regulations is ensured. In addition to this, residual risks from failures that occur, are, as far as economically reasonable, additionally covered by the general property, terror, and business interruption insurance, and by specific IT insurance policies.

IT systems are highly important to all of Fraport's business and operational processes. Despite the preventative and proactive safeguards introduced, the potential effects (impact level) of an IT failure after a cyber-attack are assessed as "high" and the probability of occurrence as "possible".

Financial risks

"Risk report" according to Section 315 (2) no. 1 of the HGB

With regard to its financial position accounts and planned transactions, Fraport is, in particular, subject to credit risks, interest rate and currency exchange risks, and other price risks. Fraport covers interest and foreign exchange rate risks by establishing naturally hedged positions, in which the values or cash flows of primary financial instruments offset each other in their timing and amount and/or by using derivative financial instruments to hedge the business transactions. The scope, responsibilities, and controls for the use of derivatives are stipulated in a binding internal policy. The existence of a risk that needs to be hedged is the prerequisite for using derivatives. Derivatives are not used for trading or speculative purposes. To control the risk positions, simulations are regularly carried out by Risk Controlling using various worst-case and market scenarios. The Chief Financial Officer is regularly informed about the results. The Fraport AG Treasury department is responsible for efficient market risk management (for more information, see the Group note 46). Generally, only risks that affect the Group's cash flows are managed. There can only be open derivative positions in connection with hedging transactions in which the underlying transaction is canceled or is not carried out as planned.

Interest rate risks arise in particular from the capital requirements for capital expenditure and from existing floating interest rate financial liabilities and assets. Fraport assesses the probability of occurrence of this risk as being "unlikely" and the potential impact (impact level) as "medium". As part of the interest rate risk management policy, in order to limit the interest rate risk for the majority of the financial debt, interest derivatives were concluded and financing was concluded with fixed-interest rate agreements. Following the commitment to these interest rate-hedging positions, there is still a risk that the market interest rate level will decrease and as a result there will be a negative market value of the interest rate-hedging instruments. These changes can have an impact on the result, within the income statement, or also on the shareholders' equity, depending on the classification of the derivative. Fraport assesses the probability of occurrence of the risk as being "unlikely" and the potential impact (impact level) as "medium".

Foreign currency risks mainly arise from financing in foreign currencies and from planned revenue that is not covered by expenses in matching currencies. Such risks are hedged, to the extent necessary, either through ongoing sale of these currencies or by entering into currency forward transactions. Due to the hedging that has taken place or is planned, Fraport assesses the probability of occurrence of foreign currency risks as "possible" and their possible financial impact (impact level) as "very high". The increase compared to the previous year results from the increased volume of foreign currency transactions to finance expansion projects abroad.

Credit risks for Fraport stem, on the one hand, from primary financial instruments. Such risks arise, for example, upon the purchase of securities in the framework of asset management and comprise the default risk of the issuer. On the other hand, credit risks arise in connection with derivative financial instruments with a positive fair value and the risk that the counterparty will not be able to meet the obligations that are advantageous for Fraport. This risk is generally countered by acquiring financial assets and concluding derivatives only in the case of issuers and counterparties who have a rating of at least "BBB–". If the credit rating is downgraded below "BBB–" during the asset's holding period or the term of the derivative, a decision will be made on a case-by-case basis on the further course of action with the financial asset or derivative, taking into account the remaining term.

In addition, investments in bonds without ratings are also possible in individual cases, within narrowly defined limits. The counterparties' issuer and issue ratings are regularly monitored. In addition, ongoing reporting regarding the counterparties is monitored. Moreover, the upper limits are continually adjusted to the credit-rating development and where necessary reduced, and financial assets are diversified further under risk considerations. In consideration of the previously described measures, Fraport classifies the potential financial impact (impact level) of credit risks as "low" and their probability of occurrence as "unlikely".

Other price risks result from the fair value measurement of financial assets. This, however, does not immediately affect cash flow. Financial assets with a fixed term are assumed to be subject only to temporary market fluctuations that reverse automatically by the end of the products' maturities, since a repayment in the full nominal amount is expected. Even without specific measures, Fraport assesses the probability of occurrence of other price risks as "unlikely", and the impact level as "medium".

Regarding further information about the nature of risks arising from the use of financial instruments and the impact of risks from open risk positions in the context of financial instruments, please see Group note 46 in the Notes to the Consolidated Financial Statements.

Other financial risks

Risks for Fraport's asset, financial, and earnings position may arise from the current financial market situation and its effects on the overall economy, particularly on liquidity and future possible bank lending practices. As a countermeasure, Fraport continues to pursue a "prefinancing" strategy, thereby securing funding for items such as upcoming capital expenditure and repayments. The capital from this strategic liquidity reserve is still available.

Legal risks and compliance risks

As a Group that operates internationally, Fraport is subject to numerous national and international laws and regulations, as well as their amendments, through which the future business success of Fraport could be negatively influenced. In addition to the industry-specific regulations of air traffic law, planning and environmental law, and safety-related regulations, the general provisions of capital market law, anti-trust, data protection law, and employment law as well as any restrictions under sanction law are also of material importance. The Legal Affairs departments of Fraport and its Group companies keep abreast of the legal developments, including the relevant case law, inform the affected business units about changes, and are actively involved in limiting any resulting risks.

Furthermore, the risk exists that bodies and/or employees may violate laws, internal policies, or standards of good corporate management that are recognized by Fraport. These include the risk of corruption, fraud, or financial manipulation with the consequence that Fraport could suffer asset losses and/or damage to its reputation. Fraport is proactively working to counter these potential risks through the establishment and expansion of a Group-wide compliance organization, adopted in the Group compliance management system policy, and the implementation of a compliance program, inter alia through the code of conduct that is binding for all employees, their training on risks, and constant further development of the central ICS. In addition to this, Fraport has implemented various whistle-blower systems, which employees and external parties can turn to confidentially and anonymously. In addition, a regular review is made of the applicable policies for whether they are current and appropriate. All policies adopted by the Executive Board are freely accessible to all employees via the intranet. Furthermore, Fraport documents important business processes to create transparency, and promotes the implementation of suitable control mechanisms. In view of the previously described effective compliance structures, the probability of occurrence of a compliance violation with a "high" potential impact (impact level) is assessed as being "unlikely".

Other legal risks

Tax risks affecting the tax items in Fraport's statement of financial position and income statement can arise from changes to tax law and case law, and from different interpretations of existing tax law. Thus, there is the risk of back tax payments in connection with tax audits that are still to be carried out, which might be accounted for as tax provisions on the basis of probability considerations.

To minimize tax risks, internal controls have been established in the Tax department in order to recognize tax risks in good time as well as to check and value known risks. Risk-minimizing measures are agreed between the Tax department and the responsible departments or Group companies.

Opportunities report

The opportunity management system

The opportunity management system of the Fraport Group has the aim of identifying and evaluating opportunities at the earliest possible stage and initiating appropriate measures that opportunities are taken and lead to commercial success. Opportunities should be assessed for existing business, as well as from new business fields.

The identification and recording of opportunities is undertaken by the operating units/segments and the supporting Group units throughout the year, within the context of the company's operational control and the annual revolving medium-term planning process. While the short-term result monitoring is aimed at opportunities that mainly relate to the current fiscal year, the medium-term planning process focuses on opportunities that are of strategic importance for the Group.

Within the context of the planning process, Fraport assesses market and competitive analyses, as well as environmental scenarios and deals with the orientation of the product and service portfolio, the cost drivers, and the critical success factors of the industry. Furthermore, Fraport monitors the identifiable trends at its competitors, customers – such as airlines, passengers, and tenants – as well as in businesses outside of the industry, which have an impact on air traffic in general and the operation of airports in particular. Fraport aims to further develop and expand the value-creating business fields that are already part of its operations. Furthermore, Fraport invests in business fields and business ideas in which the company can establish sufficient expertise in order to operate these to create value over the long term.

In addition to the opportunity management by the strategic business units and the Group's central units, Fraport also uses the expertise of the entire workforce. With a variety of instruments, Fraport aims to identify opportunities developed by employees. This includes traditional Group ideas management as well as the establishment of Smart Data and innovation labs, the implementation of innovation competitions as well as the continuous development of various knowledge exchange platforms (see also the chapter titled "Research and development" starting on page 106).

In general, Fraport aims for a balanced relationship between opportunities and risks, where its aim is to increase the added value for customers and shareholders by analyzing and using new market potential and opportunities.

If it is likely that the opportunities will occur, they have been included in the 2019 forecast and respectively, in the medium-term plan. Therefore, the following section concentrates on future developments or events that may lead to a positive deviation from the outlook and medium-term plan for Fraport.

Unless specified otherwise, the opportunities described relate to all segments to varying extents (Aviation, Retail & Real Estate, Ground Handling, and International Activities & Services).

Fraport AG is the parent company of the Fraport Group and comprises all of the described segments. Therefore, it is also – directly or indirectly – subject to the opportunities described below.

Overall economic opportunities

Experience with the growth cycles has shown that temporary market turbulence can generally only interrupt the upward development of global air traffic for a period of time. Turbulence may, on the one hand, mean that passenger numbers only reach a certain level after a longer period of time than expected. On the other hand, catch-up effects with accelerated growth are possible after times of crisis. A close correlation between economic and air traffic growth continues to exist, so that upturn and recovery phases in the economy result in growth in air traffic.

As in 2017, the global economy saw more dynamic growth, and economic research institutions expect a continuation of this growth in 2019, albeit in a weaker form. The economic areas of the USA and Europe, which are particularly important for the hub operation in Frankfurt, will record moderate growth in 2019. The new U.S. Government's actions are in part stimulating (tax cuts) but can also be dampening (trade restrictions, limiting immigration). Despite uncertain economic indicators and a latent terror threat, global air traffic continues to grow. Demand for international tourism continues to grow, and the consumer sentiment of private households in Germany is still showing an upward trend. While Great Britain's withdrawal from the EU (Brexit) will dampen economic growth in the next few years, the devalued British pound could stimulate tourism in England. A relocation of transfer traffic from Great Britain to Frankfurt is also conceivable if parts of Great Britain's traffic rights cease to apply. The high regional diversification of German exports means that the German economy is relatively resistant towards negative developments in individual target markets. This could mitigate the downside risks of the economy. Fraport must, of course, permanently face competition from cargo airports in Central Europe.

A continuing weak euro could make European goods cheaper internationally and thus create a positive stimulus for exports from which Frankfurt Airport as a handling location could particularly benefit. Large, financially sound airlines may advance the trend towards consolidation in the airline industry. New types of aircraft capable of long-distance routes could provide new direct connection from primary to secondary airports.

ACI expects global passenger growth of 5.6% for 2019 and a growth rate of 5.3% for Europe. These growth rates bear witness to the dynamic development of the air traffic industry and are above the rate of economic growth. The chance of significant growth in air traffic also exists for 2019.

Global air traffic provides the central infrastructure basis for the now strongly internationalized global economy. This is supported by disproportionately high economic development in various developing and emerging countries. The rise in the standard of living in these countries is key to the disproportionately high growth of air traffic, not least because landside transport infrastructure is often underdeveloped in these areas. Compared to Central Europe and North America, economic development in these countries was far less impacted by the financial and economic crisis.

As an international airport operator that is represented in virtually all parts of the world, Fraport can take advantage of this regionally varied growth potential and balance out geopolitical risks through investments. Also in future, Fraport will continue to expand selectively and on a success-oriented basis in international business. This can compensate certain signs of saturation in the demand for air traffic in western countries, which also affect the Frankfurt site

Opportunities in corporate strategy

Political conditions

The discontinuation of the regulatory measures that distort competition, such as the aviation tax or the transfer of costs of passenger controls to the public purse, could result in increased traffic.

Further development of the Group strategy

Fraport continues to advance the development of the Group from an infrastructure provider to Europe's premium service-oriented airport operator based on the company's mission statement. The strategic objectives associated with the mission statement take account of Fraport's aim for the sustainable development of existing growth potentials (see also the “Strategy” chapter starting on page 61). Moreover, the mission statement intends to promote a cultural shift amongst employees towards an increased customer focus, cooperation, and cost awareness. It opens up significant opportunities for the successful economic development of the Group in the coming years.

The implementation of the Group strategy results in the following key opportunities for Fraport:

Growth in Frankfurt and internationally
With the inauguration of Runway Northwest, Fraport has managed to create sufficient airside capacities at the Frankfurt site in the last few years as the basis for dynamic traffic growth. Fraport also wants to ensure and continue to increase the appeal of the Frankfurt site for network carriers on the land side. As a result, the airport's infrastructure will continue to be adapted to customer requirements. A high-quality premium product has already been established in areas A and B (West) for Deutsche Lufthansa and its Star Alliance partners. Fraport will develop this even further in line with demand and in close cooperation with the airlines in order to continue to meet the company's claim to be a leading hub airport in Europe.

Fraport is constructing Terminal 3 in order to have sufficient capacity available for the growing air traffic in Frankfurt in the future. Piers H and J will provide additional capacity of up to 14 million passengers per year. Inauguration is scheduled for 2023. Pier G should be completed before that. Construction should start in 2019, and it is scheduled to open in 2021 with initial capacity of 4 – 5 million passengers per year.

Fraport realizes substantial growth in international business through the profitable development of existing sites as well as the acquisition of new investments and concessions. In the long term, Fraport aims to offer its expertise wherever potential for growth and/or optimization coupled with sound business opportunities exists.

Beyond the Frankfurt site, Fraport was active at 30 airports in Asia, Europe, as well as North and South America through Group companies at the time of preparing the consolidated financial statements.

At the beginning of 2018, the wholly owned Group companies Fortaleza and Porto Alegre took over the operation and management of each respective airport. The terms of the concessions for these airports is 30 years in the case of Fortaleza and 25 years for Porto Alegre.

With its American Group company Fraport USA, Fraport is increasingly active in the U.S. market, in particular, within the scope of master concessions for retail business, currently at the airports in Baltimore, Pittsburgh, Cleveland, Terminal 5 of JFK Airport, New York, and since February 2019 in Nashville.

Fraport’s international portfolio has constant growth rates above those of global air traffic. To permanently benefit from this growth, Fraport is continually evolving its existing sites through expansion and quality measures.

The clear aim is to further increase EBITDA and result from international external business in the next few years.

Growth in the retailing business
Extending and modernizing the retail, food and beverage, and service areas in the terminals, in particular on the airside, continue to be central elements for increasing retail revenue. In the medium term, the focus is on implementing innovative shopping concepts in suitable existing areas. The development is supported by culture-specific, sales-promoting measures and a more strongly individualized approach to customers, particularly passengers with especially high purchasing power. In view of this, Fraport is intensively analyzing the buying behavior of passengers. Fraport is also monitoring general trends in the retail sector in order to derive future new business opportunities for the company at any early stage.

This also includes the multichannel business field. Working together with its partners, Fraport operates target group-specific, individualized marketing across all relevant channels. The online trading platform created a digital platform on which goods and services are offered and sold, supported by additional digital instruments at the airport and on passengers’ mobile devices. The Frankfurt Airport Rewards Program builds up a personal connection to the customer. Customized offers for travelers can be made based on the data collected.

The aim is to offer a tailored shopping and service offering to the customer along their entire travel chain, thus increasing customer satisfaction. This also includes the continuous testing of digital technologies to develop new products and services and to optimize airport processes.

Opportunities in conjunction with organizational and process-related improvements

A continuous optimization of key business processes and constant cost control are of essential importance for ensuring stable profitability and capital returns. Fraport holds the view that the possibilities for further optimization of the cost structures within the Group are not yet fully utilized. The functions of corporate management include continuously investigating the organization to determine how it can be structured more effectively and efficiently. Projects to achieve the strategic objectives of “Economically successful through to optimal cooperation” and “Learning organization and digitization” were launched during the fiscal year. Further projects are initiated on a case by case basis to utilize the identified optimization potential (such as the lean management initiative). Through this continuous process, it should be possible to achieve additional earnings potential over and above the forecasts.

Opportunities for improving the processes not only result from within the Group, but also in cooperation with customers and suppliers. Therefore, Fraport also aims to review the processes at these interfaces on a regular basis by conducting process audits within the scope of an annual management audit program and leverage further potential, which will have a positive impact on the corporate result and the quality delivered.

Fraport is continuously striving to realize organizational and process-related improvements. Therefore, Fraport also focused on creating additional impetus here during the past fiscal year, including within the scope of a certified process-oriented quality management, in order to anchor process orientation in the Group certification network and strengthen efficiency in the processing organization. Here, specific challenges of an integrated business model in the Group, as well as the importance of the Group in terms of social and regional policy also need to be taken into account. Fraport sees many possibilities to take advantage of the potential in the rapidly evolving technology of autonomous driving. In the areas of employee transport on the company sites, but also for container transports and winter services, projects have been designed with industry partners and test runs have been carried out during the last year. Building on the results, these activities will be advanced and developed further in the current year. Autonomous driving can create longer-term opportunities to rapidly and efficiently deploy personnel. This can also be a solution to social developments such as the increasing lack of bus drivers.

Financial opportunities

Favorable changes on the financial markets

Favorable exchange rate and interest developments can have a positive impact on the Group’s financial result. Accordingly, exchange rate effects from the conversion of results that are not denominated in euros into the functional currency of the Group (the euro) can have a positive impact on the financial result. Overall, Fraport expects to be able to take advantage of favorable developments in the financial markets.

Overall assessment of the opportunities and risks by the company management

Fraport consolidates and aggregates all of the risks and opportunities reported by the various company units and Group companies that are reported within the context of the quarterly risk analysis process. Furthermore, the Group’s risks and opportunities are regularly discussed and assessed at the Executive Board level and within the context of the regular planning processes. They have not materially changed overall in comparison to the previous year. In the opinion of the Executive Board, the risks described before are not of a nature, individually or in their entirety, that might jeopardize the company as a going concern in consideration of their respective risks of occurrence and their financial impact, as well as in view of the stable balance sheet structure and anticipated business development. The Executive Board continues to be convinced that the Group’s financial strength forms a solid basis for future business development and provides the necessary resources to effectively pursue and utilize opportunities that present themselves to the Group.

Further development of the risk management system in the 2019 fiscal year

The impact levels of the standardized Group risk matrix, as part of the risk management policy of Fraport AG and of the Group, have been revised for fiscal year 2019. The existing impact levels currently in the risk management system were set in 2015 for the assessment of risks. Given the growth in the Group as well as further expected EBIT growth, the impact levels have been raised as follows:

> “low” ≤ €6 million
> “medium” > €6 – 20 million
> “high” > €20 – 40 million
> “very high” > €40 million

The adjusted impact levels came into effect along with the revised risk management policy on January 1, 2019.

Information on the accounting-related internal control system in accordance with Section 315 (4) of the HGB

In terms of the Group accounting process, Fraport regards the internal control and risk management system as a process that is embedded in the Group-wide internal control and risk management system. Fraport’s Group accounting system covers the processing of business transactions; records for the documentation of assets and liabilities; and processes for the consolidation of the separate financial statements of parent/subsidiary companies, for the inclusion of joint ventures, and associated companies, and for recording the required information for the disclosures in the Group notes and Group management report. The company applies principles, processes, and measures aimed at safeguarding the effectiveness and compliance of the Group’s accounting system, which Fraport designed to conform to “COSO” standards, in an effort to ensure that the recognition, measurement, and presentation of assets and liabilities is in line with the legal guidelines and the principles of proper accounting.

Group accounting at Fraport is generally organized on a local basis. The reconciliation of the local separate financial statements of the parent company and subsidiaries, joint ventures and associated companies (commercial balance sheet I) to the separate financial statements prepared in accordance with Group-wide accounting and valuation methods (commercial balance sheet II) is decentralized at the respective companies. In individual cases, the bookkeeping and preparation of financial statements for Group companies at the Frankfurt site is carried out by the accountants of the Group parent company Fraport AG within the framework of service agreements. In so doing, separation on an organizational and system level of the accounting of the Group parent company Fraport AG is ensured. To ensure consistent Group-wide accounting and evaluation, Fraport has developed a policy on IFRS Group accounting principles, on the basis of which the companies included in the consolidated financial statements perform the reconciliation of Commercial balance sheet I to Commercial balance sheet II. The effectiveness of the Group accounting process and its compliance with the relevant policies are confirmed by the companies included in the consolidated financial statements within the framework of an internal statement of completeness.

The SAP BPC system is primarily used for the accounting-related Group reporting process between the companies included in the consolidated financial statements and the Group parent company, Fraport AG. The financial statements to be consolidated are recognized in this system, as is required information for tax accruals and for the Group notes. Access authorization on the level of the consolidated companies is awarded and administered by Fraport on the basis of a user authorization concept. Group reporting in SAP BPC is adapted by Group Accounting on a regular basis to the changes in accounting-relevant legal regulations. A Group chart of accounts in the SAP BPC system is set up and administered by Group Accounting.

Accounting-related internal controls are, as far as possible, carried out within the SAP BPC system. Manual application and monitoring controls, especially regarding completeness and quality of the reported data, are carried out in the context of the operating accounting processes in Group Accounting.

Quality assurance is carried out by Group Accounting of Fraport AG for complex accounting issues or fundamental questions, as well as at local companies included in the consolidated financial statements.

The consolidated financial statements are prepared by Fraport AG Group Accounting. The reporting process for the consolidated financial statements is laid down in a schedule detailing each individual step, including deadlines and responsibilities. Group Accounting monitors progress, reporting deadlines, and the completeness of the Group reporting process.

In the run-up to the preparation of the consolidated financial statements, a Group questionnaire is sent to all companies included in the consolidated financial statements in order to identify any issues relevant to the accounting process in good time. The consolidated companies are also questioned about any events after the balance sheet date so that these can be completely recorded.

Capital, liabilities, expenses, and income are consolidated and information relevant to segment reporting is processed in the SAP BPC system. Prior to consolidating liabilities, internal balances are reconciled. Capital consolidation, including the updating of the valuation of investments in companies accounted for using the equity method, the elimination of intercompany profits and losses, and the preparation of the statement of cash flows, and of the statement of changes in equity are mainly carried out manually with the help of the system. Deferred and accrued taxes are calculated and recognized by Group Accounting in coordination with the Group Tax department.

Group policies, which are available to all consolidated companies, ensure that consolidation processes and the reconciliation of internal balances are carried out properly.

Valuations in connection with assets and liabilities from the acquisition or sale of shares in companies are generally measured on the basis of an external value analysis prepared by experts (e.g., calculation of acquisition costs or purchase price allocation).

The Group notes are prepared by Group Accounting as part of the consolidated financial statement process. Once the Group notes have been drawn up, the information given in them is verified by central or local departments, where required.

The central unit Finance and Investor Relations is generally responsible for preparing the Group management report. It consolidates the information provided by the relevant departments. Consolidated information is then verified by the relevant departments in turn.

The Internal Auditing department regularly assesses major sub-processes of the Group accounting process, including accounting-related internal controls.

Outlook Report

General statement by the Executive Board

Financial and economic institutions expect continued, albeit less dynamic growth of the global economy for the 2019 fiscal 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. Correspondingly, the Executive Board forecasts positive operating development for the Group in total. Uncertainties continue to result from political crises and potential terrorist attacks, which have the ability to impact air traffic at Fraport's airports (see also the "Risk and Opportunities Report" chapter starting on page 113).

The Executive Board expects growth in passenger numbers in the 2019 fiscal year of between around 2% and roughly 3% for the Frankfurt site. At the Frankfurt site, the incentive programs for passenger growth will continue to promote the supply of services by airlines. The consolidation process amongst the airlines, which is difficult to forecast, as well as uncertainties in terms of strikes may lead to deviations from the forecast.

The increase in traffic in Frankfurt will affect, among other things, revenue from airport charges, revenue from parking and retail, revenue from ground handling services, and infrastructure charges.

Outside of Frankfurt, the Executive Board forecasts positive traffic development for all Group airports in the 2019 fiscal year, which will be reflected, in particular, in the financial figures of Fraport Greece as well as the Group companies Lima, Fortaleza and Porto Alegre, Fraport USA, and Twin Star. The Group company Antalya will continue to significantly improve its contribution to the result from companies accounted for using the equity method. Fraport Greece and the Group companies Fortaleza, Porto Alegre, and Lima expect to have higher capacitive capital expenditure, which will increase Group revenue and cost of materials in the triple-digit million euro range in connection with the application of IFRIC 12; so this capital expenditure will be neutral for profit and loss.

Despite the absence of revenue from the disposal of the shares in Flughafen Hannover-Langenhagen GmbH, the Executive Board forecasts an increase in Group EBITDA to a level between around €1,160 million and approximately €1,195 million for the 2019 fiscal year. This EBITDA forecast is positively influenced by the first-time application of the IFRS 16 accounting standard. The Executive Board expects a Group result in the range between around €420 million and about €460 million, with a deterioration of the financial result up to –€115 million. With regard to the asset and financial position, the Executive Board expects significantly higher cash flow used in property, plant, and equipment in Frankfurt and for airport operating projects of up to €1.2 billion. The free cash flow is expected to be noticeably below the 2018 level due to the higher capital expenditure and is expected to be significantly negative. Taking into account the planned dividend distribution, the Executive Board is expecting an increase in net financial debt to approximately €4 billion and thus a higher gearing ratio of up to 95% in the 2019 fiscal year. Despite the expected higher indebtedness, the Executive Board continues to assess the Fraport Group's financial situation in the forecasted period as stable. As at the date of preparing the consolidated financial statements, the Executive Board does not see any material risks that might jeopardize the Fraport Group as a going concern (see also the "Risk and Opportunities Report" beginning on page 113). Apart from the sale of the Group company Energy Air effective January 1, 2019, there are no further significant acquisitions or disposals of companies, or increases or reductions in shareholdings included in the forecasted period.

Business outlook

Information about reporting

The business outlook is based on the assumption that the domestic and international economy and air traffic will not be impaired by external shocks such as terrorist attacks, wars, epidemics, natural catastrophes, or renewed turbulences on the financial markets. Moreover, statements concerning the anticipated asset, financial, and earnings position reflect the accounting standards to be applied in the EU at the start of the 2019 fiscal year. This refers to the accounting standard IFRS 16 "Leases", which will be applied for the first time for the fiscal year 2019. The impact of the adjustments due to IFRS 16 are included in the projected asset, financial, and earnings position for the 2019 fiscal year (see also Group note 4).

Risks and opportunities that do not form part of the business outlook and may lead to significant negative or positive changes to the forecasted developments can be found in the “Risk and Opportunities Report” chapter starting on page 113.

Forecasted situation of the Group for 2019

Development of structure

The Executive Board does not expect any further changes to the Group structure in the 2019 fiscal year which will have a substantial impact on the asset, financial, and earnings position.

Development of competitive position and future markets

The development of future markets is the focus of the strategic objective “growth in Frankfurt and internationally”, (see also "Strategy" chapter starting on page 61). Fraport aims to market its expertise around the world and participate in the appeal of new markets. In this respect, Fraport selectively assesses whether to participate in international tenders. Through the operational takeover of the Brazilian airports at the beginning of the past fiscal year, Fraport has expanded its portfolio to reach more markets that are attractive from a touristic and an economic perspective. The retail space concessions at Terminal 5 of JFK Airport in New York, which began on April 1, 2018, as well as the concessions at Nashville Airport from February 2019 also enhances the presence of the Group company Fraport USA and leads to a further opening up of the local market there (see also the “Risk and Opportunities Report” chapter starting on page 113).

Development of strategy

In the 2019 fiscal year, the focus remains on continuously implementing the Group strategy. Regarding the strategic challenges and taking into account the dynamically developing conditions, representatives of various business units at Fraport AG and the Group companies are working intensively on the strategic programs that have been intensified in the 2018 fiscal year (see also the “Strategy” chapter starting on page 61).

Development of control

Compared with the 2018 fiscal year, the Executive Board does not expect any substantial changes in 2019 in the financial and non-financial performance indicators that are used to control the Group.

Within the scope of the IFRS 16 accounting standard that is to be applied for the first time in the 2019 fiscal year, interest expenses will now be added to adjusted EBIT due to the compounding of the leasing liabilities. In addition, interest expenses will also be included in the calculation of adjusted EBIT from the 2019 fiscal year due to the compounding of the concession liabilities in accordance with IFRIC 12. The corresponding assets are included in the calculation of Fraport assets at half the amount of the acquisition or manufacturing costs.

In the 2019 fiscal year, the WACC decreased from 6.5% to 6.4% (before taxes). The Executive Board does not expect any fundamental changes to the strategic focus of finance management in 2019.

Forecasted macroeconomic, legal, and industry-specific conditions for 2019

Development of the macroeconomic conditions

Currently, the forecasts for 2019 show the global economy will grow, albeit slightly less dynamically. A rise in trade disputes, the risks arising from the Brexit process, a renewed flare up of the EU debt crisis as well as geopolitical trouble spots may significantly burden global economic development. The economic institutes predict global GDP growth of between 3.4 % and 3.5 % for 2019. Global trade will rise by up to 4.0%, according to current forecasts.

Due to the output cut agreed by OPEC countries, the oversupply of oil is being reduced. Despite Qatar’s pending withdrawal, as it only represents a small fraction of the OPEC oil production, this should cause oil prices to stabilize; however, they will still be above the previous year’s level. Higher oil prices mean rising fuel costs for airlines, which leads to more expensive ticket prices and can negatively affect passenger demand.

In 2019, the important markets for Frankfurt Airport are mostly expected to develop positively. The U.S. economy will presumably see robust growth, albeit at a slightly more moderate pace. With continued vigorous consumer demand and a solid level of capital expenditure, GDP growth in the United States should be 2.5%. Japan is predicted to develop moderately. The growth rates in emerging markets are expected to be significantly higher than the increases in industrialized countries, though predictions on development within this group vary. Growth momentum in China had declined as of late and is expected to be around 6.2% in 2019, after coming in at 6.6% last year. In the euro area, the current forecasts show GDP growth of between 1.2% and 1.6%, compared to 1.8% in 2018. Germany can expect to see a decrease in its economic development of between 1.0% and 1.5% (2018: +1.4%). Growth here will continue to be driven by private consumption and the boom in the construction sector. Equipment investments are expected to increase only moderately, as weaker export demand, trade protectionism, and geopolitical uncertainty will dampen the economic environment. The lack of skilled workers will also have a dampening effect.

The following growth rates are expected for the countries with significant Group sites: Slovenia +3.4%, Brazil +2.5%, Greece +2.4%, Peru +4.1%, Bulgaria +3.1%, Turkey +0.4%, Russia +1.6%, and China +6.2%.

Source: IMF (October 2018, January 2019), Deutsche Bank Research (December 2018), DekaBank (January/February 2019), German Federal Statistical Office (February 2019), ifo Institute (January 2019), forecast of the German Federal Government (January 2019).

Development of the legal environment

At the time the consolidated annual financial statements were prepared, the Executive Board saw no changes in the legal environment in fiscal year 2019 that will have significant effects on the Fraport Group.

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 6.0% in 2019, based on sold revenue passenger kilometers (RPK). Regionally IATA anticipates the following growth rates (also based on RPK): Europe: 5.5%, North America: 4.5%, Asia-Pacific: 7.5%, Latin America: 6.0%, Middle East: 5.5%, and Africa: 5.0%. Globally, cargo is expected to grow by 3.7%. With regard to global passenger numbers, ACI expects growth of 5.6% in 2019.

On the basis of the German airports, the German Airports Association (ADV) forecasts solid passenger growth of 2.7% despite the continued consolidation of airlines. ADV expects an increase of 2.3% in the cargo area.

The strong economic growth should allow passenger numbers to grow faster than the capacity on offer. This will enable airlines that benefit from consolidation to gain financial strength, thereby generating added value for investors. Although a slight decrease of the return on invested capital (ROIC) is expected for the airline industry, it will remain above the cost of capital.

Airlines continue to order more aircraft. New aircraft are more efficient and consume less jet fuel per flight, which allow fares to drop further. This boosts passenger demand, which also benefits Frankfurt Airport.

In the future, the entry of new competitors into the hub business may result in increased competition for transfer passengers on certain routes. In particular, the new airport in Istanbul can offer favorable traffic rights for Turkish airlines in Germany, which may draw transfer travelers from Europe, including those from Frankfurt, on their way to Southeast Asia. The airport took up operations in October 2018 and is expected to take over the entire air traffic of the former Atatürk Airport in Istanbul in March 2019. These effects are taken into account in the forecasts for traffic growth in Frankfurt.

Source: IATA “Economic Performance of the Airline Industry” (December 2018), ADV Forecast (February 2019).

Forecasted business development for 2019

Given the weaker economic growth, the ongoing process of consolidation in the airline industry, and the possibility of strikes as well as weather-related cancellations, the Executive Board expects growth in passenger numbers of between around 2% and roughly 3% for the Frankfurt site compared to the previous year. The incentive program for passenger growth in Frankfurt will continue to promote offers from airlines, and increases have already been seen in services supplied and more frequent services in the 2018/2019 winter season. There will be only a moderate increase in takeoffs and landings in accordance with the published flight schedules for the summer season. The overall increase in offers for 2019 will therefore also be moderate. With regard to the handled **cargo tonnage** in the 2019 fiscal year, the Executive Board expects stagnation or a slight increase compared to 2018. Uncertainty remains given the potential economic and political risks as well as the short-term yield and capacity management of airlines, for example, the relocation of aircraft or changed routes.

At the Brazilian airports of **Fortaleza** and **Porto Alegre**, the Executive Board expects, in each case, growth in passenger numbers in the mid to upper single-digit percentage range for 2019. For the **Ljubljana** site, the Executive Board is forecasting a rise in traffic in the single-digit percentage range. Based on the positive economic assumptions and tourist forecasts, growth in the mid-single-digit percentage range is expected at the **Lima** Airport for the 2019 fiscal year. For the **14 Greek regional airports**, the Executive Board expects growth in passenger numbers in the low to mid-single-digit percentage range. The airports in **Varna** and **Burgas** will also develop positively, although at a lower growth rate in the low single-digit range compared to the previous year. For **Antalya** Airport, growth in the mid-single-digit percentage range is also expected compared to 2018. For 2019, the tourist demand particularly from Western Europe is expected to continue to increase compared to the previous year, unless there are new negative political or terrorist developments in Turkey. Due to the continued positive development of the economic and political situation in Russia, the Executive Board assumes that the positive trend in recent years will continue and that passenger traffic at **St. Petersburg** Airport will grow in the high single-digit percentage range in 2019. The positive trend from last year will also continue at the **Xi'an** site. The Executive Board also expects growth in the mid-single-digit percentage range for 2019.

Forecasted results of operations for 2019

The expected Group-wide passenger growth will have a positive impact on the Fraport Group's revenue development in 2019. In Frankfurt, expectations show that this will affect, in particular, the development of airport charges, revenue from parking and retail, revenue from ground handling services, and infrastructure charges. In addition, the Executive Board expects increasing revenue from security services of the Group company FraSec. In connection with the sale of the Group company Energy Air, revenue generated by this company will reduce that of the Real Estate unit. At sites outside of Frankfurt, Fraport Greece as well as the Group companies Lima, Fortaleza, Porto Alegre, Fraport USA, and Twin Star will continue to develop positively. Exchange rate effects from the conversion of the Group companies Lima, Fortaleza, Porto Alegre, and Fraport USA into the Group's functional currency, the euro, may have a positive or negative impact on the earnings contribution in these companies. The Executive Board therefore expects an increase in **Group revenue** to approximately €3.2 billion. In addition, the Executive Board also expects higher capacitive capital expenditure in the mid triple-digit million euro range, which will also increase Group revenue, in connection with the application of IFRIC 12 at Fraport Greece and in the Group companies Fortaleza, Porto Alegre, and Lima.

In 2019, the Executive Board expects a slight increase in personnel expenses. This rise will be attributable, in particular, to increases in the collective bargaining agreement at the Frankfurt site as well as at the Group company FraSec. Adjusted for the recognition of capacitive capital expenditure, non-staff costs are expected to remain at approximately the same level as in 2018. Reduced expenses in connection with the sale of the Group company Energy Air as well as from the first-time application of the IFRS 16 accounting standard will be offset by higher costs for external services and revenue-related concession fees. Despite the absence of revenue from the disposal of the shares in Flughafen Hannover-Langenhagen GmbH, the Executive Board forecasts an increase in **Group EBITDA** to a level between around €1,160 million and approximately €1,195 million for the 2019 fiscal year. Due to the application of the IFRS 16 accounting standard, **depreciation and amortization** will increase significantly in the 2019 fiscal year. The Executive Board therefore predicts **Group EBIT** of between about €685 million and around €725 million.

The **financial result** is expected to be up to –€115 million. While the interest result is forecasted to remain approximately at the previous year's level, the result from companies accounted for using the equity method is expected to decline significantly. In this regard, the continued positive development of the Group company Antalya will be accompanied by the elimination of revenue from the disposal of the shares in Flughafen Hannover-Langenhagen GmbH.

Overall, the Executive Board expects **Group EBT** of between around €570 million and approximately €615 million. A **Group result** in a range between around €420 million and about €460 million is expected.

Given the elimination of revenue from the disposal of shares in Flughafen Hannover-Langenhagen GmbH, **Group value added** and **ROFRA** are expected to drop significantly.

The Executive Board intends to maintain the **dividend** per share for the 2019 fiscal year.

Forecasted segment development for 2019

The assumed passenger growth at Frankfurt Airport will have a positive impact on the **Aviation** segment's revenue development in 2019. In addition to the passenger development, increased revenue from security services of the Group company FraSec in particular will contribute to higher revenue. The Executive Board therefore expects growth in revenue of up to 3% in the Aviation segment.

Due to the other operating expenses, which are expected to fall, coupled with rising expenses in connection with effects from collective bargaining agreements and from the Group company FraSec, segment EBITDA should maintain the same level as in 2018 or slightly above. Given rising depreciation and amortization, segment EBIT is forecasted to remain approximately at the same level as in the previous year. Value added of the segment will decline and remain in negative territory.

The **Retail & Real Estate** segment will also benefit from the passenger outlook at the Frankfurt site in 2019, which will primarily provide a slight improvement in revenue in the areas of parking and retail. Exchange rate effects can continue to have both positive and negative effects on the purchasing power of passengers and thus the revenue from retail. In connection with the sale of the Group company Energy Air, segment revenue generated by this company will reduce that of the Real Estate unit. Overall, the Executive Board expects a slight decrease in revenue.

Despite revenue from the sale of the Group company Energy Air, the Executive Board forecasts segment EBITDA to remain roughly at the level of the previous year due to fewer real estate transactions. Given rising depreciation and amortization, segment EBIT is forecasted to decrease slightly. The segment's value added is expected to be slightly below the previous year's level.

The forecasted passenger growth and increasing maximum take-off weights will lead to an increase in revenue in the **Ground Handling** segment of up to 4% in 2019. Increases in the collective bargaining agreement coupled with improvements to productivity will lead to operating expenses that are virtually at the previous year's level. The Executive Board therefore anticipates segment EBITDA to significantly improve. Despite a rise in depreciation and amortization, the Executive Board expects a noticeable increase in segment EBIT. Similar to the development of segment EBIT, the segment value added will improve significantly but will remain in negative territory.

In connection with the expected positive business developments from Fraport Greece as well as the Group companies Lima, Fortaleza, Porto Alegre, Fraport USA, and Twin Star, the Executive Board expects a noticeable increase in revenue in the **International Activities & Services** segment for the 2019 fiscal year. In addition, the Executive Board also expects higher capacitive capital expenditure in the mid triple-digit million euro range in connection with the application of IFRIC 12 at Fraport Greece and in the Group companies Fortaleza, Porto Alegre, and Lima. Exchange rate effects from the conversion of the currencies in the Group companies Lima, Fortaleza, Porto Alegre, and Fraport USA into the Group's functional currency, the euro, may have a positive or negative effect on the earnings contribution made by the Group companies. Reduced expenses from the first-time application of the IFRS 16 accounting standard will be accompanied by by higher costs for revenue-related concession fees.

Overall, the Executive Board expects a significant increase in segment EBITDA – also due to the first-time application of the IFRS 16 accounting standard – despite the elimination of revenue from the disposal of the shares in Flughafen Hannover-Langenhagen GmbH. The elimination of revenue from the disposal of the shares as well as higher depreciation and amortization as a result of the application of IFRS 16 will lead to a slight decline in segment EBIT. Both the segment EBITDA and segment EBIT should be above last year's levels after adjustments for revenue from the disposal of the shares in 2018 and the IFRS 16 effect. The segment value added is expected to significantly decline due to the elimination of revenue from the disposal of the shares in Flughafen Hannover-Langenhagen GmbH.

Forecasted asset and financial position for 2019

Subject to changes to net current assets, the Executive Board expects **operating cash flow** to slightly exceed the level of the 2018 fiscal year.

In the area of **capital expenditure**, the Executive Board anticipates significantly higher cash outflows for property, plant, and equipment in Frankfurt and for airport operating projects (excluding payments for the acquisition of new Group companies or concessions). Overall, the Executive Board – depending on the progress of construction – anticipates an amount of up to €1.2 billion. The increase will result, in particular, from the ongoing construction of Terminal 3 in Frankfurt and from continued capital expenditure at the sites in Greece, Lima, and Brazil. At the Lima site, above all, potential pre-payments in connection with the construction agreement to be awarded may lead to cash outflows that may be above the effective progress of the construction project. The **free cash flow** is expected to be noticeably below the 2018 level due to the higher capital expenditure measures and is expected to be significantly negative.

Taking into account the planned dividend distribution, the Executive Board is expecting an increase in **net financial debt** to around €4 billion in the 2019 fiscal year. The **net financial debt to EBITDA** ratio will increase to up to 3.5. The **gearing ratio** will rise and is expected to be up to 95%. Depending on exchange rate effects, the **Group shareholders' equity** is expected to be noticeably higher than the figure as at the end of the 2018 fiscal year. The **Group shareholders' equity ratio** is forecasted to remain approximately the same as at the 2018 balance sheet date.

The **Group's liquidity** is expected to remain at roughly the same level as in the previous year. Scheduled repayments amounting to €1,380 million are planned for 2019, which are essentially all attributed to Fraport AG. The scheduled repayments will be settled either from the existing Group's liquidity resources, extensions of existing financing, or refinancing measures. Fraport AG finances the capital expenditure on expansion projects at the Frankfurt site from a combination of operating cash flow and debt. The major capital expenditure abroad particularly affects Lima and Brazil (see also the "Finance management" chapter starting on page 72). In Lima, a financing agreement should be concluded by the end of the 2019 fiscal year. Regarding the financing of capital expenditure in Brazil, corresponding loan agreements with local development banks in the local currency were concluded in 2018.

Forecasted non-financial performance indicators for 2019

In the "customer satisfaction and product quality" category, the Executive Board continues to expect **global satisfaction of passengers** of at least 80% at the Frankfurt site as well as continued high satisfaction figures at the fully consolidated Group sites. The Executive Board expects **baggage connectivity** to be better than 98.5%.

In the category of "attractive and responsible employer", the Executive Board is aiming for Group-wide **employee satisfaction** to remain at a level of better than 3.0 in 2019. For the 2019 fiscal year, the Executive Board will seek to implement more measures to promote the qualification and motivation of potential female candidates to increase the ratio of **women in management positions** in Germany.

In the category of "occupational health and safety" the Executive Board continues to seek a stabilization of the **sickness rate**.

In the category "climate protection", the Executive Board expects a slight reduction in **CO_2 emissions** in 2019.

Medium-term outlook

In the medium-term forecasted period, the Executive Board expects a further, albeit weaker, expansion of the global economy. Due to the current U.S. trade policy, economic and financial institutions are mostly pessimistic for the future. This policy may adversely affect the Chinese economy, in particular. In the euro area, particularly Germany, restrained, yet solid growth is expected. A negative influence on the growth of the euro countries is expected from the economic consequences of Brexit and a possible "no deal" Brexit. The driver of growth in Germany will continue to be private consumption, which will also maintain a high demand for air travel. The overall business climate index for companies shows less positive tendencies, which largely does not affect travel interests. Uncertainty for growth in the EU and the Fraport Group is born out of the debt situation of some EU countries as well as the divergent interests of European governments and the increasing political trends towards protectionism. After significant gains in 2017 and 2018, the Executive Board expects weaker, yet robust passenger growth in the medium term (growth rates of between 2% and 3%). Fraport's airports will benefit Group-wide from expected market growth in the medium to long term and record positive traffic development (see also the "Strategy" chapter starting on page 61).

The expected passenger growth will have a positive impact on the Fraport Group's asset, financial, and earnings position. In the medium term, the Executive Board expects a contribution by international business to the Group result approaching around 50%.

Operating cash flow is expected to rise in line with the forecasted Group-wide traffic development. As a result, capital expenditure on infrastructure both at the Frankfurt site and at Group sites outside Germany will be necessary. In Frankfurt, this will essentially apply to Terminal 3 in the southern part of the airport. Outside of Frankfurt, capital expenditure, in particular, on Fraport Greece and the Group companies Fortaleza, Porto Alegre, and Lima will continue to be required (see also the "Business model" chapter starting on page 54). The free cash flow will remain in significantly negative territory for a period of time. Because of this development, the Group's net financial debt will also increase noticeably. The Executive Board does not expect the ratio of net financial debt to exceed the range of four to six times EBITDA.

Potential acquisitions as well as future capital expenditure commitments can be financed via the aforementioned debt products. Financing at the level of Fraport AG through a capital increase is not planned (see also the "Finance management" chapter on page 72 as well as the "Asset and financial position" chapter starting on page 95).

For the dividend payment, the Executive Board continues to aim for a pay-out ratio between 40 and 60% of the profit attributable to shareholders of Fraport AG, whereby the dividend per share should at least maintain the level of the previous year.

The Executive Board continues to use the non-financial performance indicators to control the Group in the medium term. In particular, for global satisfaction of passengers, the ratio of women in management positions, the sickness rate, as well as CO_2 emissions, the Executive Board has set long-term goals that it consistently pursues (see also the "Control" chapter starting on page 67).

Frankfurt/Main, February 26, 2019

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte Giesen Müller Dr. Zieschang

Where the statements made in this document relate to the future rather than the past, they are based on a number of assumptions about future events and are subject to a number of uncertainties and other factors, many of which are beyond the control of Fraport AG Frankfurt Airport Services Worldwide and which could have the effect that the actual results will differ materially from these statements. These factors include, but are not limited to, the competitive environment in deregulated markets, regulatory changes, the success of business operations, and a substantial deterioration in the underlying economic conditions in the markets in which Fraport AG Frankfurt Airport Services Worldwide and its Group companies operate. Readers are cautioned not to rely to an inappropriately large extent on statements made about the future.

Consolidated Financial Statements for the 2018 Fiscal Year

Consolidated Income Statement

€ million	Notes	2018	2017
Revenue	(5)	**3,478.3**	**2,934.8**
Change in work-in-process	(6)	0.3	0.4
Other internal work capitalized	(7)	35.9	36.3
Other operating income	(8)	88.2	38.9
Total revenue		**3,602.7**	**3,010.4**
Cost of materials	(9)	–1,089.1	–720.4
Personnel expenses	(10)	–1,182.3	–1,092.9
Depreciation and amortization	(11)	–398.5	–360.2
Other operating expenses	(12)	–202.3	–193.9
Operating result		**730.5**	**643.0**
Interest income	(13)	33.3	29.0
Interest expenses	(13)	–201.7	–186.5
Result from companies accounted for using the equity method	(14)	98.8	30.9
Other financial result	(15)	9.5	–10.3
Financial result		**–60.1**	**–136.9**
Result from ordinary operations		**670.4**	**506.1**
Taxes on income	(16)	–164.7	–146.4
Group result		**505.7**	**359.7**
thereof profit attributable to non-controlling interests		31.8	29.5
thereof profit attributable to shareholders of Fraport AG		473.9	330.2
Earnings per €10 share in €	(17)		
basic		5.13	3.57
diluted		5.11	3.56
EBIT (= operating result)		**730.5**	**643.0**
EBITDA (= EBIT + depreciation and amortization)		**1,129.0**	**1,003.2**

Consolidated Statement of Comprehensive Income

€ million	2018	2017
Group result	**505.7**	**359.7**
Remeasurements of defined benefit pension plans	2.9	–0.5
(Deferred taxes related to those items	–0.9	0.2)
Equity instruments measured at fair value	–10.7	0.0
Other comprehensive income of companies accounted for using the equity method	–0.1	0.3
(Deferred taxes related to those items	0.0	–0.1)
Items that will not be reclassified subsequently to profit or loss	**–8.8**	**–0.1**
Fair value changes of derivatives		
Changes directly recognized in equity	0.7	–1.6
realized gains (+)/losses (–)	–15.9	–26.1
	16.6	**24.5**
(Deferred taxes related to those items	–5.2	–7.2)
Debt instruments measured at fair value		
Changes recognized directly in equity	–5.6	–3.0
realized gains (+)/losses (–)	0.0	0.0
	–5.6	**–3.0**
(Deferred taxes related to those items	1.7	1.1)
Currency translation of foreign subsidiaries		
Changes recognized directly in equity	–18.4	–47.2
realized gains (+)/losses (–)	0.0	0.0
	–18.4	**–47.2**
Income and expenses from companies accounted for using the equity method directly recognized in equity		
Changes recognized directly in equity	–1.4	–7.3
realized gains (+)/losses (–)	–1.6	–8.1
	0.2	**0.8**
(Deferred taxes related to those items	–0.5	–0.1)
Items that will be reclassified subsequently to profit or loss	**–11.2**	**–31.1**
Other result after deferred taxes	**–20.0**	**–31.2**
Comprehensive income	**485.7**	**328.5**
thereof attributable to non-controlling interests	35.0	22.5
thereof attributable to shareholders of Fraport AG	450.7	306.0

Consolidated Statement of Financial Position

Assets

€ million	Notes	December 31, 2018	December 31, 2017
Non-current assets			
Goodwill	(18)	19.3	19.3
Investments in airport operating projects	(19)	2,844.3	2,621.1
Other intangible assets	(20)	134.5	132.4
Property, plant, and equipment	(21)	6,081.7	5,921.5
Investment property	(22)	88.8	96.4
Investments in companies accounted for using the equity method	(23)	260.0	268.1
Other financial assets	(24)	426.1	488.6
Other receivables and financial assets	(25)	195.0	190.9
Deferred tax assets	(27)	56.7	41.0
		10,106.4	**9,779.3**
Current assets			
Inventories	(28)	28.9	29.3
Trade accounts receivable	(29)	177.9	143.5
Other receivables and financial assets	(25)	304.3	245.5
Income tax receivables	(26)	13.1	5.4
Cash and cash equivalents	(30)	801.3	629.4
		1,325.5	**1,053.1**
Non-current assets held for sale	**(49)**	**17.2**	**–**
Total		**11,449.1**	**10,832.4**

Liabilites and equity

€ million	Notes	December 31, 2018	December 31, 2017
Shareholders´ equity			
Issued capital	(31)	923.9	923.9
Capital reserve	(31)	598.5	598.5
Revenue reserves	(31)	2,657.9	2,345.7
Equity attributable to shareholders of Fraport AG	(31)	4,180.3	3,868.1
Non-controlling interests	(32)	187.7	160.6
		4,368.0	**4,028.7**
Non-current liabilities			
Financial liabilities	(33)	4,100.3	3,955.6
Trade accounts payable	(34)	45.5	42.4
Other liabilities	(35)	1,016.7	1,090.1
Deferred tax liabilities	(36)	228.3	203.8
Provisions for pensions and similar obligations	(37)	31.7	34.2
Provisions for income taxes	(38)	74.2	70.3
Other provisions	(39)	160.2	147.2
		5,656.9	**5,543.6**
Current liabilities			
Financial liabilities	(33)	608.3	575.4
Trade accounts payable	(34)	286.5	185.9
Other liabilities	(35)	275.6	249.7
Provisions for income taxes	(38)	43.9	33.1
Other provisions	(39)	201.1	216.0
		1,415.4	**1,260.1**
Liabilities related to assets held for sale	**(49)**	**8.8**	**–**
Total		**11,449.1**	**10,832.4**

Consolidated Statement of Cash Flows

€ million	Notes	2018	2017
Profit attributable to shareholders of Fraport AG		**473.9**	**330.2**
Profit attributable to non-controlling interests		31.8	29.5
Adjustments for			
Taxes on income	(16)	164.7	146.4
Depreciation and amortization	(11)	398.5	360.2
Interest result	(13)	168.4	157.5
Gains/losses from disposals of non-current assets		–26.8	6.9
Others		–21.1	–23.2
Changes in the measurement of companies accounted for using the equity method	(14)	–98.8	–30.9
Changes in inventories	(28)	0.4	8.6
Changes in receivables and financial assets	(25), (29)	–61.8	–4.1
Changes in liabilities	(34 – 35)	39.3	94.0
Changes in provisions	(36 – 39)	–20.5	8.9
Operating activities		**1,048.0**	**1,084.0**
Financial activities			
Interest paid		–127.8	–137.3
Interest received		12.6	12.5
Paid taxes on income		–130.5	–140.5
Cash flow from operating activities	**(42)**	**802.3**	**818.7**
Investments in airport operating projects	(19)	–343.6	–1,607.0
Investments for other intangible assets	(20)	–12.5	–9.0
Capital expenditure for property, plant, and equipment	(21)	–472.4	–287.1
Investments for “Investment property”	(22)	–2.0	–0.2
Investments in companies accounted for using the equity method		–3.8	–3.0
Sale of shares in companies accounted for using the equity method	(2)	109.2	0.0
Dividends from companies accounted for using the equity method	(23)	38.8	3.4
Dividends from other investments		0.8	2.2
Proceeds from disposal of non-current assets		15.7	3.5
Cash flow used in investing activities excluding investments in cash deposits and securities		**–669.8**	**–1,897.2**
Financial investments in securities and promissory note loans	(24)	–103.2	–68.8
Proceeds from disposal of securities and promissory note loans		122.7	182.2
Decrease in time deposits with a term of more than three months	(30)	3.8	151.3
Cash flow used in investing activities	**(42)**	**–646.5**	**–1,632.5**
Dividends paid to shareholders of Fraport AG	(31)	–138.6	–138.5
Dividends paid to non-controlling interests		–7.9	–9.1
Capital increase	(31)	0.0	2.5
Capital contributions for non-controlling interests		0.0	47.1
Cash inflow from long-term financial liabilities	(33)	461.0	1,304.9
Repayment of non-current financial liabilities		–495.5	–356.3
Other financing activities		0.0	48.4
Changes in current financial liabilities		198.9	–19.3
Cash flow used in financing activities	**(42)**	**17.9**	**879.7**
Change in restricted cash		–38.5	–32.5
Change in cash and cash equivalents		**135.2**	**33.4**
Cash and cash equivalents as at January 1		461.0	448.8
Foreign currency translation effects on cash and cash equivalents		2.0	–21.2
Cash and cash equivalents as at December 31	**(30), (42)**	**598.2**	**461.0**

Consolidated Statement of Changes in Equity

€ million	Notes	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		–	–
Remeasurement of defined benefit plans		–	–
Equity instruments measured at fair value		–	–
Debt instruments measured at fair value		–	–
Fair value changes of derivatives		–	–
Other result		**0.0**	**0.0**
Distributions		–	–
Group result		–	–
Consolidation activities/ other changes		–	–
As at December 31, 2018	**(31),(32)**	**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		–	–
Remeasurement of defined benefit plans		–	–
Fair value changes of financial assets available for sale		–	–
Fair value changes of derivatives		–	–
Other result		**0.0**	**0.0**
Issue of shares for employee investment plan		0.3	2.2
Distributions		–	–
Group result		–	–
Transactions with non-controlling interests		–	–
Capital contributions to the Airports of Greece companies		–	–
Consolidation activities/ other changes		–	–
As at December 31, 2017	**(31),(32)**	**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**
–	–21.9	–	–21.9	–21.9	3.5	–18.4
–0.1	–1.4	1.1	–0.4	–0.4	–	–0.4
2.0	–	–	2.0	2.0	–	2.0
–	–	–10.7	–10.7	–10.7	–	–10.7
–	–	–3.9	–3.9	–3.9	–	–3.9
–	–	11.7	11.7	11.7	–0.3	11.4
1.9	**–23.3**	**–1.8**	**–23.2**	**–23.2**	**3.2**	**–20.0**
–138.6	–	–	–138.6	–138.6	–7.9	–146.5
473.9	–	–	473.9	473.9	31.8	505.7
0.1	–	–	0.1	0.1	–	0.1
2,622.9	**–11.9**	**46.9**	**2,657.9**	**4,180.3**	**187.7**	**4,368.0**
2,136.2	**58.9**	**25.3**	**2,220.4**	**3,740.3**	**101.1**	**3,841.4**
–	–39.9	–	–39.9	–39.9	–7.3	–47.2
0.2	–7.6	8.3	0.9	0.9	–	0.9
–0.3	–	–	–0.3	–0.3	–	–0.3
–	–	–1.9	–1.9	–1.9	–	–1.9
–	–	17.0	17.0	17.0	0.3	17.3
–0.1	**–47.5**	**23.4**	**–24.2**	**–24.2**	**–7.0**	**–31.2**
–	–	–	–	2.5	–	2.5
–138.5	–	–	–138.5	–138.5	–9.1	–147.6
330.2	–	–	330.2	330.2	29.5	359.7
–40.9	–	–	–40.9	–40.9	–	–40.9
–	–	–	–	–	47.1	47.1
–1.3	–	–	–1.3	–1.3	–1.0	–2.3
2,285.6	**11.4**	**48.7**	**2,345.7**	**3,868.1**	**160.6**	**4,028.7**

Consolidated Statement of Changes in Non-current Assets
(Note 18 to 22)

€ million	Goodwill	Investments in airport operating projects	Other intangible assets
Acquisition/production costs			
As at January 1, 2018	**132.3**	**2,899.4**	**272.3**
Foreign currency translation effects	0.0	–12.9	1.7
Additions	0.0	370.5	12.5
Disposals	0.0	–46.6	–25.7
Reclassifications	0.0	0.0	5.4
As at December 31, 2018	**132.3**	**3,210.4**	**266.2**
Accumulated depreciation and amortization			
As at January 1, 2018	**113.0**	**278.3**	**139.9**
Foreign currency translation effects	0.0	8.9	0.6
Additions	0.0	78.9	16.3
Disposals	0.0	0.0	–25.1
Reclassifications	0.0	0.0	0.0
As at December 31, 2018	**113.0**	**366.1**	**131.7**
Residual carrying amounts			
As at December 31, 2018	**19.3**	**2,844.3**	**134.5**
Acquisition/production costs			
As at January 1, 2017	**132.3**	**762.6**	**268.7**
Foreign currency translation effects	0.0	–61.1	–5.6
Additions	0.0	2,197.9	9.0
Disposals	0.0	0.0	–5.1
Reclassifications	0.0	0.0	5.3
As at December 31, 2017	**132.3**	**2,899.4**	**272.3**
Accumulated depreciation and amortization			
As at January 1, 2017	**113.0**	**246.5**	**122.0**
Foreign currency translation effects	0.0	–24.4	–2.9
Additions	0.0	56.2	17.0
Impairment losses	0.0	0.0	8.6
Disposals	0.0	0.0	–4.8
As at December 31, 2017	**113.0**	**278.3**	**139.9**
Residual carrying amounts			
As at December 31, 2017	**19.3**	**2,621.1**	**132.4**

Land, land rights, and buildings, including buildings on leased lands	Technical equipment and machinery	Other equipment, operating, and office equipment	Construction in progress	Property, plant, and equipment (total)	Investment property
6,151.7	**3,124.6**	**459.5**	**809.1**	**10,544.9**	**106.6**
0.0	0.0	1.8	0.0	**1.8**	0.0
26.6	66.1	51.6	328.1	**472.4**	2.0
–50.9	–33.2	–16.5	–2.5	**–103.1**	–8.8
34.5	26.1	4.6	–70.9	**–5.7**	0.3
6,161.9	**3,183.6**	**501.0**	**1,063.8**	**10,910.3**	**100.1**
2,750.9	**1,574.5**	**296.9**	**1.1**	**4,623.4**	**10.2**
0.0	0.0	1.2	0.0	**1.2**	0.0
168.9	94.7	38.6	0.0	**302.2**	1.1
–50.6	–32.0	–15.6	0.0	**–98.2**	0.0
–0.3	0.4	–0.1	0.0	0.0	0.0
2,868.9	**1,637.6**	**321.0**	**1.1**	**4,828.6**	**11.3**
3,293.0	**1,546.0**	**180.0**	**1,062.7**	**6,081.7**	**88.8**
6,129.3	**3,115.5**	**453.3**	**700.1**	**10,398.2**	**88.6**
0.0	0.0	–5.5	0.0	**–5.5**	0.0
32.3	50.1	27.8	176.9	**287.1**	0.2
–9.8	–72.8	–20.5	–6.4	**–109.5**	–1.8
–0.1	31.8	4.4	–61.5	**–25.4**	19.6
6,151.7	**3,124.6**	**459.5**	**809.1**	**10,544.9**	**106.6**
2,613.5	**1,547.5**	**281.9**	**1.1**	**4,444.0**	**9.0**
0.0	0.0	–2.7	0.0	**–2.7**	0.0
145.7	94.8	36.7	0.0	**277.2**	1.2
0.0	0.0	0.0	0.0	**0.0**	0.0
–8.3	–67.8	–19.0	0.0	**–95.1**	0.0
2,750.9	**1,574.5**	**296.9**	**1.1**	**4,623.4**	**10.2**
3,400.8	**1,550.1**	**162.6**	**808.0**	**5,921.5**	**96.4**

Segment Reporting
(Note 41)

€ million		Aviation	Retail & Real Estate	Ground Handling	International Activities & Services	Reconciliation	Group
Revenue	2018	1,006.4	507.2	673.8	1,290.9	–	**3,478.3**
	2017	954.1	521.7	641.9	817.1	–	**2,934.8**
Other income	2018	46.8	25.7	12.9	39.0	–	**124.4**
	2017	25.8	21.6	9.6	18.6	–	**75.6**
Income with third parties	**2018**	**1,053.2**	**532.9**	**686.7**	**1,329.9**	**–**	**3,602.7**
	2017	**979.9**	**543.3**	**651.5**	**835.7**	**–**	**3,010.4**
Inter-segment income	2018	81.6	208.7	44.7	397.8	–732.8	**–**
	2017	78.3	207.8	44.9	389.2	–720.2	**–**
Total income	**2018**	**1,134.8**	**741.6**	**731.4**	**1,727.7**	**–732.8**	**3,602.7**
	2017	**1,058.2**	**751.1**	**696.4**	**1,224.9**	**–720.2**	**3,010.4**
Segment result EBIT	**2018**	**138.2**	**302.0**	**0.7**	**289.6**	**–**	**730.5**
	2017	**131.7**	**293.8**	**11.6**	**205.9**	**–**	**643.0**
Depreciation and amortization of segment assets	2018	139.6	88.2	43.7	127.0	–	**398.5**
	2017	117.8	83.7	39.8	118.9	–	**360.2**
EBITDA	**2018**	**277.8**	**390.2**	**44.4**	**416.6**	**–**	**1,129.0**
	2017	**249.5**	**377.5**	**51.4**	**324.8**	**–**	**1,003.2**
Share of result from companies accounted for using the equity method	2018	0.0	–4.9	–8.4	112.1	–	**98.8**
	2017	0.0	–9.7	3.1	37.5	–	**30.9**
Income from investments	2018	0.0	0.0	0.2	0.6	–	**0.8**
	2017	0.0	0.0	0.1	2.1	–	**2.2**
Carrying amounts of segment assets	December 31, 2018	3,827.0	2,294.1	591.6	4,666.6	69.8	**11,449.1**
	December 31, 2017	3,669.0	2,319.6	586.9	4,210.5	46.4	**10,832.4**
Segment liabilities	December 31, 2018	2,571.3	1,419.3	369.3	2,374.8	346.4	**7,081.1**
	December 31, 2017	2,498.2	1,480.6	385.4	2,132.3	307.2	**6,803.7**
Acquisition cost of additions to property, plant, and equipment, investments in airport operating projects, goodwill, intangible assets, and investment property	2018	246.1	118.4	61.4	431.5	–	**857.4**
	2017	156.3	64.9	32.3	2,240.7	–	**2,494.2**
Other considerable non-cash effective expenses	2018	75.6	38.6	8.8	23.8	–	**146.8**
	2017	66.8	44.7	12.4	21.1	–	**145.0**
Investments in companies accounted for using the equity method	December 31, 2018	0.0	20.4	10.7	228.9	–	**260.0**
	December 31, 2017	0.0	23.6	19.3	225.2	–	**268.1**

Geographical information

€ million		Germany	Rest of Europe	Asia	America	Reconcilia-tion	Group
Revenue	2018	2,231.4	546.5	21.7	678.7		**3,478.3**
	2017	2,162.2	356.6	24.9	391.1		**2,934.8**
Other income	2018	121.3	1.4	0.8	0.9		**124.4**
	2017	69.9	4.2	0.2	1.3		**75.6**
Income with third parties	**2018**	**2,352.7**	**547.9**	**22.5**	**679.6**	**–**	**3,602.7**
	2017	**2,232.1**	**360.8**	**25.1**	**392.4**	**–**	**3,010.4**
Carrying amounts of segment assets	December 31, 2018	6,910.6	2,908.0	336.5	1,224.2	69.8	**11,449.1**
	December 31, 2017	6,793.9	2,759.9	334.6	897.6	46.4	**10,832.4**
Acquisition cost of additions to property, plant, and equipment, investments in airport operating projects, intangible assets, and investment property	2018	460.0	179.0	0.0	218.4	–	**857.4**
	2017	282.6	1,780.5	0.0	431.1	–	**2,494.2**

Group Notes for the 2018 Fiscal Year

Notes to the Consolidation and Accounting Policies

1 Basis for the Preparation of the Consolidated Financial Statements

Fraport AG Frankfurt Airport Services Worldwide, Frankfurt/Main (hereinafter: Fraport AG), is a global airport operator and its main business focus is the operation of Frankfurt Main airport, one of Europe's most important air transport hubs. Fraport AG is headquartered at Frankfurt Airport. Fraport AG is registered in the Frankfurt am Main District Court, Department B, under number 7042.

Fraport AG has prepared its consolidated financial statements as at December 31, 2018 in accordance with the standards issued by the International Accounting Standards Board (IASB).

We have applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements and the interpretations about them issued by the International Financial Reporting Committee (IFRS, IC) as adopted in the European Union (EU), in force on the balance sheet date, completely and without any restriction in accounting, measurement, and disclosure in the 2018 consolidated financial statements. Pursuant to Section 315e(1) of the German Commercial Code (HGB), these notes to the financial statements contain the supplementary disclosures according to Sections 313, 314 HGB.

As a capital market-oriented parent company of the Fraport Group, Fraport AG must prepare its consolidated financial statements in accordance with IFRS, pursuant to Regulation (EC) No 1606/2002 of the European Parliament and the Council dated July 19, 2002 (new version dated April 9, 2008) on the application of international accounting standards.

The consolidated income statement is prepared according to the nature of expenditure method.

The consolidated financial statements are prepared in euros (€). All figures are in € million unless stated otherwise.

There is no need to adjust the previous year's figures.

The business activities and the organization of the Fraport Group are presented in the management report.

The consolidated financial statements of Fraport AG for the 2018 fiscal year were approved for publication by the Executive Board on February 26, 2019. The Supervisory Board approved the consolidated financial statements in its meeting on March 14, 2019.

2 Companies included in the Consolidation and Balance Sheet Date

Companies included in the consolidation and balance sheet date
Fraport AG and all subsidiaries are included in the consolidated financial statements in full. Joint ventures and associated companies are accounted for in the consolidated financial statements using the equity method.

Companies controlled by Fraport AG are considered to be subsidiaries. A company is controlled by Fraport AG if Fraport AG holds decision-making power on the basis of voting or other rights allowing it to determine the significant activities of the affiliated company, participates in positive or negative variable returns from the affiliated company, and is able to affect these returns through its decision-making power.

Inclusion in the consolidated financial statements commences on the date when control is obtained.

A joint arrangement applies if the Fraport Group makes joint decisions on operations on the basis of a contractual agreement with third parties. Joint management is exercised if decisions on significant activities require the unanimous agreement of all parties. A joint arrangement is either a joint operation or a joint venture.

For all joint arrangements in the Fraport Group, the partners have a share in the net assets of a jointly managed, legally independent company; these are therefore joint ventures.

Associated companies are Fraport investments in which Fraport AG is able to exercise major influence on financial and business policies.

The annual financial statements of the companies included in the consolidated financial statements are prepared on the basis of shared accounting and valuation principles.

The fiscal year of Fraport AG and all consolidated companies is the calendar year.

The consolidated financial statements of Fraport AG are dominated by the parent company. The companies included in the consolidated financial statements changed as follows during the 2018 fiscal year:

Companies included in consolidation

	Germany	Other countries	Total
Fraport AG	**1**	**0**	**1**
Fully consolidated subsidiaries			
December 31, 2017	26	27	53
Additions	2	1	3
Disposals	–1	0	–1
December 31, 2018	**27**	**28**	**55**
Companies accounted for using the equity method			
Joint ventures			
December 31, 2017	10	4	14
Additions	0	0	0
Disposals	0	–1	–1
December 31, 2018	**10**	**3**	**13**
Associated companies			
December 31, 2017	4	2	6
Additions	0	0	0
Disposals	–1	0	–1
December 31, 2018	**3**	**2**	**5**
Companies consolidated including companies accounted for using the equity method on December 31, 2017	41	33	74
Companies consolidated including companies accounted for using the equity method on December 31, 2018	**41**	**33**	**74**

Additions to the fully consolidated Group companies are the companies FraSec Fraport Security Services K9 TEDD GmbH Twickelerveld European Detection Dogs, Frankfurt am Main, Fraport Brasil Holding GmbH, Frankfurt am Main, and Fraport Tennessee Inc., Nashville, TN, USA. The disposals are the Group company Flughafen Parken GmbH, Munich, the joint ventures Fraport TAV Antalya Havalimani Isletme A.S., Antalya, and the associated company Flughafen Hannover-Langenhagen GmbH, Hanover.

On July 16, 2018, the Group company FraSec Fraport Security Services GmbH, Frankfurt am Main, established FraSec Fraport Security Services K9 TEDD GmbH Twickelerveld European Detection Dogs for the purpose of providing services in the area of aviation security.

In August 2018, Fraport USA Inc., Pittsburgh, PA, USA, was awarded the contract for the management and further development of the concession areas at Nashville International Airport. The business activities will be taken over by the newly formed company Fraport Tennessee Inc., Nashville, TN, USA.

On October 23, 2018, Fraport AG founded Fraport Brasil Holding GmbH, Frankfurt am Main. The object of the company is the acquisition, management, financing, and consultation in relation to investments in Brazil.

The newly founded companies were not yet active in the 2018 fiscal year. Therefore, the first-time recognition in the Fraport Group consolidated financial statements has not had a significant impact on the asset, financial, and earnings position.

At the start of the year, five additional airports took equal shares in Flughafen Parken GmbH. The disposal and deconsolidation of the company has had no material effect on the Group consolidated financial statements.

Effective October 9, 2018, Fraport AG sold its capital shares in Flughafen Hannover-Langenhagen GmbH at a price of €109.2 million. An operating income of €25.0 million resulted from the sale. In addition, the write-up of the impairment accounted for according to the equity method in the amount of €59.7 million had a positive influence on the financial result. The reclassification of the cash flow hedge reserves in the amount of –€1.1 million recorded as part of the valuation according to the equity method without affecting profit or loss was attributed to the financial result.

On December 28, 2018, the company Fraport TAV Antalya Havalimani Isletme A.S. was merged into Fraport TAV Antalya Terminal Havalimani Isletmeciligi A.S. to create a more simplified corporate structure as well as to reduce the income distribution process. This corporate restructuring has had no effect on the consolidated financial statements.

Fraport AG holds a 52% capital share of the company N*ICE Aircraft Services & Support GmbH, Frankfurt am Main. The company is included in the consolidated financial statements as a joint venture according to the equity method due to contractually agreed joint management.

Operational services GmbH & Co. KG, Frankfurt/Main, in which Fraport holds 50% of the shares, is recognized according to the equity method as an associated company based on the contractual arrangements.

The full list of the shareholding pursuant to Section 313 (2) HGB is shown under note 56 of the Notes to the consolidated financial statements.

Disclosure of interests in subsidiaries

The following table shows the summarized financial information for the Group companies Lima Airport Partners S.R.L, Fraport Twin Star Airport Management AD, and the two Greek companies, Fraport Regional Airports of Greece A S.A. (hereinafter Fraport Greece A) and Fraport Regional Airports of Greece B S.A. (hereinafter Fraport Greece B). The Fraport Group holds substantial non-controlling interests in these companies. Lima Airport Partners S.R.L., Lima, operates Lima International Airport in Peru. Fraport Twin Star Airport Management AD, Varna, operates Varna and Burgas airports in Bulgaria. The two Group companies in Greece, Fraport Regional Airports of Greece A S.A., Athens, and Fraport Regional Airports of Greece B S.A., Athens, each operate seven airports in Greece. Further information on the companies is contained in note 48.

Disclosure of interests in subsidiaries

€ million	Fraport Regional Airports of Greece A S.A.		Fraport Regional Airports of Greece B S.A.		Lima Airport Partners S.R.L.		Fraport Twin Star Airport Management AD	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Participation quota of non-controlling interests in %	**26.60**	**26.60**	**26.60**	**26.60**	**29.99**	**29.99**	**40.00**	**40.00**
Non-current assets	936.7	882.7	949.0	902.9	390.7	354.1	186.3	190.2
Current assets	126.0	100.8	102.0	88.4	175.0	111.5	20.6	22.4
Non-current liabilities	875.7	857.6	868.6	832.9	193.1	186.7	77.7	79.3
Current liabilities	90.5	40.3	74.0	38.7	88.2	69.8	18.6	28.8
Shareholders' equity/net assets	**96.5**	**85.6**	**108.4**	**119.7**	**284.4**	**209.1**	**110.6**	**104.5**
Carrying amount, non-controlling interests	25.7	22.8	28.8	31.8	85.3	62.7	44.2	41.8

	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	231.0	129.7	183.8	105.2	358.3	325.6	74.0	67.5
EBITDA	87.0	67.2	57.1	50.2	119.6	120.0	42.0	39.6
Result after taxes	11.5	13.3	–10.8	1.1	69.6	54.4	23.2	20.8
Other result	0.2	0.8	0.1	0.5	0.0	0.0	–0.2	0.0
Currency translation differences	0.0	0.0	0.0	0.0	11.7	–24.5	0.0	0.0
Comprehensive income	**11.7**	**14.1**	**–10.7**	**1.6**	**81.3**	**29.9**	**23.2**	**20.8**
Proportion of non-controlling interests in comprehensive income	3.1	3.8	–2.8	0.4	24.4	9.0	9.3	8.3
Cash flow from operating activities	51.5	62.7	35.5	54.4	115.9	91.8	49.3	43.6
Cash flow used in investing activities	–53.1	–651.7	–47.8	–663.8	–63.8	–34.9	–21.7	–21.7
thereof investments in airport operating projects	–8.3	–609.0	–8.5	–625.0	–15.2	–15.6	–13.7	–12.5
thereof in infrastructure	–44.8	–42.7	–39.3	–38.8	–48.6	–19.3	–8.0	–9.2
Cash flow used in financing activities	15.9	662.9	17.4	676.7	6.1	–98.5	–29.3	–26.2
Change in cash and cash equivalents	**14.3**	**73.9**	**5.1**	**67.3**	**58.2**	**–41.6**	**–1.7**	**–4.3**
Cash and cash equivalents as at January 1	46.3	2.1	43.4	2.2	95.5	155.6	17.8	22.1
Changes in restricted cash	–9.7	–29.7	–4.1	–26.1	0.0	0.0	0.0	0.0
Foreign currency translation effects on cash and cash equivalents	0.0	0.0	0.0	0.0	4.5	–18.5	0.0	0.0
Cash and cash equivalents as at December 31	50.9	46.3	44.4	43.4	158.2	95.5	16.1	17.8
Dividends to non-controlling interests	0.0	0.0	0.0	0.0	0.0	2.5	6.8	5.6

All subsidiaries are fully consolidated in the Fraport consolidated financial statements. The capital shares in the subsidiaries directly held by Fraport AG as a parent company do not differ from the proportion of voting rights held. There are no preferred shares in the subsidiaries.

3 Consolidation Principles

Capital consolidation of all business combinations follows the purchase method.

All identifiable acquired assets and the acquired liabilities, including contingent liabilities, are recorded at fair value on the acquisition date. The acquisition costs for company acquisitions correspond to the fair value of the transferred assets and liabilities. Incidental acquisition costs are recorded as expenses as they are incurred. Conditional purchase price payments are recorded at fair value on the acquisition date. Subsequent changes in the fair value of a conditional consideration, which is deemed to be an asset or a liability, will be recognized either through profit or loss or as a change in other income. Non-controlling interests are valued at fair value or the corresponding proportion of the identifiable net assets of the acquired company. In the case of step-by-step company acquisitions, the shares already held in the acquired company are revalued through profit or loss at fair value on the date that control is obtained.

Goodwill is recorded insofar as the sum of the consideration that is transferred, the amount of all non-controlling interests in the acquired company and any equity that was previously held and revalued on the acquisition date is higher than the balance of the acquired and revalued identifiable assets and the revalued acquired liabilities. If the comparison results in a lower amount, a net income on acquisition at a price below the fair value is recorded after the assigned values are reviewed.

Joint ventures and associated companies are accounted for in the consolidated financial statements using the equity method. Initial measurements of companies accounted for using the equity method are carried out at fair value at the time of acquisition, similarly to capital consolidation for subsidiaries. Subsequent changes in the shareholders' equity and the updating of the difference from initial valuation change the amount accounted for at equity.

Intercompany profits and losses on trade accounts payable between companies included in the consolidated financial statements were minimal.

Loans, accounts receivable, and liabilities, contingencies and other contingent liabilities between companies included in the consolidated financial statements, internal expenses, and income, as well as income from Group investments are eliminated.

Currency translation

Annual financial statements of companies outside Germany denominated in foreign currencies are translated on the basis of the functional currency concept in accordance with IAS 21. The assets and liabilities of the consolidated companies are translated at the exchange rate on the balance sheet date and shareholders' equity at the historical exchange rate, whereas, for the purpose of simplification, the expenses and income are translated at average exchange rates, since the companies are financially, economically, and organizationally independent. Foreign currency translation differences are included directly in equity without affecting profit or loss.

The following material exchange rates were used for the currency translation:

Exchange rates

Unit/Currency in €	Exchange rate December 31, 2018	Average exchange rate 2018	Exchange rate December 31, 2017	Average exchange rate 2017
1 US Dollar (US-$)	0.8733	0.8468	0.8342	0.8852
1 Turkish New Lira (TRY)	0.1651	0.1752	0.2205	0.2427
1 Renminbi Yuan (CNY)	0.1270	0.1281	0.1280	0.1311
1 Hong Kong Dollar (HKD)	0.1115	0.1080	0.1067	0.1136
1 Peruvian Nuevo Sol (PEN)	0.2584	0.2577	0.2576	0.2715
100 Russian Rubles (RUB)	1.2529	1.3506	1.4423	1.5166
1 Brazilian Real (BRL)	0.2250	0.2321	0.2518	0.2774

Business transactions in foreign currencies are accounted at the exchange rate on the date of the business transaction. Measurement of the resulting assets and liabilities that are nominally bound in the foreign currency as at the balance sheet date takes place at the exchange rate as at the balance sheet date. Translation differences are generally recorded through profit or loss.

4 Accounting Principles

Uniform accounting measurement policies

The financial statements of the Fraport Group are based on accounting and measurement policies that are applied consistently throughout the Group.

The consolidated financial statements are drafted on the basis of historic acquisition and production costs. Particular exceptions include financial assets available for sale and derivative financial instruments.

The following overview contains a summary of the valuation methods for items in the statement of financial position.

Measurement policies by financial position item

Financial position item	Measurement policy
Assets	
Goodwill	Accumulated impairment (IAS 36)
Investments in airport operating projects	Amortized costs
Other intangible assets with determinable useful lives	Amortized costs
Property, plant, and equipment	Amortized costs
Investment property	Amortized costs
Other financial assets	According to IFRS 9 (Note 40)
Trade accounts receivable	According to IFRS 9 (Note 40)
Other receivables and financial assets	
Short-term securities	According to IFRS 9 (Note 40)
Others	According to IFRS 9 (Note 40)
Inventories	Lower of acquisition or production cost and net realizable value
Cash and cash equivalents	Nominal value
Derivative financial instruments	According to IFRS 9 (Note 40)
Liabilities	
Financial liabilities	According to IFRS 9 (Note 40)
Trade accounts payable	According to IFRS 9 (Note 40)
Other liabilities	Amortized costs
Provisions for pensions and similar obligations	Projected unit credit method
Other provisions	Present value or amount required to settle the obligation
Derivative financial instruments	According to IFRS 9 (Note 40)

Recognition of income and expenses

According to IFRS 15, revenue from contracts with customers must be recognized in the amount for which the company has fulfilled its performance obligation and the customer has received the authority to dispose of the agreed goods and services. The timing and amount of the revenue to be recognized is determined according to the following five-step process:

> Identification of the contract/s with a customer,
> Identification of the independent performance obligations,
> Determination of the transaction price,
> Distribution of the transaction price to the individual performance obligations,
> Revenue recognition upon fulfillment of the performance obligations.

Income and expenses from the same transactions and/or events are recognized in the same period.

In the Fraport Group, revenue is divided into the following types:

The Aviation segment includes, in particular, revenue from airport charges, which are based on a regulation approved by HMWEVW (see note 48), as well as from security services at the Frankfurt site. The airport charges are for the takeoffs, landings (including noise and emission), and parking of aircraft as well as for the use of passenger facilities. Security services refer to services for passenger, baggage, and cargo inspections on behalf of the German Federal Ministry of the Interior (BMI). Revenue in the Aviation segment is usually generated within one day and recognized accordingly.

In the Retail & Real Estate segment, revenue is divided into the areas of real estate, retail, and parking.
Real estate revenue relates to leasing of buildings at Frankfurt Airport. In addition, Fraport AG offers various services in the area of real estate management for third parties. These range from the development and marketing of real estate management to energy management.
Revenue in the retail sector is divided into the categories of shopping, advertising, and services and primarily results from revenue from the rental of retail and service areas as well as the marketing of advertising space.
The area of parking includes, in particular, revenue from the leasing of parking spaces at various parking facilities. As a general rule, revenue from leasing and all other services is recognized using the straight-line method over the term of the lease or for a fixed term. In contrast, for disposals of real estate inventories, revenue is recognized at the time of transfer of control to the buyer.

In the Ground Handling segment, revenue is divided into the areas of ground services and charges for infrastructure. The apron services are responsible for carrying out loading and transport services. This includes, among other things, the transportation of passengers, baggage, and cargo as well as the loading and unloading of aircraft. In addition, the handling of freight includes, among other things, the landside processing of air freight and mail as well as freight documentation. The infrastructure charges include, in particular, charges for providing the central infrastructure, such as the central baggage transfer system, at the Frankfurt site.
Revenue in the Ground Handling segment is usually generated within one day and recognized accordingly.

The International Activities & Services segment includes the operation, maintenance, development, and expansion of airports and infrastructure facilities in Germany and abroad. These services also encompass consulting services and customized solutions to the challenges of airport management (so-called ORAT services – operational readiness and airport transfer). The services of the foreign investments essentially correspond to those described for the Aviation, Retail & Real Estate, and Ground Handling segments. In addition, revenue in the segment includes contract revenue from construction and expansion services related to airport operating projects abroad which are being carried out in line with the respective progress in each construction project. The accounting treatment follows IFRIC 12.

In general, the payment terms are set depending on the type of revenue. The payment terms are typically between 0 and 40 days.

Interest income is recorded using the effective interest rate method.

Goodwill
After the initial recognition of goodwill acquired in the course of a business merger, it is measured at acquisition costs less any cumulative impairment losses.

For the purpose of impairment testing, goodwill acquired in the course of a business merger is assigned to the cash-generating units of the Group since the acquisition date. Goodwill impairment testing is performed by comparing the recoverable amount of a cash-generating unit to its carrying amount, including goodwill. The recoverable amount corresponds to the higher amount of the fair value less costs to sell and the value in use. Essentially, in the Fraport Group the value in use based on a company valuation model (discounted cash flow method) is used to calculate the recoverable amount. All goodwill items are tested for impairment at least once a year in December in accordance with IAS 36.88 – 99. In the event of an impairment, an impairment loss is recognized. Goodwill is not written up when the reasons for impairment are eliminated. Goodwill is not subject to regular depreciation and amortization.

Investments in airport operating projects
To allow for better transparency, investments in airport operating projects are presented separately. These consist of concessions for the operation of airports in Greece, Varna and Burgas (Bulgaria), Lima (Peru), and Fortaleza and Porto Alegre (Brazil) acquired within the scope of service concession agreements (see also note 48). The concession agreements for the operation of the airports fall under the application of IFRIC 12.17 and are recognized according to the intangible asset model, since Fraport receives the right in each case to impose a charge on airport users in exchange for the obligation to pay concession fees and provide construction and expansion services. The contractual obligations to pay concession fees that are not variable, but contractually fixed in amount, are recorded as financial liabilities. These liabilities are initially recognized at fair value using a risk-adjusted discount rate. Airport operation rights received as consideration are recorded as intangible assets at the same amount and reported under investments in airport operating projects. The rights received as consideration for construction and expansion services are recognized at the cost of production for the period in which the production costs are incurred. Revenue and expenses from construction and expansion services are generally recorded pursuant to IFRIC 12.14 and in accordance with IFRS 15. Borrowing costs are capitalized as part of the costs of acquisition if the requirements (see “Borrowing costs”) are fulfilled. Provisions for maintenance measures are formed if maintenance obligations of specified amounts arise from the concession agreements. Costs for ongoing, scheduled maintenance measures are therefore recognized as current expenses of the period.

The recognized financial liabilities are subsequently measured at amortized cost using the effective interest method. Subsequent measurement of the capitalized rights is at the cost of acquisition or production less cumulative regular depreciation and amortization over the term of the concessions.

Impairment losses are recognized in accordance with IAS 36, where necessary.

Other intangible assets

Acquired intangible assets (IAS 38) are recognized at acquisition cost. Their useful life is limited. They are amortized over their useful lives using straight-line depreciation and amortization. Where necessary, impairment losses are recognized in accordance with IAS 36. If the recoverable amount of the asset later exceeds the carrying amount after an impairment loss has been recognized, the asset is written up to a maximum of the recoverable amount. The write-up through profit or loss is limited to the amortized carrying amount that would have resulted if no impairment losses had been recognized in the past.

Development costs for internally generated intangible assets are capitalized at manufacturing cost when it is probable that the manufacture of these assets will generate future economic benefits for the company and the costs can be measured reliably. The manufacturing costs cover all costs directly attributable to the manufacturing process. If the conditions for capitalization are not met, the expenses are recognized in the income statement in the year in which they are incurred. Internally generated intangible assets are amortized over their useful lives using the straight-line method.

Borrowing costs of other intangible assets that constitute qualifying assets are recognized (see “Borrowing costs”).

Property, plant, and equipment

Property, plant, and equipment (IAS 16) are recognized at the cost of acquisition or production less straight-line depreciation and amortization and any impairment losses pursuant to IAS 36, where applicable. If the recoverable amount of the asset later exceeds the carrying amount after an impairment loss has been recognized pursuant to IAS 36, the asset is written up to a maximum of the recoverable amount. The write-up through profit or loss is limited to the amortized carrying amount that would have resulted if no impairment loss had been recognized in the past. Subsequent acquisition costs are capitalized. Production costs essentially include all direct costs including appropriate overheads. Borrowing costs of property, plant, and equipment that constitute qualifying assets are recognized (see “Borrowing costs”).

Each part of an item of property, plant, and equipment with an acquisition cost that is significant in relation to the total value of the item is measured and depreciated separately with regard to its useful life and the appropriate depreciation method.

Government grants and third-party grants related to assets are included in liabilities and are released straight-line over the useful life of the asset for which the grant has been given. Grants related to income are included as other operating income through profit or loss (IAS 20).

Investment property

Investment property (IAS 40) includes property held to earn long-term lease revenue or capital appreciation, which is not owner-occupied; it also consists of land held for a currently undetermined future use.

If land as yet held for an undetermined use is now defined as being held for sale and development has begun, it is transferred to inventories; if it is intended for owner-occupation, it is transferred to property, plant, and equipment.

Investment property is measured initially at the cost of acquisition or production. Subsequent measurement is at the cost of acquisition or production less regular straight-line depreciation and amortization and impairment losses according to IAS 36 where applicable. Borrowing costs of investment properties that constitute qualifying assets are capitalized (see “Borrowing costs”).

Borrowing costs

Borrowing costs (IAS 23) that relate to the acquisition, construction, or production of a qualifying asset are required to be capitalized as part of the acquisition/production cost of such assets. Due to the scope of Fraport's capital expenditure, qualifying assets are determined on the basis of planned investment measures. If the volume of the planned measures at Fraport AG exceeds €25 million and if the construction period is more than one year, all assets produced as part of the measure are recognized as qualifying assets. Interest, financing charges in respect of finance leases, and currency differences are included in borrowing costs to the extent that they are regarded as an adjustment to interest costs. Each Group company defines its own individual criteria for what constitutes the presence of qualifying assets.

Regular depreciation and amortization

Regular depreciation and amortization is carried out on the basis of estimated useful technical and economic life. It takes place fundamentally on a Group-wide basis according to the straight-line method. The data on expected useful life also includes the useful lifespans of individual components.

The following useful lifespans are taken as a basis:

Regular depreciation and amortization

In years	
Investments in airport operating projects	25 – 50
Other concession and operator rights	10 – 39
Software and other intangible assets	1 – 30
Buildings (structural sections)	7 – 80
Technical buildings	20 – 40
Building equipment	7 – 38
Ground equipment	5 – 99
Flight operating areas	
Takeoff/landing runways	7 – 99
Aprons	20 – 99
Taxiway bridges	80
Taxiways	20 – 99
Other technical equipment and machinery	3 – 33
Vehicles (including special vehicles)	4 – 25
Other equipment, operating, and office equipment	1 – 25

The expected useful life of investment property corresponds to the expected useful life of the property, which is part of property, plant, and equipment.

Impairment losses pursuant to IAS 36

Impairment losses on assets are recognized pursuant to IAS 36. Assets are tested for impairment if there are indications of an impairment loss. An impairment test is carried out annually for existing goodwill. Impairment losses are recorded if the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the present value of the estimated future cash inflows and outflows from the use and subsequent disposal of the asset.

Since it is not generally possible in the Fraport Group to allocate cash flows to individual assets, cash-generating units are formed and the existing goodwill is allocated to them. A cash-generating unit is defined as the smallest identifiable group of assets that generates separate cash inflows and outflows.

Regardless of indicators for possible impairment losses, assets are subject to an annual impairment test pursuant to IAS 36.

Generally, the value in use is calculated as the recoverable amount. The value in use is determined by the entity through application of the discounted cash flow method.

Determination of the future cash flows of the cash-generating units is based on the planning figures. The value in use is generally determined based on the future cash flows estimated on the basis of the current planning figures for the years between 2019 to 2023 as approved by the Executive Board and in effect at the time the impairment tests are made (in December of the year under review), and on the basis of the current long-term plans up to 2030 or over the respective contractual periods in the case of investments in airport operating projects and other concession and operator rights. These forecasts are based on past experience and the expected market performance. A growth rate of between 1.0% and 2.0% (previous year: 1.0% to 2.0%) based on the planning assumptions is taken into account in the perpetual annuity. The discount factor was a country-specific, weighted average cost of capital (WACC) after taxes of between 4.5% and 12.6% (previous year: 4.1% to 11.93%).

Leases

Agreements that transfer the right to use a specific asset for a specified period of time in exchange for compensation are deemed to be leases. Fraport is both a lessor and a lessee. A decision as to whether economic ownership is assigned to the lessor (operating lease) or the lessee (finance lease) is made based on which party bears the opportunities and risks associated with the respective leased asset.

Finance lease

If economic ownership can be attributed to the Fraport Group as lessee, the lease is capitalized at the inception of the lease at the present value of the minimum lease payments plus any incidental costs that are paid or at the fair value of the lease object if this value is lower. This asset is depreciated straight-line over its useful life or the lease term, if this is shorter. Impairment losses are recorded against the carrying amount of the capitalized leased asset. If economic ownership cannot be attributed to the Fraport Group as the lessor, a receivable equivalent to the present value of the lease payments is recognized.

Operating lease

If economic ownership of the leased assets remains with the lessor and Fraport AG assumes the role of the lessee, lease payments are recognized on a straight-line basis over the lease term. If Fraport assumes the role of the lessor, leased assets are capitalized at the cost of acquisition or production and regularly depreciated and amortized on a straight-line basis. Lease revenue is generally recognized on a linear straight-line over the lease term.

Investments in companies accounted for using the equity method

Investments in joint ventures and associated companies are recognized at the pro rata share of equity, including goodwill. Impairment losses are recorded if the recoverable amount is lower than the carrying amount. The investments are tested for impairment annually.

Other financial assets

Other financial assets include securities, loans with a remaining term of more than one year, and other investments. Other financial assets are recognized at fair value on the settlement date, i.e. at the time the asset is created or transferred, plus transaction costs. Non-current low-interest or interest-free loans are recognized at their present value. The recognition and subsequent valuation is based on the cash flow characteristics and of the business models according to which they are managed.

A classification at amortized acquisition costs occurs when both of the following conditions are met:

> The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

> The contractual terms and conditions lead to cash flows that only represent solely payments of principal and interest.

The loans are valued at amortized acquisition costs using the effective interest method.

The valuation as fair value other comprehensive income with recycling (FVOCI with recycling) is applied if the following conditions are met:

> The financial asset is held within a business model whose objective is to achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets, and

> The contractual terms and conditions lead to cash flows that only represent solely payments of principal and interest.

FVOCI with Recycling applied to long-term securities. Value changes are recognized in shareholders' equity, and if there is an early sale, profit or loss from shareholders' equity are recycled with an effect on the income statement.

For other investments, the FVOCI option was exercised for strategic reasons. The fair value changes are recorded under other result. The profit and loss recorded in other result are not recycled with an effect on the income statement and no impairment losses are recognized in the income statement (FVOCI without recycling).

When deciding whether a contractual amendment leads to a disposal of a financial asset, quantitative and qualitative criteria are taken into account..

Under IAS 39, the long-term securities and other investments were classified as "available for sale", the other loans as loans and receivables.

Trade accounts receivable and other receivables and financial assets
Trade accounts receivable and other receivables and financial assets are recognized on the settlement date, i.e. at the time the asset is created or economic ownership is transferred, at fair value plus transaction costs.

Other receivables and financial assets, receivables from banks, other financial and non-financial receivables, and marketable securities have a remaining term of less than one year.

Trade accounts receivable, accounts receivable from banks, and all other financial receivables with fixed or ascertainable payments are held to "collect cash flows" and have "cash flows that are solely payments of principal and interest". Subsequent measurement is carried out at amortized cost of acquisition, based on the effective interest method. Receivables in foreign currencies are translated at the exchange rate on the balance sheet date.

Short-term securities are held to generate cash flows as well as for disposals and cash flows are solely payments of principal and interest. The measurement of debt instruments takes place at fair value and the value changes are recognized in shareholders' equity. If there is an early sale, profit or loss from shareholders' equity is recycled with an effect on the income statement (FVOCI). Securities comprise debt instruments.

In the previous year, trade accounts receivable were categorized under IAS 39 as loans and receivables as well as other receivables and financial assets. Short-term securities were allocated to the "available for sale" category.

Impairment losses of financial assets

In general, impairment losses are recognized through profit or loss by directly reducing the carrying amount of the financial asset.

The impairment provisions are applied to the following assets:

> financial assets in the form of debt instruments that are measured at amortized costs, such as trade accounts receivables, loans to associated companies and bank balances and deposits

> financial assets in the form of debt instruments that are measured at fair value without affecting profit or loss

On each balance sheet date, the carrying amounts of the aforementioned financial assets that are measured at amortized costs or at the fair value without affecting profit or loss are assessed to see whether there is any objective evidence (such as considerable financial difficulties of the debtor, high probability of insolvency proceedings against the debtor, or a permanent decline of the fair value below amortized cost) that the asset may be impaired. The assessment takes place by considering forward-looking, macro-economic information on whether the credit risk has significantly increased (or decreased). The assessment of whether there is a significant increase or decrease in credit risk is relevant for whether loan defaults must be calculated over the next 12 months or over the entire term. The assessment is carried out on the basis of the change in credit risk during the expected term of the financial instrument.

For trade accounts receivable, a risk provision is recorded on a collective basis in the amount of the expected payment defaults over the entire term of the receivables. The determination of the expected payment defaults are based on historical information on payment defaults and qualitative insights into possible future defaults.

The available probability of default of the respective counterparty, taking into account insolvency rates, taken from external sources, are used to calculate the expected credit loss for financial assets in the general approach for securities.

A risk provision is calculated taking into account the general materiality guidelines according to IAS 1. Changes are recognized in the amount of the required risk provisions as a write-up or impairment.

If an already impaired receivable is individually designated as non-recoverable, the asset is derecognized.

Inventories

Inventories include work-in-process, raw materials, consumables, supplies, and property held for sale within the ordinary course of business.

Work-in-process, raw materials, consumables, and supplies are measured at the lower of acquisition or production cost or net realizable value. Acquisition or production costs are generally calculated using the average cost method. Production costs include direct costs and adequate overheads.

Property held for sale within the ordinary course of business is also measured at the lower of acquisition or production cost or net realizable value.

The subsequent production cost required for land development is estimated for the entire marketable land area on the basis of specific cost unit rates for individual development measures. Depending on the land sales recognized in the respective year under review, the development costs are allocated on a pro rata basis to the remaining land area to be sold. Net realizable value is the estimated selling price less the costs incurred until the time of sale, and discounted over the planned selling period.

External reports on the fair value of the land being sold, as well as information about previous land sales, form the basis for the calculation of the estimated selling price.

Where the inventories constitute qualifying assets, the borrowing costs are capitalized.

If a write-down made in previous periods is no longer necessary, a write-up is recognized.

Cash and cash equivalents

Cash and cash equivalents basically include cash, cash accounts, and short-term cash deposits (including restricted cash) with banks maturing in three months or less. Cash deposits with banks with a maturity of more than three months from the time of acquisition are recorded in this item if their values do not fluctuate significantly and they can be liquidated at any time without deduction for risk. Cash and cash equivalents are recognized at nominal value. Cash in foreign currencies is translated at the exchange rate on the balance sheet date.

Non-current assets held for sale

Non-current assets held for sale are recognized at either the carrying amount or at fair value less costs to sell, whichever is the lower amount.

Accounting of taxes on income

Taxes on income are recognized using the liability method pursuant to IAS 12. All tax expenses and refunds directly related to income are recorded as taxes on income. These also include withholding taxes and penalties. Interest accrued based on subsequently assessed taxes are recorded as an interest expense.

Current taxes are recognized on the date when the liability for taxes on income is incurred.

Deferred taxes are recognized pursuant to IAS 12 using the liability method based on temporary differences on a case by case basis. Deferred taxes are recognized for temporary differences between the IFRS and tax financial positions of the single entities, and differences arising from unused, utilizable loss and interest carry-forwards and consolidation transactions. The recognition of goodwill that is not deductible for tax purposes does not lead to deferred taxes.

If the carrying amount of an asset in the IFRS financial position exceeds its tax base (e.g. non-current assets depreciated on a straight-line basis), and if the difference is temporary, a deferred tax liability is recognized. Pursuant to the IFRS, deferred tax assets are recognized from financial position differences and for carry-forwards of unused tax losses, to the extent that it is probable that taxable profit will be available, against which the unused tax losses and unused tax credits can be utilized.

Deferred taxes are calculated at future tax rates insofar as these have already been legally established and/or the legislative process is largely completed. Changes in deferred taxes on the financial position generally lead to deferred tax income or expense. When transactions resulting in a change to deferred taxes are recorded directly in shareholders' equity without affecting profit or loss, the change to deferred taxes is also included directly in shareholders' equity without affecting profit or loss.

No deferred tax liabilities are recognized for temporary differences in connection with shares in subsidiaries if Fraport can control the timing of the reversal and it is not expected that these differences will reverse in the foreseeable future.

Provisions for pensions and similar obligations

The provisions for pensions relate to defined benefit plans and have been calculated in accordance with IAS 19 under the application of actuarial methods and an interest rate of 1.80% (previous year: 1.60%). For the calculation of the interest expense from the defined benefit plans and the income from plan assets, the same interest rate is used as a basis.

Re-measurements resulting from the change in the interest rate or from the difference between actual and computed income from plan assets, for example, are recognized in other comprehensive income (OCI) as non-reclassifiable.

The present value of the defined benefit obligation (DBO) is calculated annually by an independent actuary using the projected unit credit method. The calculation takes place by discounting the future estimated cash outflows with the interest rate from industry bonds of the highest creditworthiness. The industry bonds are denominated in the currency of the distribution amounts and show the relevant maturities of the pension obligations. If benefit claims from the defined benefit plans are covered by plan assets in the form of reinsurance, the fair value of the plan assets is netted with the DBO. Benefit claims that are not covered by plan assets are recognized as pension provisions.

As in the previous year, the calculations did not include salary increases for the active members of the Executive Board. For former members of the Executive Board retirement pensions are valued in accordance with the Act on Adjustments to Compensation and Retirement in Hesse as amended. The calculation of provisions for pensions was based on the 2018G mortality tables by Professor Heubeck (previous year 2005G).

The service cost and net interest are recognized in personnel expenses.

With regard to the description of the various plans, see note 37.

Provisions for taxes

Provisions for current taxes are recognized for tax expected to be payable in the year under review and/or previous years taking into account anticipated risks.

Other provisions

Provisions represent liabilities that are uncertain with regard to amount and/or maturity. Other provisions are recognized in the amount required to settle the obligations. The amount recognized represents the most probable value.

Provisions are recognized to the extent that there is a current commitment to third parties. In addition, they must be the result of a past event, lead to a future cash outflow, and more likely than not be needed to settle the obligation (IAS 37).

Refund claims toward third parties are capitalized separately from the provisions as “other receivables”, provided that their realization is virtually certain.

Non-current provisions with terms of more than one year are discounted at a capital market interest rate with a matching maturity, taking future cost increases into account, provided that the interest effect is material. This especially applies to the provisions for passive noise abatement, which are discounted over a period until 2023 and according to the expected cash outflow dates of matching interest rates from –0.5% up to 0.0% (previous year: from –0.6 up to 0.2%).

The provision for partial retirement is recognized pursuant to IAS 19. The recognition of the liability from step-ups starts at the time when Fraport can legally and factually no longer withdraw from the liability. The step-up amounts are added to the liability in installments until the end of the active phase on a pro rata basis. The utilization begins with the passive phase.

Contingent liabilities

Contingent liabilities are possible liabilities that are based on past events, and the existence of which is only confirmed by the occurrence of one or more indeterminate future events that are nonetheless beyond Fraport’s control. Furthermore, current obligations may constitute contingent liabilities if the probability of the outflow of resources is not sufficient for a liability to be recognized, or if the extent of the liability cannot be reliably estimated. Contingent liabilities are not recorded in the financial position, but rather shown in the notes.

Liabilities

Financial liabilities, trade accounts payable, and other liabilities are recorded at their fair value upon initial recognition. For current liabilities, this corresponds generally to the nominal value. Non-current low-interest or non-interest-bearing liabilities are carried at their present value at the time of addition less the transaction costs. Liabilities in foreign currencies are translated at the exchange rate on the balance sheet date. Finance lease liabilities are reported at the lower of the present value of the minimum lease payments and the fair value of the leased asset.

Subsequent measurement of financial liabilities is based on the effective interest method at amortized acquisition cost. Each difference between the refund amount and the repayment amount is recorded in the income statement over the term of the contract in question using the effective interest method.

Derivative financial instruments, hedging transactions

The Fraport Group basically uses derivative financial instruments to hedge existing and future interest and exchange rate risks. Derivative financial instruments with positive or negative market values are measured at fair value in accordance with IFRS 9. Changes of value on cash flow hedges are recorded in shareholders' equity in the reserve for financial instruments without affecting profit or loss. Corresponding to this, deferred taxes on the fair values of cash flow hedges are also recorded in shareholders' equity without affecting profit or loss. The effectiveness of the cash flow hedges is assessed on a regular basis. Ineffective cash flow hedges are recorded in the income statement through profit or loss under "financial result on other items".

If the criteria for a cash flow hedge are not met, the hedge accounting is released. In this case, the changes in the fair value and the related deferred taxes are recognized in the income statement (FVTPL). The fair value changes are recorded under "financial result on other items".

Derivative financial instruments are recognized at the trading date.

Treasury shares

Repurchased treasury shares are deducted from the issued capital and the capital reserve.

Stock options

The value of the remuneration within the scope of the annual employee investment plan is not based on the performance of the shares, which means that the employee investment plan does not fall within the scope of application of IFRS 2.

Virtual stock options

Virtual stock options ("Long-Term Incentive Program") have been issued since January 1, 2010 as part of the remuneration for the Executive Board and Senior Managers. They are paid out in cash immediately at the end of the performance period of four years. The measurement of virtual shares is at fair value pursuant to IFRS 2. Up to the end of the performance period, the fair value is re-determined on each reporting date and on the date of performance and is recorded in personnel expenses on a pro rata basis.

Judgment and uncertainty of estimates

The presentation of the asset, financial, and earnings position in the consolidated financial statements depends on accounting and valuation methods as well as assumptions and estimates. The assumptions and estimates made by the management in drawing up the consolidated financial statements are based on the circumstances and assessments on the balance sheet date. Although the management assumes that the assumptions and estimates applied are reasonable, there may be unforeseen changes in these assumptions that could affect the Group's asset, financial, and earnings position.

Balance sheet items for which assumptions and estimates have a significant effect on the reported carrying amount are shown below.

Property, plant, and equipment

Experience, planning, and estimates play a crucial role in determining the useful life of property, plant, and equipment. Carrying amounts and useful lifespans are checked on each reporting date and adjusted as required.

Other financial assets

The valuation of loans included in the other financial assets is based in part on cash flow forecasts.

Receivables from contracts with customers

The determination of the expected payment defaults over the overall term of the receivables depends, among other things, on the assessment of qualitative insights into possible future defaults.

Taxes on income

Fraport is subject to taxation in various countries. In assessing global income tax receivables and liabilities, estimates sometimes need to be made. The possibility cannot be ruled out that the tax authorities will come to a different tax assessment. The associated uncertainty is accounted for by recognizing uncertain tax receivables and liabilities when they are considered by Fraport to have a probability of occurrence of more than 50%. A change to the assessment, for example, as a result of final tax assessments, will have an effect on current and deferred tax items. For uncertain income tax items that have been recognized, the expected tax payment is used as a basis for the best estimate.

Deferred tax assets are recognized if it is probable that future tax benefits can be realized. The actual tax earnings situation in future fiscal years, and therefore the actual usability of deferred tax assets, could differ from the forecasts at the time the deferred tax assets are recognized.

Provisions for pensions and similar obligations

Material valuation parameters for the valuation of provisions for pensions and similar obligations are the discount factor as well as trend factors (see also note 37).

Other provisions

The valuation of the other provisions is subject to uncertainty with regard to estimations of amount and the time of occurrence of future cash outflows. As a result, changes in the assumptions on which the valuation is based could have a material impact on the asset, financial, and earnings position of the Fraport Group. In connection with legal disputes, Fraport draws on information and estimates provided by the Legal Affairs department and any mandated external lawyers when assessing a possible obligation to recognize provisions and when valuing potential outflows of resources. The existing provisions for passive noise abatement as at December 31, 2018 (€47.9 million; previous year: €54.6 million) and wake turbulences (€29.6 million; previous year: €8.8 million) are substantially dependent with regard to their amounts on the utilization of the underlying programs by the eligible beneficiaries. The existing provisions for compensation in accordance with nature protection laws as at December 31, 2018 (€26.5 million; previous year: €25.9 million) are dependent with regard to their amount on the extent and time of implementation of the environmental compensation measures.

Contingent liabilities

The contingent liabilities are subject to uncertainty with respect to estimations of their amounts and, in particular, the timing of cash outflows. The time of the expected cash outflow is specified if it can be determined sufficiently reliably.

Company acquisitions

When an acquired company is consolidated for the first time, all identifiable assets, liabilities, and contingent liabilities must be recognized at their fair value at the time of acquisition. One of the main estimates relates to the determination of the fair value of these assets and liabilities at the time of acquisition. The measurement is usually based on independent expert reports. Marketable assets are recognized at market or stock exchange prices. If intangible assets are identified, the fair value is usually measured by an independent external expert using appropriate measurement methods which are primarily based on future expected cash flows. These measurements are considerably influenced by assumptions about the developments of future cash flows as well as the applied discount rates. The actual cash flows may differ significantly from the cash flows used as a basis for determining the fair values.

Impairment losses

The impairment test for goodwill and other assets within the scope of IAS 36 is based on assumptions about future developments. Fraport AG carries out these tests annually as well as when there are reasons to believe that goodwill has been impaired. In the case of cash-generating units, the recoverable amount is determined. This corresponds to the higher of fair value less costs to sell and value in use. The measurement of the value in use includes estimates regarding the forecasting and discounting of future cash flows. The underlying assumptions could change on account of unforeseeable events and may therefore impact the asset, financial, and earnings position.

Specific estimates or assumptions for individual accounting and valuation methods are explained in the relevant section. These are based on the circumstances and estimates on the balance sheet date, and in this respect also affect the amount of the reported income and expense amounts of the fiscal years shown.

New standards, interpretations, and changes

Of the new standards, interpretations and changes, Fraport generally applies those for which application was mandatory; i.e. those applicable to fiscal years beginning on or before January 1, 2018.

On May 28, 2014, the IASB published the new standard IFRS 15 “Revenue from Contracts with Customers”. The objective of the new standard for recognition of revenue is to bring together existing regulations and to set standardized basic principles that are applicable to all sectors and categories of revenue. According to IFRS 15, revenue must be recognized when the company has fulfilled its performance obligation and the customer has received the authority to dispose of the agreed goods and services and is able to draw benefits from them. To determine the time and amount of recognition of revenue, IFRS 15 provides for the application of a five-step model taking into account detailed regulations on the individual levels.

IFRS 15 replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue” as well as the associated interpretations. IFRS 15 was adopted under EU law on September 22, 2016, and must be applied for fiscal years starting on or after January 1, 2018. The application date of IFRS 15 in the EU therefore corresponds to the initial application date resolved by the IASB.

In preparation for the first-time application of IFRS 15, contracts with customers were concluded for the relevant business processes in the Fraport Group, and the revenue resulting from these contracts were reviewed and assessed with regard to the date and amount of revenue recognition. The assessment showed that there were no necessary, significant changes in date and amount of revenue recognition for the Fraport Group.

On April 12, 2016, the IASB published clarifications on IFRS 15 “Revenue from contracts with customers”, which relates to the following topics: identifying performance obligations from a contract, classification as a principal versus agent, and revenue from licenses. As with IFRS 15, the changes apply from January 1, 2018, while EU endorsement was given on October 31, 2017.

On July 24, 2014, the IASB published the final version of the new IFRS 9 “Financial Instruments”. The accounting and measurement of financial instruments pursuant to IFRS 9 has superseded IAS 39 “Financial Instruments: Recognition and Measurement”. 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 reported in the “hold to obtain contractual cash flows” model. Debt instruments previously assigned to the “available for sale” category are 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 this respect, there is no impact on the accounting of debt instruments at Fraport. Other investments in the “hold and sell” category will see material changes in future transactions with existing other investments. In the future, these can no longer be recycled in the income statement when these are sold. Impairments based on expected losses are recorded for financial assets. 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 recorded under other result. No liabilities are currently designated at fair value in the Fraport Group. 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 does not have a material impact on the Fraport Group. All existing hedge accounting as at December 31, 2018 meets the hedge accounting requirements of IFRS 9. IFRS 9 was adopted under EU law on November 22, 2016, and must be applied for fiscal years starting on or after January 1, 2018. For the reconciliation of the existing categories of IAS 39 to the new classification of IFRS 9, see note 40.

On December 8, 2015, the IASB published the “Improvements to IFRS 2014 – 2016”. The amendments relate to IAS 28, IFRS 12 and IFRS 1. The amendment to IFRS 12 “Disclosure of interests in other entities”, which is of relevance for the Fraport Group, clarifies that the duties of disclosure, with the exception of IFRS 12.B10 – B16, also relate to interests in entities that fall within the scope of IFRS 5. The amendments to IFRS 12 apply from January 1, 2017 and amendments to IAS 28 and IFRS 1 apply from January 1, 2018. Earlier application is permitted. The changes were adopted into EU law on February 8, 2018. The amendments did not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

On June 20, 2016, the IASB published the final amendment to IFRS 2 “Share-based payment”. The amendments particularly relate to the following issues: The measurement of share-based payment transactions with cash settlement, classification of share-based remuneration subject to withholding tax, and accounting for a change to share-based payment from “cash-settled” to “equity-settled”. The amendments apply for fiscal years beginning on or after January 1, 2018; voluntary early application is permitted. The changes were adopted into EU law on February 27, 2018. The amendments listed here did not have any material impacts on the reporting of the asset, financial, and earnings position of the Fraport Group.

On December 8, 2016, the IASB published amendments to IAS 40 “Investment property”. The amendment provides clarification on the date from which transfers to or from investment property can take place based on the change in use (IAS 40.57). The amendments to IAS 40 apply from January 1, 2018. Earlier application is permitted. The changes were adopted into EU law on March 15, 2018. The amendments did not have an impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

On December 8, 2016, the IFRS IC published a new interpretation of IFRIC 22 “Foreign currency transactions and advance consideration” within the scope of IAS 21 “The effects of changes in foreign exchange rates”. A foreign currency transaction is recorded in the functional currency at the spot price applicable on the day of the transaction. If a company pays or receives multiple advance considerations as part of a transaction, the date of the transaction and the exchange rate must be determined separately for every advance consideration. IFRIC 22 applies from January 1, 2018. Earlier application is permitted. IFRIC 22 was adopted into EU law on March 28, 2018. The interpretation does not have an impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

Standards which have not been applied prematurely

For the following new or amended standards and interpretations, which the Fraport Group is not obliged to adopt until future fiscal years, the Fraport Group is currently working on implementing the requirements for initial application. Early application is not planned. At this point in time, Fraport expects the effects on the consolidated financial statements described below.

Standards, interpretations, and amendments published and accepted into European law by the EU Commission

On January 13, 2016, the IASB published the accounting standard IFRS 16 “Leases”. IFRS 16 contains the new rules on accounting for leases and replaces the current IAS 17 with the associated interpretations. The new standard affects, in particular, the accounting of the lessee. As a result, the rights of use stemming from lease contracts will be applied as assets (“right of use” asset) in the statement of financial position. Taking into account the special requirements of IFRS 16, obligations for leasing payments based on leasing contracts are recorded as liabilities (“lease” liability) in the statement of financial position. In accordance with IAS 17, the lessee currently only indicates the recognition of “finance lease” and the payment obligations from “operating lease” relationships in the notes. The new rules of IFRS 16 are mandatory for fiscal years starting on or after January 1, 2019. Within the scope of the first-time application of IFRS 16, Fraport is recording liabilities from finance leases at the fair value of outstanding lease payments (see note 44) in the amount of approximately €340 million and right of use assets in the same amount in non-current assets. Cumulative effects do not result from the retrospective first-time application. The weighted average discount rate for calculating the fair value is around 3.7% and was derived from country-specific, risk-free debt financing interest rates with matching currencies and maturities. The liabilities are recorded under “Other liabilities” relating to the acquisition of liabilities from finance leases and fixed concession payment obligations in connection with IFRIC 12. Correspondingly, there is no impact on the net financial debt reported. For the full year 2019, Fraport expects an increase in Group EBITDA due to first-time application of IFRS 16 amounting to approximately €45 million, additional depreciation and amortization of approximately €43 million and an additional interest expense amounting to around €12 million. In the statement of cash flows, IFRS 16 improves the cash flow from operating activities and increases the cash flow used in investing and financing activities. Existing contracts have not been reassessed according to IFRS 16 as at January 1, 2019. Existing land and building lease contracts are included in determining the applicable right of use assets and liabilities from leases. Essentially, this applies to the leases between Fraport USA (or its subsidiaries) and the franchisors awarding the concessions. Additional existing leasing contracts mainly concern operating and business equipment. Due to lack of qualitative and quantitative importance for the Fraport Group and after consideration of cost-benefit aspects based on general materiality considerations, these are not included in the recognition of right of use assets and liabilities from leases under IFRS 16. The payments from these lease contracts are still recorded as expenses, similar to the previous accounting of “operate lease” contracts. Of the other financial obligations from operating leases (€405.9 million) presented in note 44, €392.3 million are from land and building leases and €13.6 million from other leases.

On June 7, 2017, the IFRS IC published a new interpretation of IFRIC 23 “Uncertainty over Income Tax Treatments” within the scope of IAS 12 “Income taxes”. IFRIC 23 supplements the provisions of IAS 12 in relation to the inclusion of uncertainties with regard to the treatment of income tax from events and transactions. IFRIC 23 applies for all fiscal years starting on or after January 1, 2019. IFRIC 23 was adopted into EU law on October 23, 2018. The interpretation will not have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group.

On October 12, 2017, the IASB approved amendments to IFRS 9 “Financial Instruments”. The changes affect the valuation of early repayment options with prepayment penalty. The date of initial application is January 1, 2019. Voluntary early application is permitted. The changes were adopted into EU law on March 22, 2018. The amendments are not expected to have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group in future.

Standards, interpretations and amendments that have been published, but not yet adopted into European law by the European Commission

On October 12, 2017, the IASB published amendments to IAS 28 “Investments in Associates and Joint Ventures”. The amendments relate to long-term interests that, depending on the business purpose, are part of the Group’s net investment in a company accounted for using the equity method. Therefore the accounting and measurement of such interests are carried out in accordance with IFRS 9. The date of initial application is January 1, 2019. Voluntary early application is permitted. The amendments are not expected to have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group in future. The amendments to IAS 28 were adopted by the European Commission in European law in February 2019.

On December 12, 2017, the IASB published the “Improvements to IFRS 2015 – 2017”. The amendments relate to IFRS 3 / IFRS 11, IAS 12 and IAS 23. The amendments to IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements” determine that when obtaining control of a business operated thus far as a “joint operation” the principles for successive business combinations (IFRS 3.42A) are applicable. On the contrary, no revaluation needs to be made when obtaining joint control of a business operation that thus far was operated within the scope of common activities (joint operation).
The amendment to IAS 12 “Income Taxes” states that the effects of taxes on income on the receipt of dividends must be disclosed in the operating result. This applies regardless of how the tax burden has arisen.
The amendments to IAS 23 “Borrowing costs” include clarifications in determining the financing rate in connection with procuring qualified assets.
The date of initial application of the amendments is January 1, 2019. Voluntary early application is permitted. The amendments are not expected to have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group in future.

On February 7, 2018, the IASB published amendments to IAS 19 “Employee Benefits”. In the future, the current service cost and the net interest for the remaining fiscal year will be recalculated for an amendment, reduction, or settlement of a defined benefit plan by using the current actuarial assumptions that were used to reassess the net debt (asset). The date of initial application is January 1, 2019. Voluntary early application is permitted. The amendments are not expected to have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group in future.

On October 22, 2018, the IASB published amendments to IFRS 3 “Business Combinations” – Definition of a Business. In order to be considered a business in the future, in addition to economic resources there must be at least one substantive process that together with the resources significantly contributes to the ability to create output. To help companies differentiate between a business and a group of assets, the new definition, examples, and the so-called “concentration test” have been laid out. The changes to IFRS 3 apply for business combinations occurring in reporting periods from January 1, 2020; it may be applied voluntarily for earlier periods. The amendments are not expected to have a material impact on the reporting of the asset, financial, and earnings position of the Fraport Group in future.

On October 31, 2018, the IASB published amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” with regard to the definition of “material”. The purpose of the changes was to more clearly define “material” and to provide a more uniform definition. The changes apply from January 1, 2020; it may be applied voluntarily for earlier periods. The effects from the application of the new definition of “material” are currently being analyzed for the reporting of the asset, financial, and earnings position of the Fraport Group.

Notes to the Consolidated Income Statement

5 Revenue

Revenue

€ million	2018	2017
Aviation		
Airport charges	810.2	780.3
Security services	148.5	127.3
Other revenue	47.7	46.5
	1,006.4	**954.1**
Retail & Real Estate		
Real Estate	186.5	194.2
Retail	206.8	206.0
Parking	94.8	86.6
Other revenue	19.1	34.9
	507.2	**521.7**
Ground Handling		
Ground services	346.9	323.8
Infrastructure charges	314.4	304.7
Other revenue	12.5	13.4
	673.8	**641.9**
International Activities & Services		
Aviation	527.8	419.6
Non-Aviation	403.6	355.8
Revenue from IFRIC 12	359.5	41.7
	1,290.9	**817.1**
Total	**3,478.3**	**2,934.8**

Information on revenue can be found in the management report under the chapter “Results of Operations” as well as the segment reporting (see note 41).

The Retail & Real Estate segment includes income from operating leases from renting terminal areas, offices, buildings, and properties. No purchase options have been agreed upon. When renting retail space, either minimum rents or variable, revenue-related rents apply, depending on the occurrence of contractually defined conditions. Predominantly revenue-related rents are agreed for these areas. Overall, during the fiscal year, revenue-related rent of €168.0 million (previous year: €167.8 million) was realized. The underlying lease contracts in the Retail section for fiscal year 2018 contain contractually agreed minimum lease payments of €42.0 million (previous year: €44.3 million).

Properties were predominantly rented in the form of assigned hereditary building rights. On the reporting date, the remaining term of hereditary building rights contracts is 44 years on average (previous year: 44 years).

The acquisition and production costs of the leased buildings and land amount to €477.9 million (previous year: €477.2 million). Cumulative depreciation and amortization came to €361.6 million (previous year: €355.6 million), of which depreciation and amortization amounted to €6.5 million for the fiscal year (previous year: €6.7 million).

Revenue in the International Activities & Services segment is allocated to the Aviation and Non-Aviation sections as well as contract revenue from construction and expansion services related to airport operating projects. The Aviation revenue includes revenue, in particular, from airport charges as well as security services (€527.8 million; previous year: €419.6 million). Revenue in the Non-Aviation section was €231.8 million (previous year: €196.3 million), resulting from retail and real estate activities as well as parking. In addition, €87.5 million (previous year: €81.5 million) was attributable to infrastructure charges and ground handling services. Contract revenue from construction and expansion services related to airport operating projects in the amount of €359.5 million (previous year: €41.7 million) was attributed to Fortaleza and Porto Alegre (€167.5 million), Greece (€149.8 million; previous year: €23.0 million), and Lima (€42.2 million; previous year: €18.7 million).

Revenue in the amount of €3,478.3 million resulted from €2,497.5 million from contracts with customers in accordance with IFRS 15. Other revenue relates to particular contract revenue from construction and expansion projects in accordance with IFRIC 12 as well as proceeds from rentals and other leases.

The total amount of future income from minimum lease payments arising from non-cancelable leases (not including subleases) is as follows:

Minimum lease payments

€ million			Remaining term	Total
	< 1 year	1 – 5 years	> 5 years	2018
Minimum lease payments	148.7	311.3	1,025.5	1,485.5

€ million			Remaining term	Total
	< 1 year	1 – 5 years	> 5 years	2017
Minimum lease payments	142.6	315.2	741.2	1,199.0

The future income from minimum lease payments includes the contractual unconditional minimum rental for the retail areas as well.

The total future income from minimum leasing payments under subleasing arrangements amounted on the reporting date to €147.7 million (previous year: €62.9 million), and is predominantly accounted for by Fraport USA Inc. (International Activities & Services segment), which operates and develops commercial terminal areas at various US airports as part of leasing and concession agreements. The increase in future income from minimum lease payments from subleases is primarily due to the takeover of retail space management at the JetBlue Airways Terminal 5 at JFK Airport in New York, which was completed in the first half of 2018. On February 1, 2019, Fraport USA Inc. took over the center management at Nashville Airport in Tennessee. The acquisition will lead to an additional increase in the minimum lease payments from subleases in 2019. Over the fiscal year, payments from subleasing arrangements of €51.8 million (previous year: €50.5 million) were received, which also included revenue-related leases and were predominantly attributable to Fraport USA Inc.

6 Change in Work-in-Process

Change in work-in-process

€ million	2018	2017
Change in work-in-process	0.3	0.4

The change in work-in-process essentially relates to land and buildings for sale.

7 Other Internal Work Capitalized

Other internal work capitalized

€ million	2018	2017
Other internal work capitalized	35.9	36.3

The other internal work capitalized primarily relates to engineering, planning, and construction services and services of commercial project managers, as well as other performance work. The internal work capitalized primarily arose as part of the expansion program and for the expansion, renovation, and modernization of the existing airport infrastructure at Frankfurt Airport.

8 Other Operating Income

Other operating income

€ million	2018	2017
Releases of provisions	37.5	10.4
Net income from the sale of investments in associated companies	25.0	0.0
Gains from disposal of non-current assets	5.3	0.8
Income from compensation payments	2.3	5.3
Releases of special items for investment grants	1.2	1.2
Releases of allowances	0.1	0.0
Compensation payment Fraport Greece	0.0	3.0
Others	16.8	18.2
Total	**88.2**	**38.9**

The release of provisions mainly relates to current provisions for rebates and refunds, legal disputes as well as personnel-related provisions.

Net income from the disposal of non-current assets amounted to €25.0 million as a result of the sale of shares in Flughafen Hannover-Langenhagen GmbH to iCON Flughafen GmbH.

9 Cost of Materials

Cost of materials

€ million	2018	2017
Cost of raw materials, consumables, supplies, and real estate inventories	–440.5	–132.3
Cost of purchased services	–648.6	–588.1
Total	**–1,089.1**	**–720.4**

Among other things, the cost of raw materials, consumables, supplies, and real estate inventories includes the carrying amounts of real estate inventories sold in the fiscal year. The proceeds already realized in this respect are included under revenue in the Retail & Real Estate segment.

In the context of the airport operating projects outside of Germany (see also note 48) the cost of purchased services includes accrued variable concession charges of €183.6 million (previous year: €169.3 million), as well as order costs for construction and expansion services of €359.5 million (previous year: €41.7 million), which were allocated to the cost of raw materials, consumables, supplies, and real estate inventories.

In connection with the Fraport USA Inc. concession agreements for the marketing of retail space, the cost of materials include minimum leasing payments of €26.6 million (previous year: €19.2 million) and conditional leasing payments of €15.6 million (previous year: €14.6 million).

10 Personnel Expenses and Number of Employees

Personnel expenses and average number of employees

€ million	2018	2017
Remuneration for staff	–963.9	–888.6
Social security and welfare expenses	–172.1	–159.3
Pension expenses	–46.3	–45.0
Total	**–1,182.3**	**–1,092.9**

Average number of employees	2018	2017
Permanent employees	21,042	19,775
Temporary staff (interns, students, and partially employed staff)	919	898
Total	**21,961**	**20,673**

Additions to pension provisions and additions to obligations arising from time-account models are included in personnel expenses.

11 Depreciation and Amortization

Depreciation and amortization

€ million	2018	2017
Composition of depreciation and amortization		
Goodwill		
non-regular	0.0	0.0
Investments in airport operating projects		
regular	–78.9	–56.2
Other intangible assets		
regular	–16.3	–17.0
non-regular	0.0	–8.6
Property, plant, and equipment		
regular	–302.2	–277.2
Investment property		
regular	–1.1	–1.2
Total	**–398.5**	**–360.2**

Regular depreciation and amortization

The useful lives of some assets were re-estimated in the year under review, resulting in increased depreciation and amortization of €27.9 million year on year (previous year: €3.8 million) and reduced depreciation and amortization of €6.0 million (previous year: €14.6 million).

Impairment losses pursuant to IAS 36

There was no non-regular depreciation and amortization in the year under review (previous year: €8.6 million).

12 Other Operating Expenses

Other operating expenses

€ million	2018	2017
Insurances	–29.7	–28.4
Other operating expenses from investments	–22.1	–14.5
Costs for advertising and representation	–21.8	–22.2
Consulting, legal, and auditing expenses	–20.7	–24.1
Rental and lease expenses	–13.2	–12.4
Other taxes	–8.8	–9.8
Write-downs of trade accounts receivable	–4.9	–0.8
Losses from disposal of non-current assets	–3.6	–7.7
Expenses from obligations to environmental and local areas	0.0	–2.7
Others	–77.5	–71.3
Total	**–202.3**	**–193.9**

Rental and lease expenses include minimum lease payments of €12.5 million (previous year: €9.8 million) and contingent rental payments of €0.1 million (previous year: €0.3 million). Minimum lease payments from subleasing arrangements amounted to €0.6 million (previous year: €0.7 million).

Among other things, other operating expenses include: travel costs, office supplies, course and seminar fees, entertainment expenses, administration fees, postage, and costs from compensation payments.

The consulting, legal, and audit expenses include Group auditor fees (disclosed in accordance with Section 314 (1) no. 9 HGB) amounting to €1.8 million (previous year: €1.9 million). Substantial certification services provided by the external auditor for Fraport AG related to the audit of the summarized separate non-financial report with limited assurance. They are comprised as follows:

Group auditor fees

€ million	2018		2017	
	Fraport AG	Consolidated companies	Fraport AG	Consolidated companies
Audit services	1.4	0.2	1.2	0.2
Other certification services	0.1	0.0	0.2	0.0
Tax audit services	0.0	0.0	0.0	0.0
Other benefits	0.1	0.0	0.3	0.0
Total	**1.6**	**0.2**	**1.7**	**0.2**

13 Interest Income and Interest Expenses

Interest income and interest expenses

€ million	2018	2017
Interest income	33.3	29.0
Interest expenses	–201.7	–186.5

Interest income and interest expenses include interest from non-current loans and time deposits as well as interest expenses and interest income from interest cost added back on non-current liabilities, provisions, and non-current assets. The net interest payments of derivative financial instruments as well as interest income from securities are recorded as interest result.

Interest income and interest expenses for financial instruments that are not recognized in income at fair value

€ million	2018	2017
Interest income from financial instruments	30.7	26.0
Interest expenses from financial instruments	–192.6	–180.8

14 Result from Companies accounted for Using the Equity Method

Result from companies accounted for using the equity method

€ million	2018	2017
Joint Ventures	28.4	12.0
Associated companies	70.4	18.9
Total	**98.8**	**30.9**

The result from joint ventures accounted for using the equity method contains, inter alia, the result after taxes for Antalya of €38.7 million (previous year: €15.6million), the expenses from a contractually agreed tax settlement payment from Fraport AG to FAR of €13.6 million (previous year: €14.2 million), as well as the proportionate negative at equity result of FCS GmbH of €4.0 million and expenses in the amount of €5.5 million from the impairment of the carrying amount of FCS GmbH (€1.6 million) as well as the short-term loan receivables against FCS GmbH (€3.9 million). Under application of IFRS, FCS GmbH recorded a net loss in 2018 of €8.3 million.

The result for associated companies accounted for using the equity method includes a write-up of €59.7 million on the carrying amount for Flughafen Hannover-Langenhagen GmbH.

15 Other Financial Result

The other financial result breaks down as follows:

Other financial result

€ million	2018	2017
Income		
Foreign currency translation rate gains, unrealized	3.6	4.1
Foreign currency translation rate gains, realized	1.4	1.9
Valuation of derivatives	5.1	6.4
Others	5.7	2.7
Total	**15.8**	**15.1**
Expenses		
Foreign currency translation rate losses, unrealized	–1.5	–2.1
Foreign currency translation rate losses, realized	–2.4	–1.7
Valuation of derivatives	–1.8	–0.7
Others	–0.6	–20.9
Total	**–6.3**	**–25.4**
Total other financial result	**9.5**	**–10.3**

Other income included in the financial result is primarily the fair value of the minority shareholder’s option to purchase further shares in the companies Fraport Regional Airports of Greece of €4.6 million (previous year: expenses of €9.3 million).

16 Taxes on Income

Income tax expense breaks down as follows:

Taxes on income

€ million	2018	2017
Current taxes on income	–159.7	–131.6
Deferred taxes on income	–5.0	–14.8
Total	**–164.7**	**–146.4**

Current income tax expense consists of current taxes on income for the year under review (€161.7 million, previous year: €142.6 million) and taxes on income for previous years (–€2.0 million, previous year: –€11.0 million).

The tax expenses include corporation and trade income taxes, the solidarity surcharge of the companies in Germany, and comparable taxes on income of the foreign companies. The effective taxes result from the taxable results of the fiscal year and any revisions to previous assessment periods, to which the local tax rates of the respective Group company are applied.

Deferred taxes are generally valued on the basis of the tax rate applicable in the respective country. A combined income tax rate of around 31% including trade tax has been applied to German companies, just as in the previous year.

Deferred taxes are recognized for all temporary differences between the tax and IFRS financial statements, for utilizable carry-forwards of unused tax losses, as well as for carry-forwards of tax-deductible interest.

The probability of the future use of the losses carried forward is decisive for the evaluation of the recoverability of deferred tax assets and interest. This depends on whether future taxable profits will be available in the periods in which the carry-forward of unused tax losses and interest can be utilized. As at December 31, 2018, based on current information, the Fraport Group had non-utilizable tax losses carried forward of €16.4 million (thereof €10.8 million related to trade taxes and €5.6 million to corporation taxes; previous year: €16.0 million, thereof €10.8 million related to trade taxes and €5.2 million to corporation taxes) as well as utilizable tax losses carried forward of €2.5 million (previous year: €10.9 million). Loss carry-forwards that are not expected to be utilizable are attributable to Fraport Immobilienservice und -entwicklungs GmbH & Co. KG and FraSec Fraport Security Services GmbH and can be carried forward indefinitely. Loss carry-forwards that are expected to be utilizable are attributable to Fraport Brasil S.A. Aeroporto de Fortaleza.

As at December 31, 2018, based on current information, the Fraport Group had utilizable carry-forwards of tax-deductible interest of €41.9 million (previous year: (€14.8 million), which are exclusively attributed to Fraport Greece A and the Fraport Greece B.

For temporary differences in connection with shares in subsidiaries amounting to €276.7 million (previous year: €189.9 million), no deferred tax liabilities were recognized, as Fraport can control the timing of the reversal and it is not expected that these differences will reverse in the foreseeable future. These potential tax liabilities are, however, limited to 1.55% of the difference as well as local withholding taxes in the case of future dividend payments from certain foreign subsidiaries.

In addition, deferred taxes result from consolidation measures. Pursuant to IAS 12, no deferred tax is recognized in the context of initial consolidation with respect to goodwill capitalized or any impairment losses of goodwill.

Deferred tax assets and liabilities are netted insofar as these income tax claims and liabilities relate to the same tax authority and to the same taxable entity or a group of different taxable entities that, however, are assessed jointly for income tax purposes.

Deferred taxes resulting from temporary differences between tax financial valuation and assets/liabilities accounted according to IFRS are assigned to the following financial position items:

Allocation of deferred taxes

€ million	2018		2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investments in airport operating projects	1.5	–135.7	0.0	–158.0
Other intangible assets	0.0	–20.3	0.0	–20.3
Property, plant, and equipment	0.5	–241.6	0.9	–229.3
Financial assets	0.1	0.0	0.1	0.0
Accounts receivable and other assets	0.7	–1.6	2.3	–0.8
Provisions for pensions	6.3	0.0	6.9	0.0
Other provisions	23.8	–1.8	26.8	–0.7
Liabilities	185.6	0.0	198.5	0.0
Financial derivatives	2.5	0.0	6.3	–0.4
Losses and interest carried forward	11.3	0.0	8.0	0.0
Total separate financial statements	**232.3**	**–401.0**	**249.8**	**–409.5**
Offsetting	–175.6	175.6	–208.8	208.8
Consolidation measures	0.0	–2.9	0.0	–3.1
Consolidated Statement of Financial Position	**56.7**	**–228.3**	**41.0**	**–203.8**

The vast majority of the deferred tax assets and liabilities result from non-current assets (investments in airport operating projects, other intangible assets, property, plant, and equipment) and non-current liabilities (primarily concession liabilities).

Over the fiscal year, equity-decreasing deferred taxes of €3.5 million (previous year: €6.1 million) from the change in the fair values of financial derivatives and securities were recognized directly in shareholders' equity without affecting profit or loss. Further equity-decreasing deferred taxes resulted primarily from the revaluation of defined benefit plans to the value of €0.9 million (previous year: equity-decreasing deferred taxes to the value of €0.2 million).

The following reconciliation shows the relationship between expected tax expense and tax expense in the consolidated income statement:

Tax reconciliation

€ million	2018	2017
Earnings before taxes on income	670.4	506.1
Expected tax income/expense[1)]	–207.7	–156.9
Tax effects from differences in foreign tax rates	13.4	11.9
Tax credit from tax-free income	34.0	10.2
Taxes on non-deductible operating expenses	–5.2	–5.6
Non-creditable non-German withholding tax	–1.8	–0.2
Permanent differences including non-deductible tax provisions	–4.0	–10.9
Result of companies accounted for using the equity method	10.9	12.1
Non-utilizable tax losses carried forward	0.0	–0.9
Trade effects and other effects from local taxes	–3.9	–3.7
Prior-period taxes	0.0	–0.9
Others	–0.4	–1.5
Taxes on income according to the income statement	**–164.7**	**–146.4**

[1)] Expected tax rate around 31%, for corporation tax 15.0% plus solidarity surcharge 5.5 % and trade tax of around 15.5 % (unchanged from the previous year).

The consolidated tax rate for the 2018 fiscal year is 24.6% (previous year: 28.9%).

17 Earnings per Share

Earnings per share

	2018		2017	
	basic	diluted	basic	diluted
Group result attributable to shareholders of Fraport AG in € million	473.9	473.9	330.2	330.2
Weighted number of shares	92,391,339	92,741,339	92,377,435	92,667,323
Earnings per €10 share in €	5.13	5.11	3.57	3.56

The basic earnings per share were calculated using the weighted average number of floating shares (the same number of shares in the year under review), each corresponding to a €10 share of the capital stock. With a weighted average number of 92,391,339 shares in the 2018 fiscal year, the basic earnings per €10 share amounted to €5.13.

As a result of the rights granted to employees to buy shares (authorized capital) within the scope of the employee investment plan, the diluted number of shares amounts to 92,741,339 (weighted average) and the diluted earnings per €10 share are therefore €5.11.

Notes to the Consolidated Financial Position

The composition and development of goodwill, investments in airport operating projects, other intangible assets, property, plant, and equipment, and investment property are shown in the Consolidated Statement of Changes in Non-Current Assets.

18 Goodwill

Goodwill arising from consolidation relates to:

Goodwill Tax reconciliation

€ million	Carrying amount December 31, 2018	Carrying amount December 31, 2017
Fraport Slovenija	18.0	18.0
Fraport USA	1.0	1.0
Media	0.3	0.3
Total	**19.3**	**19.3**

The following table provides an overview of the assumptions incorporated in the main goodwill impairment tests as at December 31, 2018:

Goodwill impairment test

Designation CGU	Carrying amount of goodwill	Discount rate before taxes	Growth rate of perpetual annuity	Average revenue growth in detailed planning period	Average EBITDA margin in detailed planning period	Detailed planning period
Fraport Slovenija	–	8.4 %	–	4.1 %	–	2019 to 2053

The parameters used within the scope of the impairment tests are based on the current plan approved by the Executive Board. This takes account of internal empirical values and external economic framework data.

The revenue forecasts used to determine growth assumptions are based, in particular, on expected air traffic trends derived from external market forecasts.

A variation in the discount rate of +0.5 percentage points or growth forecasts of –0.5 percentage points will not affect the recoverability of the reported goodwill.

The planning period on which the impairment test for Fraport Slovenija is based corresponds to the term of the right derived from a long-term land use contract to operate the airport in Ljubljana.

19 Investments in Airport Operating Projects

€ million	December 31, 2018	December 31, 2017
Investments in airport operating projects	2,844.3	2,621.1

Investments in airport operating projects relate to concession rights, which comprise the following items due to the application of IFRIC 12 (see also note 4 and note 48): the paid initial payment and capitalized minimum concession payments of €2,241.5 million (previous year: €2,379.3 million) as well as capital expenditure of €602.8 million (previous year: €241.8 million). They relate to terminal operation at the concession airports in Greece at €1,856.2 million (previous year: €1,741.9 million), Fortaleza and Porto Alegre at €458.7 million (previous year: €388.6 million), Lima at €357.5 million (previous year: €311.5 million) as well as Varna and Burgas at €171.9 million (previous year: €179.1 million). The recognition of the concession rights for the Brazilian companies has decreased due to the adjustment of the discount rate and the associated present-value adjustment of the corresponding liability of €46.6 million.

Borrowing costs of €8.3 million were capitalized due to the financing of the projects to expand the airports in Greece (previous year: €4.3 million). Borrowing costs include €0.7 million (previous year: €0.1 million) interest paid and €7.6 million (previous year: €4.2 million) in ancillary costs associated with debt capital, such as commitment interest (€4.6 million; previous year: €3.7 million). Loans in the amount of around €26.4 million will accumulate interest at a fixed interest rate of 4.7%. Loans in the amount of around €10.6 million will accumulate interest at a variable interest rate of 3.4%. The variable interest-bearing payments were made for the first time in the year under review.

Loans that were specifically taken out to finance the expansion of the airports in Brazil were accounted for as borrowing costs in the amount of €1.8 million, of which €0.5 million were capitalized. Amounts for loan disbursements that are not yet required for capital expenditure in the expansion of the airports were reinvested. The accrued interest income for these investments amounted to €1.3 million.

20 Other Intangible Assets

Other intangible assets

€ million	December 31, 2018	December 31, 2017
Other concession and operator rights	69.2	72.5
Software and other intangible assets	65.3	59.9
Total	**134.5**	**132.4**

The other concession and operator rights include the right derived from an existing, long-term land use contract to operate the airport in Ljubljana (€57.3 million, previous year: €58.9 million) with a remaining term of 35 years (previous year: 36 years), and the concession rights shown in the balance sheet of Fraport USA Inc. (€11.9 million, previous year: €13.6 million) in the retail sector with residual terms of up to 11 years (previous year: 12 years).

The other intangible assets included as at the reporting date contain internally generated intangible assets with residual carrying amounts of €16.9 million (previous year: €16.7 million). The capitalized manufacturing costs are attributable in full to the development phase. The depreciation and amortization is carried out on a straight-line basis taking into account the scheduled useful lives between two and 16 years. Depreciation and amortization in the fiscal year amounted to €1.8 million (previous year: €1.6 million).

21 Property, Plant, and Equipment

Property, Plant, and Equipment

€ million	December 31, 2018	December 31, 2017
Land, land rights, and buildings, including buildings on leased lands	3,293.0	3,400.8
Technical equipment and machinery	1,546.0	1,550.1
Other equipment, operating, and office equipment	180.0	162.6
Construction in progress	1,062.7	808.0
Total	**6,081.7**	**5,921.5**

Additions in the 2018 fiscal year amounted to €472.4 million. Of this, €196.3 million (previous year: €103.0 million) was attributable to projects relating to the capacitive expansion of Frankfurt Airport.

Borrowing costs were capitalized in the amount of €18.0 million (previous year: €16.0 million). These costs were used for capital expenditure whose financing could not be clearly classified for the purpose of creating a specific qualifying asset. The cost of debt for general project financing was approximately 3.1% on average (previous year: approximately 3.5%). Borrowing costs were mainly incurred for projects relating to the capacitive expansion of Frankfurt Airport.

As at the balance sheet date, property, plant, and equipment with a carrying amount totaling €0.2 million (previous year: €5.7 million) carry mortgages.

Property, plant, and equipment of the Fraport Group comprises land, land rights, and buildings, including those on land leased by Fraport AG and is valued at €3,190.3 million (previous year: €3,295.3 million). As at the balance sheet date of 2018, land with an area of 25.3 million square meters (equivalent to approximately 9.8 sq mi) is owned by Fraport AG. Depending on the location and type of use, the market value of the land included in property, plant, and equipment varies between €1 and €650 per square meter (equivalent to approximately 10.75 sq ft) (land values published by the committees of experts for real estate values of the State of Hesse).

Assets from finance lease contracts amounting to €4.5 million were recognized in property, plant, and equipment on the balance sheet date (previous year: €7.1 million):

Finance lease contracts (2018)

€ million	Carrying amount January 1, 2018	Additions	Disposals	Depreciation and amortization	Carrying amount December 31, 2018
Land, land rights, and buildings, including buildings on leased lands	6.2	0.0	0.0	2.1	4.1
Technical equipment and machinery	0.4	0.0	0.0	0.1	0.3
Other equipment, operating, and office equipment	0.5	0.0	0.0	0.4	0.1
Total	**7.1**	**0.0**	**0.0**	**2.6**	**4.5**

Finance lease contracts (2017)

€ million	Carrying amount January 1, 2017	Additions	Disposals	Depreciation and amortization	Carrying amount December 31, 2017
Land, land rights, and buildings, including buildings on leased lands	8.3	0.0	0.0	2.1	6.2
Technical equipment and machinery	9.4	0.0	3.0	6.0	0.4
Other equipment, operating, and office equipment	0.8	0.0	0.0	0.3	0.5
Total	**18.5**	**0.0**	**3.0**	**8.4**	**7.1**

Land, land rights and buildings, including buildings on leased lands, include an energy plant belonging to Mainova AG located on the site of Fraport AG. Given the exclusive use by Fraport AG and the existence of a special lease contract, Fraport AG is considered to be the beneficial owner of the plant. The contract expires in 2020.

22 Investment Property

Investment property includes land and buildings situated in direct vicinity to Frankfurt Airport, which are classified as follows:

Investment property

in Mio €	Carrying amount December 31, 2018	Carrying amount December 31, 2017	Fair value December 31, 2018	Fair value December 31, 2017
Undeveloped land – Level 2	28.5	27.5	69.9	70.5
Undeveloped land – Level 3	0.5	8.5	0.5	8.8
Developed land – Level 3	59.8	60.4	99.6	96.6
Total	**88.8**	**96.4**	**170.0**	**175.9**

The undeveloped land – Level 2 is agricultural land, which is partly located in the bird sanctuary, and undeveloped land in the Kelsterbach district, as well as undeveloped land to the south of the airport. The fair value of the land is calculated internally using the comparative value procedure pursuant to the Real Estate Valuation Regulation of May 19, 2010 (ImmoWertV) applicable in Germany based on the standard ground values published by a committee of experts.

The fair value of the undeveloped land – Level 3 is also calculated internally using the comparative value procedure. The square meter prices of real estate transactions currently being carried out in the same land use area are, however, not observable on the market.

The developed land – Level 3 comprises real estate leased for residential purposes from the voluntary purchase program for real estate in Flörsheim in the flight zone of Runway Northwest, commercially leased real estate with low flight altitude in Kelsterbach, and commercially leased properties situated in the south of the airport site. In addition, this class includes commercially used real estate with third-party hereditary building rights.

The fair values in the developed land – Level 3 category are calculated partly using the capitalization of earnings method pursuant to ImmoWertV and partly using the discounted cash flow method by independent assessors. Key input parameters in the capitalization of earnings method include the multiplier, depending on the useful life and property yields, and the underlying annual rent. A perpetual annuity is assumed in the discounted cash flow method. The key input parameters here are the discount rate, the sustainable market rent, the assumed remaining useful life, predicted maintenance costs, and the anticipated development in rents.

The reduction of the carrying amount of investment property primarily resulted from the sale of undeveloped land – level 3 in the area of Gateway Gardens (approximately €8.0 million) in 2018.

There were no reclassifications in the reporting year (previous year: €19.6 million).

As at the balance sheet date, the investment property included assets under construction of €2.1 million (previous year: €1.5 million).

For major parts of the investment property, foreseeable restrictions on saleability arise from the fact that these areas are located in the immediate vicinity of Runway Northwest.

Net lease revenue from investment property during the 2018 fiscal year amounted to €4.8 million (previous year: €4.8 million). The total costs incurred for the maintenance of investment property amounted to €1.8 million (previous year: €1.1 million), classified as expenses that are not allocatable (excluding depreciation and amortization), and of which €0.1 million was incurred for property for which no lease revenue was earned during the fiscal year.

As at the balance sheet date, obligations were recognized for the acquisition of investment property amounting to €0.7 million (previous year: €0.3 million). There are no longer any commitments to the sale of land (previous year: €8.0 million).

23 Investments in Companies accounted for Using the Equity Method

Companies that are Group airports outside of Frankfurt are considered to be substantial joint ventures and associated companies in the Fraport Group. This applies to the airports in Antalya, Pulkovo, and Xi'an.

Shares in joint ventures

Fraport TAV Antalya Terminal Isletmeciligi Anonim Sirketi, Antalya/Turkey (operator, see note 2) is a joint venture of Fraport AG and TAV Havalimanlari Holding A.Ş. IC Yatirim Holding A.S. that operates the terminals at Antalya Airport as part of the concession agreement of May 22, 2007 with the Turkish airport authority (DHMI grantor). The concession for the operation of the terminals and thus the right to use all assets listed in the concession agreement runs for a total of 17 years to the end of 2024.

With regard to the authorized use of infrastructure, the company is obligated to perform maintenance and capacity expansions (as required). Distributed over the term of the concession agreement, concession fees of €2.01 billion net must be paid to DHMI. In exchange, the operator receives the right to use the existing and future terminal infrastructure to operate the airport and the right to generate revenue from passenger charges paid by the airlines and from other services related to terminal operations. Passenger charges are regulated by the grantor.

Fraport holds a 51% interest in the company's share capital, though neither party may make a decision unilaterally due to the voting system laid down in the partnership agreement. The division of the variable returns from the company is governed separately in the partnership agreement, according to which both partners are entitled to equal amounts in returns. The company accounts for 50% according to the equity method on the basis of the division of the dividend rights and the joint management and control. Since the company is not listed on a stock exchange, there is no available active market value for the shares.

Financial position data for Antalya

€ million	December 31, 2018	December 31, 2017
Non-current assets	**652.4**	**747.5**
Non-current liabilities	**576.0**	**621.5**
thereof financial liabilities	130.9	104.1
thereof other liabilities (including trade accounts payable)	445.1	517.4
Current assets	**205.6**	**185.0**
thereof cash and cash equivalents	187.0	160.2
thereof other assets	18.6	24.8
Current liabilities	**156.9**	**221.0**
thereof financial liabilities	40.4	13.0
thereof other current liabilities (including trade accounts payable)	116.5	208.0
Net assets	**125.1**	**90.0**
Pro rata share of net assets	62.6	45.0
Goodwill	16.9	16.9
Investment carrying amount	**79.5**	**61.9**

Results data for Antalya

€ million	2018	2017
Revenue	323.1	260.2
EBITDA	277.3	222.6
Regular depreciation and amortization	–109.2	–108.5
Interest income	3.9	2.2
Interest expenses	–48.3	–67.1
Taxes on income	–34.3	–14.4
Result after taxes	**77.5**	**31.4**
Other result	0.0	16.1
Comprehensive income	**77.5**	**47.5**

The reconciliation for the carrying amount in joint ventures recognized in the Group is shown in the following overview:

Reconciliation for carrying amount in joint ventures

€ million	Antalya		Other joint ventures		Total	
	2018	2017	2018	2017	2018	2017
Investment carrying amount as at January 1 (Fraport share)	**61.9**	**38.2**	**51.1**	**26.8**	**113.0**	**65.0**
Share of annual net profit/losses	38.7	15.6	8.8	10.6	47.5	26.2
Share of other result	0.0	8.1	0.0	0.0	0.0	8.1
Comprehensive income	**38.7**	**23.7**	**8.8**	**10.6**	**47.5**	**34.3**
Dividends	–21.1	0.0	–17.0	–1.2	–38.1	–1.2
Other adjustments	0.0	0.0	–2.3	–0.8	–2.3	–0.8
Additions	0.0	0.0	0.0	15.7	0.0	15.7
Investment carrying amount as at December 31 (Fraport share)	**79.5**	**61.9**	**40.6**	**51.1**	**120.1**	**113.0**

In connection with financing the concession in Antalya, €100.5 million of bank balances are subject to a drawing restriction (previous year: €100.5 million).

There are no further significant restrictions pursuant to IFRS 12.

Investments in associated companies

Thalita Trading Ltd. and its wholly owned subsidiary Northern Capital Gateway LLC (NCG) were founded as companies by Fraport AG, the Russian bank VTB, and the Greek Copelouzos Group. NCG develops and operates Pulkovo Airport (St. Petersburg, Russia) as part of a 30-year concession agreement with the city of St. Petersburg. The company is responsible for the entire airport infrastructure. Fraport AG holds 25.0% of the shares in Thalita Trading Ltd.

Xi'an Xianyang International Airport Co., Ltd. (Xi'an) was founded by Fraport AG and three additional Chinese companies. The company operates Xi'an International Airport, China. The company's scope of responsibility includes the operation of the terminal including the commercial areas, as well as certain parts of the landside infrastructure. Fraport holds 24.5% of the shares in Xi'an through its subsidiary, Fraport Asia Ltd.

NCG, and Xi'an are not listed companies. There are no available active market values for the shares.

The following information shows the IFRS financial statements of the material associated companies. Accounting and valuation differences were adjusted to the requirements of the Group.

Summarized financial position

€ million	Thalita/NCG		Xi'an	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Share of shareholders' equity	**25.00%**	**25.00%**	**24.50%**	**24.50%**
Non-current assets	**584.1**	**694.5**	**719.9**	**732.0**
Non-current liabilities	**1,077.2**	**1,114.4**	**176.2**	**184.6**
thereof financial liabilities	441.2	1,058.9	150.4	151.6
thereof other liabilities (including trade accounts payable)	636.0	55.5	25.8	33.0
Current assets	**220.6**	**196.0**	**88.5**	**97.9**
thereof cash and cash equivalents	190.1	170.0	35.4	33.0
thereof other assets	30.5	26.0	53.1	64.9
Current liabilities	**121.0**	**118.9**	**71.3**	**119.5**
thereof financial liabilities	64.6	62.7	0.0	0.0
thereof other liabilities (including trade accounts payable)	56.4	56.2	71.3	119.5
Net assets	**–393.5**	**–342.8**	**560.9**	**525.8**
Pro rata share of net assets	–98.4	–85.7	137.4	128.8
Adjustments/accumulated impairments	0.0	0.0	0.0	0.0
Investment carrying amount	**0.0**	**0.0**	**137.4**	**128.8**

Result data

€ million	Thalita/NCG		Xi'an	
	2018	2017	2018	2017
Revenue	274.0	258.2	255.9	235.3
EBITDA	171.3	147.4	91.5	90.3
Regular depreciation and amortization	–35.7	–37.3	–48.0	–49.3
Interest income	0.0	0.0	1.8	3.0
Interest expenses	–102.8	–87.3	–0.4	–7.6
Currency translation differences	–30.7	–26.7	0.0	0.0
Taxes on income	–15.0	–11.1	–8.6	–7.3
Result after taxes	**–23.2**	**–29.9**	**40.6**	**40.0**
Other result	–5.8	–6.9	0.0	0.0
Comprehensive income	**–29.0**	**–36.8**	**40.6**	**40.0**

The reconciliation for the carrying amount in associated companies recognized in the Group is shown in the following overview:

Reconciliation for carrying amounts in associated companies

€ million	Thalita/NCG		Xi'an		Other associated companies	
	2018	2017	2018	2017	2018	2017
Investment carrying amount as at January 1 (Fraport share)	**0.0**	**0.0**	**128.8**	**126.6**	**2.2**	**2.5**
Share of annual net profit/losses	0.0	0.0	10.0	9.8	0.3	0.4
Share of other result	0.0	0.0	0.0	0.0	0.0	0.0
Currency translation differences	0.0	0.0	–1.4	–7.6	0.0	0.0
Comprehensive income	**0.0**	**0.0**	**8.6**	**2.2**	**0.3**	**0.4**
Dividends	0.0	0.0	0.0	0.0	0.0	–0.7
Write-up	0.0	0.0	0.0	0.0	0.0	0.0
Investment carrying amount as at December 31 (Fraport share)	**0.0**	**0.0**	**137.4**	**128.8**	**2.5**	**2.2**
Unrecorded pro rata results/losses						
In the reporting period	–5.8	–7.5	0.0	0.0	0.0	0.0
Cumulative	–89.0	–83.2	0.0	0.0	0.0	0.0

There are no significant restrictions pursuant to IFRS 12.

24 Other Financial Assets

Other financial assets

€ million	December 31, 2018	December 31, 2017
Financial instruments		
Securities	235.2	262.4
Other investments	94.6	105.3
Loans		
Loans to joint ventures	7.7	12.8
Loans to associated companies	84.8	84.8
Other loans	3.6	14.0
Insolvency-secured funds	0.2	9.3
Total	**426.1**	**488.6**

In the year under review, investments in securities amounted to €59.8 million (previous year: €40.1 million). Other changes resulted from reclassifications to current other financial assets due to securities of €73.1 million maturing in 2019 (previous year: €97.3 million) and changes arising from valuation of –€3.3 million (previous year: –€2.4 million).

The fund units protected against insolvency are exclusively meant to hedge credits from the time-account models and partial retirement claims in particular of Fraport AG employees. In the 2019 fiscal year, fund units were increased by €0.6 million (previous year: €1.9 million). As at the reporting date, acquisition costs amounted to €58.4 million (previous year: €57.8 million). These securities are measured at fair value and credited against the corresponding obligations of €58.8 million (previous year: €50.4 million) (see also note 39). At year-end, there was an overfunding from fund units of €0.2 million (previous year: €9.3 million).

The change in other investments relates to shares in Delhi International Airport Private Ltd., New Delhi, India, for which there was a newly derived price as fair value in the year under review.

Loans to associated companies related to a loan issued to Thalita Ltd., Cyprus, in previous years. The interest receivables arising from the interest accrued according to the effective interest method are reported as non-current receivables from associated companies (see note 25).

25 Non-current and Current Other Receivables and Financial Assets

€ million	Remaining term up to 1 year	Remaining term over 1 year	Total December 31, 2018	Remaining Term up to 1 year	Remaining Term over 1 year	Total December 31, 2017
Accounts receivable from joint ventures	14.0	0.0	14.0	10.6	6.7	17.3
Accounts receivable from associated companies	31.7	37.8	69.5	13.0	37.8	50.8
Accounts receivable from other investments	0.0	0.0	0.0	0.5	0.0	0.5
Short-term securities	113.3	0.0	113.3	98.2	0.0	98.2
Refunds from “Passive noise abatement/wake turbulences”	9.8	95.2	105.0	11.2	79.6	90.8
Promissory note loans	10.0	3.5	13.5	15.0	0.0	15.0
Accruals	11.1	28.9	40.0	9.5	26.5	36.0
Prepayments	56.4	6.8	63.2	22.5	29.3	51.8
Other assets	58.0	22.8	80.8	65.0	11.0	76.0
Total	**304.3**	**195.0**	**499.3**	**245.5**	**190.9**	**436.4**
thereof financial assets	152.3	87.5	239.8	136.5	71.9	208.4

The change in short-term securities as at December 31, 2018 compared to the previous year results from scheduled reclassifications from the balance sheet item “Other financial assets” of around €73.1 million (previous year: €97.3 million), additions during the year under review of around €40.0 million (previous year: €20.0 million), and disposals of securities that matured in the fiscal year of around €97.3 million (previous year: €170.6 million).

The item “Refunds from passive noise abatement / wake turbulences” includes the expected full reimbursement amount from noise abatement charges from airlines for passive noise abatement and wake turbulences, which was recognized as other assets in compliance with IAS 37.53 in connection with the provisions created for the obligation of Fraport AG to reimburse costs for noise abatement construction measures, expenses from refund claims for reduced utilization of outdoor facilities, and roof reinforcement measures (wake turbulences). The value was determined at the present value of the estimated expenses for reimbursing the costs of noise abatement construction measures and estimated expenses for refund claims for reduced utilization of outdoor facilities.

The item developed as follows in the fiscal year:

Refunds from “Passive noise abatement/wake turbulences”

€ million	January 1, 2018	Receipts	Disposals	Reclassification	Interest effect	December 31, 2018
Refunds from “Passive noise abatement/ wake turbulences”	90.8	13.1	0.0	26.6	0.7	105.0

More information about the corresponding other provisions can be found in note 39. The carrying amount of the refund claim depends on the noise abatement charges actually received, and those expected in the future. The carrying amount of the corresponding provision depends on the actual, and future expected cash outflows for passive noise abatement measures and wake turbulences. The items increased in the fiscal year in part as a result of the reassessment with regard to the future availments totaling €14.2 million.

Accounts receivable from associated companies primarily include interest receivables from the interest cost added back pursuant to the effective interest method to the loan to Thalita Ltd. recorded under “Other loans” (see note 24).

The accruals are mainly construction cost subsidies paid by Fraport AG. They are especially paid to public utilities who set up facilities for special requirements of Fraport AG. The utility companies own the utility equipment.

26 Income Tax Receivables

Income tax receivables

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2018	up to 1 year	over 1 year	December 31, 2017
Income tax receivables	13.1	0.0	13.1	5.4	0.0	5.4

Income tax receivables as at December 31, 2018 primarily comprised refund claims from the current year/previous years.

27 Deferred Tax Assets

Deferred tax assets

€ million	December 31, 2018	December 31, 2017
Deferred tax assets	56.7	41.0

Deferred tax assets are recognized in accordance with IAS 12. Further explanations are provided in note 16 “Taxes on income”.

28 Inventories

Inventories

€ million	December 31, 2018	December 31, 2017
Land and buildings for sale	10.1	10.6
Raw materials, consumables, and supplies	17.9	17.6
Work-in-process/other	0.9	1.1
Total	**28.9**	**29.3**

Land and buildings for sale are entirely attributable to the Mönchhof site situated in the immediate vicinity of Frankfurt Airport, which is held for sale. The ground value is currently €220 per square meter (equivalent to approximately 10.75 sq ft).

For the remaining development of the real estate held for sale, €0.1 million was capitalized in the year under review (previous year: €0.5 million). Carrying amount disposals of €0.6 million (previous year: €10.8 million) were the result of a property sale transaction. Only a negligible amount of borrowing costs was capitalized in the year under review (previous year: €0.1 million). The cost of debt was set at around 0.3% (previous year: approximately 0.9%).

The net realizable value of the real estate held for sale was calculated using the discounted cash flow method over the remaining planned selling period, with a discount rate adequate for the risk and related to the term of 3.4% after tax (previous year: 3.0%). When calculating the discount rate, further discounts were applied in addition to the general sector risk premium, particularly for as yet unknown environmental and selling risks. When calculating the net realizable value, the selling prices of sales which have already taken place and expenses planned for further development and selling are taken into account. As was the case last year, the net realizable values were higher than the carrying amounts.

Additional costs that will be incurred up to the date of sale mainly relate to expenses for the further development of the property held for sale on the Mönchhof site.

Sales of real estate with a carrying amount of around €5.7 million are planned for 2019 (previous year: around €5.2 million). The sale of other land and buildings (€4.4 million) should be realized in 2020.

Expenses for the maintenance of real estate inventories during the year under review were minor.

Raw materials, consumables, and supplies mainly relate to consumables for the airport operation.

29 Trade Accounts Receivable

Trade accounts receivable

€ million	December 31, 2018	December 31, 2017
From third parties	177.9	143.5

For 2018, as at the reporting date, the maximum default risk without taking securities into account equaled the carrying amount of €177.9 million (previous year: €143.5 million). The following table provides information on the extent of the default risk with regard to the trade accounts receivable.

Default risk analysis

€ million	Carrying amount	Not overdue			Overdue
			< 30 days	30 – 180 days	> 180 days
December 31, 2018	**177.9**	**117.1**	**59.2**	**0.2**	**1.4**
December 31, 2017	143.5	106.1	26.3	7.2	3.9

This includes disputed claims arising from the provision of security services on behalf of the Federal Government. These claims are now being raised in a legal action. 31% (previous year: 25%) of outstanding accounts receivable are due from two customers.

Cash security of €6.7 million (previous year: €6.7 million) and non-cash guarantees (mainly loan guarantees) to the nominal value of €30.4 million (previous year: €31.1 million) were accepted as guarantee for unsettled trade accounts receivable. The guarantees received until the reporting date were neither sold nor passed on as security, and will be returned to the respective debtor after termination of the business relationship. The guarantees received will be used only in the event of the debtor's default.

Allowances for trade accounts receivable developed as follows:

Reconciliation of allowances

€ million	2018	2017
Balance as at January 1	**45.6**	**43.7**
Allowances included in other operating expenses	4.9	0.8
Revenue-decreasing allowances	2.7	2.4
Release	0.0	–1.1
Availments	–0.1	–0.8
Exchange rate differences	–0.4	0.6
Balance as at December 31	**52.7**	**45.6**

30 Cash and Cash Equivalents

Cash and cash equivalents

€ million	December 31, 2018	December 31, 2017
Cash in hand, bank balances, and checks	801.3	629.4

The bank balances mainly include short-term time deposits as well as overnight deposits.

Cash and cash equivalents include time deposits of €108.8 million (previous year: €112.6 million) with a term of more than three months from the time of acquisition. These funds are not subject to any significant fluctuations in value and can be realized at any time.

In connection with financing in Greece and Brazil as well as the capital expenditure commitments of Fraport USA, €94.3 million of bank balances were subject to a drawing restriction (previous year: €55.8 million).

31 Equity Attributable to Shareholders of Fraport AG

Equity attributable to shareholders of Fraport AG

€ million	December 31, 2018	December 31, 2017
Issued capital	923.9	923.9
Capital reserve	598.5	598.5
Revenue reserves	2,657.9	2,345.7
Total	**4,180.3**	**3,868.1**

Issued capital

Issued capital (less treasury shares) is fully paid up as at the balance sheet date.

Number of floating shares and treasury shares

Issued capital consisted of 92,391,339 (previous year: 92,391,339) bearer shares with no-par value, each of which accounts for €10.00 of the capital stock.

Development of floating and treasury shares pursuant to Section 160 of the AktG

			Treasury shares		
	Issued shares Number	Floating shares Number	Number	Amount of capital stock in €	Share in capital stock in %
As at January 1, 2018	**92,468,704**	**92,391,339**	**77,365**	**773,650**	**0.0837**
Employee investment plan					
Capital increase	0	0			
As at December 31, 2018	**92,468,704**	**92,391,339**	**77,365**	**773,650**	**0.0837**

			Treasury shares		
	Issued shares Number	Floating shares Number	Number	Amount of capital stock In €	Share in capital stock In %
As at January 1, 2017	**92,434,419**	**92,357,054**	**77,365**	**773,650**	**0.0837**
Employee investment plan					
Capital increase	34,285	34,285			
As at December 31, 2017	**92,468,704**	**92,391,339**	**77,365**	**773,650**	**0.0837**

The shares issued to employees in June 2018 under the employee investment plan had been purchased on the market. The shares were issued at a price of €79.53.

Authorized capital

At the AGM on May 23, 2017 the existing authorized capital was canceled and new authorized capital of €3.5 million was approved, which can be used for issuing shares to employees of Fraport AG and companies controlled by Fraport AG. The Executive Board is entitled, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by up to a total of €3.5 million until May 22, 2022 by issuing new shares in return for cash. The statutory subscription rights of the shareholders may be excluded.

In the 2018 fiscal year, the shares for issue within the scope of the employee share program were acquired by Fraport AG on the market. The option adopted at the AGM on May 23, 2017, to increase the share capital by issuing new shares in return for cash for use within the scope of the employee share program was therefore not utilized. As of December 31, 2018 there was authorized capital of €3.5 million.

Capital reserve

The capital reserve contains the premium from the issue of Fraport AG shares.

Revenue reserves

The revenue reserves consist not only of the reserves of Fraport AG (including the statutory reserve of €36.5 million), but also the revenue reserves and retained earnings of the Group companies included in the consolidated financial statements, as well as effects of consolidation adjustments. Furthermore, the revenue reserves include reserves for currency translation differences and financial instruments.

The derivative valuation reserve is +€11.8 million as at the balance sheet date (previous year: –€1.0 million). The reserve for the equity and debt instruments measured at fair value totals €35.1 million (previous year: €49.7 million).

Pursuant to Section 253 (6) sentence 1 of the HGB and in accordance with Section 268 (8) of the HGB, a total of €47.3 million of the shareholders' equity attributable to Fraport AG's shareholders (previous year: €53.8 million) is subject to a distribution block. However, the distribution block did not take effect insofar as sufficient free reserves were available.

The proposed dividend is €2.00 per share (previous year: €1.50 per share)

In the 2018 fiscal year, the AGM of May 29, 2018 decided to pay a dividend of €1.50 per no-par value share entitled to dividends. The distributed amount thus came to €138.6 million (previous year: €138.5 million).

32 Non-controlling Interests

Non-controlling interests

€ million	December 31, 2018	December 31, 2017
Non-controlling interests (excluding the attributable Group result)	155.9	131.1
Group result attributable to non-controlling interests	31.8	29.5
Total	**187.7**	**160.6**

Non-controlling interests related to allocated shareholders' equity and earnings of Fraport Twin Star Airport Management AD, FraCareServices GmbH, Media Frankfurt GmbH, Lima Airport Partners S.R.L., and the Fraport Group companies Fraport Greece A and Fraport Greece B.

33 Non-current and Current Financial Liabilities

Non-current and current financial liabilities

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2018	up to 1 year	over 1 year	December 31, 2017
Financial liabilities	608.3	4,100.3	4,708.6	575.4	3,955.6	4,531.0

Please refer to the presentation of finance management and the asset and financial position in the Group management report for additional explanations of financial liabilities.

34 Trade Accounts Payable

Trade accounts payable

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2018	up to 1 year	over 1 year	December 31, 2017
To third parties	286.5	45.5	332.0	185.9	42.4	228.3

Trade accounts payable include liabilities in connection with compensation measures in connection with nature protection law in the amount of €21.9 million (previous year: €24.1 million). The liabilities relate to the contractual obligations to carry out environmental compensation measures based on the finished work to clear the forest south of the airport and near the Runway Northwest, as was necessary for the airport expansion.

35 Non-current and Current Other Liabilities

Non-current and current other liabilities

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	**over 1 year**	**December 31, 2018**	**up to 1 year**	**over 1 year**	**December 31, 2017**
Prepayment for orders	2.6	0.0	**2.6**	3.9	0.0	**3.9**
To joint ventures	9.5	0.0	**9.5**	11.2	0.0	**11.2**
To associated companies	4.4	0.0	**4.4**	11.8	0.0	**11.8**
Investment grants for non-current assets	1.2	7.2	**8.4**	1.3	8.2	**9.5**
Other accruals	18.8	82.4	**101.2**	12.4	89.7	**102.1**
Liabilities in connection with concession obligations	52.2	874.2	**926.4**	43.8	910.6	**954.4**
Negative fair values of derivative financial instruments	49.6	22.0	**71.6**	54.0	44.4	**98.4**
Other liabilities	137.3	30.9	**168.2**	111.3	37.2	**148.5**
Total	**275.6**	**1,016.7**	**1,292.3**	**249.7**	**1,090.1**	**1,339.8**
thereof primary financial liabilities	71.7	12.6	**84.3**	74.0	13.8	**87.8**

The liabilities in connection with concession obligations relate to obligations to pay fixed and variable airport operation concession fees for the airport operating projects in Greece, Lima, Fortaleza, Porto Alegre, Varna, and Burgas.

The remaining other liabilities, inter alia, consist of liabilities from finance leases, wage and church taxes and other taxes, outstanding social security contributions, liabilities from accrued interest and payments received for future revenue generated.

The following lease payments are due from the lease contracts:

Maturity of lease payments

€ million			Remaining term	Total
	up to 1 year	1 – 5 years	over 5 years	December 31, 2018
Lease payments	3.0	3.0	0.0	**6.0**
Discount amounts	0.2	0.1	0.0	**0.3**
Present value	**2.8**	**2.9**	**0.0**	**5.7**

€ million			Remaining term	Total
	up to 1 year	1 – 5 years	over 5 years	December 31, 2017
Lease payments	3.3	6.0	0.0	**9.3**
Discount amounts	0.4	0.3	0.0	**0.7**
Present value	**2.9**	**5.7**	**0.0**	**8.6**

Discount rates are between 1.0% and 5.5% (previous year: 1.0% and 5.5%). The fair values of the liabilities from finance leases totaled €6.0 million as at December 31, 2018 (previous year: €9.2 million). For additional comments, see note 21.

36 Deferred Tax Liabilities

Deferred tax liabilities

€ million	December 31, 2018	December 31, 2017
Deferred tax liabilities	228.3	203.8

Deferred tax liabilities were recognized in compliance with IAS 12 using the temporary concept. Further explanations of deferred tax liabilities can be found under note 16 “Taxes on income”.

37 Provisions for Pensions and Similar Obligations

Defined benefit plans

Within the Fraport Group, there are pension obligations for the members of the Executive Board of Fraport AG and their surviving dependents as well as obligations for Senior Managers and employees not covered by collective bargaining agreements.

Pension obligations primarily include 17 (previous year: 17) vested pension benefits promised in individual pension commitments to members of the Fraport AG Executive Board and their surviving dependents. A reinsurance was already obtained in 2005 to reduce actuarial risks and protect pension obligations for the former and current (in some cases still active) members of the Executive Board against insolvency. This is a group insurance policy with an annual, constant minimum insurance amount for the entire group. The pension benefits from the reinsurance correspond to the total achievable retirement, occupational disability, and widow’s/widower's benefits in accordance with the pension commitments. Reinsurance benefits are recognized at the active value reported by the insurance company to the value of €23.9 million (previous year: €23.2 million), of which €1.0 million (previous year: €1.1 million) is attributable to reserved trust assets. The reinsurance is not traded on an active market. Plan assets are invested in shares, real estate, fixed-interest securities, and other assets. Reinsurance installments of €0.8 million have been paid for 2018 (previous year: €1.0 million) and €1.0 million is expected for the next year (previous year: €1.0 million). The average weighted term of the members of the Executive Board’s defined benefit plans is 15.0 years (previous year: 15.7 years) for pensions with reinsurance and 8.0 years (previous year: 8.5 years) for pensions without reinsurance.

The Executive Board members are entitled to pension benefits and provision for surviving dependents. An Executive Board member is generally entitled to a retirement pension if he or she becomes permanently unable to work or retires from office during the term of, or upon expiry of, his or her employment agreement. If an Executive Board member dies, benefits are paid to his or her surviving dependents. These amount to 60% of the retirement pension for the widower or widow; children entitled to receive benefits receive 12% each. If no widow’s pension is paid, the children each receive 20% of the retirement pension.

Upon retirement, income from active employment as well as retirement pension payments from previous or, where applicable, later employment relationships shall be credited against accrued retirement pay up until reaching 60 years of age, insofar as without such credit the total of these emoluments and the retirement pension would exceed 75% of the fixed salary (100% of the fixed salary if Fraport AG wishes the employment to be terminated or not be extended). Effective January 1 of each year, the retirement pensions are adjusted at discretion, taking into account the interests of the former Executive Board member and the company's economic situation. The adjustment obligation is considered to be satisfied if the adjustment does not fall below the increase in the consumer price index for the cost of living for private households in Germany.

The retirement pension of an Executive Board member is defined by the percentage of a contractually agreed basis of assessment, with the percentage rising annually by 2% up to a limit of 75%, dependent on the duration of time an Executive Board member is appointed.

As at December 31, 2018, Dr Schulte is entitled to 68.0% of his fixed annual gross salary. Dr Zieschang is entitled to 52.0% of his fixed annual gross salary as at December 31, 2018.

In the event of occupational disability, the pension rate for Dr Schulte and Dr Zieschang amounts to at least 55% of their respective fixed annual gross salaries or of the contractually agreed basis of assessment.

For Executive Board members appointed from 2012 onwards, the pension benefits, provision for surviving dependents, and provision for long-term occupational disability are governed by a separate benefit agreement. This calls for the payment of a one-time pension capital or lifelong retirement pension after the insured event. The pension capital is generated when Fraport AG annually credits 40% of the fixed annual gross salary paid to a pension account. The pension capital accumulated at the end of the previous year pays interest annually at the interest rate used for the valuation of the pension obligations in the German balance sheet of Fraport AG at the end of the previous year pursuant to Section 253 (2) of the HGB, which is at least 3% and at most 6%. This is increased by 1% on January 1 of each year for lifelong retirement payments. No further adjustment is made. If the pension capital reached is less than €600 thousand when retirement benefits fall due as a result of long-term occupational disability, Fraport AG will increase it to this amount. In the event of long-term occupational disability within the first five years of their activities performed as members of the Executive Board, it is foreseen that Executive Board members can postpone the receipt of a monthly retirement pension payment by a maximum of five years from the start of the employment contract. Until the postponed start of the pension benefit payments, they will receive a monthly benefit of €2.5 thousand. The risk of pension payments in the increase phase and of payments for the increase has been reinsured by an occupational disability insurance policy. The full amount of all income pursuant to the Income Tax Act from employment or self-employment is credited against the retirement pension paid until the end of the month in which the Executive Board member reaches the age of 62.

Benefits for surviving dependents of Executive Board members appointed from 2012 onwards are regulated as follows: If there is no prior event giving rise to retirement benefits, the widow or widower receives the pension capital generated so far. If there is no widow or widower entitled to benefits, each half-orphan receives 10% and each full orphan receives 25% of the pension capital generated so far as a one-time payment. If the pension capital reached is less than €600 thousand upon death, Fraport will increase it to this amount. The payment risk of this increase has been reinsured by a term life insurance policy. If an Executive Board member dies while collecting retirement pensions, the widow or widower is entitled to 60% of the last retirement pensions paid. Half-orphans receive 10% and full orphans receive 25% of the last retirement pensions paid. If there are no surviving dependents as set forth above, the heirs receive a one-time death grant in the amount of €8.0 thousand.

Moreover, each member of the Executive Board has entered into a two-year restrictive covenant. During this term, reasonable compensation in the form of an annual gross salary (fixed salary) pursuant to Section 90a of the HGB shall be paid. Part payments shall be made monthly. The compensation shall be generally credited against any retirement pensions owed by Fraport AG, inasmuch as the compensation together with the retirement pensions and other generated income exceeds 100% of the last fixed salary received.

No other benefits have been promised to Executive Board members should their employment be terminated.

The retirement pension payments entitlement of former Executive Board members is determined by a percentage of a contractually agreed fixed basis of assessment.

For Senior Managers and employees not covered by collective bargaining agreements who joined the company as Senior Managers or employees not covered by collective bargaining agreements after December 31, 1997 or who will join in future, the pension benefits and benefits for surviving dependents on the monthly compensation liable to top-up pension payments, for which contributions are payable, are restricted to the upper limit defined in Section 38 of the ATV-K in the amount of 1.133 times of the payment group 15 level 6 of the collective bargaining agreement for civil servants (TVöD). In addition to said limited pension benefits and benefits for surviving dependents, there exists a supplementary company retirement benefit for these persons. Accordingly, Fraport AG makes an annual contribution in the amount of 13% of the eligible income as capital components into an individually managed pension account. The period of contribution began on January 1, 1998 for employees who entered into an employment not covered by a collective bargaining agreement before January 1, 2000. Furthermore, this applies to employees who changed from an employment covered by a collective bargaining agreement to one not covered by a collective bargaining agreement after December 31, 1997 or who entered into an employment not covered by a collective bargaining agreement after December 31, 1997, effective as at the time of the change in status. There were 506 benefits (of which 449 vested) as at the end of the year. The present value of the non-vested benefits amounted to €0.2 million (previous year: €0.3 million); the present value of the vested benefits amounted to €10.5 million in the 2018 annual financial statements (previous year: €10.0 million). Future obligations amount to €7.1 million for active employees and €3.6 million for former and retired employees. No significant provision amounts were paid this fiscal year due to the young age structure. The obligations for Senior Managers and employees not covered by collective bargaining agreements had an average weighted term of 7.9 years (previous year: 8.5 years).

Furthermore, senior managers not covered by collective bargaining have had the opportunity to participate in an employee-financed company pension scheme (“deferred compensation”). The employee contribution is generated through converting a portion that can be chosen freely each year. This portion is converted into an insured sum and is accumulated by Fraport AG and accrues interest. At the end of the fiscal year, there were 15 vested pension commitments totaling €5.4 million (previous year: €5.4 million). Obligations amount to €4.6 million for active employees (previous year: €4.5 million); obligations amount to €1.1 million for former and retired employees (previous year: €0.9 million). The average weighted term of the employee-financed company pension scheme was 5.3 years (previous year: 5.6 years).

Guidelines nos. 2 and 3 as well as company agreement BV 47 were replaced with a new version of company agreement BV 47 and an amalgamated guideline 2 effective January 1, 2017. The new version differs from the previously valid version in that the interest on contributions from January 1, 2017 is no longer accrued at a fixed interest rate of 6% nor is direct interest attributed based on age factors but rather at an annual rate based on the market rate, which is no less than 2% p.a. and no more than 6% p.a. Contributions that have been paid in by December 31, 2016 still accrue interest according to the previous version.

The valuation of pension obligations is based on the provisions of IAS 19. The pension obligations as at December 31, 2018 were calculated on the basis of actuarial opinions. Changes to the obligations outlined above were as follows:

Pension obligations (2018)

€ million	Present value of the obligation	Plan assets	Total
As at January 1, 2018	**57.4**	**–23.2**	**34.2**
Service cost			
Current service cost	1.6	0.0	**1.6**
Supplementary service cost	0.0	0.0	**0.0**
Gains and losses on compensation	0.0	0.0	**0.0**
Total service cost	**1.6**	**0.0**	**1.6**
Net interest income/expense			
Interest income and interest expenses	**0.9**	**–0.4**	**0.5**
Remeasurements			
Income on plan assets, excluding interest	0.0	–0.2	**–0.2**
Actuarial gains and losses from changes in demographic assumptions	0.4	0.0	**0.4**
Actuarial gains and losses from the adjustment of the obligation based on experience	–2.0	0.0	**–2.0**
Actuarial gains and losses from changes in financial assumptions	–1.1	0.0	**–1.1**
Total remeasurements	**–2.7**	**–0.2**	**–2.9**
Impacts of exchange rate differences	0.0	0.0	**0.0**
Contributions of the employer to the plan	0.3	–0.8	**–0.5**
Contributions of the employee to the plan	0.0	0.0	**0.0**
Payments from the plan	–2.0	0.8	**–1.2**
Overfunding	0.0	0.0	**0.0**
As at December 31, 2018	**55.5**	**–23.8**	**31.7**

Pension obligations (2017)

€ million	Present value of the obligation	Plan assets	Total
As at January 1, 2017	**55.5**	**–22.3**	**33.2**
Service cost			
Current service cost	1.9	0.0	**1.9**
Supplementary service cost	0.0	0.0	**0.0**
Gains and losses on compensation	0.0	0.0	**0.0**
Total service cost	**1.9**	**0.0**	**1.9**
Net interest income/expense			
Interest income and interest expenses	**0.9**	**–0.4**	**0.5**
Remeasurements			
Income on plan assets, excluding interest	0.0	–0.2	**–0.2**
Actuarial gains and losses from changes in demographic assumptions	0.0	0.0	**0.0**
Actuarial gains and losses from the adjustment of the obligation based on experience	0.1	0.0	**0.1**
Actuarial gains and losses from changes in financial assumptions	0.7	0.0	**0.7**
Total remeasurements	**0.8**	**–0.2**	**0.6**
Impacts of exchange rate differences	0.0	0.0	**0.0**
Contributions of the employer to the plan	0.0	–1.0	**–1.0**
Contributions of the employee to the plan	0.2	0.0	**0.2**
Payments from the plan	–1.9	0.7	**–1.2**
Overfunding	0.0	0.0	**0.0**
As at December 31, 2017	**57.4**	**–23.2**	**34.2**

Offsetting

Pension obligations are offset against the plan assets reserved for insolvency insurance below:

Offsetting

€ million	2018	2017
Offsetting		
Reconciliation to assets and liabilities recognized in the financial position		
Present value of an obligation funded through a reinsurance/trust assets	24.8	27.1
Fair value of plan assets	–23.8	–23.2
Overfunding (not included in the net liability)/underfunding	1.0	3.9
Present value of an obligation not funded through a reinsurance/trust assets	30.7	30.3
(Net) liabilities recognized in the financial position	**31.7**	**34.2**

Significant actuarial assumptions

	2018	2017
Salary trend	0.00%	0.00 %
Interest rate	1.80%	1.60 %
Pension growth	1,75 %/2,25 %	1,75 %/2,25 %
Mortality	Mortality tables 2018 G of Prof. Dr. Heubeck	Mortality tables 2005 G of Prof. Dr. Heubeck
Retirement age	Termination of contract period, earliest pensionable age in pension commitments	Termination of contract period, earliest pensionable age in pension commitments

The significant actuarial assumptions relate to the pension obligations of the Fraport Group. All pension obligations largely have the same assumptions where the adjustment to pensions is only calculated on pension obligations of the Executive Board members.

Sensitivity analysis

The sensitivity analysis is based on changes in the assumptions while other factors remained constant. In practice, it is unlikely that only one actuarial assumption would change. Changes in actuarial assumptions may correlate with other actuarial assumptions. The method for determining the sensitivity analysis did not change. The pension provision would vary by the following amounts in the event of a change in assumptions:

Sensitivity analysis (December 31, 2018)

€ million	2018	
	Decrease in interest rate by 0.5%	Increase in interest rate by 0.5%
Interest rate	3.0	–2,7
	Decrease in pension growth by 0.25%	Increase in pension growth by 0.25%
Pension growth	–1,0	1.0
	Reduction by one year	
Mortality[1)]	1.5	
	Increase by one year	
Retirement age	0.0	

[1)] The obligation would increase for all beneficiaries by €1.5 million as a result of the decrease in mortality of one year.

Sensitivity analysis (December 31, 2017)

€ million	2017	
	Decrease in interest rate by 0.5%	Increase in interest rate by 0.5%
Interest rate	3.3	–3,0
	Decrease in pension growth by 0.25%	Increase in pension growth by 0.25%
Pension growth	–1,2	1.2
	Reduction by one year	
Mortality[1]	1.4	
	Increase by one year	
Retirement age	0.0	

[1] The obligation would increase for all beneficiaries by €1.4 million as a result of the decrease in mortality of one year.

The retirement age has no influence on the pensions received by members of the Executive Board and was only calculated for other pensions. Due to the structure of the respective pension plans, the salary adjustment has no effect on pension obligations.

In connection with the defined benefit plans, the Group is exposed to the actuarial risks mentioned above as well as the interest rate risk. Due to the liquidity available in the Group, there is no risk with regard to fulfillment of non- reinsured obligations.

Multi-employer plans

Fraport AG has insured its employees for purposes of granting a company pension under the statutory insurance scheme based on a collective bargaining agreement (Altersvorsorge-TV-Kommunal[ATV-K]) with the Zusatzversorgungskasse for local authority and municipal employers in Wiesbaden (ZVK). The contributions are collected based on a pay-as-you-go model. As in the previous year, the contribution rate of the ZVK is 7.0% on compensation liable to top-up pension payments; thereof, the employer pays 6.1%, with the contribution paid by the employee amounting to 0.9%. In addition, a tax-free restructuring fee of 2.3% of the remuneration liable to top-up pension payments is levied by the employer in accordance with Section 63 of the ZVK Statutes (ZVKS). An additional contribution of 9.0% is paid for some employees included in the statutory social security insurance scheme (generally employees exempted from collective bargaining agreements and Senior Managers) for the consideration subject to ZVK that, according to Section 38 ATV-K, exceeds the upper limit defined in the collective bargaining agreement.

This plan is a multi-employer plan (IAS 19.8), since the companies involved share the risk of the investment and also the biometric risk. Reference is also made to the collective bargaining agreement risks arising from the ZVK insurance in the Risk and Opportunities Report in the management report.

The ZVK insurance is generally to be classified as a defined benefit plan (IAS 19.30). Because there is not sufficient information on the plan and the company also covers the risks of other insuring companies with its contributions (IAS 19.34), only the current contributions are accounted for as if it were a defined contribution plan. Due to its structure, the ZVK does not provide any information to participating companies that would allow the allocation of obligations, plan assets, service costs, and, if applicable, over- or underfunding or the extent of Fraport's participation in the plan. In the consolidated financial statements of Fraport, the consideration of contributions corresponds to defined-contribution pension commitments. Along with the remaining member companies, Fraport AG is obliged to finance accrued obligations not covered by assets as well as future obligations. The precise share of the remaining extent of the obligation cannot be determined. In the event of Fraport AG withdrawing from the multi-employer plan (for example, through terminating the agreement), compensation in the amount of the present value of the obligation at the point of the membership being terminated is to be paid to the ZVK. This amount cannot be determined due to only insufficient information being available. Should the multi-employer plan be dissolved by a resolution of the administrative committee, no share in any possible remaining overfunding will be due to Fraport.

In the fiscal year, €31.7 million (previous year: €30.5 million) was recorded as contributions to defined contribution plans for ZVK. Furthermore, due to statutory provisions, contributions are also made to state-administered pension funds in Germany. Contributions in the amount of €33.1 million are expected for the following financial year.

In addition, contributions are paid to state pension insurance institutions in Germany on the basis of statutory provisions. The current contributions are shown as expense for the respective year. Employer contributions made by the Fraport Group to statutory insurance schemes totaled €75.2 million (previous year: €70.2 million).

38 Non-current and Current Income Tax Provisions

Non-current and current income tax provisions

€ million	Remaining term		Total	Remaining term		Total
	up to 1 year	over 1 year	December 31, 2018	up to 1 year	over 1 year	December 31, 2017
Provisions for taxes on income	43.9	74.2	**118.1**	33.1	70.3	**103.4**

Tax provisions amounting to €118.1 million (previous year: €103.4 million) were accrued for unassessed corporation tax and trade taxes, as well as for tax audit risks.

39 Non-current and Current Other Provisions

The development in the non-current and current provisions is shown in the following tables.

Non-current and current personnel-related provisions

€ million	January 1, 2018	Use	Release	Additions	December 31, 2018
Personnel	**121.6**	**–76.2**	**–10.3**	**85.7**	**120.8**
thereof non-current	47.1				52.3
thereof current	74.5				68.5

A large part of the personnel-related provisions was generated for partial retirement and variable wage and salary components, such as profit sharing, for the employees of Fraport AG. The partial retirement provisions are recognized pursuant to IAS 19. The credit for partial retirement is offset against the fund units (see also note 24).

The provision for the company-wide program to develop the personnel structure initiated in fiscal year 2016 “Future Contract Plus (FC Plus)” amounted to €13.7 million as at the balance sheet date (last year: €27.3 million). Releases in the 2018 fiscal year amounted to €2.9 million.

Other provisions

€ million	January 1, 2018	Use	Release	Additions	Interest effect	December 31, 2018
Environment	40.2	–2.4	–0.3	1.0	0.4	**38.9**
Passive noise abatement	54.6	–6.7	0.0	0.0	0.0	**47.9**
Nature protection law compensation	25.9	–0.8	0.0	1.2	0.2	**26.5**
Wake turbulences	8.8	–6.8	0.0	27.6	0.0	**29.6**
Others	112.1	–34.0	–40.6	60.1	0.0	**97.6**
Total	**241.6**	**–50.7**	**–40.9**	**89.9**	**0.6**	**240.5**
thereof non-current	100.1					107.9
thereof current	141.5					132.6

Environmental provisions have been formed largely for probable restructuring costs for the elimination of groundwater contamination on the Frankfurt Airport site in Frankfurt/Main, as well as for environmental pollution in the southern section of the Airport. As at December 31, 2018, estimated cash outflows (present value) amounted to €5.9 million within one year (previous year: €5.4 million), €12.8 million after one to five years (previous year: €14.4 million), and €20.2 million after five years (previous year: €20.4 million).

The “passive noise abatement” provision includes obligations to refund the passive noise abatement expenses of owners of private and commercial land and obligations to pay outdoor living and commercial area compensation. The obligations result from the planning approval notice made by the Hessian Ministry of Economics, Energy, Transport and Living (HMWEVW) on December 18, 2007 in conjunction with the Act for Protection against Aircraft Noise (Aircraft Noise Act), and the planning approval notice of April 30, 2013. As at December 31, 2018, estimated cash outflows (present value) amounted to €28.6 million within one year (previous year: €24.4 million), €19.3 million after one to five years (previous year: €27.4 million), and €0.0 million after five years (previous year: €0.8 million). There is a corresponding refund claim reported under other accounts receivable for all obligations reported under “passive noise abatement” as at the reporting date (see also note 25). The carrying amount of the refund claim depends on the actually collected, and future expected noise abatement charges. The carrying amount of the corresponding provision depends on the actual, and future expected cash outflows for passive noise abatement measures and wake turbulences.

A provision for environmental protection compensating measures was created in previous years due to the long-term obligation to implement ecological compensating measures resulting from the work performed to clear the land in the southern part of the airport and in the area of Runway Northwest required for the airport expansion. As at December 31, 2018, estimated cash outflows (present value) amounted to €0.3 million within one year (previous year: €0.1 million), €17.9 million after one to five years (previous year: €14.0 million), and €8.3 million after five years (previous year: €11.8 million). Additions of €1.2 million include additions recognized against the corresponding asset with no effect on profit or loss.

The wake turbulence protection program concerns the protection of roofs in the defined entitlement areas to protect against damage to roof cladding due to gusts of wind caused by wake turbulences. The obligations result from the corresponding supplementation decision dated May 10, 2013 and May 26, 2014. As at December 31, 2018, estimated cash outflows (present value) amounted to €4.8 million within one year (previous year: €4.2 million), €12.7 million after one to five years (previous year: €4.2 million), and €12.1 million after five years (previous year: €0.4 million). In the 2018 fiscal year, there was a reassessment of the expected availments that led to an increase of €27.6 million with no affect to profit or loss. Correspondingly, the claim for obligations reported under other accounts receivable was increased (see also note 25).

The remaining provisions include provisions for rebates and refunds of €57.6 million (previous year: €49.8 million), provisions for development measures to be carried out in connection with the sale of real estate inventories (also see note 28) of €10.2 million (previous year: €14.9 million), provisions relating to legal disputes of €1.1 million (previous year: €3.5 million), and provisions for risks arising from renting and other services for which no further information is provided due to disputed facts. The cash outflows for the other provisions are primarily expected within one year.

40 Financial Instruments

Disclosures on Carrying Amounts and Fair Values

IFRS 9 replaces the provisions of IAS 39 in terms of the recognition, classification, and measurement of financial assets and financial liabilities and the derecognition of financial instruments, impairment of financial assets, and the hedge accounting.

There were no significant changes to the statement of financial position and income statement from the first-time application of IFRS 9 from January 1, 2018. According to IFRS 9, comparative figures have not been adjusted retroactively.

After assessing which business models apply to the financial assets and liabilities held, the financial instruments in the respective IFRS measurement categories were classified accordingly. There were no effects from the application of IFRS 9. The measurement categories as changed from IAS 39 to IFRS 9 are as follows:

IAS 39 to IFRS 9

€ million	Category		Carrying amoung as of January 1, 2018
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39) / New (IFRS 9)
Financial assets			
Cash and cash equivalents	Loans and Receivables	At amortized costs	629.4
Trade accounts receivable	Loans and Receivables	At amortized costs	143.5
Other financial receivables and assets	Loans and Receivables	At amortized costs	110.2
Current securities	Available for Sale	FVOCI (with Recycling)	98.2
Non current Securities	Available for Sale	FVOCI (with Recycling)	262.4
Other investments	Available for Sale	FVOCI (without Recycling)	105.3
Loans to joint ventures	Loans and Receivables	At amortized costs	12.8
Loans to associated companies	Loans and Receivables	At amortized costs	84.8
Other loans	Loans and Receivables	At amortized costs	14.0
Financial liabilities			
Trade accounts payable	At amortized costs	At amortized costs	228.3
Other financial liabilities	At amortized costs	At amortized costs	1,042.2
Financial liabilities	At amortized costs	At amortized costs	4,531.0
Liabilities from finance lease	N/A	N/A	8.6
Hedging derivative	N/A	N/A	27.6
Other derivatives	Held for Trading	FVTPL	19.1
Share option	Held for Trading	FVTPL	50.2

The following tables present the carrying amounts, fair values and measurement categories of the hierarchy pursuant to IFRS 13 of the financial instruments as at December 31, 2018:

Financial instruments as at December 31, 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	801.3				801.3	N/A	N/A	N/A
Trade accounts receivable	177.9				177.9	N/A	N/A	N/A
Other financial receivables and assets	126.5				148.4		100.8	47.6
Current securities			113.3		113.3	73.3	40.0	
Other financial assets								
Non current Securities			235.2		235.2	235.2		
Other investments		94.6			94.6			94.6
Loans to joint ventures	17.2				17.2		17.2	
Loans to associated companies	84.8				106.7			106.7
Other loans	3.6				3.6		3.6	
Total	**1,211.3**	**94.6**	**348.5**	**0.0**	**1,698.2**	**308.5**	**161.6**	**248.9**
Financial liabilities								
Trade accounts payable	332.0				328.8		328.8	
Other financial liabilities	1,010.7				1,268.1		1,268.1	
Financial liabilities	4,708.6				4,843.0	1,031.7	3,811.3	
Derivative financial liabilities								
Hedging derivative					12.0		12.0	
Other derivatives				14.0	14.0		14.0	
Share option				45.6	45.6			45.6
Total	**6,051.3**	**0.0**	**0.0**	**59.6**	**6,511.5**	**1,031.7**	**5,434.2**	**45.6**

The following tables present the carrying amounts and fair values of the financial instruments as at December 31, 2017:

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			262.4	**262.4**
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**	**465.9**	**1,509.1**

	Measured at amortized costs		Measured at fair value		Total fair value
Measurement category according to IAS 39	Other financial liabilities		Held for Trading	Hedging derivative	
	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 derivative				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 fair values of financial instruments belong to the following measurement categories of the hierarchy pursuant to IFRS 13 as at December 31, 2017:

Measurement categories pursuant to IFRS 13 (2017)

€ million	December 31, 2017	Level 1	Level 2	Level 3
		Quoted prices	Derived prices	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	**262.4**	262.4		
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	**736.2**	**360.6**	**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 terms, 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 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 value of the loan including interest receivables to NCG is mainly affected by 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 two 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.

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.

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 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.

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 remaining term. With regard to the fair values of the liabilities from finance leases, see note 35.

The other investments categorized as Level 3 relate to the shares in Delhi International Airport Private Ltd. Until December 31, 2016, the fair value of the shares in Delhi International Airport Private Ltd. was determined based on a current bid and taking current exchange rates into account, and categorized as Level 2. Since June 30, 2017, the fair value has been determined based on a discounted cash flow valuation. The share option in Level 3 relates to shares in Fraport Greece A and Fraport Greece B. Fraport holds a short position. Another shareholder has the possibility to exercise his option for shareholders' equity shares once in the next six years.

The substantial non-observable input factors, both for the share option and the shares in Delhi International Airport Private Ltd., for determining the fair value, are the forecast cash flows, which are based on the company’s future earnings and planned capital expenditure, as well as the discount factor that is applied. The discount factor used was the WACC (country-specific, weighted average capital cost after taxes).

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

€ million	January, 1 2018	Additions	Gains/losses in income statement	Transfers into level 3	Gains/losses in OCI	December, 31 2018
Share option	–50.2	0.0	4.6	0.0	0.0	–45.6
Other investments	105.0	0.0	0.0	0.0	–10.7	94.3

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

€ million	January, 1 2017	Additions	Gains/losses in income statement	Transfers into level 3	Gains/losses in OCI	December, 31 2017
Share option	0.0	–40.9	–9.3	0.0	0.0	–50.2
Other investments	0.0	0.0	0.0	104.5	0.5	105.0

The following amounts generated from the fair value in the event of changes in assumptions are:

Sensitivities 2018

€ million	Sensitivities with regard to unobservable input parameters					Currency rate sensitivity (INR)	
	Discount rate			Growth forcasts			
		+0.5%	–0.5%	+0.5%	–0.5%	+0.5%	–0.5%
Share option	6.7 %	–32.3	–60.6	–48.0	–43.3	N/A	N/A
Other investments	12.6 %	78.5	112.0	98.6	90.1	93.9	94.8

Sensitivities 2017

€ million			Sensitivities with regard to unobservable input parameters			Currency rate sensitivity (INR)	
			Discount rate		Growth forcasts		
		+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

The following table compares the net result for 2018 for each measurement category according to IFRS 9 with the net result for 2017 per measurement category according to IAS 39.

Net results of the measurement categories

€ million	2018	According IAS 39	2017
Financial assets		**Financial assets**	
At amortized cost	–1.3	Loans and Receivables	1.6
FVOCI with Recycling	–3.9	Available for Sale	–2.4
FVOCI without Recycling	–12.6	Available for Sale	0.7
Financial liabilities		**Financial liabilities**	
At amortized cost	–3.1	At amortised Cost	–11.8
FVTPL	–1.3	Held for Trading	–3.6

The net result consists of changes in fair values recognized through profit or loss, impairment losses, and write-ups recognized through profit or loss, exchange rate changes, and gains and losses of disposals.

Interest and dividend income from financial instruments held at FVOCI are also included in the calculation of the net result. Interest and dividend income of the other categories are not included in the net result disclosed.

In addition to the recognized fair value changes, gains on financial liabilities FVTPL also include the fair values of two interest rate swaps for which there were no hedged items in the course of the 2018 fiscal year. In addition, the recognized change in the share option was included in this position.

Derivative financial instruments and hedge accounting

With regard to the items in its statement of financial position and planned transactions, Fraport is, in particular, subject to interest rate and currency exchange risks. Fraport covers interest rate risks by establishing naturally hedged positions, in which the values or cash flows of primary financial instruments offset each other in their timing and amount, and/or by using derivative financial instruments to hedge the business transactions. Derivatives are not used for trading or speculative purposes.

Interest rate risks arise in particular from the capital requirements associated with capital expenditure and from existing floating interest rate financial liabilities and assets. As part of the interest rate risk management policy, interest swaps and interest swaps with embedded floors were concluded in order to limit the interest rate risk arising from financial instruments with floating interest rates and assure planning security.

An expense of €7.2 million was accrued within the scope of the acquisition valuation of derivatives in connection with the commitment in Greece in April 2017. In the year under review, the value from €6.8 million dropped by €0.8 million to €6.0 million, which was recognized over the term due to the proportional release.

The Group holds 14 interest rate swaps as at the reporting date (previous year: 19). In relation to one interest rate swap (in the previous year: one), a bank has the unilateral right to terminate the interest rate swap. The value of this right was taken into account in the fair value of the interest rate swap.

Derivative financial instruments

€ million	Nominal volume		Fair value		Credit risk	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Interest rate swaps	575.8	691.2	–26.0	–46.7	0.0	0.0
thereof hedge accounting	445.8	561.2	–12.0	–27.6	0.0	0.0
thereof trading	130.0	130.0	–14.0	–19.1	0.0	0.0
Share option	0.0	0.0	–45.6	–50.2	0.0	0.0

The fair values of the derivative financial instruments are recorded as follows in the statement of financial position:

Fair values of derivative financial instruments

€ million	Other assets		Other liabilities	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Interest rate swaps - cash flow hedges	0.0	0.0	12.0	27.6
Interest rate swaps - trading	0.0	0.0	14.0	19.1
Share option	0.0	0.0	45.6	50.2

11 interest rate swaps (previous year: 16) are already assigned to existing floating interest-bearing liabilities.

A total of 11 interest rate swaps (previous year: 16) are accounted for as cash flow hedges in accordance with IFRS 9. Changes in the fair values of these instruments are recorded in a shareholders' equity sub-account without affecting profit or loss. This economic relationship results from the compensation amount and thus the effectiveness of these cash flow hedges. The effectiveness is confirmed and documented at regular intervals; the hedge ratio of the securities is 1:1. In general, the recorded hedging relationships can become ineffective if a gap arises in the material measurement parameters between the hedged item and hedging instrument. They are calculated on the basis of the dollar offset method. Due to a very low level of ineffectiveness, the change in value of hedging instruments corresponds to change in value of the underlying hedged item. These changes in value arise from the unrealized losses that were recorded in shareholders' equity during the fiscal year. Three interest rate swaps (previous year: three) are classified as FVTPL. All changes in value resulting from this classification are recorded through profit or loss.

The payments under the cash flow hedges become due in the following years. This is also the time when the respective hedged item affects profit or loss.

Interest rate swaps (2018 hedge accounting)

€ million				December 31, 2018
Beginning of term	End of term	Nominal value	Fair value	Average interest rate
2009	2019	220.0	–4.6	4.4 %
2010	2020	85.0	–6.5	4.6 %
2017	2034	140.8	–0.9	1.6 %
Total		**445.8**	**–12.0**	

There were the following time periods as at December 31, 2017:

Interest rate swaps (2017 hedge accounting)

€ million				December 31, 2017
Beginning of term	End of term	Nominal value	Fair value	Average interest rate
2008	2018	115.0	–3.8	4.2 %
2009	2019	220.0	–14.9	4.4 %
2010	2020	85.0	–10.3	4.6 %
2017	2034	141.2	1.4	1.6 %
Total		**561.2**	**–27.6**	

Unrealized losses of –€0.7 million were recorded in shareholders' equity from the change in fair value of derivatives in the 2018 fiscal year (previous year: €1.6 million). During the year under review, losses of €15.9 million before taxes (previous year: €26.1 million) were transferred from shareholders’ equity to the financial result. This results in changes in deferred tax assets of €5.2 million and a balance of –€7.2 million (previous year: –€18.6 million).

Notes to the Segment Reporting

41 Notes to the Segment Reporting

Segment reporting in the Fraport Group according to IFRS 8 is based on internal reporting to the Executive Board as principle decision-maker and is attached as an appendix to the notes.

The same accounting principles as those used in the consolidated financial statements underlie segment reporting.

The strategic business units of Fraport AG at the Frankfurt site are clearly assigned to the Aviation, Retail & Real Estate, Ground Handling and International Activities & Services segments. In addition, these segments include Group companies integrated in the business processes at the Frankfurt site.

The Aviation segment incorporates the strategic business units "Airside and Terminal Management, Corporate Safety and Security" as well as the Group companies involved in the processes at the Frankfurt site. As at January 1, 2018, “Airport Security Management” has been fully integrated into the strategic business unit “Airside and Terminal Management, Corporate Safety and Security” of Fraport AG.

The Retail & Real Estate segment consists of the strategic business unit “Retail and Properties”, comprising the retailing activities, parking facility management, and the rental and marketing of real estate at the Frankfurt site. In addition, the Group companies integrated into these activities on the Frankfurt site are allocated to this segment.

The Ground Handling segment combines the “Ground Services” strategic business unit and the Group companies involved in these operations at the Frankfurt site.

The International Activities & Services segment encompasses in aggregate, due to the similarity of the economic criteria, the Group companies that are not integrated in the processes at the Frankfurt site, and Group companies that carry out their business operations outside the Frankfurt site (International Activities). The business operations of these companies consist of the operation of airports outside the Frankfurt site or the provision of airport-related services, and are primarily aimed at the users of airport infrastructure. In subareas, they are subject to country-specific regulatory requirements for the operation of airport infrastructure. In addition, the internal service units Integrated Facility Management, Corporate Infrastructure Management, Airport Expansion South, Information and Telecommunication and their Group companies and the strategic business unit Global Investments and Management are assigned to the segment because they primarily provide internal services for the Fraport Group. Revenue of €80.9 million, EBITDA of €43.8 million and EBIT of €14.9 million result from the internal service units and their investments as well as the acquisitions and investments section.

Corporate data at Fraport AG is divided into market-oriented business and service units on the one hand and into central units on the other hand. All the business and service units are allocated clearly to one segment each. The central units are categorized appropriately.

The data about the Group companies that are not integrated in the processes at the Frankfurt site and Group companies that carry out their business operations outside the Frankfurt site are allocated to the International Activities & Services segment during reporting. The Group companies that are integrated in the processes at the Frankfurt site are allocated to the relevant segment according to their business operations.

Inter-segment revenue is primarily generated by the allocation of rent for land, buildings and space, as well as maintenance services and energy supply within Fraport AG. The corresponding assets are allocated to the Retail & Real Estate segment. The relevant units are charged on the basis of the costs incurred, including imputed interest.

Inter-segment income also reflects income that has been generated between the companies included from different segments.

Goodwill from business mergers and the appropriate impairment losses, where applicable, have been allocated clearly to a segment according to this segment structure.

The reconciliation of segment assets/segment liabilities column includes the income tax assets/liabilities (including the deferred tax assets/liabilities) of the Group.

In the additional disclosures “Geographical Information”, allocation takes place according to the current main areas of operation: Germany, Rest of Europe, Asia, and America. The figures shown under “Asia” relate mainly to Turkey and the People’s Republic of China. The figures shown under “America” relate mainly to the United States, Peru, and Brazil. The two Brazilian companies achieved revenue in the amount of €258.4 million in 2018. The investments in airport operating projects according to IFRIC 12 increased from €388.6 million in the previous year to €458.7 million as at December 31, 2018. The revenue of Lima Airport Partners S.R.L., Lima, Peru, amounted to €358.3 million in 2018 (previous year: €325.6 million). The company holds non-current intangible assets in connection with the accounting pursuant to IFRIC 12 of around €357.5 million as at the balance sheet date (previous year: €311.5 million). In the “Rest of Europe” region, the two Greek companies contributed a total of €414.8 million (previous year: €234.9 million) to revenue (see also note 2). The investments in airport operating projects according to IFRIC 12 amounted to €1,856.2 million as at December 31, 2018 (previous year: €1,741.9 million).

Additions to the fully consolidated Group companies in the fiscal year are the companies FraSec Fraport Security Services K9 TEDD GmbH Twickelerveld European Detection Dogs, Frankfurt am Main (Aviation segment), Fraport Brasil Holding GmbH, Frankfurt am Main, and Fraport Tennessee Inc., Nashville, TN, USA (both International Activities & Services segment). The newly founded companies did not have a significant impact on the asset and financial situation.

The disposal of the fully consolidated companies relates to Airport Parking GmbH (Retail & Real Estate segment) in which five other airports participated at the beginning of year. The joint venture Fraport TAV Antalya Havalimani Isletme A.S. (International Activities & Services segment) was merged into Fraport TAV Antalya Terminal Havalimani Isletmeciligi A.S. on December 28, 2018 as a corporate restructuring measure. The aforementioned disposals had no material impact on the segment reporting. In addition, all shares in the associated company Flughafen Hannover-Langenhagen GmbH, Hanover (International Activities & Services segment) were sold effective October 9, 2018. The effects of the sale are described in note 2.

Impairment losses on segment assets of the International Activities & Services segment in the previous year attributable to the Group company Fraport USA were recognized pursuant to IAS 36 to the value of €8.6 million due to the end of the concession in Boston effective October 31, 2017.

Segment assets of the Retail & Real Estate segment include real estate inventories of €10.1 million (previous year: €10.6 million).

During the 2018 fiscal year, revenue of €976.2 million was generated in all four segments with one customer (previous year: €969.5 million). Despite lower revenue in connection with passed-on energy supply services, there was an increase of €6.7 million compared to the previous year. Further explanations about segment reporting can be found in the management report.

Notes to the Consolidated Statement of Cash Flows

42 Notes to the Consolidated Statement of Cash Flows

Cash flow from operating activities

Cash flow from operating activities of €802.3 million (previous year: €818.7 million) resulted in €1,048.0 million (previous year: €1,084.0 million) from operating activities, €115.2 million (previous year: €124.8 million) from financing activities, and €130.5 million (previous year: €140.5 million) from cash flow used in taxes on income. The slight decline in operating activities is primarily due to the changes to short-term receivables and debt as at the balance sheet date. For the purposes of calculating the operating cash flow, the changes to receivables, liabilities, and reserves are adjusted for operations that had no direct impact on current cash flows for the period or which can be assigned to cash flow used in investing or financing activities.

In the year under review, cash flow used in fixed concession payments in connection with the airport operating projects of €45.6 million (previous year: €28.0 million) were allocated to investment activities instead of to operating activities. The previous year's figures have been adjusted accordingly.

Cash flow used in investing activities

Cash flow used in investing activities excluding investments in cash deposits and securities amounted to €669.8 million (previous year: €1,897.2 million), a significant decrease of €1,227.4 million year on year. The large cash outflows from the previous year resulted from the payment of the initial one-off fees for airport operating projects in Greece and Brazil. Payment from the disposal of the Hanover Airport (€109.2 million) also affected the change in cash flows in the fiscal year.

The cash flow used in investing activities includes payments for capacitive capital expenditure in infrastructure since the beginning of the year for the concession payments in connection with the airport operating projects.

Cash flow from financing activities

The strong cash flow used in financing activities in the amount of €879.7 million resulted primarily from taking on long-term financial liabilities to finance the airport operating projects in Greece and Brazil. The cash inflow in the 2018 fiscal year amounted to €17.9 million.

The following overviews show the composition of cash and cash equivalents and non-cash changes to the liabilities from financing activities.

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

€ million	December 31, 2018	December 31, 2017
Bank and cash balances	442.3	185.4
Time deposits with a remaining term of less than three months	155.9	275.6
Cash and cash equivalents as at the consolidated statement of cash flows	**598.2**	**461.0**
Time deposits with a remaining term of more than three months	108.8	112.6
Restricted cash	94.3	55.8
Cash and cash equivalents as at the consolidated statement of financial position	**801.3**	**629.4**

Changes in liabilities from financing acitivities

€ million	January 1, 2018	Cash inflow from non-current financial liabilities	Repayment of non-current financial liabilities	Cash-effective changes in current financial liabilities	Non cash-effective changes			December 31, 2018
					Foreign currency translation effects	Changes in fair value	Reclassifications and other changes	
Non-current financial liabilities	3,955.6	461.0	0.0	0.0	0.0	2.6	–318.9	4,100.3
Current financial liabilities	575.4	0.0	–495.5	209.1	0.4	0.0	318.9	608.3
Other financing activities	48.4	0.0	–3.1	0.0	0.0	0.0	0.0	45.3

Other Disclosures

43 Contingent Liabilities

Contingent liabilities

€ million	December 31, 2018	December 31, 2017
Guarantees	19.6	1.2
Warranties	588.6	342.7
thereof contract performance guarantees	529.8	294.2
Other contingent liabilities	30.5	22.8
Total	**638.7**	**366.7**

The warranties concluded mainly result from the respective contract terms in connection with national and international investment projects.

The guarantees primarily contain contract performance guarantees of €529.8 million, the most important of which are explained below.

As at the balance sheet date, there were contract performance guarantees in connection with the two service concession agreements concluded in 2015 for the 14 Greek Regional Airports (€44.8 million), the corresponding construction activities (€51.4 million) and financing (€7.3 million).

Fraport and the Brazilian Government signed concession agreements on July 28, 2017 for the operation and further development of the Brazilian airports of Fortaleza and Porto Alegre (see note 48). This commitment resulted in performance guarantees of €336.6 million.

A performance guarantee, excluding recourse against Fraport AG, was signed between GMR Holdings Private Ltd., Fraport AG, and ICICI Bank Ltd. to the amount of €37.5 million (previous year: €39.2 million) to modernize, expand, and operate Delhi Airport (India). If, however, the party to the contract, GMR Holdings Private Ltd., fails to meet its contractual obligations, Fraport AG's liability may not be excluded given the fact that Fraport AG is party to the contract.

The performance guarantee relating to the concession agreement for the operation of the airport in Lima, Peru, amounted to €13.6 million as at the balance sheet date (previous year: €13.3 million).

The contractual performance of its Group company Fraport USA Inc. is guaranteed to a total of €16.1 million (previous year: €12.7 million) in connection with the operation and development of commercial terminal areas at various US airports.

The contractual performance of its Group company Fraport Twin Star Airport Management AD is guaranteed to the amount of €7.5 million (previous year: €7.5 million) in the context of operating the airports in Varna and Burgas, Bulgaria.

The other contingent liabilities include that Fraport AG is held liable to the amount of €9.0 million for rentals payable by Lufthansa Cargo Aktiengesellschaft to ACC Animal Cargo Center Frankfurt GmbH if Lufthansa Cargo Aktiengesellschaft exercises an extraordinary right to terminate the contract (previous year: €9.7 million), contingent liabilities at Lima from tax risks to the amount of €13.5 million (previous year: €12.7 million).

There are contingent liabilities amounting to €42.7 million (previous year: €42.7 million) in connection with investments in joint ventures.

44 Other Financial Obligations

Order commitments for capital expenditure

€ million	December 31, 2018	December 31, 2017
Orders for capital expenditure in property, plant, and equipment and intangible assets	790.6	330.5

Order commitments for intangible assets comprise an insignificant portion of the total amount.

Operating leases

€ million	December 31, 2018	December 31, 2017
Rental and lease contracts		
up to 1 year	52.2	23.2
more than 1 up to 5 years	178.4	72.7
more than 5 years	175.3	46.2
Total	**405.9**	**142.1**

In addition to order commitments, other financial obligations include future expenses arising from rental and leasing contracts. The contracts entered into relate to building and land rental agreements and the lease of equipment. In view of their economic content, the relevant leases qualify as operating leases, i.e. the leased asset is attributable to the lessor. The increase in other financial obligations from rentals and leasing contracts is primarily the result of the take-over of the retail space management in Terminal 5 at JFK Airport, New York, in April 2018, as well as the contractual agreement reached in August 2018 to take over the retail space management at Nashville Airport from February 1, 2019.

Other obligations

As at the balance sheet date, there were also other obligations amounting to €42.4 million (previous year: €82.9 million). These relate largely to obligations arising from a long-term heat supply contract (€24.1 million, previous year: €70.5 million) with Mainova AG. The other obligations include €8.1 million (previous year: €4.5 million) of obligations to joint ventures.

Revenue-related concession fees and additional obligations for capital expenditure of unspecified amounts on airport infrastructure have been agreed based on the existing concession agreements relating to the operation of the airports in Varna and Burgas, Bulgaria; Lima, Peru; Fortaleza and Porto Alegre, Brazil; and the 14 Greek Regional Airports (see also note 48).

45 Long-Term Incentive Program

The Long-Term Incentive Program (LTIP) for the Executive Board and Senior Managers was introduced effective January 1, 2010.

A certain number of virtual shares (so-called performance shares) is allocated annually depending on certain performance objectives. Target achievement is measured over four years (performance period); payment in cash takes place immediately at the end of the four-year performance period.

The number of virtual shares actually allocated depends on the extent to which two performance targets are met:

- Earnings per Share (EPS) (target weighting 70%)
  This internal performance target is determined by comparing the actual average EPS in the performance period with the weighted average plan EPS at the time of awarding.
- Rank Total Shareholder Return MDAX (TSR) (target weighting 30%)
  The TSR measures the development of shares over a certain period of time subject to dividends and share price developments. Therefore, it constitutes a market-dependent performance target.

The amount of the actual tranche is limited to 150% of the target tranche (virtual shares awarded) including any increase in value from share price development.

For all performance shares allocated from fiscal year 2014 onwards, the LTIP payment is limited to 150% of the product of the performance shares of the target tranche multiplied by the "relevant share price at the time of issuance". The "relevant share price at the time of issuance" corresponds to the weighted average of the company's closing share prices in XETRA or a similar trading system replacing XETRA at the Frankfurt Stock Exchange during the month of January of the fiscal year, in which the relevant performance period begins. A total of 48,896 virtual shares were issued in the 2018 fiscal year. A provision for the LTIP of €8.3 million (previous year: €8.9 million) was reported as at December 31, 2018.

Expense reported in the 2018 fiscal year amounted to €2.9 million (previous year: €5.4 million). €1.8 million of which is attributable to the Executive Board (previous year: €3.5 million) and €1.1 million is attributable to senior managers of Fraport AG (previous year: €1.9 million).

Development of the fair values of the virtual shares for the Executive Board and Senior Managers

Tranche All figures in €	Fair value December 31, 2018 Executive Board	Fair value December 31, 2018 Senior Managers	Fair value December 31, 2017 Executive Board	Fair value December 31, 2017 Senior Managers
Fiscal year 2015	72.93	73.09	77.53	76.97
Fiscal year 2016	69.34	63.57	78.87	74.75
Fiscal year 2017	73.03	67.96	80.03	77.25
Fiscal year 2018	65.70	61.43	83.26	83.26

On January 1 of the years 2015 to 2018, the Executive Board and Senior Managers in the Fraport Group were each promised a tranche. The tranches for the Executive Board and for Senior Managers differ in the calculation of the extent to which objectives have been reached for the targets in the weighting of the individual years of the performance period.

Virtual share conditions

The virtual shares in the 2018 tranche were issued on January 01, 2018. Their term is four years ending on December 31, 2021.

The payout per virtual share corresponds to the weighted average closing prices of the Fraport share in the XETRA trading system on the first 30 stock market trading days immediately following the last day of the performance period.

Entitlement to the LTIP payment is established by approval by the Supervisory Board of the consolidated financial statements for the last fiscal year of the performance period. Payments are made within one month.

The valuation of the virtual shares takes place on the basis of the fair value per share for a tranche. A Monte Carlo simulation is used to determine the fair value. In this process, the log-normal distributed processes of the Fraport share price are simulated to determine the relevant payment according to the respective performance targets.

The fair value of virtual shares to be measured in fiscal years 2015 to 2018 was calculated based on the following assumptions:

The basis of the computations on the respective valuation date was a continuous zero interest rate. The interest rates were computed from the interest rate structures of government bonds maturing between one and ten years.

The computation basis for future dividend payments is public estimates made by ten banks. The arithmetic mean of these estimates is taken to determine the dividends.

Historic volatility is used for the calculations. The calculations are based on the daily XETRA closing price for Fraport AG.

The remaining term of the LTIP is used as the time horizon to determine volatility.

46 Risk management

Fraport is exposed to market price risks mainly due to changes in exchange rates and interest rates. The Group is additionally exposed to credit risks. There are also liquidity risks arising in connection with credit and market price risks or resulting from a worsening of the operating business or disturbances on the financial markets. It is the objective of financial risk management to monitor and limit these risks by means of current operating and finance-related activities. Depending on a risk assessment, selected hedging instruments are used for these purposes. In general, Fraport hedges only those risks that affect the Group's cash flows. Recently concluded derivative financial instruments are used exclusively as hedging instruments; i.e. they are not used for trading purposes.

Reporting to the Executive Board of risk positions is made once per quarter as part of the early risk recognition system. In addition, the Chief Financial Officer receives a current financial report each month with all important financial risk positions. These are also part of the monthly Treasury Committee Meetings (TCM) in which the Chief Financial Officer and representatives of the financial department participate. The processes of risk control and the use of financial instruments, among others, are regulated as part of the Group's financial guidelines. These regulations also include requirements for the unambiguous segregation of functions in respect of operating financial activities, their settlement and accounting, and the controlling of the financial instruments. The guidelines, which are the basis of the risk management processes, aim to limit and control the risks appropriately and monitor them. Both the guidelines and the systems are regularly reviewed and adjusted to current market and product developments.

For further details, please refer to the opportunity and risk reporting in the group management report.

Credit risk

Fraport is subject to default risks from its operating business and certain financial positions. The default risks arising from financial positions are controlled by a broad diversification of counterparties and issuers, as well as regular verification of their credit ratings and the limits derived from this. It is the company's risk policy that financial assets and derivative transactions are in principle only carried out with issuers and counterparties with a credit rating of at least "BBB–". If the credit rating is downgraded to a grade worse than "BBB–" during the asset's holding period or the term of the derivative, a decision will be made on a case-by-case basis on how to deal with the asset or derivative in future, taking into account the remaining term. A low credit risk is expected, unless the debtor of a financial asset shows an external rating with "investment grade" upon initial recognition or on the balance sheet date.

The maximum credit risk on the balance sheet date is mainly reflected in the carrying amounts of the assets reported in the financial position. The amount of the debt instruments corresponds to the credit risks of the securities and promissory note loans. On the balance sheet date, the material securities and promissory note loans were broken down as follows:

Classification of debt instruments

€ million	December 31, 2018	December 31, 2017
Debt instruments	361.9	388.9

The gross carrying amount of securities and promissory note loans have the following long-term issuer ratings:

Issuer ratings of securities and promissory note loans (2018)

€ million	December 31, 2018
AAA	0.0
AA+	0.0
AA	0.0
AA–	42.2
A+	61.9
A	44.1
A–	28.1
BBB+	69.9
BBB	41.1
BBB–	59.8
BB	10.0
Not rated	4.8
Total	**361.9**

In 2017, the gross carrying amount of securities and promissory note loans had the following issuer ratings:

Issuer ratings of securities and promissory note loans (2017)

€ million	December 31, 2017
AAA	0.0
AA+	0.0
AA	19.5
AA–	78.9
A+	72.8
A	53.4
A–	27.9
BBB+	68.6
BBB	27.2
BBB–	25.6
BB	10.0
Not rated	5.0
Total	**388.9**

The credit risk on liquid funds (gross carrying amount) applies solely with regard to banks. Here, current cash deposits are maintained with banks. The banks where liquid funds are deposited have the following long-term issuer ratings:

Issuer ratings of liquid funds (2018)

€ million	December 31, 2018
AAA	0.0
AA+	0.0
AA	0.0
AA–	12.8
A+	0.0
A	177.0
A–	33.4
BBB+	288.8
BBB	14.0
BBB–	1.2
BB+	0.0
BB	0.0
BB–	101.4
B+	0.1
B	0.0
B–	38.3
CCC+	0.0
Not rated	134.3
Total	**801.3**

In 2017, the banks where liquid funds (gross carrying amount) were deposited had the following issuer ratings:

Issuer ratings of liquid funds (2017)

€ million	December 31, 2017
AAA	0.0
AA+	0.0
AA	0.0
AA–	73.2
A+	0.0
A	135.1
A–	112.2
BBB+	81.7
BBB	50.2
BBB–	1.0
BB+	0.0
BB	24.9
BB–	0.3
CCC+	36.7
Not rated	114.1
Total	**629.4**

Liquidity risk

Fraport generates financial funds mainly through its operating business and external financing. The funds are primarily used to finance capital expenditure for items of property, plant, and equipment and intangible assets.

The operating cash flow, the available liquid funds (including cash and cash equivalents and current realizable securities and other financial instruments), as well as current and non-current credit lines and loan commitments, give sufficient flexibility to ensure the liquidity of the Fraport Group. As at the balance sheet date, the Group had unused credit lines amounting to €826.7 million (previous year: €758.0 million) available, of which €341.7 million (previous year: €276.4 million) are allocated for future capital expenditure in infrastructure.

Given the diversity both of the financing sources, and the liquid funds, and financial assets, there is no risk of concentration in the liquidity.

The operating liquidity management comprises a cash concentration process, which, on a daily basis, combines the liquid funds of most of the Group companies headquartered in Germany. This allows optimum control of liquidity surpluses and requirements in line with the needs of individual Group companies. Short and medium-term liquidity management includes the maturities of financial assets and financial liabilities and estimates of the operating cash flow.

The following list of maturities shows how the liability cash flows as at December 31, 2018 influence the Group's future liquidity.

Liquidity profile as at December 31, 2018

€ million	Total	2019		2020		2021 – 2025		2026 – 2030		2031 et seqq.	
		Interest	Payment	Interest	Payment	Interest	Payment	Interest	Payment	Interest	Payment
Primary financial instruments											
Financial liabilities	**5,673.3**	128.0	1,377.7	79.6	182.5	384.3	1,303.9	273.6	1,395.4	105.5	442.8
Finance leases	**6.0**		3.0		3.0						
Concessions payable	**2,842.2**		43.5		45.5		259.1		355.3		2,138.8
Trade accounts payable	**228.3**		45.6		164.0		12.2		6.5		
Other financial liabilities	**67.1**		59.8				0.1				7.2
Derivative financial instruments											
Interest rate swaps	**40.4**	20.6		9.0		11.2				–0.4	
Thereof trading	**14.8**	6.2		3.7		4.9					
Thereof hedge accounting	**25.6**	14.4		5.3		6.3				–0.4	

The liquidity profile as at December 31, 2017 was as follows:

Liquidity profile as at December 31, 2017

€ million	Total	2018		2019		2020 – 2024		2025 – 2029		2030 et seqq.	
		Interest	Payment	Interest	Payment	Interest	Payment	Interest	Payment	Interest	Payment
Primary financial instruments											
Financial liabilities	**5,547.6**	116.7	544.4	114.0	1,128.3	342.2	1,230.3	284.8	1,065.6	163.8	557.5
Finance leases	**9.3**		3.3		3.0		3.0				
Concessions payable	**2,933.0**		44.0		44.1		242.1		345.4		2,257.4
Trade accounts payable	**228.3**		186.0		21.1		12.5		8.7		
Other financial liabilities	**50.6**		46.0				4.6				
Derivative financial instruments											
Interest rate swaps	**61.1**	27.4		19.8		15.1		–0.3		–0.9	
Thereof trading	**19.8**	6.2		5.9		7.3		0.4			
Thereof hedge accounting	**41.1**	21.2		13.9		7.7		–0.8		–0.9	

All financial instruments that are subject to agreements as at the reporting date were included to determine the undiscounted payments. If a contractual partner can release a payment at different points of time, the earliest deadline was taken into account. The respective forward interest rates derived from the interest curve as at the balance sheet date were used to determine the interest payments on primary financial liabilities bearing interest at floating rates and the net payments on derivative financial instruments. The respective forward interest rates were used to determine the interest payments on primary financial liabilities in foreign currency.

For project-financing arrangements of foreign Group companies, credit clauses typical for this type of financing have been agreed. These clauses include regulations under which certain debt service coverage ratios and control indicators for leverage and credit terms must be complied with. Failure to comply with the agreed credit clauses may lead to restrictions on the distribution of dividends and/or to the early redemption of loans or to the additional payment of shareholders' equity. Furthermore, there are loans with contractually agreed credit clauses. These clauses relate, among other things, to changes in the shareholder structure, and control of the company. If these changes have a proven negative effect on the credit rating of Fraport AG, the creditors have, above a certain threshold, the right to call the loans due ahead of time.

All agreed borrowing terms and conditions were observed in 2018. There are currently no indications that there will be any failure to comply with the essential agreed borrowing terms and conditions.

Currency risk

The international focus of the Fraport Group makes its operating business, the financial results reported, and the cash flows subject to foreign currency fluctuation risks. Within the Group, foreign currency risks mainly arise from revenue in foreign currencies, that are not covered by expenses in matching currencies. This results in a cash flow risk between foreign currency revenue and functional currency revenue. Only the transaction risks affecting cash flows are actively controlled. These mainly apply between the US Dollar (US$) and the Peruvian Nuevo Sol (PEN). To reduce the foreign currency effects in the operating business, the transaction risk is assessed on an ongoing basis and hedged where necessary by using derivative financial instruments. Entering into financial instrument transactions is the responsibility of the Group companies in close coordination with the Treasury department of Fraport AG. The transaction risks are assessed by means of sensitivity analyses. The calculation rates on which the analyses are based are the result of the mean value for the respective exchange rate in the period under review, less or in addition to a standard deviation. Taking these assumptions as a basis with a deviation of 10%, the result for the period would have been affected in the year under review as follows:

Currency rate sensitivity

Risk in € million	December 31, 2018		December 31, 2017	
	Net income before tax	Loss before tax	Net income before tax	Loss before tax
US$/PEN	1.20	1.20	0.80	0.80

In addition, there are effects in the Group from the translation of foreign currency assets or liabilities into euros and/or from the consolidation of Group companies not accounted for in euros. These translational risks are met as far as possible by applying natural hedging.

Interest rate risk

The Fraport Group is exposed to interest rate risks on a variety of primary and derivative financial assets and liabilities, as well as future planned capital requirements.

In regard to assets and liabilities that are currently held, the objective of refinancing at matching maturities is generally pursued. The interest rate risk arising in the next twelve months is relevant for control. Therefore, it is assessed every quarter and reported to the financial risk committee. Sensitivity analyses are prepared to determine the risk. These show the effects of changes in market interest rates on interest payments, interest income and expenses, other profit or loss portions, and shareholders' equity. Interest rate changes are defined to be the maximum fluctuation of the key interest rate in the past for the respective currency and the respective period of time and/or the maximum fluctuation of the ten-year euro swap rate in the past. Here, the deviation in absolute terms is taken into consideration.

To limit the interest rate risks, derivative financial instruments, such as interest rate swaps, floors, and swaptions, are used.

The sensitivity analyses are based on the following assumptions:

Changes in market interest rates of primary financial instruments with fixed interest rates affect profit or loss, or shareholders' equity, only if the instruments are measured at fair value. The sensitivity analysis for these financial instruments assumes a parallel shift of the interest rate curve by 169 basis points over a period of twelve months.

The financial instruments measured at amortized acquisition cost with fixed interest rates do not affect the result for the period or the shareholders' equity of the Fraport Group.

Market interest rate changes of primary floating-rate financial instruments that are not designated hedged items in a cash flow hedge of interest rate exposures affect the interest result and are therefore included in the calculation of profit or loss related sensitivities. The respective net financial position for each currency is taken into account in the process. The interest rate sensitivity analysis is based on the following assumptions: in €: 3.25 percentage points; US Dollar (US$): 4.00 percentage points; Turkish Lira (TRY): 15.25 percentage points; Peruvian Nuevo Sol (PEN): 6.70 percentage points; Saudi Riyal (SAR): 3.50 percentage points; Bulgarian Lew (BGN): 5.22 percentage points; Hong Kong Dollar (HKD): 5.25 percentage points; Brazilian Real (BRL): 6.75 percentage points. The individual sensitivities are then aggregated to become one profit or loss related sensitivity in €.

Changes in market interest rates of financial instruments which were designated as hedging instruments in an interest rate related cash flow hedge affect shareholders' equity and are therefore included in the equity-related sensitivity computations. The maximum variability is taken to be a parallel shift of the interest rate curve by 169 basis points over a period of twelve months.

Changes in market interest rates of interest rate derivatives which are not part of a hedging relationship pursuant to IFRS 9 affect the other financial result and are therefore included in the profit or loss related sensitivities. The maximum variability is taken to be a parallel shift of the interest rate curve by 169 basis points over a period of twelve months.

Based on the portfolios and the structure of the consolidated statement of financial position as at December 31, 2018 and the assumptions made, the profit or loss-related sensitivity is €6.7 million in the event of an increase (decrease) in the market interest rate (previous year: €0.7 million). This means that the financial result could hypothetically have increased (decreased) by €6.7 million. This hypothetical effect on the result would have resulted from the potential effects of interest rate derivatives of €5.2 million (previous year: €7.6 million) and an increase (decrease) in the interest result from primary floating-rate net financial positions of 1.5 million (previous year: –€6.9 million).

Interest sensitivity on the financial result (169 basis points)

	Interest sensitivity in € million	Thereof from derivative financial instruments	Thereof from primary financial instruments
December 31, 2018	**6.7**	**5.2**	**1.5**
December 31, 2017	0.7	7.6	–6.9

The equity-related sensitivity is –€24.1 million (previous year: –€21.7 million). By applying the assumptions made, an increase (decrease) in interest rates would have resulted in an increase (decrease) in shareholders' equity of –€24.1 million.

Assuming a parallel shift in the interest rate curve of 24 basis points (previous year: 35 basis points) over a twelve-month period in the current interest rate environment gives the following results-oriented interest sensitivity:

Interest sensitivity on the financial result in the current interest rate environment

	Interest sensitivity in € million	Thereof from derivative financial instruments	Thereof from primary financial instruments
December 31, 2018	**2.2**	**0.7**	**1.5**
December 31, 2017	–5.3	1.6	–6.9

The equity-related sensitivity for 24 basis points (previous year: 35 basis points) is –€3.4 million (previous year: –€4.5 million). By applying the assumptions made, an increase (decrease) in interest rates would have resulted in an increase (decrease) in shareholders' equity of –€3.4 million.

Capital management

The Group's objectives with a view to capital management are ensuring the company's continued existence and a sustained increase in the company's value. As a capital market-oriented company with continuing capital expenditure requirements, Fraport monitors the development of its financial debt using ratios that relate EBITDA to net financial debt and/or interest expense. As long as the company remains within the following margins, Fraport's present view is that there is sufficient access to debt capital sources at reasonable costs.

The components of the control indicators are defined as follows:

Components of the control indicators

Net financial debt	Current financial liabilities + Non-current financial liabilities
	– Liquid funds
	– Current realizable assets in "other financial assets" and "other receivables and financial assets"
EBITDA	Operating result + depreciation and amortization
Interest expense	Interest expense

The financial ratios developed as follows in the period under review:

Financial debt ratios

Key figures	Corridor	December 31, 2018	December 31, 2017
Net Debt/EBITDA	max. 4 – 6 x	3.1	3.5
EBITDA/interest expense	min. 3 – 4 x	5.6	5.4

On the basis of a financial institution license, Fraport Malta Business Ltd. finances both companies controlled by Fraport AG and joint ventures and associated companies in the Group. There are minimum capital requirements due to regulatory requirements in connection with the existing financial institution license. In particular, with regard to lending to companies in which Fraport AG directly or indirectly only holds a minority interest, special minimum capital requirements in relation to the amount lent complied with by the company as at the balance sheet date are to be observed per loan. The minimum capital requirements were consistently met during fiscal year 2018. Capital management is performed by the company taking account of the regulatory conditions set by the EU and the Maltese financial supervisory authority.

47 Related Party Disclosures

Relationships with related parties and the State of Hesse

Alongside the Group companies included in the consolidated financial statements, in the context of the course of ordinary business operations, the Group is also related to parties that are not included as well as associated companies and joint ventures, which are parties related to the Group according to IAS 24. Thus, Fraport AG has numerous business relationships with the State of Hesse and the City of Frankfurt and their majority-owned investments. Related companies and authorities with which major business relationships are maintained include Mainova AG and Messe Frankfurt Venue GmbH & Co. KG.

All transactions with related parties have been concluded under conditions customary in the market as with unrelated third parties. The services rendered to authorities are generally based on cost prices. The following table shows the scope of the respective business relationships:

Relationships with related parties and the State of Hesse

€ million		Majority shareholders		Joint Ventures	Associated companies	Companies controlled and significantly influenced by majority shareholders
		State of Hesse	Stadtwerke Frankfurt am Main Holding GmbH			
	2018	**0.7**	**0.2**	**137.4**	**6.5**	**13.0**
Revenue	2017	0.8	0.3	142.5	6.6	6.3
	2018	**2.6**	**13.1**	**12.0**	**23.7**	**65.2**
Purchased goods and services	2017	2.2	9.2	14.0	31.2	77.0
	2018	**0.0**	**0.0**	**0.5**	**18.4**	**0.0**
Interest	2017	0.0	0.0	0.2	14.6	0.0
	2018	**0.0**	**0.0**	**14.0**	**69.4**	**0.8**
Accounts receivable	2017	0.0	0.0	17.6	50.8	0.2
	2018	**0.0**	**0.0**	**17.2**	**84.8**	**0.0**
Loans	2017	0.0	0.0	12.8	84.8	0.0
	2018	**0.0**	**0.5**	**9.5**	**4.4**	**0.1**
Liabilities	2017	0.0	0.2	11.2	11.8	0.5

Receivables from associated companies primarily relate to deferred interest receivables from issued loans.

Regarding contingent liabilities and other financial obligations to joint ventures, please refer to note 43 and note 44. Regarding other obligations to related parties, see note 44.

Relationships with related persons

The Executive Board, Supervisory Board, and their family members are defined as related persons pursuant to IAS 24.

Remuneration for management in key positions in accordance with IAS 24 comprises the remuneration of the active Executive Board and Supervisory Board.

These were compensated as follows:

Remuneration of management

€ million	2018	2017
Salaries and other short-term employee benefits	4.4	4.8
Termination benefits	0.0	0.0
Post-employment benefits	1.2	1.2
Other long-term benefits	0.4	0.4
Share-based remuneration	2.5	1.5
Total	**8.6**	**7.9**

Information regarding salaries and other short-term employee benefits for employee representatives on the Supervisory Board exclusively includes remuneration for their Supervisory Board activities. In addition, they receive remuneration customary for the market in the context of their work as employees.

Post-employment benefits include service costs from pension provisions for the active members of the Executive Board.

The benefits granted for the Long-Term Strategy Award (LSA, see also note 53) were accounted for as other long-term employee benefits in fiscal year 2018.

The statement of share-based remuneration includes the granted amount for the Long-Term Incentive Program awarded in the 2018 fiscal year (LTIP, see also note 53).

At the end of the fiscal year, there were outstanding balances for the Executive Board members' bonuses amounting to €1.6 million (previous year: €1.4 million).

48 Operating Permit and Service Concession Agreements

The following Group companies in the Fraport Group have been granted service concessions or similar permits, which give the public access to important economic and social facilities:

Fraport AG

In agreement with the German Federal Minister of Transport, the Minister of Labor, Economics, and Transport for the State of Hesse approved operations at Frankfurt Main Airport in accordance with Section 7 as amended on August 21, 1936, of the German Air Traffic Act on December 20, 1957. This permit does not expire at any specific time and was last amended by the decision of October 29, 2012 based on the outcome of the planning approval notice for the expansion of the airport, in particular regarding Runway Northwest, taking into account the relevant ruling of the German Federal Administrative High Court.

The right to operate the airport is linked to various obligations that are specified in the permit. According to this, Fraport AG is required, among other things, to keep the airport in good operating condition at all times, to provide and maintain the equipment and signs needed to monitor and control air traffic at the airport, and to guarantee the availability of fire prevention and protection systems that take account of the special operating conditions. The restrictions on night flight traffic that were initially imposed in 1971 and subsequently updated have been tightened by the aforementioned amendment and extension to the permit. Also daytime operational restrictions on aircraft for civil aviation purposes at Frankfurt Main Airport that do not comply with the International Civil Aviation Organization (ICAO) noise protection regulations have been further tightened. Furthermore, there are statutory requirements for passive noise abatement and outdoor living area compensation as a result of the construction work for the airport expansion around Runway Northwest.

The company charges airlines that fly to Frankfurt Airport what are known as "traffic charges" for provision of the transport infrastructure. These traffic charges are broken down into airport charges that require approval and other charges that do not require approval.

> The airport charges that require approval according to Section 19b of the German Air Traffic Law (LuftVG) are divided into takeoff and landing charges, including noise components and emission charges, parking charges, and passenger and security charges, as well as charges for the financing of passive noise abatement measures (noise surcharges). The amount of the charges is specified in a related charge table.
Charges for the financing of passive noise abatement measures (noise surcharges) have been levied since July 1, 2012 (see also note 25). The charge table includes an incentive program for continuous and sustainable passenger growth on routes outside Germany with low-noise aircraft. The refund amounts distinguish between whether the growth is achieved through existing or new airlines and whether the targets are new or existing ones. On December 1, 2016, the HMWEVW approved the application for airport charges for Frankfurt Airport including the incentive program contained therein. The airport charges were increased by 1.9% as at January 1, 2017. The price adjustment was made only based on an increase in noise charges. No adjustments to airport charges were requested for 2018 and 2019. The current charge table published in the Air Transport Bulletin (NfL). Airport charges accounted for 37.07% (previous year: 36.92%) of Fraport AG's revenue in the year under review.

> The remaining charges not subject to approval are classified as charges for central ground service infrastructure facilities and ground service charges. In accordance with EU regulations, ground services on the apron were opened up to competition on November 1, 1999 (opened up in practice on April 15, 2000), by issuing a permit to another third-party ground handling company along with Fraport AG. The services in the area of central ground service infrastructure facilities continue to be excluded from competition (monopoly sector) and are completely segregated from the ground services when they are offset with the airlines. Of Fraport AG's revenue in 2018, 15.69% was generated by ground services (previous year: 15.12%) and 14.38% by infrastructure charges (previous year: 14.42%).

Above and beyond the traffic charges, Fraport AG generates revenue essentially from revenue-based payments, renting and parking, and security services. The proceeds from these operations which do not require approval accounted for 32.86% (previous year: 33.54%) of Fraport AG's entire revenue in the year under review.

Fraport Twin Star Airport Management AD

Fraport Twin Star Airport Management AD (operator) and the Republic of Bulgaria (grantor), represented by its Minister of Transport, signed a concession agreement on September 10, 2006, for the operation and management of the Bulgarian airports in Varna and Burgas on the Black Sea.

According to the concession agreement, the operator is obligated to render various airport services and to improve services in line with international standards, national laws, and the provisions stipulated in the concession agreement. Moreover, the operator has capital expenditure obligations of unspecified amounts for the expansion and a capacity increase of the airports in Varna and Burgas and to maintain the assets ceded for use. In addition, the operator pays an annual concession fee of 19.2% of total revenue, at least 19.2% of BGN57 million (€29.1 million), adjusted for the development of the national inflation rate, to the grantor. The operator paid an additional non-recurring concession fee in the amount of €3.0 million to the grantor after the agreement was signed. In return, the operator receives the right to use the existing and future infrastructure for airport operations and the right to generate revenues, in particular through airport charges (passenger, landing, and parking fees), and for ground handling services. Airport charges are regulated by the grantor.

The concession agreement started on November 10, 2006, and has a duration of 35 years. There are no options for renewal.

Contract performance guarantees must be granted to the grantor depending on the phase of the project (also see note 43).

At the end of the concession term, the infrastructure pursuant to the contract that is essential for airport operations must be returned to the grantor in proper operating condition without receiving any consideration in return.

Lima Airport Partners S.R.L. (LAP)

On February 14, 2001, LAP (operator) and the Peruvian government (grantor) signed the concession agreement for Jorge Chavez International Airport on the operation, expansion, maintenance, and use of the Jorge Chavez International Airport in Lima (Peru). With the upcoming expansion of the Airport, both parties concluded additional material amendments to the existing concession agreement on July 25, 2017.

The term of the concession agreement was extended from 30 to 40 years, until 2041. Furthermore, there is a 10-year extension option. By concluding the amendments, the land required for the expansion of the Airport was handed over to the company, and in return it is obliged to construct a new runway by the end of 2022 and a new passenger terminal by the end of 2024. The original contractual amount of US$100 million has already been invested. The pending capital expenditure is expected to be around US$1.5 billion. Due to the size and complexity of the project, the possibility of changes to the planned costs cannot be excluded. For further details, please refer to the opportunity and risk reporting in the group management report.

In addition to the capital expenditure, the company has additional obligations in connection with the operation and maintenance of airport infrastructure.

The operator is obligated to pay concession fees. The concession fee is the higher of two amounts: either the contractually fixed minimum payment (basic payment of US$15 million per year, adjusted by US CPI) or 46.511% of total revenue after deduction and transfer to Corpac (Aviation Regulatory Authority) of 50% of landing charges and 20% of the international passenger charges (TUUA). In addition, a regulatory charge of 1% of the same assessment basis is payable. In return, the operator receives the right to use the existing and future infrastructure for airport operations and the right to generate revenue, in particular through airport charges (passenger, landing, and parking fees), and for ground handling and other services. Airport charges are regulated by the grantor.

Contract performance guarantees must be granted to the grantor depending on the phase of the project (also see note 43).

At the end of the contract term, the infrastructure pursuant to the contract that is essential for airport operations must be returned to the grantor by the operator in the contractually defined operational condition. The operator has the right to have the residual carrying amount of said infrastructure reimbursed by the grantor for a limited period of time. This does not apply if the concession agreement is terminated early.

Fraport Regional Airports of Greece

The two concession agreements, each for the operation of seven Greek regional airports, were signed between Fraport AG and its Greek consortium partner with the Hellenic Republic Asset Development Fund (HRADF) on December 14, 2015. After fulfilling all conditions precedent, the take-over of the operating business of the 14 Greek regional airports took place on April 11, 2017. The initial term of each concession agreement is 40 years.

In return for the right to operate the Greek airports, an initial one-time fee of €1,234 million was paid. Initial annual minimum concession payments of €11.3 million per annum for Fraport Greece A and €11.6 million per annum for Fraport Greece B were agreed over the term of the concessions. The minimum concession payments will be adjusted for inflation. In addition, from the beginning of the concession an additional levy of approximately €1 per departing passenger is payable to the grantor for the entire term. From 2021, a variable concession fee of 28.2% of the EBITDA of Fraport Greece A and 28.9% of the EBITDA of Fraport Greece B will also be payable.

Furthermore, the consortium partners are obliged to invest in measures to upgrade and expand the airport infrastructure by 2020. In addition, additional capital expenditure for the maintenance of the airports and transport-related capacity expansions will be made in subsequent years. The total capital expenditure over the first four years is expected to be around €400 million.

In return, the operator is entitled to charge fees for its services, in particular state-regulated airport charges (passenger, landing, and parking fees) as well as other non-regulated levies related to air traffic and other services.

Contract performance guarantees must be granted to the grantor depending on the phase of the project (also see note 43).

At the end of the concession term, the operator must return the airports to the grantor, including any capital expenditures made, in a defined and proper operating condition. There will be no consideration given in return.

Fraport Brasil Aeroporto de Fortaleza and Fraport Brasil Aeroporto de Porto Alegre

The Fraport Group and the Brazilian Government signed concession agreements on July 28, 2017 for the operation and further development of the Brazilian airports of Fortaleza and Porto Alegre. After paying the initial one-off fees, adjusted for inflation, of BRL291.8 million (€73.5 million) for Porto Alegre and BRL426.9 million (€107.5 million) for Fortaleza as well as fulfilling other conditions precedent, the term of the concession agreements of 30 years for Fortaleza Airport and of 25 years for Porto Alegre Airport started at the end of August 2017. The Fraport Group took over operations of both airports on January 2, 2018.

In addition to the paid initial concession fees, additional acquisition costs of approximately €54.2 million were incurred by the Fraport Group within the scope of acquiring the concession.

In addition to the aforementioned payments, additional fixed minimum concession payments plus inflation-related adjustments in the initial amount of BRL10.4 million for both airports must be made from 2023. Also, an annual variable concession payment of 5% of revenue must be effected.

Furthermore, the agreements stipulate certain specific investment obligations for the modernization and expansion of the current airport infrastructure as well as construction of new airport infrastructure. Currently, Fraport expects capital expenditure in the airport infrastructure of around BRL2.3 billion, dependent on future exchange rates, in the first five years. The companies also laid out other contractually-defined standards and obligations relating to the operation, availability, use, and maintenance of the airports.

Contract performance guarantees must be granted to the grantor depending on the phase of the project (also see note 43).

In return for the right to operate the two airports, the operator is entitled to charge fees for its services, in particular state-regulated airport charges (passenger, landing and parking fees) as well as other non-regulated levies related to air traffic and other services.

At the end of the concession term, the operator must return the airport infrastructure to the grantor in a condition that guarantees the proper continued operation of the airports. There will be no consideration given in return.

49 Significant Events after the Balance Sheet Date

Effective January 1, 2019, Fraport AG sold its shares in Energy Air GmbH to Mainova AG for a purchase price of €12.3 million. For the 2019 fiscal year, the sale will result in a gain of approximately €12 million, which will be attributed in full to Group EBITDA (see also chapter "Significant events" in the Group Management Report).

Accordingly, the assets and liabilities of Energy Air GmbH are recorded separately in the statement of financial position as "Non-current assets held for sale" (€17.2 million) and "Liabilities in the context of non-current assets held for sale" (€8.8 million).

No other reportable events took place after the balance sheet date.

50 Exemption pursuant to Section 264 (3) of the HGB

The following German subsidiaries claim the exemptions under Section 264 (3) of the HGB for the 2018 fiscal year:

> Airport Assekuranz Vermittlungs-GmbH
> Airport Cater Service GmbH
> Flughafen Kanalreinigungsgesellschaft mbH
> Fraport Ausbau Süd GmbH
> Frankfurter Kanalreinigungsgesellschaft mbH
> Fraport Casa GmbH
> Fraport Passenger Services GmbH
> FRA - Vorfeldkontrolle GmbH

The subsidiaries Energy Air GmbH and FraGround Fraport Ground Services GmbH claim the exemptions under Section 264 (3) of the HGB for the 2018 fiscal year regarding the provisions of the First Subsection (annual financial statements of the corporation and management report) and the Fourth Subsection (disclosure).

51 Information on Investments pursuant to the German Securities Trading Act (WpHG)

Fraport AG received the following notifications pursuant to Section 33 and 34 of the WpHG in fiscal year 2018:

Lazard Asset Management LLC, Wilmington, USA, informed us on February 6, 2018, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, fell below the threshold of 5% of voting rights on January 31, 2018 and on that day amounted to 4.73% (4,375,951 voting rights).

BlackRock, Inc., Wilmington, USA, informed us on May 7, 2018, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, fell below the threshold of 3% of voting rights on May 2, 2018 and on that day amounted to 2.25% (2,080,610 voting rights).

BlackRock, Inc., Wilmington, USA, informed us on May 16, 2018, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 3% of voting rights on May 11, 2018 and on that day amounted to 3.35% (3,100,120 voting rights).

BlackRock, Inc., Wilmington, USA, informed us on August 14, 2018, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 3% of voting rights on August 9, 2018 and on that day amounted to 3.03% (2,801,145 voting rights).

BlackRock, Inc., Wilmington, USA, informed us on August 15, 2018, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 3% of voting rights on August 10, 2018 and on that day amounted to 3.17% (2,933,884 voting rights).

Lazard Asset Management LLC, Wilmington, USA, informed us on December 27, 2018, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 5% of voting rights on December 21, 2018 and on that day amounted to 5.02% (4,642,247 voting rights).

BlackRock, Inc, Wilmington, USA, informed us on December 28, 2018, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 3% of voting rights on December 21, 2018 and on that day amounted to 3.01% (2,783,960 voting rights).

BlackRock, Inc, Wilmington, USA, informed us on Thursday, January 3, 2019, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, fell below the threshold of 3% of voting rights on December 28, 2018 and on that day amounted to 2.95% (2,728,460 voting rights).

BlackRock, Inc, Wilmington, USA, informed us on January 4, 2019, in accordance with Sections 33 and 34 of the WpHG, that its voting rights in Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, Germany, exceeded the threshold of 3% of voting rights on December 31, 2018 and on that day amounted to 3.03% (2,803,215 voting rights).

As at December 31, 2018, the shareholder structure of Fraport AG was as follows:

The total voting rights in Fraport AG held by the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH calculated in accordance with Section 34 (2) of the WpHG amounted to 51.47% as at December 31, 2018. They were attributed as follows: State of Hesse 31.31% and Stadtwerke Frankfurt am Main Holding GmbH 20.16%.

The voting rights in Fraport AG owned by the City of Frankfurt/Main are held indirectly via the Stadtwerke Frankfurt am Main Holding GmbH subsidiary.

According to the last official report in accordance with the WpHG or disclosures by individual shareholders, the other voting rights in Fraport AG were attributable as follows (as at December 31, 2018): Deutsche Lufthansa AG 8.44%, Lazard Asset Management LLC 5.02%, and BlackRock Inc. 3.03%. The relative ownership interests were adjusted to the current total number of shares as at the balance sheet date and may therefore differ from the figures given at the time of reporting or from the respective shareholders' own disclosures.

There are no reports for the remaining 32.04% (free float).

52 Statement Issued by the Executive Board and the Supervisory Board of Fraport AG pursuant to Section 161 of the AktG

On December 10, 2018, the Executive Board and the Supervisory Board of Fraport AG issued the Statement of Compliance with the Corporate Governance Code pursuant to Section 161 of the AktG and made it available to the public on a permanent basis on the company website www.fraport.com/corporategovernance.

53 Information Concerning the Executive Board, Supervisory Board, and Economic Advisory Board

Remuneration of the Executive Board and Supervisory Board in fiscal year 2018

The essential features of the remuneration system, and the information on the individualized remuneration of the Executive Board and the Supervisory Board, are shown in the remuneration report. The remuneration report is part of the management report.

Total remuneration of the Executive Board amounted to €7,428.5 thousand (previous year: €5,956.2 thousand) plus service costs for pensions of €1,178.5 thousand (previous year: €1,158.3 thousand).

As part of the Long-Term Strategy Award (LSA), each Executive Board member is promised a prospective financial reward for one fiscal year, the first being in 2010 for fiscal year 2013. After three fiscal years have expired (the fiscal year in question and the two following years), the extent to which the targets have been met is determined and the actual payment is calculated based on these results. The paid amount can exceed or fall below the prospective amount but is capped at 125% of the amount originally stated. Performance targets are customer satisfaction, sustained employee development, and share performance. All three targets are equally important under the LSA. Total obligations as part of the LSA amounted to €673 thousand as at December 31, 2018 (previous year: €924 thousand). The fair values of the LSA for Dr Schulte amounted to €104.1 thousand as at the balance sheet date, December 31, 2018, for the 2016 tranche (previous year: €132.5 thousand), €115.6 thousand for the 2017 tranche (previous year: €137.0 thousand) and €98.5 thousand for the 2018 tranche. The fair values of the LSA for Ms Giesen, Mr Müller, and Dr Zieschang amounted to €74.0 thousand each as at December 31, 2018 for the 2016 tranche (previous year: €99.4 thousand), €84.7 thousand each for the 2017 tranche (previous year: €102.5 thousand) and €68.0 thousand for the 2018 tranche.

The Executive Board received short-term remuneration components of €2,998.3 thousand for fiscal year 2018 (previous year: €2,653.7 thousand). In addition, long-term remuneration components were allocated with an issue fair value of €2,460.2 thousand (2018 LTIP tranche) and €390.0 thousand (2018 LSA tranche) as part of the LTIP and LSA programs (previous year for the 2017 LTIP tranche: €1,456.3 thousand, 2017 LSA tranche: €390.0 thousand).

All active members of the Supervisory Board received total remuneration of €903 thousand in the 2018 fiscal year (previous year: €894 thousand).

No loans or advances were granted to members of the Executive Board or the Supervisory Board in the fiscal year.

Former Executive Board members and their surviving dependents received €1,673 thousand (previous year: €1,638 thousand). The pension obligations towards active members of the Executive Board as at the balance sheet date were €11,785 thousand (previous year: €13,633 thousand) and towards former Executive Board members and their surviving dependents €23,641 thousand (previous year: €24,433 thousand).

The information concerning the members of the Executive Board and Supervisory Board is presented in note 54 and note 55.

Remuneration of the Economic Advisory Board in fiscal year 2018

In the 2018 fiscal year, aggregate remuneration of the Economic Advisory Board amounted to €94.3 thousand (previous year: €104.0 thousand).

Notifications pursuant to Article 19 of the Market Abuse Regulation (MAR)

Pursuant to Article 19 of the MAR, members of the Executive Board and Supervisory Board of Fraport AG are required to disclose transactions with shares of Fraport AG or any related financial instruments to the company and the German Federal Financial Supervisory Authority (BaFin) within three business days. This also applies to persons who are closely related to members of the Executive Board and Supervisory Board as defined in Article 19 of the MAR. These transactions have been published by Fraport AG in accordance with the deadlines under Article 19 of the MAR.

54 Executive Board

Mandates of the Executive Board

Members of the Executive Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Chairman of the Executive Board **Dr. Stefan Schulte**	**Chairman of the Supervisory Board:** > Fraport Ausbau Süd GmbH **Member of the Supervisory Board:** > Deutsche Post AG **Chairman of the Board of Group companies:** > President of the Board of Directors Fraport Regional Airports of Greece (A S.A., B S.A., Management Company S.A.) > Chairman of the Supervisory Board Fraport Brasil S.A. Aeroporto de Porto Alegre > Chairman of the Supervisory Board Fraport Brasil S.A. Aeroporto de Fortaleza
Executive Director Operations **Anke Giesen**	**Member of the Supervisory Board:** > AXA Konzern AG > Fraport Ausbau Süd GmbH
Executive Director Labor Relations **Michael Müller**	**Chairman of the Supervisory Board:** > FraSec Fraport Security Services GmbH (until December 31, 2018) **Member of the Supervisory Board:** > Fraport Ausbau Süd GmbH **Member of the Shareholders' Meeting:** > Airport Cater Service GmbH > Medical Airport Service GmbH > Terminal for Kids gGmbH
Executive Director Controlling & Finance **Dr. Matthias Zieschang**	**Member of the Supervisory Board:** > Fraport Ausbau Süd GmbH > Flughafen Hannover-Langenhagen GmbH (until October 9, 2018) **Member of the Board of Group companies:** > Member of the Board of Directors Fraport Regional Airports of Greece (A S.A., B S.A., Management Company S.A.) **Member of the Shareholders' Meeting:** > Flughafen Hannover-Langenhagen GmbH (until October 9, 2018) **Member of the Administrative Board:** > Frankfurter Sparkasse

55 Supervisory Board

Mandates of the Supervisory Board

Members of the Supervisory Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Chairman of the Supervisory Board **Karlheinz Weimar** Former Finance Minister of the State of Hesse (Remuneration 2018: €63,800; 2017: €62,200)	**Member of the University Council:** > University of Frankfurt am Main **Member of the Board of Trustees:** > Institute for Law and Finance **Member of the Administrative Board:** > Krankenhausgesellschaft St. Vincenz mbh Limburg
Vice-Chariman (from May 29, 2018) **Ronald Laubrock** ver.di Hessen (Remuneration 2018: €34,011)	**Vice-Chairman of the Supervisory Board:** > FraGround Fraport Ground Services GmbH > LSG Lufthansa Service Holding AG > LSG Sky Chefs Frankfurt ZD GmbH **Member of the Supervisory Board:** > Stadtwerke Frankfurt am Main Holding GmbH > Stadtwerke Verkehrsgesellschaft Frankfurt am Main mbH
Vice-Chairman (until May 29, 2018) **Gerold Schaub** ver.di Hessen (Remuneration 2018: €23,029; 2017: €54,150)	**Vice-Chairman of the Supervisory Board:** > FraGround Fraport Ground Services GmbH
Claudia Amier Chairperson of the Works Council (Remuneration 2018: €56,550; 2017: €57,350)	**Member of the Supervisory Board:** > operational Services GmbH & Co. KG
Devrim Arslan Chairman of the Works Council of FraGround Fraport Ground Services GmbH (Remuneration 2018: €42,100; 2017: €41,300)	**Member of the Supervisory Board:** > FraGround Fraport Ground Services GmbH
Uwe Becker Mayor and City Treasurer of the City of Frankfurt am Main (Remuneration 2018: €43,700; 2017: €45,300)	**Membership in mandatory control bodies:** > Stadtwerke Verkehrsgesellschaft Frankfurt am Main mbH > Mainova AG (Chairman) > Messe Frankfurt GmbH > Stadtwerke Frankfurt am Main Holding GmbH > Süwag Energie AG **Membership in comparable control bodies:** > Hafenbetriebe der Stadt Frankfurt am Main > Kommunale Kinder-, Jugend- und Familienhilfe Frankfurt/Main > Marktbetriebe der Stadt Frankfurt am Main > Stadtentwässerung Frankfurt am Main (Vice Chairman) > Kita Frankfurt > Städtische Kliniken Frankfurt am Main-Höchst (Vice Chairman) > Volkshochschule Frankfurt am Main > Dom Römer GmbH (Vice Chairman) > Gas-Union GmbH (Chairman) > Gateway Gardens Projektentwicklungs-GmbH > Nassauische Sparkasse > Kliniken Frankfurt-Main-Taunus GmbH > Sportpark Stadion Frankfurt am Main Gesellschaft für Projektentwicklungen mbH > Tourismus- und Congress GmbH Frankfurt am Main > RMA Rhein-Main Abfall GmbH > RTW Planungsgesellschaft mbH
Hakan Bölükmese Member of the Works Council relieved of duty (from May 29, 2018) (Remuneration 2018: €28,123)	
Hakan Cicek Member of the Works Council relieved of duty (Remuneration 2018: €37,100; 2017: €36,300)	

Mandates of the Supervisory Board

Members of the Supervisory Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Kathrin Dahnke Member of the Executive Board at Wilh. Wehrhahn KG (Remuneration 2018: €37,100; 2017: €36,300)	**Member of the Supervisory Board (wholly owned subsidiaries of Wilh. Wehrhahn KG):** > Bank11 für Privatkunden und Handel GmbH > abcbank GmbH **Chairperson of the Supervisory Board:** > Basalt-Actien-Gesellschaft **Vice-Chairperson of the Supervisory Board:** > ZWILLING J.A. Henckels AG **Member of the Supervisory Board:** > B.Braun Melsungen AG > Knorr-Bremse AG, Second Vice-Chairperson (from May 30, 2018) **Member of the Administrative Board (wholly owned subsidiary of Wilh. Wehrhahn KG):** > abcfinance GmbH **Member of the Executive Board (wholly owned subsidiary of Wilh. Wehrhahn KG):** > Wehrhahn Industrieholding AG
Detlev Draths Member of the Works Council relieved of duty (from May 29, 2018) (Remuneration 2018: €26,523)	
Peter Feldmann Lord Mayor of the City of Frankfurt am Main (Remuneration 2018: €38,900; 2017: €41,300)	**Chairman of the Supervisory Board:** > ABG FRANKFURT HOLDING Wohnungsbau- und Beteiligungsgesellschaft mbH > Messe Frankfurt GmbH > Stadtwerke Frankfurt am Main Holding GmbH > Thüga Holding GmbH & Co. KG aA (from April 26, 2018) **Membership in Supervisory Boards and comparable control bodies of business enterprises:** > Alte Oper Frankfurt Konzert- und Kongresszentrum GmbH (Chairman) > Dom Römer GmbH (Chairman) > FrankfurtRheinMain GmbH International Marketing of the Region (Chairman) > Gas Union GmbH > KEG Konversions-Grundstücksentwicklungs-Gesellschaft mbH > Nassauische Heimstätte Wohnungsbau- und Entwicklungsgesellschaft mbH (Vice Chairman) > Rhein-Main-Verkehrsverbund GmbH (Chairman) > Schirn Kunsthalle Frankfurt am Main GmbH (Chairman) > Tourismus- und Congress GmbH Frankfurt am Main (Chairman) > Landesbank Hessen Thüringen (Helaba) (acting member) (until September 2018) **Member of the Advisory Board:** > Thüga AG
Peter Gerber Chairman of the Executive Board of Lufthansa Cargo AG (Remuneration 2018: €26,500; 2017: €26,500)	**Member of the Supervisory Board:** > Albatros Versicherungsdienste GmbH **Member of the Executive Board:** > Bundesvereinigung Logistik e.V. > Bundesverband der Deutschen Fluggesellschaften **Presidium membership:** > Bundesverband der Deutschen Luftverkehrswirtschaft e.V. > Chair of IATA Cargo Committee (CC)
Dr. Margarete Haase Member of the Executive Board of DEUTZ AG (until April 30, 2018) (Remuneration 2018: €68,600; 2017: €67,000)	**Membership in comparable control bodies pursuant to Section 125 of the AktG:** > DEUTZ (Dalian) Engine Co. Ltd. (until April 30, 2018) > Deutz Engines (Shandong) Co. Ltd. (Chairperson) (until April 30, 2018) **Member of the Supervisory Board:** > OSRAM Licht AG (from February 20, 2018) > OSRAM GmbH (from February 20, 2018) > ZF Friedrichshafen AG (until March 31, 2018) > ING Groep N.V. and ING Bank N.V. Amsterdam > Marquard & Bahls AG (from August 1, 2018)
Frank-Peter Kaufmann Member of the Hessian State Parliament (Remuneration 2018: €47,700; 2017: €46,900)	**Member of the Supervisory Board:** > Hessische Staatsweingüter Kloster Eberbach GmbH Eltville

Mandates of the Supervisory Board

Members of the Supervisory Board	Memberships in mandatory Supervisory Boards and comparable control bodies
Dr. Ulrich Kipper Head of Central Infrastructure Management (from May 29, 2018) (Remuneration 2018: €23,550)	**Member of the Supervisory Board:** > operational services GmbH & Co. KG
Lothar Klemm Former Hessian State Minister (Remuneration 2018: €58,150; 2017: €58,150)	**Chairman of the Supervisory Board:** > Dietz AG **Chairman of the Executive Board:** > Förderverein für integrierte Verkehrssysteme (Darmstadt) **Non executive Director:** > European Electrical Bus Company GmbH (Frankfurt)
Dr. Roland Krieg Head of the service unit Information and Telecommunication (until May 29, 2018) (Remuneration 2018: €14,658; 2017: €37,900)	**Member of the Supervisory Board:** > FraSec Fraport Security Services GmbH (until December 31, 2018) > operational services GmbH & Co. KG **Member of the Shareholders' Meeting:** > AirITSystems GmbH > operational services GmbH & Co. KG > AirIT Services GmbH
Birgit Kother Member of the Works Council (from May 29, 2018) (Remuneration 2018: €22,750)	
Michael Odenwald State Secretary (retired), lawyer (Remuneration 2018: €33,900; 2017: €34,700)	**Chairman of the Supervisory Board:** > Deutsche Bahn AG (from April 17, 2018) **Member of the Supervisory Board:** > Deutsche Bahn AG (until April 17, 2018)
Mehmet Özdemir Member of the Works Council (until May 29, 2018) (Remuneration 2018: €13,858; 2017: €36,300)	
Arno Prangenberg Auditor, tax consultant (until May 29, 2018) (Remuneration 2018: €13,858; 2017: €37,900)	
Qadeer Rana Chairperson of the Works Council FraSec Fraport Security Services GmbH (from May 29, 2018) (Remuneration 2018: €28,923)	**Vice-Chairman of the Supervisory Board:** > FraSec Fraport Security Services GmbH
Hans-Jürgen Schmidt First State Vice-Chairman komba gewerkschaft Hessen (until May 29, 2018) (Remuneration 2018: €14,658; 2017: €37,900)	
Werner Schmidt Task manager (until May 29, 2018) (Remuneration 2018: €18,342; 2017: €43,700)	**Chairman of the Executive Board:** > Arbeitsgemeinschaft unabhängiger Flughafenbeschäftigter (AUF e. V.) **Vice-Chairman of the Executive Board:** > komba gewerkschaft, Kreisverband Flughafen Frankfurt/Main **Member of the Supervisory Board:** > FraSec Fraport Security Services GmbH
Edgar Stejskal Vice-Chairman of the Group Works Council (until May 29, 2018) (Remuneration 2018: €19,941; 2017: €48,500)	**Member of the Supervisory Board:** > Airmail Center Frankfurt GmbH **Member of the Representative Committee:** > Deutsche Rentenversicherung Hessen
Katharina Wesenick ver.di Federal Tariff Secretary air traffic (from May 29, 2018) (Remuneration 2018: €22,750)	
Prof Dr. Katja Windt Member of the Management Board SMS Group GmbH (appointed from April 1, 2018) (Remuneration 2018: €43,700; 2017: €44,500)	**Member of the Executive Board:** > Bundesvereinigung Logistik (BVL) e.V. **Member of the Supervisory Board:** > Deutsche Post AG

56 Disclosures of Shareholding According to Section 313 (2) of the HGB

Subsidiaries

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
	2018	**100**	**18**	**–22** [1]
Afriport S.A., Luxembourg/Luxembourg	2017	100	4	–27 [1]
	2018	**100**	**2,658**	**410**
AirIT Services GmbH, Lautzenhausen	2017	100	2,894	646
	2018	**100**	**14,232**	**–210**
AIRMALL Boston Inc., Boston/USA	2017	100	14,331	–2,967
	2018	**100**	**–576**	**0**
AIRMALL Inc., Pittsburgh/USA	2017	100	–550	0
	2018	**100**	**–6,498**	**–1,974**
AIRMALL USA Inc., Pittsburgh/USA	2017	100	–4,005	–1,347
	2018	**100**	**162,605**	**2,300** [2]
Airport Assekuranz Vermittlungs-GmbH, Neu Isenburg	2017	100	162,602	2,176 [2]
	2018	**100**	**26**	**90** [2]
Airport Cater Service GmbH, Frankfurt am Main	2017	100	26	90 [2]
	2018	**100**	**23,868**	**7,235** [3]
Antalya Havalimani Uluslararasi Terminal Isletmeciligi Anonim Sirketi, Istanbul/Turkey	2017	100	41,781	1,732 [3]
	2018	**100**	**431**	**–10** [1]
Daport S.A., Dakar/Senegal	2017	100	443	–3 [1]
	2018	**100**	**52**	**6,809** [2]
Energy Air GmbH, Frankfurt am Main	2017	100	52	5,622 [2]
	2018	**100**	**25**	**360** [2]
Flughafen Kanalreinigungsgesellschaft mbH, Kelsterbach	2017	100	25	302 [2]
	2018	**51**	**1,200**	**57**
FraCareServices GmbH, Frankfurt am Main	2017	51	1,268	125
	2018	**100**	**1,827**	**–538** [2]
FraGround Fraport Ground Services GmbH, Frankfurt am Main	2017	100	1,990	526
	2018	**100**	**25**	**59** [2]
Frankfurter Kanalreinigungsgesellschaft mbH, Kelsterbach	2017	100	25	74 [2]
	2018	**100**	**102,033**	**–159**
Fraport Asia Ltd., Hong Kong/China	2017	100	97,825	–201
	2018	**100**	**25**	**0** [2]
Fraport Ausbau Süd GmbH, Frankfurt am Main	2017	100	25	0
	2018	**100**	**69**	**–1**
Fraport Beteiligungsgesellschaft mbH, Neu-Isenburg	2017	100	70	–1
	2018	**100**	**71**	**–1**
Fraport Beteiligungs-Holding GmbH, Kelsterbach	2017	100	72	–2
Fraport Brasil Holding GmbH, Frankfurt am Main	**2018**	**100**	**25**	**0** [4]
	2018	**100**	**150,477**	**–90**
Fraport Brasil S.A. Aeroporto de Fortaleza, Fortaleza/Brazil	2017	100	118,176	–5,495
	2018	**100**	**147,158**	**14,654**
Fraport Brasil S.A. Aeroporto de Porto Alegre, Porto Alegre/Brazil	2017	100	90,907	–2,886
	2018	**100**	**26**	**0**
Fraport Bulgaria EAD, Sofia/Bulgaria	2017	100	26	0
	2018	**100**	**42,031**	**1,174** [2]
Fraport Casa GmbH, Neu-Isenburg	2017	100	42,031	1,327 [2]
	2018	**100**	**3,100**	**–15**
Fraport Casa Commercial GmbH, Neu-Isenburg	2017	100	3,115	–46
	2018	**100**	**4,296**	**288** [5]
Fraport Cleveland Inc., Cleveland/USA	2017	100	3,819	244
	2018	**100**	**13,300**	**13,372** [2][6]
Fraport Immobilienservice- und Entwicklungs GmbH & Co. KG, Frankfurt am Main	2017	100	13,300	11,655 [2][6]
	2018	**100**	**428,436**	**10,594**
Fraport Malta Business Services Ltd., St. Julians/Malta	2017	100	428,436	10,048
	2018	**100**	**25,622**	**–15**
Fraport Malta Investment Ltd., St. Julians/Malta	2017	100	25,638	–21
	2018	**100**	**463,897**	**15,382**
Fraport Malta Ltd., St. Julians/Malta	2017	100	448,515	14,589

Subsidiaries

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
Fraport Maryland Inc., Maryland/USA	**2018**	**100**	**24,248**	**2,204** 7)
	2017	100	20,991	2,013
Fraport New York Inc., New York/USA	**2018**	**100**	**793**	**768**
	2017	100	0	0
Fraport Objekt Mönchhof GmbH, Frankfurt am Main	**2018**	**100**	**28**	**1**
	2017	100	27	1
Fraport Objekte 162 163 GmbH, Frankfurt am Main	**2018**	**100**	**28**	**1**
	2017	100	28	1
Fraport (Philippines) Services, Inc., Manila/Philippines	**2018**	**99.99**	**0**	**0** 1)
	2017	99.99	0	0 1)
Fraport Peru S.A.C., Lima/Peru	**2018**	**100**	**306**	**143**
	2017	100	162	534
Fraport Passenger Services GmbH, Frankfurt am Main	**2018**	**100**	**350**	**188** 2)
	2017	100	350	644 2)
Fraport Pittsburgh Inc., Pittsburgh/USA	**2018**	**100**	**13,037**	**13** 8)
	2017	100	12,338	2,131
Fraport Real Estate Mönchhof GmbH & Co. KG, Frankfurt am Main	**2018**	**100**	**6,280**	**9,555** 2) 6)
	2017	100	6,320	9,614 2) 6)
Fraport Real Estate Verwaltungs GmbH, Frankfurt am Main	**2018**	**100**	**39**	**2**
	2017	100	37	2
Fraport Real Estate 162 163 GmbH & Co. KG, Frankfurt am Main	**2018**	**100**	**6,631**	**4,109** 2) 6)
	2017	100	6,385	2,674 2) 6)
Fraport Regional Airports of Greece A S.A. Athens/Greece	**2018**	**73.4**	**96,479**	**11,532**
	2017	73	85,581	13,274
Fraport Regional Airports of Greece B S.A. Athens/Greece	**2018**	**73.4**	**108,381**	**–10,847**
	2017	73	119,667	1,097
Fraport Regional Airports of Greece Management Company S.A. Athens/Greece	**2018**	**73.4**	**2,097**	**1,131**
	2017	73	980	963
Fraport Saudi Arabia for Airport Management and Development Services Company Ltd., Riyadh/Saudi Arabia	**2018**	**100**	**6,635**	**–154** 1)
	2017	100	4,293	–2,638 1)
Fraport Slovenija, d.o.o. Zgornji Brnik/Slovenia	**2018**	**100**	**206,458**	**7,347**
	2017	100	199,047	5,277
Fraport Tennessee Inc., Nashville/USA	**2018**	**100**	**0**	**0** 4)
Fraport Twin Star Airport Management AD, Varna/Bulgaria	**2018**	**60**	**110,625**	**23,243**
	2017	60	104,467	20,810
Fraport USA Inc., Pittsburgh/USA	**2018**	**100**	**3,726**	**400**
	2017	100	3,566	105
FraSec Fraport Security Services GmbH, Frankfurt am Main	**2018**	**100**	**3,448**	**–806**
	2017	100	4,254	–3,119
FraSec Fraport Security Services K9 TEDD GmbH Twickelerveld European Detection Dogs, Frankfurt am Main	**2018**	**100**	**25**	**–483**
FRA – Vorfeldkontrolle GmbH, Kelsterbach	**2018**	**100**	**23**	**120** 2)
	2017	100	13	–8 2)
GCS Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/ Main KG, Frankfurt am Main	**2018**	**100**	**2,414**	**1,166** 6)
	2017	100	2,049	742 6)
Lima Airport Partners S.R.L., Lima/Peru	**2018**	**70.01**	**284,377**	**73,374**
	2017	70.01	199,356	54,786
Media Frankfurt GmbH, Frankfurt am Main	**2018**	**51**	**7,252**	**2,150**
	2017	51	7,326	2,211
VCS Verwaltungsgesellschaft für Cleaning Service mbH, Frankfurt am Main	**2018**	**100**	**44**	**1**
	2017	100	43	1

Joint ventures

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
	2018	**50**	**4,973**	**740**
AirITSystems GmbH, Hanover	2017	50	4,329	809
	2018	**49**	**5,214**	**–8,265**
FCS Frankfurt Cargo Services GmbH, Frankfurt am Main	2017	49	13,478	2,686
	2018	**50**	**17,286**	**5,278**
Frankfurt Airport Retail GmbH & Co. KG, Hamburg	2017	50	23,217	12,546
	2018	**50**	**18**	**–5**
Frankfurt Airport Retail Verwaltungs GmbH, Frankfurt am Main	2017	50	23	0
	2018	**51/50**	**78,480**	**86,136** [9)10)]
Fraport TAV Antalya Terminal Isletmeciligi A.S., Antalya/Turkey	2017	51/50	27,496	40,044 [9)10)]
	2018	**33.33**	**2,655**	**–2,905**
Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main	2017	33.33	5,560	3,538
	2018	**50**	**12,398**	**2,797**
Medical Airport Service GmbH, Kelsterbach	2017	50	10,453	2,024
	2018	**50**	**143**	**20** [1)]
Multi Park II Mönchhof GmbH, Walldorf (Baden)	2017	50	122	–7
	2018	**50**	**3,499**	**12,818**
M-Port GmbH & Co. KG, Neu-Isenburg	2017	50	3,316	–163
	2018	**50**	**24**	**0**
M-Port Verwaltungs GmbH, Neu-Isenburg	2017	50	24	0
	2018	**52**	**12,948**	**1,496**
N*ICE Aircraft Services & Support GmbH, Frankfurt am Main	2017	52	19,269	1,653
	2018	**50**	**9,745**	**1,432**
Pantares Tradeport Asia Ltd., Hong Kong/China	2017	50	9,546	1,337
	2018	**50**	**360**	**1**
Shanghai Frankfurt Airport Consulting Services Co., Ltd., Shanghai/China	2017	50	362	8

Associated companies

Name and registered office		Shareholding in %	Shareholders' equity (pursuant to IFRS) in € thousand	Result (pursuant to IFRS) in € thousand
	2018	**40**	**5,217**	**567**
Airmail Center Frankfurt GmbH, Frankfurt am Main	2017	40	4,650	687
	2018	**49**	**817**	**188**
ASG Airport Service Gesellschaft mbH, Frankfurt am Main	2017	49	838	361
	2018	**50**	**33,636**	**15,651**
operational services GmbH & Co. KG, Frankfurt am Main	2017	50	35,953	17,575
	2018	**24.5**	**560,823**	**40,627**
Xi'an Xianyang International Airport Co., Ltd., Xianyang City/China	2017	24.5	525,846	39,959
Thalita Trading Ltd., Lakatamia/Zypern;	**2018**	**25**	**–393,500**	**–23,160**
Northern Capital Gateway LLC, St. Petersburg/Russia	2017	25	–342,800	–29,920

Other investments

Name and registered office		Shareholding in %	Shareholders' equity (according to local regulation) in € thousand	Result (according to local regulation) in € thousand
Delhi International Airport Private Ltd., Neu Delhi/India	**2018**	**10**	**313,977**	**–3,176** [11]
	2017	10	348,334	63,694 [11]
Flughafen Parken GmbH, Frankfurt am Main	2018	16.70	–11	–40
	2017	100	29	4
Gateways for India Airports Private Ltd., Bangalore/India	**2018**	**13.51**	**0**	**0** [1]
	2017	13.51	0	0 [1]
Ineuropa Handling Alicante, U.T.E., Madrid/Spain	**2018**	**20**	**0**	**0** [1][12][13]
	2007	20	–575	–786 [1][13][14]
Ineuropa Handling Madrid, U.T.E., Madrid/Spain	**2018**	**20**	**0**	**0** [1][12][13]
	2007	20	–1,282	–2,604 [1][13][14]
Ineuropa Handling Mallorca, U.T.E., Madrid/Spain	**2018**	**20**	**0**	**0** [1][12][13]
	2007	20	871	270 [1][13][14]
Ineuropa Handling Teneriffa, U.T.E., Madrid/Spain	**2018**	**20**	**0**	**0** [1][12][13]
	2007	20	1,642	–762 [1][13][14]
Perishable-Center Verwaltungs-GmbH Zentrum für verderbliche Güter Frankfurt, Frankfurt am Main	**2018**	**10**	**0**	**0** [14]
	2017	10	1,348	572

[1] Company inactive or in liquidation.
[2] IFRS result before consolidation.
[3] 0.01% of the shares are held by natural persons.
[4] Company founded in 2018.
[5] Formerly: AIRMALL Cleveland Inc., Cleveland/USA
[6] In the shareholders' equity of commercial partnerships, capital shares as well as shares in profit and loss of the limited partners are recognized (according to IAS 32, these represent debt).
[7] Formerly: AIRMALL Maryland Inc., Maryland/USA
[8] Formerly: AIRMALL Pittsburgh Inc., Pittsburgh/USA
[9] Formerly: Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi A.S. on December 28, 2018 Merger with Fraport TAV Antalya Havalimani Isletme A.S.
[10] 51% capital shares, 50% dividend rights.
[11] Fiscal year of the company ends on March 31.
[12] There is no influence on financial and business policies.
[13] Shareholders' equity has been largely or wholly repaid.
[14] Current financial statements not yet available.

Frankfurt/Main, February 26, 2019

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte Giesen Müller Dr. Zieschang

Further Information

Responsibility Statement

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the asset, financial, and earnings position and profit or loss of the Group. Furthermore, the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt/ Main, February 26, 2019

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr. Schulte Giesen Müller Dr. Zieschang

Independent Auditor´s Report

To Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main

Report on the Audit of the Consolidated Financial Statements and of the Management Report

Audit Opinions

We have audited the consolidated financial statements of Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018**,** and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Fraport AG Frankfurt Airport Services Worldwide for the financial year from 1 January to 31 December 2018. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

> the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and

> the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of the group management report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recoverability of goodwill and non-current assets

❷ Other provisions and valuation allowances for trade receivables

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Recoverability of goodwill and non-current assets

① In the Company's consolidated financial statements non-current assets in a total amount of EUR 9.1 billion (84.3% of total assets) are reported under the balance sheet items "Goodwill", "Investments in airport operating projects", “Other intangible assets”, “Property, plant and equipment”, “Investment property” and “Investment in companies accounted for using the equity method” . While goodwill must be tested for impairment ("impairment test") on an annual basis and if there are indications that goodwill may be impaired, such a test needs only to be carried out for other non-current assets if there are indications that these assets may be impaired ("triggering events"). The impairment test is performed at the level of the cash-generating units. The carrying amount of the relevant cash-generating unit is compared with the corresponding recoverable amount for the purposes of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of measurement. The present values are calculated using discounted cash flow models. Within the Fraport Group, this is generally based on the approved medium-term plan (for the 2018 to 2024 financial years). Due to the long-term investment plans at the Frankfurt location, the plans for the cash-generating units in this location are projected on an aggregated level from 2025 to 2030 and then based on assumptions about long-term rates of growth. In cases involving cash-generating units with fixed-term airport concessions, the plans are taken as a basis in line with the term of the respective concession agreements. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit.

The outcome of this valuation is dependent on the estimates made by the executive directors with respect to the future cash flows of the respective cash-generating unit, the discount rate used, the rate of growth and other assumptions, and is therefore subject to corresponding uncertainty. Against this background and due to the complex nature of the valuation, these matters were of particular significance in the context of our audit.

② As part of our audit, we evaluated, among other things, the methodology used for the purposes of testing the recoverability of goodwill and non-current assets. After matching the future cash flows used for the calculation against the adopted business plan of the Group, we assessed the appropriateness of the calculation, in particular by agreeing it to general and sector-specific market expectations. We discussed supplementary adjustments to the plan for the purposes of the impairment tests with the departments responsible and evaluated their appropriateness. We also assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company and carried out our own additional sensitivity analyses with respect to those cash-generating units with low headroom (recoverable amount compared with the carrying amount). Taking into account the information available, we found that the respective assets were sufficiently covered by the discounted future cash flows.

Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are within the ranges considered by us to be reasonable.

③ The Company's disclosures pertaining to impairment testing are contained in sections 4, 11, 14, 18, 19 and 20 of the notes to the consolidated financial statements.

❷ Other provisions and valuation allowances for trade receivables

① As an airport operator with global operations, the Fraport Group is exposed to various risks. In addition, Fraport AG is involved in in-court and out-of-court proceedings with authorities and other parties. The trade receivables (EUR 177.9 million) contain receivables that include risks resulting from legal disputes by way of a specific valuation allowance. In the consolidated financial statements the Fraport Group has recognized provisions for contingent obligations in the amount of EUR 361.3 million for legal disputes and legal, environmental and reimbursement risks, as well as obligations resulting from personnel measures.

Trade receivables are recognized at their nominal amount or at the lower present value of the expected future cash flows. Individual risks that can be identified are recognized by way of specific valuation allowances. The measurement of the specific valuation allowances for trade receivables is determined, in particular, by the estimates made by the executive directors regarding future defaults and the assessment of the individual legal disputes.

Provisions are set up for contingent obligations insofar as the recognition criteria set out in IAS 37 have been met. The recognition and measurement of the provisions are based on estimates and assumptions made by the executive directors. In light of this background and due to the amounts of these material items in terms of its amount, we consider these matters to be of particular significance for our audit.

② In our audit, we evaluated and assessed the appropriateness of the methodology used by the Company for recording legal, environmental and reimbursement risks, as well as personnel-related risks, for assessing any future obligation on the part of the Company/the need for impairment losses to be recognized on trade receivables and for accounting treatment.

In the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct impact on the Company's consolidated net profit/loss, we assessed the appropriateness of the carrying amounts. With respect to the recognition and measurement of obligations and risks, we evaluated, among other things, the underlying agreements and cost estimates. Furthermore, our assessment also involved meetings with the Company's legal department in order to receive updates on current developments and the reasons for the corresponding estimations. In addition, we obtained external legal confirmations as at the balance sheet date. These support the risk assessment performed by the executive directors. We examined the presentation of the legal disputes and the associated risk provisions in the consolidated financial statements. Within this context, we also evaluated the consistency and continuity of the calculation processes used and the underlying documents. On the basis of this, we then assessed, among other things, the calculation of the provisions/valuation allowances for trade receivables and their presentation in the consolidated statement of financial position, the consolidated statement of profit or loss and the notes to the consolidated financial statements.

Overall, we were able to satisfy ourselves that the estimates applied and the assumptions made by the executive directors were sufficiently documented and substantiated to justify the recognition and measurement of the in terms of their amount material trade receivables and provisions.

③ The Company's disclosures pertaining to other provisions and valuation allowances are contained in sections 4, 25, 29, 38 and 39 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

> the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Legal Disclosures" of the group management report

> the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

> the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

> is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

> otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

> Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 29 May 2018. We were engaged by the supervisory board on 10. December 2018. We have been the group auditor of the Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, without interruption since the financial year 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Noll.

Frankfurt am Main, February 26, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Prümm
Wirtschaftsprüfer
[German public auditor]

Thomas Noll
Wirtschaftsprüfer
[German public auditor]

Ten-Year Overview

Consolidated income statement[1)]

€ million	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues	**3,478.3**	**2,934.8**	**2,586.2**	**2,598.9**	**2,394.6**	**2,375.7**	**2,442.0**	**2,371.2**	**2,194.6**	**2,010.3**
Change in work-in-process	0.3	0.4	0.4	0.5	0.6	0.6	0.5	0.4	0.4	0.9
Other internal work capitalized	35.9	36.3	34.9	29.9	28.3	32.3	44.0	40.3	36.9	39.1
Other operating income	88.2	38.9	332.9	49.8	42.5	32.5	55.8	40.9	52.1	45.3
Total revenue	**3,602.7**	**3,010.4**	**2,954.4**	**2,679.1**	**2,466.0**	**2,441.1**	**2,542.3**	**2,452.8**	**2,284.0**	**2,095.6**
Cost of materials	–1,089.1	–720.4	–621.9	–610.4	–533.3	–595.2	–558.1	–541.1	–491.1	–471.6
Personnel expenses	–1,182.3	–1,092.9	–1,066.7	–1,026.7	–970.4	–928.9	–942.9	–906.3	–880.4	–866.9
Other operating expenses	–202.3	–193.9	–211.7	–193.2	–172.2	–184.1	–192.6	–203.1	–201.9	–187.4
EBITDA	**1,129.0**	**1,003.2**	**1,054.1**	**848.8**	**790.1**	**732.9**	**848.7**	**802.3**	**710.6**	**569.7**
Depreciation and amortization	–398.5	–360.2	–360.4	–328.3	–307.3	–294.3	–352.7	–305.7	–279.7	–268.8
Operating result/EBIT	**730.5**	**643.0**	**693.7**	**520.5**	**482.8**	**438.6**	**496.0**	**496.6**	**430.9**	**300.9**
Interest result	–168.4	–157.5	–106.9	–125.6	–141.1	–136.0	–174.1	–144.4	–137.7	–99.7
Result from companies accounted for using the equity method	98.8	30.9	–4.6	37.6	43.5	18.5	11.7	11.5	7.0	4.3
Income from investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Write-down on financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–7.2
Other financial result	9.5	–10.3	–0.8	1.3	–10.5	10.4	30.5	–16.4	–21.5	–3.9
Financial result	**–60.1**	**–136.9**	**–112.3**	**–86.7**	**–108.1**	**–107.1**	**–131.9**	**–149.3**	**–152.2**	**–106.4**
Result from ordinary operations/EBT	**670.4**	**506.1**	**581.4**	**433.8**	**374.7**	**331.5**	**364.1**	**347.3**	**278.7**	**194.5**
Taxes on income	–164.7	–146.4	–181.1	–136.8	–122.9	–95.8	–112.6	–96.5	–7.2	–42.5
Group result	**505.7**	**359.7**	**400.3**	**297.0**	**251.8**	**235.7**	**251.5**	**250.8**	**271.5**	**152.0**
thereof profit attributable to non-controlling interests	31.8	29.5	24.9	20.5	17.1	14.7	13.3	10.4	8.6	5.6
thereof profit attributable to shareholders of Fraport AG	**473.9**	**330.2**	**375.4**	**276.5**	**234.7**	**221.0**	**238.2**	**240.4**	**262.9**	**146.4**
Earnings per €10 share in € (basic)	**5.13**	**3.57**	**4.07**	**3.00**	**2.54**	**2.40**	**2.59**	**2.62**	**2.86**	**1.60**
Earnings per €10 share in € (diluted)	**5.11**	**3.56**	**4.06**	**2.99**	**2.54**	**2.39**	**2.58**	**2.60**	**2.85**	**1.59**

Key figures	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating cash flow	802.3	818.7	583.2	652.2	506.2	454.2	553.0	618.8	567.5	426.5
Free cash flow	6.8	393.1	301.7	393.6	246.8	34.3	–162.4	–350.1	–291.1	–711.4
EBITDA margin in %	32.5	34.2	40.8	32.7	33.0	30.8	34.8	33.8	32.4	28.3
EBIT margin in %	21.0	21.9	26.8	20.0	20.2	18.5	20.3	20.9	19.6	15.0
Return on revenue in %	19.3	17.2	22.5	16.7	15.6	14.0	14.9	14.6	12.7	9.7
Fraport assets in € million	7,688.8	6,965.8	6,069.2	6,071.0	5,830.5	5,061.7	5,152.3	4,447.3	4,019.7	3,820.2
ROFRA in %	11.1	10.0	11.4	9.4	9.2	8.7	9.6	11.2	10.7	7.9
Year-end closing price of the Fraport share in €	62.46	91.86	56.17	58.94	48.04	54.39	43.94	38.00	47.16	36.28
Dividend per share in €	2.00[2)]	1.50	1.50	1.35	1.35	1.25	1.25	1.25	1.25	1.15
Passenger numbers Frankfurt	69,510,269	64,500,386	60,786,937	61,032,022	59,566,132	58,036,948	57,520,001	56,436,255	53,009,221	50,932,840
Average number of employees	21,961	20,673	20,322	20,720	20,395	20,481	20,963	20,595	19,792	19,970

Financial position key figures	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Profit earmarked for distribution in € million	184.9	138.7	138.7	124.7	124.7	115.4	115.5	115.4	115.6	106.2
Net financial debt in € million	3,545.4	3,512.4	2,355.9	2,774.3	3,012.8	2,870.6	2,934.5	2,647.0	2,024.4	1,614.5
Capital employed in € million	7,540.8	7,241.8	5,957.5	6,086.9	6,109.2	5,808.3	5,731.5	5,362.1	4,626.9	4,043.5
Gearing ratio in %	88.7	94.2	65.4	83.8	97.3	97.7	104.9	97.5	77.8	66.5
Debt-to-equity ratio in %	31.0	32.4	26.6	31.4	33.4	32.6	30.4	28.7	22.1	18.2
Dynamic debt ratio in %	441.9	444.2	404.0	425.4	595.2	632.0	530.7	427.8	356.7	378.5
Working capital in € million	717.9	575.1	840.9	606.0	626.6	797.6	1,057.8	977.6	1,878.4	2,030.0
Group liquidity	1,163.2	1,018.6	1,247.5	1,043.1	1,179.6	1,368.1	1,663.1	1,606.9	2,384.0	2,631.3

[1)] Due to new accounting policies, and shifts in Group definitions, figures reported in previous years may differ. No retroactive adjustment of the previous year's figures was carried out.

[2)] Proposed dividend.

Consolidated statement of financial position[1)]

€ million	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Goodwill	19.3	19.3	19.3	41.7	41.7	22.7	38.6	38.6	38.6	40.0
Investments in airport operating projects	2,844.3	2,621.1	516.1	500.9	479.2	458.1	1,031.2	1,067.1	1,073.4	1,098.4
Other intangible assets	134.5	132.4	146.7	161.2	157.1	51.1	44.2	43.6	32.4	34.0
Property, plant, and equipment	6,081.7	5,921.5	5,954.2	6,045.4	6,127.7	5,962.3	5,927.3	5,643.8	5,013.3	4,486.4
Investment property	88.8	96.4	79.6	74.5	63.0	47.7	34.4	74.6	34.0	34.7
Investments in companies accounted for using the equity method	260.0	268.1	209.7	237.6	216.9	194.9	136.6	138.0	97.1	72.9
Other financial assets	426.1	488.6	561.7	659.2	773.3	728.6	742.7	648.6	394.6	474.7
Other receivables and financial assets	195.0	190.9	173.3	167.0	181.1	172.2	117.1	33.5	20.9	20.0
Income tax receivables	0.0	0.0	0.2	5.4	10.2	20.3	19.5	29.6	29.6	23.6
Deferred tax assets	56.7	41.0	36.9	33.4	31.1	27.9	49.2	48.2	43.1	68.3
Non-current assets	**10,106.4**	**9,779.3**	**7,697.7**	**7,926.3**	**8,081.3**	**7,685.8**	**8,140.8**	**7,765.6**	**6,777.0**	**6,353.0**
Inventories	28.9	29.3	37.9	42.8	43.7	42.3	77.7	81.4	77.9	54.0
Trade accounts receivable	177.9	143.5	129.6	154.0	174.7	174.4	180.0	163.9	178.3	158.4
Other receivables and financial assets	304.3	245.5	259.7	310.8	297.6	426.4	385.2	280.2	319.2	492.2
Income tax receivables	13.1	5.4	11.9	7.4	7.7	1.0	35.0	6.2	5.5	5.3
Cash and cash equivalents	801.3	629.4	736.0	406.0	401.1	486.9	821.9	927.1	1,812.6	1,802.3
Current assets	**1,325.5**	**1,053.1**	**1,175.1**	**921.0**	**924.8**	**1,131.0**	**1,499.8**	**1,458.8**	**2,393.5**	**2,512.2**
Non-current assets held for sale	**17.2**	**0.0**	**0.0**	**0.0**	**7.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Issued capital	923.9	923.9	923.6	923.1	922.7	922.1	921.3	918.8	918.4	917.7
Capital reserve	598.5	598.5	596.3	594.3	592.3	590.2	588.0	584.7	582.0	578.3
Revenue reserves	2,657.9	2,345.7	2,220.4	1,919.9	1,706.1	1,540.8	1,403.2	1,327.0	1,217.7	1,039.2
Equity attributable to shareholders of Fraport AG	4,180.3	3,868.1	3,740.3	3,437.3	3,221.1	3,053.1	2,912.5	2,830.5	2,718.1	2,535.2
Non-controlling interests	187.7	160.6	101.1	74.4	64.9	45.7	35.7	29.4	21.2	22.6
Shareholders' equity	**4,368.0**	**4,028.7**	**3,841.4**	**3,511.7**	**3,286.0**	**3,098.8**	**2,948.2**	**2,859.9**	**2,739.3**	**2,557.8**
Financial liabilities	4,100.3	3,955.6	3,236.9	3,273.8	3,874.3	3,948.1	4,401.0	4,034.0	4,256.6	4,126.9
Trade accounts payable	45.5	42.4	41.8	42.5	47.1	50.8	64.4	64.9	60.0	114.7
Other liabilities	1,016.7	1,090.1	408.0	447.7	497.5	491.7	1,006.4	1,001.0	949.2	904.7
Deferred tax liabilities	228.3	203.8	173.6	172.2	158.7	107.2	102.5	110.8	105.5	143.9
Provisions for pensions and similar obligations	31.7	34.2	33.2	30.7	33.7	26.7	27.4	22.9	22.1	20.3
Provisions for income taxes	74.2	70.3	71.8	62.1	68.8	54.1	80.2	68.1	68.0	135.0
Other provisions	160.2	147.2	147.2	201.6	228.0	223.9	211.2	201.8	147.0	129.9
Non-current liabilities	**5,656.9**	**5,543.6**	**4,112.5**	**4,230.6**	**4,908.1**	**4,902.5**	**5,893.1**	**5,503.5**	**5,608.4**	**5,575.4**
Financial liabilities	608.3	575.4	366.5	543.6	318.1	290.6	196.6	219.9	151.8	118.9
Trade accounts payable	286.5	185.9	146.7	143.1	134.5	159.6	214.4	228.9	274.6	219.8
Other liabilities	275.6	249.7	145.7	129.4	123.7	123.0	163.2	187.4	180.5	147.7
Provisions for income taxes	43.9	33.1	42.9	56.0	14.7	7.7	5.3	2.4	12.9	6.7
Other provisions	201.1	216.0	217.1	232.9	223.8	234.6	219.8	222.4	203.0	238.9
Current liabilities	**1,415.4**	**1,260.1**	**918.9**	**1,105.0**	**814.8**	**815.5**	**799.3**	**861.0**	**822.8**	**732.0**
Liabilities in the context of non-current assets held for sale	**8.8**	**0.0**	**0.0**	**0.0**	**4.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total assets	**11,449.1**	**10,832.4**	**8,872.8**	**8,847.3**	**9,008.9**	**8,816.8**	**9,640.6**	**9,224.4**	**9,170.5**	**8,865.2**

Change over the previous year in %	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Non-current assets	+3.3	+27.0	–2.9	–1.9	+5.1	–5.6	+4.8	+14.6	+6.7	+26.8
Shareholders' equity (less non-controlling interests and profit earmarked for distribution)	+7.1	+3.5	+8.7	+7.0	+5.4	+5.0	+3.0	+4.3	+7.1	+1.1
Share of total assets in %										
Non-current assets	88.3	90.3	86.8	89.6	89.7	87.2	84.4	84.2	73.9	71.7
Shareholders' equity ratio	34.9	34.4	40.6	37.4	34.4	33.3	29.0	29.4	28.4	27.4

Glossary

Adjusted EBIT
EBIT + Earnings before taxes of the Group companies accounted for using the equity method

Annual performance of the Fraport share
(Year-end closing price of the Fraport share + dividend per share)/previous year-end closing price

Capital Employed
Net financial debt + shareholders' equity[1)]

Debt-to-equity ratio
Net financial debt/total assets

Dividend yield
Dividend per share/year-end closing price of the share

Dynamic debt ratio
Net financial debt/cash flow from operating activities (operating cash flow)

Earnings per Share (EPS)
Profit attributable to shareholders of Fraport AG/ weighted number of shares

EBIT
Abbreviation for: earnings before interest and taxes

EBIT margin
EBIT/revenue

EBITDA
Abbreviation for: earnings before interest, taxes, depreciation and amortization

EBITDA margin
EBITDA/revenue

EBT
Abbreviation for: earnings before taxes

EURIBOR
Abbreviation for: European Interbank Offered Rate = Interest rate used by European banks when trading fixed-term deposits with each other. It is one of the most important reference interest rates, among European bonds, bearing floating interest payments.

Free cash flow
Cash flow from operating activities + dividends from companies accounted for using the equity method – capital expenditure in property, plant, and equipment – investment property – capital expenditure for other intangible assets – investments in airport operating projects (excluding payments to acquire Group companies and concessions) – capital expenditure in investments accounted for using the equity method

Gearing ratio
Net financial debt/shareholders' equity[1)]

Liquidity
Cash and cash equivalents (as at the statement of inancial position) + short-term realizable items in “other financial assets” and “other receivables and financial assets”

Market capitalization
Year-end closing price of the Fraport share × number of shares

Net financial debt
Non-current financial liabilities + current financial liabilities – liquidity

Net financial debt to EBITDA
Net financial debt/EBITDA

Operating expenses
Material expenses + personnel expenses + other operating expenses

Price-earnings ratio
Year-end closing price of the Fraport share/earnings per share (basic)

Rate per 1,000 employees
Reportable accidents at work × 1,000/average number of employees

Return on revenue
EBT/revenue

Return on shareholders’ equity
Profit attributable to shareholders of Fraport AG/shareholders’ equity[1)]

ROCE
Abbreviation for: return on capital employed = adjusted EBIT/capital employed

ROFRA
Abbreviation for: return on Fraport assets = adjusted EBIT/Fraport assets

Shareholders’ equity ratio
Shareholders’ equity[1)]/total assets

Sickness rate
Sick days/planned days × 100 excluding absences beyond sick pay (so called extended sick leave)

Total employees
Employees of Fraport AG and fully-consolidated Group companies as at the balance sheet date (including temporary staff, apprentices, and employees on leave)

Working capital
Current assets – trade accounts payable – other current liabilities

[1)] Shareholders’ equity less non-controlling interests and profit earmarked for distribution.

Financial Calendar 2019

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 am 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 2019

(Online publication)

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

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