

STAYING ON TRACK

MUNICH AIRPORT

Integrated Report 2020

#stayconnected





STAYING ON TRACK





4

MUNICH AIRPORT AT A GLANCE

- 4 — Key figures
- 6 — Letter from the Executive Board
- 10 — Timeline: a year of crisis
- 16 — Business model

18

STRATEGY AND MANAGEMENT

- 19 — Strategy
- 26 — Management

30

RESPONSIBILITY

- 31 — Ecological responsibility
- 39 — Social responsibility
- 46 — Economic responsibility

48

FINANCES

- 49 — Group management report
- 88 — Abridged consolidated financial statements
- 95 — Supervisory Board report



The online report is available at:
report2020.munich-airport.com

Additional content in the online report:

- Report profile
- Financial report with auditor's report [PDF]
- GRI Content Index
- Sustainability indicators
- Sustainability program
- Independent assurance report
- Key topics

STAYING ON TRACK

Navigating the crisis together. Shaping change and seizing opportunities. That means: becoming more efficient, acting responsibly, and continuing to offer quality. As a reliable partner, we keep in contact with our stakeholders and stay on track.



KEY FIGURES

Economic

RESULTS OF OPERATIONS, NET ASSETS,
AND FINANCIAL POSITION

€ million	2020	2019	2018	Change in % 2020/19
Group revenue	579.7	1,568.0	1,508.8	-63.0
Of which aviation in %	41	55	54	
Of which non- aviation in %	59	45	46	
EBITDA	-161.8	554.3	538.1	
EBIT	-403.9	345.5	323.5	
Consolidated earnings after taxes [EAT]	-321.4	177.8	149.6	
EBITDA margin in %	-27.9	35.4	35.7	
EBITDA/Pax in €	-14.6	11.6	11.6	
EBIT margin in %	-69.7	22.0	21.4	
ROCE ¹ in %	-8.4	7.6	7.4	
Cash flow from operating activities	-116.0	429.1	468.3	
Investments	391.0	319.4	204.7	22.4
Free cash flow	-503.8	109.1	271.7	
Equity	2,065.0	2,378.1	2,225.0	-13.2
Equity ratio in %	37.4	42.9	41.5	
Net debt	2,633.4	2,108.1	2,079.4	24.9
Net debt/EBITDA	-16.3	3.8	3.9	
Net gearing [net debt/equity] in %	128	89	93	

¹ ROCE = EBIT/(equity + net debt + ongoing employee benefits)

Ecological

CO₂ EMISSIONS

In tonnes	2020	2019	2018	Change in % 2020/19
Direct emissions Scope 1	73,407	88,876	87,341	-17.4
Indirect emissions Scope 2	7,065	12,635	15,045	-44.1
Other indirect emissions Scope 3	27,487	46,277	47,719	-40.6
Total annual CO₂ emissions open to influence	107,959	147,788	150,105	-27.0

SPECIFIC CO₂ EMISSIONS

In kilograms	2020	2019	2018	Change in % 2020/19
CO ₂ emissions per passenger	9.73	3.08	3.24	215.9

DRINKING WATER AND WASTEWATER

In cubic meters	2020	2019	2018	Change in % 2020/19
Volume of purchased drinking water	563,789	1,032,239	986,580	-45.4
Drinking water consumption per 1,000 TU ¹	44.7	20.1	19.2	122.4
Total wastewater discharged	1,610,406	2,494,388	2,404,292	-35.4
Wastewater per 1,000 TU ¹	127.7	48.5	46.8	163.3

¹ Traffic units

Social

EMPLOYEE STRUCTURE¹

Number	2020	2019	2018	Change in % 2020/19
Total	9,338	9,806	9,626	-4.8
Women in %	31.92	32.55	33.14	-1.9
Men in %	68.08	67.45	66.86	0.9
Full-time in %	78.25	75.79	79.75	3.2
Part-time in %	21.75	24.21	20.25	-10.2
< 30 years in %	13.09	15.68	15.92	-16.5
30-50 years in %	51.40	51.56	52.17	-0.3
> 50 years in %	35.51	32.76	31.91	8.4

¹ Reporting date: December 31; Figures exclude apprentices, workers in minor employment, temporary workers, and interns

APPRENTICES

Number	2020	2019	2018	Change in % 2020/19
Total	287	303	277	-5.3

OCCUPATIONAL HEALTH AND SAFETY

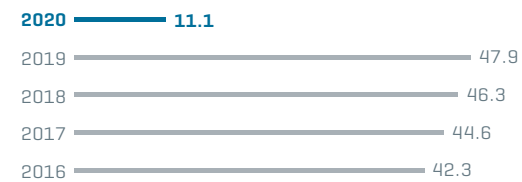
Number	2020	2019	2018 ¹	Change in % 2020/19
Reportable occu- pational accidents	94	236	231	-60.2
Resulting days of absence	2,508	6,539	7,272	-61.6
Rate per 1,000 workers	10.85	27	26.55	-59.6

¹ Errors identified while the data were being audited have been corrected.

Operational

PASSENGERS

In millions

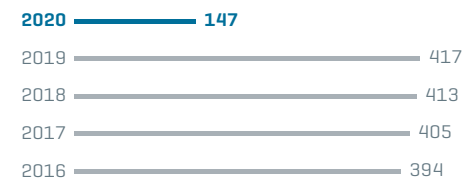


- In 2020, passenger figures fell by about 77 percent as a result of the coronavirus pandemic, to 11.1 million.
- Airlines massively reduced their service in 2020, in some cases temporarily suspending service altogether.

→ page 61

AIRCRAFT MOVEMENTS

In thousands



- The number of takeoffs and landings decreased by more than 270,000 in 2020, to about 147,000.
- Worldwide travel restrictions pushed the number of aircraft movements down by about 65 percent.

→ page 60

Management-related

Munich Airport has defined three key performance indicators to measure the development of the company. These key performance indicators are a measure of doing business in a sustainable and integrated manner and influence the variable remuneration components for managers.

CONSOLIDATED EARNINGS BEFORE TAXES (EBT)

€ million

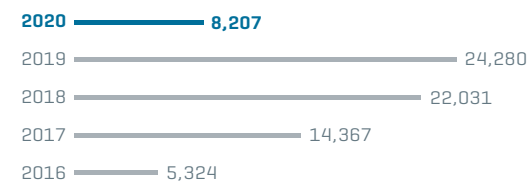


- Munich Airport's EBT in the 2020 fiscal year was impacted by the effects of the Corona pandemic.
- Despite drastic countermeasures, it was not possible to compensate for the decline in earnings.

→ page 68

CO₂ REDUCTIONS

In tonnes



- Munich Airport's goal is to be carbon-neutral by 2030.
- CO₂ emissions decreased by 8,207 tonnes, significantly more than the forecast amount.

→ page 68

PASSENGER EXPERIENCE INDEX (PEI)

In percent



- The PEI is a parameter for measuring customer satisfaction.
- Due to the coronavirus pandemic, Munich Airport was only able to conduct passenger surveys from January to March in 2020.

→ page 68

Dear Reader,

The coronavirus crisis has hit the global aviation industry and all the related sectors of the economy very hard. Here at Munich Airport, we have experienced the sharp decrease in air traffic and its ripple effects across all business units up close and personal. At the start of the pandemic, urgently needed face masks, respirators, and medical goods were transported through the Munich hub. Then, in early 2021, we also started to see movements of the long-awaited vaccines. We are happy to be able to make an important social contribution to overcoming this crisis in this way, and we will continue to do so.

As expected, a look at the balance sheet for the past financial year paints a less positive picture. With revenue of around 580 million euros, we generated 63 percent less in 2020 than in the previous year. The resulting loss totals 321.4 million euros. The outstanding results and reserves built in the years leading up to the crisis have helped us to safeguard the company's liquidity in spite of the ongoing tough overall conditions.

Traffic figures tell a similarly dramatic story: Flight movements plunged by nearly 65 percent, at about 147,000 take-offs and landings. Just 11.1 million passengers – some 77 percent less than in 2019 – passed through Munich Airport. That means we posted lower values in 2020 than in 1992, the year Munich Airport started out in the new Erdinger Moos location. Our shops, restaurants, and parking structures were also subject to the far-reaching restrictions and closures, and we saw huge losses of revenue there as well.



JUST LAMMERS
President and Chief Executive Officer,
Personnel Industrial Relations Director



ANDREA GEBBEKEN
Chief Commercial
and Security Officer



THOMAS WEYER
Chief Financial Officer,
Chief Infrastructure Officer

There is every indication that the years ahead will be challenging as well. Global traffic volumes are not projected to return to 2019 levels until 2024 at the earliest. The hoped-for recovery already did not materialize in early 2021. To keep Munich Airport on track and make it even more efficient, we developed the «Restart» program. Our aim is to adjust personnel capacity to the changes in overall conditions in the coming years with as little adverse social impact as possible. To this end, we offer our staff a volunteer program and attractive early retirement arrangements. Our staff's demographic structure favors this approach.

We are continuing to pursue a consistent cost-cutting approach and reviewing all investments and expenses on an ongoing basis. We are, however, abiding by key strategic plans. For example, we are continuing to drive the optimization of the rail connection, the climate action program, and quality-oriented maintenance and further development of the infrastructure as part of our five-star approach and the sustainable development of the Munich hub. Beyond that, we aim to help shape a sustainable future for the aviation sector by working with our airline partners to promote the use of synthetic, climate-neutral fuels at the airport site.

Right now, it is difficult to impossible to gauge when the coronavirus crisis will end and the «new normal» will begin. But one thing I can say at this point: Munich Airport will retain its position as an important hub in a strong region. I am especially pleased that amid this crisis, the most severe we have experienced to date, we can rely on our most important partner, the Lufthansa Group. Lufthansa is standing by its five-star hub in Munich. The other airlines represented at Munich Airport also value this location and plan to resume offering pre-crisis service as soon as possible.

As we look to the future, we are naturally counting on advances in vaccination campaigns around the world and on significant expansion of testing. With these factors in place, we hope to see a noticeable recovery in flight movements and passenger figures over the course of this year. The safety and health of our customers, passengers, and employees continue to come first, as always.

Speaking for myself and on behalf of Andrea Gebbeken and Thomas Weyer as well, I would like to thank everyone who, through tireless hard work and dedication, motivation, loyalty, and willingness to change, is helping each and every day to keep Munich Airport on track amid the biggest crisis ever to strike civil aviation.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Lammers', written in a cursive style.

JUST LAMMERS

TIMELINE: A YEAR OF CRISIS

A look back at an
unusual year: 2020



«Like the airlines, we were hit by a difficult situation through no fault of our own that poses huge challenges. The task before us now is to guide Munich Airport through a several-year consolidation phase. I am confident that our airport will resume its role as an important European aviation hub.»

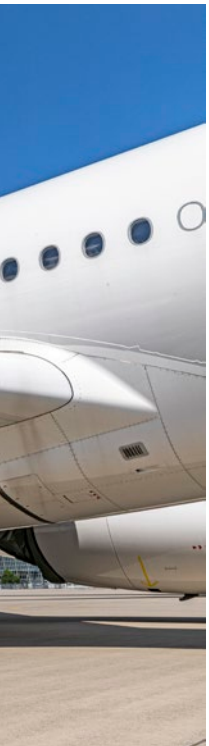
JUST LAMMERS





Important cargo

Amid the coronavirus crisis, Munich Airport shows its importance as a site of transportation of aid goods and personal protective equipment. On average, 20 cargo flights a day pass through the airport in April, carrying medical protective items. These special air shipments make an important contribution to logistical crisis management in Germany.



Opportunity seized

Munich Airport uses the collapse in international air traffic brought on by the coronavirus pandemic to maintain the rail system. For the first time ever, necessary runway repairs are performed during the day instead of at night and under heavy time pressure, as usual. The south runway is closed entirely for about three weeks at first. The north runway follows shortly afterward. The full closure shortens the period needed for repairs and reduces costs considerably.



Passengers

3,000,000

2,000,000

1,000,000

0

January 29

Lufthansa and many other European airlines halt flights to and from China

Massive decreases in passenger numbers

Timeline: a year of crisis

With worldwide travel restrictions in place, passenger traffic at Munich Airport grounds to a near complete halt in the second quarter of 2020. Passenger volume falls 98 percent from the previous year. The number of take-offs and landings decreases by about 92 percent during this period. April and May 2020 mark the bottom of the trough, with passenger figures at only about one percent of the previous year's numbers. After a slight recovery during the summer months, the situation deteriorates again in the fall and winter. With numerous restrictions and travel warnings in place, the airport posts a historic low at the end of the year, with just eleven million passengers having flown to and from Munich in 2020.

March 13

All Lufthansa transatlantic connections from Munich suspended

March 16

Travel restrictions and border closures cause a collapse in European air traffic

March 24

Restricted entry from all non-Schengen countries; Terminal 2 satellite closed

April 29

Terminal 1 closed

June 15

Blanket travel warnings for EU and Schengen-associated countries lifted



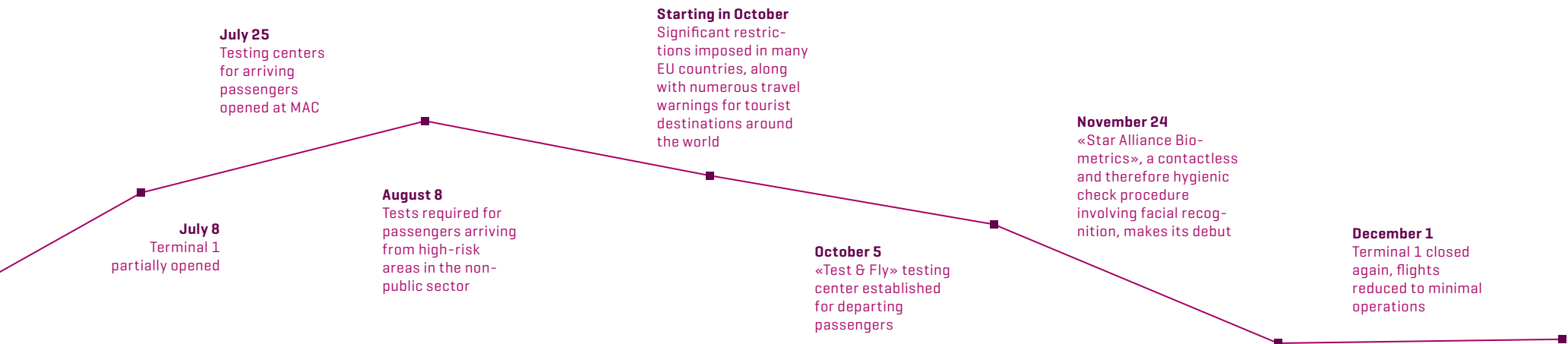


«The past year has shown that in spite of a crisis of historic proportions, we can maintain the level of a five-star airport and respond quickly to changing overall conditions. Through a change in thinking and by being flexible and making sacrifices and compromises amid this unsettled situation, all employees have helped to stabilize the company and fulfill our promise of quality even in these challenging times.»

ANDREA GEBBEKEN

Guide to safe travels

In June, the European Union Aviation Safety Agency, or EASA, names Munich Airport one of the pilot airports that provide a good example of safe travel amid the COVID-19 pandemic. These international airports were recognized for exemplary implementation of the recommendations developed by EASA and the European Centre for Disease Prevention and Control.



«Overcoming the coronavirus crisis will be a marathon, and it isn't over yet. High standards for protecting the health of employees and customers are our top priority. Second, orderly resumption of operations. Third – and this is especially important to me as the CFO – continuing our cost-cutting measures.»

THOMAS WEYER

Managing the crisis

The challenges Munich Airport faces as a result of the coronavirus pandemic are multifaceted. Flughafen München GmbH (FMG) is overcoming these obstacles through a structured and coordinated approach, especially by responding early on and establishing a coronavirus task force in February 2020. This crisis task force, comprising managers from the relevant units, is tasked with ensuring ongoing assessment of the situation. Based on a holistic risk assessment, it maps out actions to guard against risk at the business level, ensures that airport operations could continue, and makes all necessary preparations to resume air traffic.

Scale down

- Establish crisis organization
- Safeguard employee health
- Minimize economic impact
- Scale down operations and take measures to safeguard the business

Ramp up

- Gradual resumption of air traffic
- Adjustment to changed circumstances
- Structured follow-up considerations

Stabilize

- Airport in minimal operation
- Ensure operational safety and reliability and stable basic supply levels
- Actions geared toward liquidity
- Focus on critical processes
- Preparations for resumption of activity





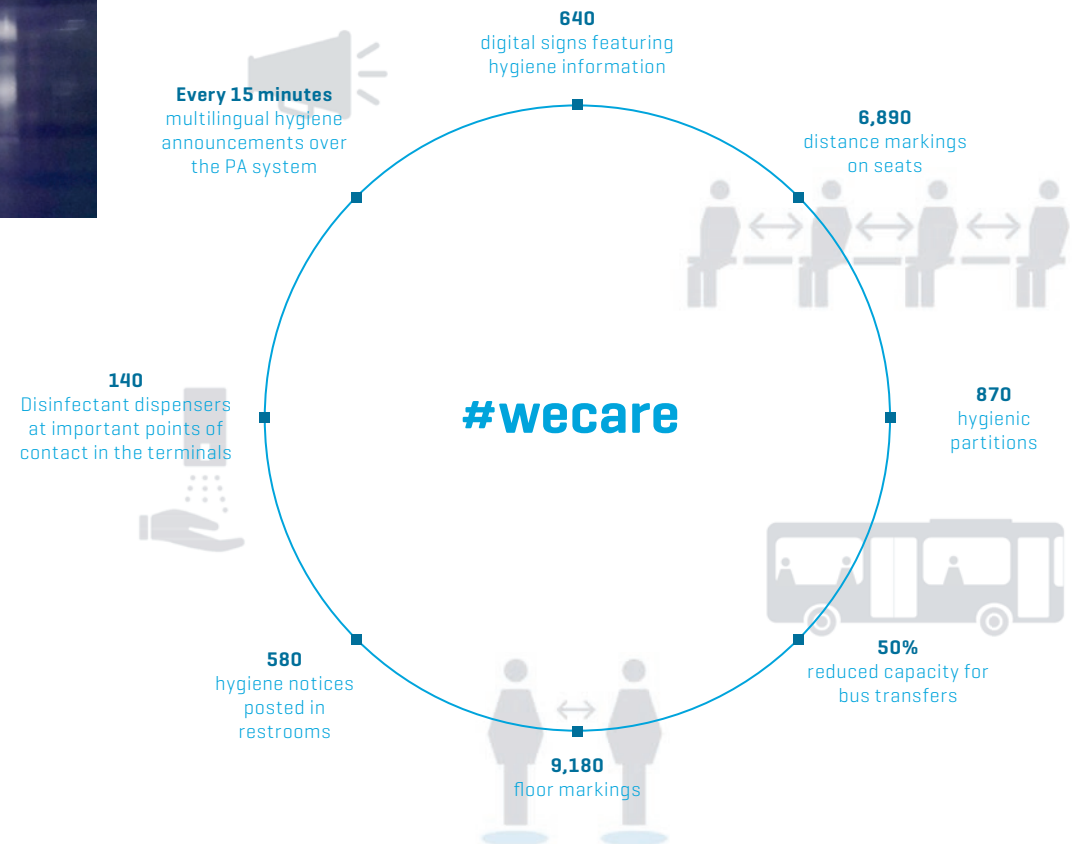
As part of its extensive hygiene and disinfection concept, Munich Airport tests innovative techniques including mobile cleaning robots that use UV light to disinfect areas and rooms.

An accelerating trend

The crisis catalyzes the use of digital tools: Where a normal working day before the coronavirus crisis might have seen 170 people working from home, the number soars to as many as 1,000 on peak days, with remote workers using digital conference and organization tools.

Fighting the virus together

Munich Airport adopts an extensive package of infection protection measures in response to changes in overall conditions in order to continue to ensure safe travels. Coronavirus testing centers for travelers entering from high-risk areas are established in both terminals. The opening of the «Test & Fly» COVID-19 testing center for departing passengers in October marks the second step, providing PCR test results in just three to six hours. In mid-November, Lufthansa trials two daily «tested flights» between Munich and Hamburg. Passengers and crew are tested immediately before departure using a rapid antigen test and are only allowed to fly if they tested negative.



BUSINESS MODEL

Input

Finances

- Cash and cash equivalents: €208.3 million
- Loan portfolio: €1,903.2 million
- Equity: €2,378.1 million

Infrastructure

- Buildings: terminals, office/technical buildings, parking structures, Munich Airport Center, hotels, logistics centers
- Open spaces: commercial/industrial and green spaces, two runways, aprons
- Transport links: autobahn access, two S-Bahn train lines, regional and long-distance bus links, regional rail connection

Expertise

- Qualification: in-house professional development center «Airport Academy»
- Off-campus: international management, consultancy and training services
- Quality/innovation: InnovationPilot, passenger evaluations

Employees

- Employees: 9,625 employees in the Group (including apprentices)
- Employer: personnel expenses of €408.6 million in the Group
- Training/personnel development: eleven formal vocational training tracks and dual vocational training and academic study programs

Environment

- Climate protection: program to reduce emissions (CO₂ and others)
- Resources: waste management concept with recycling and «zero waste» as goal, de-icer recycling
- Noise protection: strict night-flight curfew, aircraft noise monitoring at 16 fixed stations, additional voluntary mobile measurements

Society

- Stakeholders: transparent dialog via various channels (website, social media, and others) at the European, German, and state level and locally in Munich
- Value creation: direct, indirect, and induced effects for the region as an economic and location-related factor
- Community engagement: regional office, airport association

Different products and services are generated [output] in the four business units. The value creation process is based on six forms of capital [input], which the airport uses to generate new values [outcome].

Business units – output

AVIATION

is our traditional core business and covers all services related to the correct handling of air travel at Munich Airport. This business unit provides and markets the infrastructure and services for airline customers and passengers.

COMMERCIAL ACTIVITIES

markets the commercial space at the airport and is responsible for services having to do with parking, serving advertising partners, and the event business. The Group subsidiaries Allresto and eurotrade provide the products and culinary offerings as lessees and franchisees.

REAL ESTATE

develops, operates, and markets all of the airport's property and real estate, some of which is located outside the airport campus. The portfolio includes maintaining existing properties and acquiring new land for future expansion activities as well as responsibility for the real estate strategy.

PARTICIPATIONS, SERVICES & EXTERNAL BUSINESS

deals with landside and airside services related to aircraft, passenger, and freight handling, looks after checks and security services, and provides relocation, management, and terminal operation services at airports around the world.

Measures 2020

- Safeguarding liquidity through increased liquidity management
 - Counteracting declining figures through cost cutting and savings on capital expenditure
 - Launching the «Restart» program to align Munich Airport more efficiently
- Building the shell of the first office building on the LabCampus
 - Commissioning a new high-tech logistics center
 - Bridge over Zentralallee, road development to the east
 - Continuing construction work on the rail tunnel for the Erdinger ring closure (Erdinger Ringschluss)
- Focus on digital methods of learning and teaching in the Airport Academy
 - New function in the Passngr app: display wait times for passport control and security, along with information on the relevant travel restrictions
 - Project focusing on the social intranet as a meeting place in digital space
- Ensuring employee safety: formation of a coronavirus task force, work from home arrangements introduced across the board, hygiene measures
 - Introduction of short-time work and entry into emergency collective agreement
 - «Restart» program to boost efficiency and adjust personnel capacity
- 20 individual measures and €1.2 million of investment in climate action
 - De-icer treatment
 - Compensation measures on about 20 hectares of space
 - Developing a renewable energy concept
- Close coordination regarding the coronavirus with relevant organizations
 - Specific committees, association work, maintaining a political presence
 - Ongoing provision of public information through media relations work
 - Supporting about 350 projects in the region

Outcome

short-term

- Cash and cash equivalents: €77.7 million
 - Loan portfolio: €2,322.2 million
 - Equity: €2,065.0 million
- First office building commissioned on LabCampus in early 2022
 - Increase in paved areas: 22,121 m²
 - Newly greened area: 47,646 m²
 - Improved road connections
- 27 active international projects
 - ACI Airport Health certificate [in recognition of implementation of health measures]
 - Only 5-star airport in the EU
 - Passenger surveys suspended due to the pandemic
- 22 percent women in leadership positions, 21 percent of employees work part-time, 96 percent under collective agreements
 - 287 apprentices in the Group
- Approximately 50 percent recycling rate for de-icer
 - 90 percent of energy self-covered
 - Process water wells conserve about 200,000 cubic meters of drinking water
- Coping with the coronavirus crisis as a key topic in the media, current info via website
 - €643 million [net] in procurement volume
 - Decrease in gross value creation due to decline in traffic caused by coronavirus

long-term

- Ensuring liquidity in subsequent years
 - Stabilizing the equity ratio
 - Future economic recovery depends on further development of the pandemic
- Enhanced mobility on and off campus for employees and passengers
 - Positioning as an innovation site
 - Efficient intermodality
- Increased efficiency through process optimization
 - Enhanced amenities through quality initiative
- Further development of corporate culture and leadership culture
 - Greater diversity by offering a nondiscriminatory work environment and commitment to the Charta der Vielfalt
- Carbon-neutrality by 2030
 - Use of local resources, e.g. planning of photovoltaic systems
 - Sustainable mobility: more electric vehicles in the fleet, alternative drive concepts
- Good corporate citizenship through community engagement and logistical contributions during the coronavirus pandemic
 - Economic power ensures prosperity in the region and beyond



Strategy and management



The coronavirus pandemic plunged the global aviation industry into a deep crisis in 2020. Passenger figures at Munich Airport are expected to be significantly below the previous level, most recently about 48 million in 2019, for years to come. To stay on track, Flughafen München GmbH needs to take appropriate action in response to changing overall conditions and cope efficiently with new requirements.

Turbulence on the ground:
Operations ground to
a near complete halt at
times in 2020.

Strategy

Responsible action

The effects of the coronavirus pandemic have been felt across the entire aviation industry. Munich Airport, with structures designed to accommodate at least 50 million passengers a year, was especially hard hit. Amid this crisis, the biggest to ever strike the industry, Munich Airport continues to combine sustainable economic value creation with ecological and social responsibility. The business activities of Flughafen München GmbH [FMG] have a major impact on many different areas and stakeholders: on Munich, Bavaria, and Germany as business locations, on the region and its population, the airport staff and passengers, as well as on other companies in and around the second-largest German hub, plus other stakeholder groups. Taking their interests and concerns into account is a key factor in terms of strategic planning.

The Strategy 2025 guidelines outline the company's medium-term development plans. The strategy describes five key fields of action for the successful operation of Munich Airport. The fields of action are the result of scenario analyses on the future of aviation and stem from talks with company stakeholders. The goals and measures from the sustainability program play a major role in implementing the strategy and thus in bringing about the further development of the airport. FMG measures the success of implementation using defined key performance indicators. Owing to the massive impact of the coronavirus pandemic on the Group's business activities, the company is currently revising its strategy and reviewing the fields of action on an ongoing basis to see where adjustments are needed.



Taking countermeasures and staying on track with «Restart»

Faced with this challenging situation and steep revenue losses across almost all business units, Munich Airport took action swiftly, implementing consistent crisis management practices. At the same time, medium-term and long-term changes will be needed to help the company stay on track. This was the impetus for the company's «Restart» program. FMG's aim with «Restart» is to pursue a holistic, sustainable approach with an eye to ensuring future viability. That makes this program much more than just a short-term crisis response. The company will be fundamentally realigning itself to adjust strategically to the changing situation in the aviation sector. Organizational structures need to be reconsidered, use of resources optimized, and existing business units examined. Material costs and capital expenditure will also come under scrutiny. For the first time in the company's history, FMG needs to shrink.

[munich-airport.com/
sustainability](https://munich-airport.com/sustainability)

The program encompasses three fields of action in which effective measures can be identified:

1. **Organization: Improving structures, streamlining management, creating synergies.** Various reorganization projects will be tackling many areas within the company. Administration and management will come in for their share of scrutiny, just like operational areas. The goal of the reorganization is to establish leaner management and administrative structures, appropriate manager-to-employee ratios, and optimized interfaces in the years to come.
2. **Efficiency: Examining costs versus benefits.** When it comes to efficiency, the focus is on reviewing the strategy and Group portfolio, optimizing service relationships within the Group, and analyzing personnel capacity at FMG.
3. **Personnel: Adjusting capacity with minimum adverse social impact and with a sense of proportion.** Reducing personnel costs on a lasting basis and adjusting personnel capacity to changes in overall conditions are the goals of this field of action. Especially in the current crisis, FMG stands by its commitment to reliability as an employer. The company will meet this challenge with minimum adverse social impact, with a sense of responsibility, and through close collaboration with the employee representatives.

«RESTART»

Munich Airport will remain a reliable partner in a strong region.

Lasting change can only be created if suitable overall conditions are met. That's why shifting leadership and corporate culture toward more-efficient action, interdisciplinary thinking, and motivation and willingness to change across the workforce are another area of focus for the «Restart» program.

A team of external consultants is assisting FMG, especially with strategic issues and highly complex organizational projects. The field of action is clearly defined and delimited: The consultants' external perspective and cross-company expertise are needed primarily for the purpose of strategically realigning the Group and its business units. Management responsibility for individual topics and projects will otherwise rest with project managers from within the company.

Long-term HR policy for a successful restart

Munich Airport believes in the importance of an HR policy that focuses both on people and on the company's performance. That's why the company's long-term personnel concept is geared toward the current business situation and the company's strategy. Trends seen across society in recent years, such as demographic change, the digital transformation, and the cultural change it has required within the Group, will continue to be important areas of focus for the company now and in the future.



Staying on track: looking ahead to a post-crisis «new normal»

Changes in the skills employees need to have also mean it is necessary to support the staff with personnel development concepts as they learn to work with new technologies and in more dynamic ways. But employees also have certain demands: Subsequent generations, for example, come to the company with different expectations around working with others and management structures, such as flat hierarchies or sustainable actions on the part of their employer. A contemporary HR policy has to reflect these principles as well.

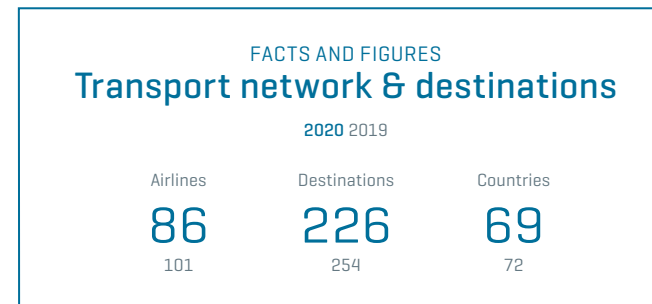
Bavaria and Southern Germany will develop positively after the crisis as well.

The company had to take swift, consistent action in response to the plunge in air traffic starting in March 2020. To cut personnel costs, short-time work was introduced across large portions of the Group. Other ad-hoc measures included a hiring freeze, interruption or termination of projects that were not absolutely necessary for operational reasons, and drawing down overtime accounts. The biggest HR policy challenges in the years to come will be the reduction in personnel capacity necessitated by this crisis and adjusting the leadership and organizational structure to the expected medium-term development of traffic.

Aviation business unit

The coronavirus pandemic caused the biggest crisis ever in the history of commercial aviation. Munich Airport had been operating close to the limit of its capacity up to the start of 2020. After that, overall traffic figures plunged to less than a quarter of the previous year's volume. As a result, the focus of traffic development now lies on restoring a large portion of the lost connections as soon as possible so that Munich Airport can continue to play its role as Bavaria's gateway to the world even after the crisis.

Safeguarding connectivity into the future is important to the people who live in the area as well as the companies based here. Because of its economic power and year-round attractiveness as an incoming destination, it is to be expected that Bavaria and Southern Germany will develop positively after the crisis as well. Munich Airport is crucial as a gateway for this region. The goal is to achieve lasting stability in its position as one of the leading hubs in the European aviation market, which is experiencing further consolidation.



Long-haul and transfer traffic will therefore be an essential cornerstone of the aviation strategy in the medium to long term, too. Beyond that, more point-to-point connections are to be introduced to boost the diversity and appeal of the company's offerings. One crucial aspect here will be keeping infrastructure and process quality at a high level and thereby strengthening the company's position as it competes with other airports.

Commercial Activities business unit

The pandemic had a heavy impact on the commercial segment of Munich Airport. In the areas of advertising, commerce, and food service, the decline in passenger figures brought significantly lower demand, and consequently higher vacancies as providers went out of business or terminated their leases. Parking was also down about 68 percent year over year. The company held in-depth discussions with all tenants, both subsidiaries and third-party providers, in 2020 to safeguard existing contracts and develop a path forward for the time after COVID-19. Solidifying existing brand partnerships with automotive groups and major customers from the telecommunications sector was a particular area of emphasis.

Once the coronavirus crisis subsides, the airport will continue to work on optimizing the portfolio of what it offers, as outlined in the vision for 2025. The goal of new store concepts such as pop-up, concept, or flagship stores is to offer an innovative, modern, and emotionally appealing shopping experience. In these efforts, the airport is partnering with prominent brands – which are expected to continue to be in high demand not only now, but into the future – and with Bavarian companies that will offer local products with an eye

**FOCUS ON
SUSTAINABILITY**

Stronger integration of sustainability criteria in the selection of potential tenants

IN LOCKDOWN

Shops and restaurants at the airport were also subject to the restrictions and closures put in place to curb the pandemic.

to a company philosophy that focuses on sustainability. The customer experience at Munich Airport will continue to take center stage. Stagings in the terminal areas, live presentations of strong brands, and attractive events in the München Airport Center [MAC] forum are sure to draw customers. The dining experience at Munich Airport will also expand again.

Beyond that, retailers will have to adjust to new customer demands as well as to changes in customer behavior: The various customer groups at Munich Airport are increasingly turning to digital channels, and the products and services offered will need to follow suit. In the area of parking too, the percentage of online bookings continues to grow. Integrating «PayPal» as a payment method was another step in digitalizing the airport's business processes. Munich Airport will increasingly provide digital platforms for its commercial offerings in order to benefit from these developments and enhance systematic trend and market research activities.

Real Estate business unit

The airport's development as a real estate location is highly important to Munich Airport. The strategy of the Real Estate business division has four material objectives:

Using real estate as a means of securing the core business of aviation

Munich Airport aims to be an attractive and sustainable location. The airport is actively using the pause in growth brought on by the pandemic to modernize the existing infrastructure, some of which dates back to when the airport was first commissioned, and meet passenger and visitor expectations in terms of amenities. To be able to return to growth in its role as a hub in the future, Munich Airport is investing – in line with its aviation strategy – in a new aviation infrastructure, such as the new pier at Terminal 1.

Making optimal use of capacity in space already used for commercial purposes

At the heart of this strategic objective is the München Airport Center [MAC]. This is the most important commercially used space, and plans call for investments in development and modernization here. The effects of the pandemic will be taken into account in the process.



Farsighted: FMG is currently revising its strategy.

Generating substantial contributions to profits by developing real estate

In terms of real estate development, FMG is focusing on developing and building an innovation center as part of the LabCampus major project. The first two buildings are under construction and being marketed now. With the LabCampus and associated new revenue streams outside of the existing portfolio, FMG wants to further diversify its business interests.

Taking account of regional interests

The real estate strategy is carefully calibrated to accommodate the interests and concerns of the airport area in terms of both development of Munich Airport as a whole and the many construction projects that are planned. To this end, FMG engages in extensive dialog with local stakeholders and focuses on target groups and companies that are looking for close proximity to the airport and an international environment as they consider establishing sites in the area.

External Business and Services business unit

Munich Airport International GmbH (MAI) offers management, consulting, and training services for the aviation industry worldwide.

Over the past 30 years, Munich Airport has gone from being a leading provider of consulting services for airport commissioning projects to an international airport operator. Today, MAI is a reliable partner to strategic investors and emerging airlines all over the world. For 2021, the focus is on continuing and realizing existing projects in locations such as Sofia Airport, in Bulgaria.

Munich Airport has become
an international airport operator.

Climate protection strategy

In 2016, Munich Airport set itself an ambitious goal: to achieve carbon-neutral operation of the airport starting in 2030. To do this, the airport is reducing the greenhouse gas emissions that can be attributed directly to its operations by at least 60 percent using various technical measures. The remaining 40 percent of emissions are to be balanced out by suitable compensation measures, preferably within the region. Flughafen München GmbH will be investing 150 million euros to accomplish this by 2030. Beyond that, Munich Airport has also committed to another ambitious climate action goal as part of the «Net Zero Carbon Initiative»: reducing the CO₂ emissions that the airport can influence in its operations to net zero by the year 2050 at the latest. The idea is to keep emissions from arising in the first place through actions such as switching to renewable energy sources. More than 200 European airports have signed on to this initiative, with Munich Airport being one of the first signatories.

Planning and expanding in line with requirements

Prompted by the global aviation crisis, all construction projects at the airport were reviewed, with lower-priority activities being postponed. The projects with the greatest strategic importance, such as the expansion of Terminal 1 and improving access and traffic development at the airport, are being continued. FMG is expanding the airport infrastructure in line with requirements and the current situation, connecting transportation operators, and promoting optimized landside access and traffic development – focusing at all times on quality and the changing needs of customers. Negative effects on the environment and the airport area will be kept to a minimum, for example by applying extensive compensating and noise protection measures. The goal is to minimize the adverse impact of contaminants or resource and energy consumption on the environment by adopting sustainable building concepts, and then afterwards through sustainable operation of the buildings.

Upgrade for Terminal 1

Terminal 1 can no longer fully meet passengers' quality expectations. The building is therefore being expanded to include a new pier with needs-based passenger handling facilities. The T1 extension is among FMG's strategically important construction projects, which are continuing despite the effects of the coronavirus pandemic. Docking points for up to twelve aircraft will be available at the pier, which is about 360 meters long. Covering an area of around 90,000 square meters, this extension, which started in late 2018, is also creating new retail and food service spaces as well as two large airline lounges, while simultaneously improving passenger handling processes through centralized security zones; the intention is to make the area significantly more appealing to passengers and airlines in the non-Schengen zone. The total cost of the expansion plan is estimated to be around 455 million euros.

«T-Stiel» for the Terminal 2 satellite

FMG and Lufthansa most recently affirmed their strategic cooperation at the Munich location in a joint letter of intent signed in December 2019. In light of the dramatic effects of the coronavirus pandemic, both sides reached an additional agreement in the fall of 2020 that expressly affirms the long-term further development of Munich Airport as a hub for intercontinental aviation. This means the planned expansion of the satellite terminal by adding a «T-Stiel» remains in effect as an aim of the cooperation.

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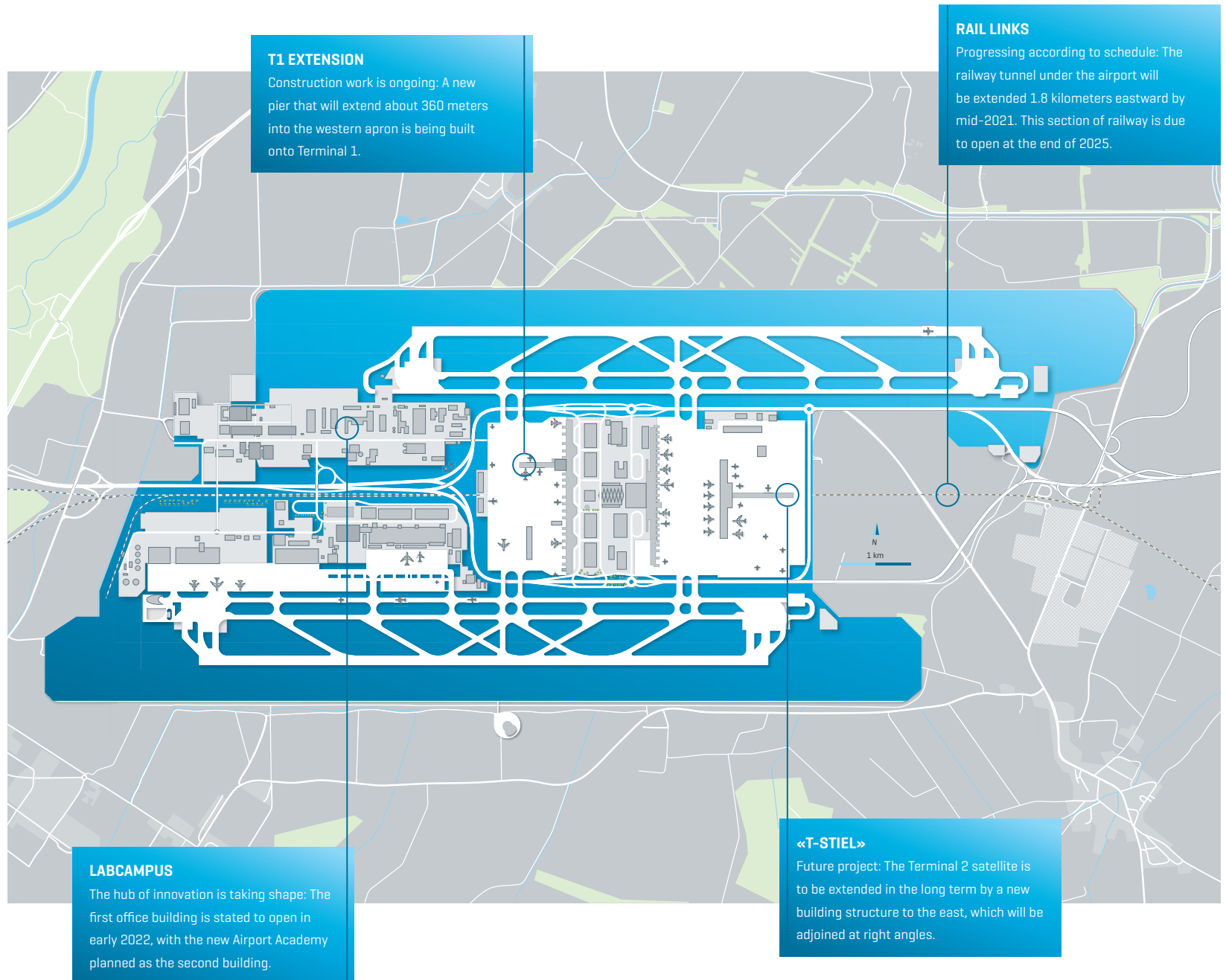
million euros will be invested in carbon-neutrality by 2030

[munich-airport.com/
climate-protection](https://munich-airport.com/climate-protection)

Go CO₂
neutral

LOOKING AHEAD

The projects with the greatest strategic importance on the airport campus are being continued.



Third runway remains a key long-term project

After the Bavarian state parliamentary elections in October 2018, the coalition agreement for the legislative period from 2018 to 2023 between the CSU and Freie Wähler stipulated that plans for the construction of the third runway at Munich Airport would not be continued. According to a judgment issued by the Bavarian Higher Administrative Court in February 2014, there is a right to build. The third runway remains a key long-term strategic project for Munich Airport for the future.

«Connect. Create. Collaborate.»

The LabCampus is a cross-sector innovation hub being developed in the northwest of the airport property. Knowledge workers, global players, start-ups, and creatives working in areas such as mobility, digitalization, and security will find the workspaces, showrooms, and project and conference spaces here that they need for systematic and networked research and development work. The LabCampus, as a meeting point for international innovators, will derive particular benefits from its proximity to the airport. The shell of the first office building was largely completed in late 2020. The building is set to open in the first quarter of 2022. At the same time, construction work on the new Airport Academy began in the fall of 2020. This site is to open up opportunities for networking, featuring seminar rooms with high-quality furnishings and amenities, stylish quiet areas, and a spacious and versatile dining area. LabCampus GmbH and the Accor Group plan to open a hotel by the end of 2023 to offer a range of accommodation options for guests who are working on projects at the campus. The general planning services contract was awarded and the preliminary planning completed in 2020. The Terminal Testlab launched in February 2020 is intended to actively support companies through processes of innovation. It will be an important platform in the marketing of the LabCampus concept.

Logistics with optimum connections

DHL Express Germany and Flughafen München GmbH signed an agreement in June 2020 for the realization of a new freight building at Munich Airport. The new building will be erected where the P80 and P80 West parking lots currently stand. When complete, it will have gross floor area of more than 8,000 square meters. DHL Express will be responsible for planning, building, and operating the new building, for which it will rent the land from FMG. DHL Express has seen a sharp increase in import and export volumes at its Munich gateway in recent years. This new area is scheduled to go into operation in 2022.



The LabCampus is designed to function as a smart city.

Progress in connecting the airport

Munich Airport is hard at work improving its road and rail connections. Construction of the eastward extension of the railway tunnel required for the Erding ring closure is progressing according to schedule. The tunnel itself is to be completed in the second half of 2021, and will then be fitted out by DB Netz AG with the required technical equipment for train services. The study of the options for connecting the airport to cross-regional passenger rail that was commissioned in cooperation with the Bavarian State Ministry for Housing, Building and Transport is currently being evaluated, and an initial target concept has already been drafted. At the same time, extensive efforts are under way between the airport and the Federal Ministry of Transport and Digital Infrastructure to integrate the airport into the «Deutschlandtakt» destination schedule, securing its place in long-distance passenger rail. In terms of road projects, the newly constructed Freising northeastern bypass on federal highway 301 opened to traffic in November 2020. Construction of the Freising west expressway has advanced, with plans to open in fall 2021. The summer of 2020 also marked the start of the three- to four-lane expansion of the airport's east expressway. In the airport area, the new connection between the South Ring and the east airport feeder road was also approved for traffic in September. This was followed in October 2020 by the new bridge over Zentralallee, which connects the LabCampus to the road network.

TARGET FOR 2021

Erdinger Ringschluss: completion of first subproject – Munich Airport tunnel

labcampus.de/en

Management

Sustainable corporate governance

FMG is fully committed to its economic, ecological, and social responsibilities, which are inextricably linked with corporate policy. Sustainable business therefore remains an integral part of corporate strategy.

Materiality process: identifying and integrating topics

Munich Airport acts as a corporate citizen within society, consciously acting in a responsible manner and always looking to address topics and concerns of importance to its stakeholders. It perceives dialog with its stakeholder groups as an opportunity to further develop its business activities on a sustainable basis. The company's sustainability management incorporates the concerns of the stakeholders into the strategic planning and operational implementation. Using a materiality process, FMG identifies and prioritizes the topics that are important to external stakeholders and Group employees. Existing in-house processes and methods are linked to the internal strategy process for this purpose. FMG has set itself the goal of continuously improving processes, particularly with respect to the assessment and measurability of internal and external impact.

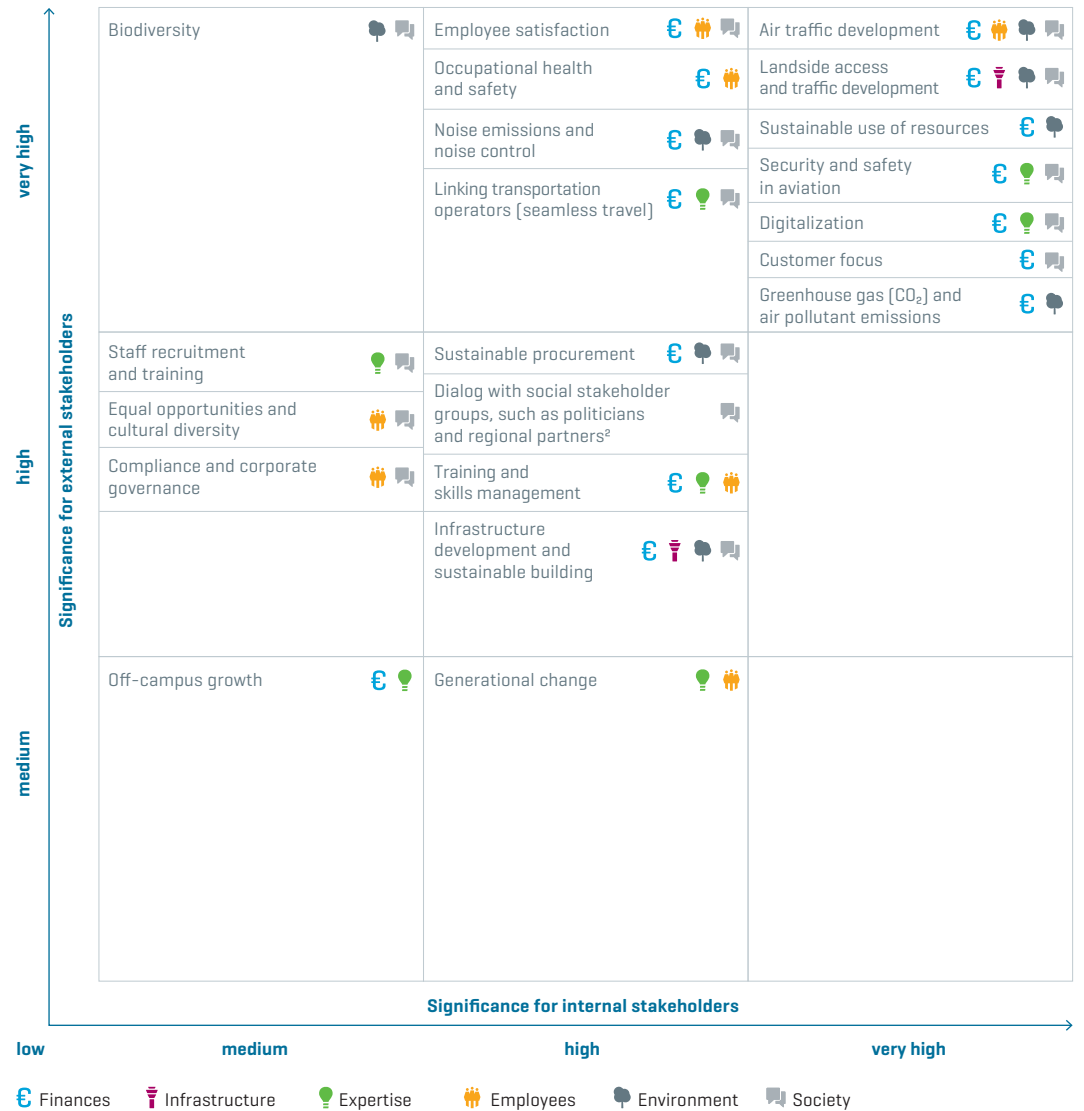
The Group-wide materiality analysis is based on the standards of the Global Reporting Initiative (GRI). It is an important tool for strategic sustainability management and provides the basis for the Executive Board to set the central parameters for the sustainable development of the Group.

CONNECTIVITY

The key topics in the matrix correspond to the six forms of capital.

munich-airport.com/sustainability

MATERIALITY MATRIX¹



¹ The materiality matrix is based on the designations of the 2019 strategic program.

² Bilateral communication with social stakeholder groups and collaborating with regional partners (e.g. sponsorship) are depicted as a new material issue as of 2020: dialog with social stakeholder groups, such as politicians and regional partners.

1. **Identification:** FMG conducts an annual survey of its main stakeholder groups and FMG management when it publishes its integrated report.
2. **Prioritization:** The results of this survey are presented in a materiality matrix with two axes, which represent the importance of the individual topics for internal and external stakeholders. These topics are discussed with experts within the company, and content is allocated to the strategic fields of action. The topics are also incorporated into the targets process.
3. **Validation:** Members of the management team discuss the relevant topics as part of the annual strategic target agreement process. The stakeholder survey also provides external feedback on the content of the integrated report. Fields of actions and targets are adapted, expanded, or incorporated for the first time.
4. **Implementation:** Specific goals and measures are outlined within the strategic sustainability program for each material topic as well as the progress made implementing these as a means of measuring success. Managers take responsibility for the sustainability program goals and the implementing of the associated measures. Every year, dedicated discussions are held to update the strategic sustainability program with the relevant units and assess achievement of targets.

In addition to topics such as «Customer focus», «Security and safety in aviation», «Greenhouse Gas [CO₂] and air pollutant emissions» and «Digitalization», all of which had already been very high up on the agenda in 2019, the importance of the topics of «Air traffic development», «Landside access and traffic development» and «Sustainable use of resources» also increased among internal and external stakeholders in 2020. For the survey, the topics of «Bilateral communication with social stakeholder groups» and «Cooperation with regional partners» were combined and presented as «Dialog with social stakeholder groups, such as politicians and regional partners».

Sustainable Development Goals: twelve out of 17

Munich Airport supports the implementation of the United Nations Sustainable Development Goals (SDGs). FMG has identified twelve SDGs that are relevant to it and that it can influence, and which it wishes to work on through its strategic projects up to 2030. Specific goals and measures of the airport that contribute to reaching the SDGs are presented in the sustainability program.



sustainabledevelopment.un.org



→ Group management report
See page 68

Five-star quality

Munich Airport is particularly well known for the quality of the infrastructure and services it offers. The same high standards apply across all areas.

Munich remains world-class

Munich Airport is the only 5-star airport in the European Union and one of only seven hub airports worldwide that are allowed to bear this seal of approval. That is still the case following a successful recertification audit in 2020. In the annual World Airport Awards presented by Skytrax, Munich Airport successfully defended its title of «Best Airport in Europe». Munich Airport rose two places in the worldwide rankings compared with its placement the previous year and now ranks fifth. In addition, it was again selected as the best airport in the world in the size class of between 40 and 50 million passengers; meanwhile, Terminal 2 was rated the sixth best terminal in the world. The hotels on offer are also first class: In 2020, the Hilton Munich Airport placed second in the category «Best Airport Hotels in Europe» and sixth in the category «World's Best Airport Hotels.» Just under twelve million passengers from more than 100 countries rated 550 international airports and numerous airlines for the survey. Owing to the coronavirus pandemic, surveys of travelers on the Passenger Experience Index (PEI) and Airport Service Quality (ASQ) parameters were confined to the period from January to March 2020.

Certification for quality management

The quality management system launched at Munich Airport on the basis of the DIN EN ISO 9001:2015 international standard establishes structures that support the evaluation and improvement of processes. By optimizing its processes on an ongoing basis, Munich Airport has successfully established itself and its high quality standards on the market.

Digital Airport

The shift toward digital technologies is reshaping entire industries and value chains. The aviation sector is no exception. Within the Munich Airport Group, many passenger services have already gone digital, including payment options at shops, virtual menus at restaurants, and booking systems for parking spaces and visitor tours. The company's main challenge in further developing and

refining its digital services is to identify potential for digitalization and evaluate business cases. In keeping with this, change processes must be initiated and the relevant projects prioritized and managed across different fields.

In addition to the existing focus on customer access, the newly created Digitalization staff unit also considers the needs of business partners and employees as well as the Group's overarching interests. All of these topics are prioritized with an eye to their impact on company and process areas and to their potential for cost optimization and sales revenue. The current focus is on overcoming the coronavirus crisis in financial terms.



Digital Airport: Biometric facial recognition enables contactless security procedures.

Crisis as an opportunity for change

Gearing up for «Airport 4.0»

Under the «Airport 4.0» banner, the airport is combining the various areas of action in digitalization within the Group. The projects currently in progress will lay the technological groundwork for the airport of tomorrow, creating the conditions to foster understanding of the shift toward digital technologies. These projects relate to various processes and workflows within the company. All of these initiatives place the needs of Munich Airport's customers and employees front and center. The coronavirus pandemic forced the company to suspend most of its «Airport 4.0» projects in 2020. Only a few of them went forward during this time, including those that were approaching completion.

Selected projects covered by «Airport 4.0»

Biometric Hub: travel with eye contact

Biometric facial recognition speeds security checks while also carrying a significant hygiene advantage. In addition to the usual process of identification using a boarding pass, travelers at selected security checkpoints and boarding gates in Terminal 2 can enjoy a contactless security check process.

Passenger route analysis

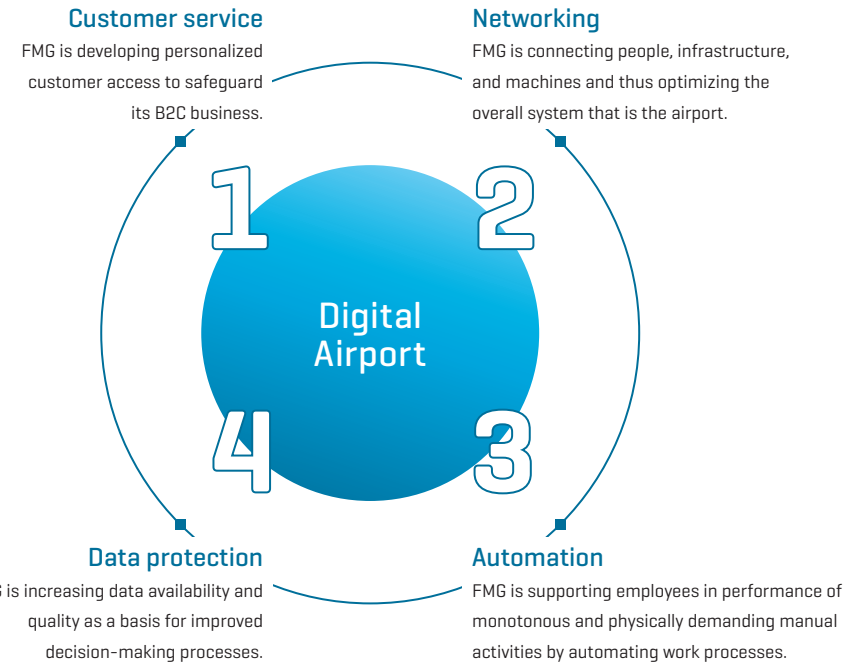
Munich Airport is working on solutions to forecast passenger volume and capacity levels in the terminal areas. This makes it possible to do things like deploy service staff optimally on site, minimize waiting times, and further improve the high quality of amenities and service available to travelers at Munich Airport.

«Passngr» app

The «Passngr» app provides passengers along the entire travel chain with individually tailored traffic updates and information on alternative routes, parking availability and prices, expected check-in times, waiting times at security, and what restaurants and shops offer. Information on the specific travel restrictions that apply in aviation was added to the app in 2020.

Employee mobility

Employee mobility on the campus is being redesigned as part of the «Optimized Campus Mobility» project. This is being done based on simulations that replicate the mobility requirements of airport employees and are interlinked with future infrastructure developments on the campus. The optimum mobility mix will be identified in this way.



Social Intranet

Through its Social Intranet project, Munich Airport is working on a digital meeting place, a kind of «virtual corporate headquarters» for all employees. The goal is to facilitate communication and cooperation within the company and to support the efficient sharing of information and knowledge. Responsive design will ensure full use on stationary workstations and mobile devices. Having Social Intranet became considerably more important in 2020, especially as a large proportion of employees were working from home. The requirements relating to information, interaction, and collaboration were revised and fleshed out in greater detail in response.



➔ «Passngr»



Responsibility



Munich Airport can increase corporate value in the long term through sustainable business in harmony with ecological and social objectives. A responsible approach to the environment, community engagement, and economic activity that creates sustained value are the hallmarks of our philosophy.

Ecological responsibility

Climate protection

Absolute carbon emissions down due to the pandemic

The sharp decrease in passenger figures and the temporary closure of Terminal 1 and the Terminal 2 satellite due to the coronavirus pandemic led to a significant decrease in CO₂ emissions in the 2020 reporting year, at 80,473 tonnes. This effect is not permanent, however, and emissions are expected to bounce back when regular operations resume, if not before. As a result, this year's reporting focuses on technical measures for targeted reduction of CO₂ emissions rather than on comparing CO₂ emissions with previous years. In 2020, Flughafen München GmbH invested around 1.2 million euros to reduce greenhouse gas emissions by 2,373 tonnes in the long term through 20 individual measures. Had the total of 294 individual measures not been taken, CO₂ emissions at Munich Airport would be significantly higher than they actually are – more than 50,300 tonnes a year higher.

The impact of the coronavirus pandemic is apparent in the airport-specific key indicator of CO₂ emissions per passenger, as elsewhere. This figure was up significantly for the first time since it was introduced. This is because the energy needed to run the airport infrastructure does not generally depend on the number of passengers. Energy is always needed for lighting, heating or



CO₂ emissions per passenger rose for the first time.

cooling, and ventilation of the airport's buildings. At the same time, runway lighting is always on in the evening and overnight, no matter how many aircraft are taking off or landing at the time.

Footprint: complex math problem

The operation of a piece of international infrastructure involves emissions from the most varied of polluters. All of them are factors in accounting for an airport's greenhouse gas emissions, chief among them emissions from air traffic in the landing and take-off (LTO) cycle, which involves aircraft landing and taking off up to an altitude of 3,000 feet. The carbon footprint provides the basis for recording all forms of emissions and lends itself to comparison. It breaks down all greenhouse gas emissions that can be attributed to the airport into three different sources (scopes) according to an international standard, the Greenhouse Gas Protocol.



→ Group management report

CO₂ reductions
See page 68

→ [klimaschutz-portal.aero](https://www.klimaschutz-portal.aero)

→ [cdp.net](https://www.cdp.net)

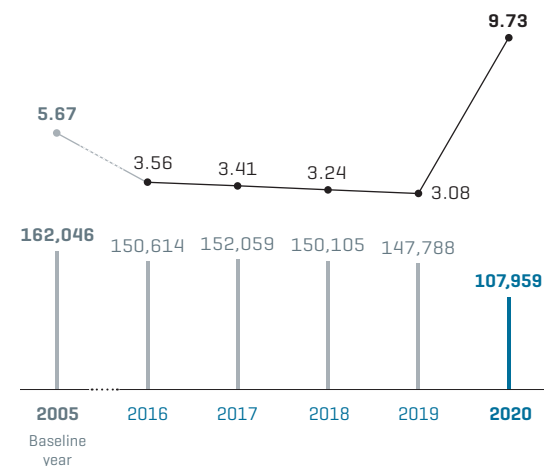
«A»

FMG once again attained the «Leadership Level» in 2020 in the rankings published by the climate action organization Carbon Disclosure Project (CDP) for consistently reducing CO₂ emissions.

CO₂ EMISSIONS AT MUNICH AIRPORT

Scopes 1, 2, and 3 without the LTO cycle, APUs, and public transport in tonnes per year

● Specific carbon emissions per passenger in kilograms



TARGET FOR 2024

Advancement of the «Joint-Venture Biogas Plant» project

Scope 1 and Scope 2

ENERGY CONCEPT 2030

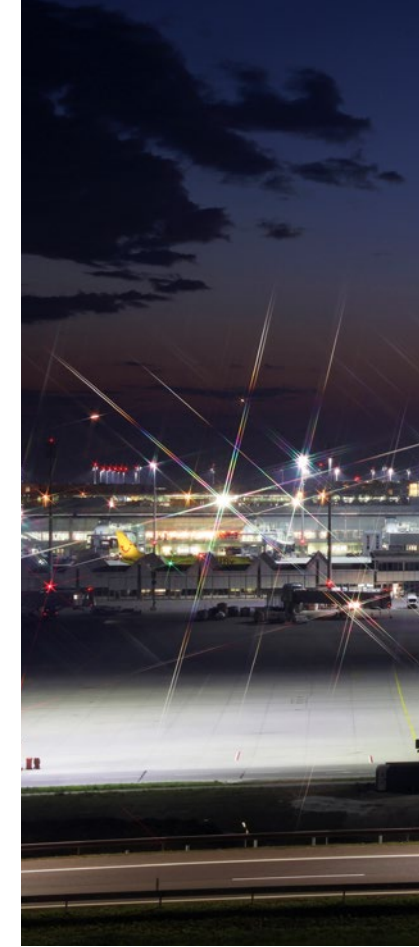
As part of its commitment to responsible climate action, Munich Airport developed a renewable energy concept in 2019 with the aim of deriving almost all of its energy supply from carbon-neutral sources by 2030. The focus here is on using local renewable sources to the fullest possible extent, for example through new photovoltaic systems on parking structure roofs and in suitable open areas outside the airport. By 2030, systems with a total output of up to 50 megawatts are planned. In terms of biogas supply, plans call for the formation of cooperative initiatives with waste disposal companies in the surrounding area, with the possibility of ramping up the existing sourcing of biomass heat from Zolling. The drastic impact of the coronavirus pandemic on aviation has left very little room for further adjustments. Still, the airport has managed to make targeted cuts in the amount of energy sourced externally and to continue generating about 90 percent of its energy itself. In addition, a new absorption chiller – the airport’s sixth – for the power station went into operation in the first half of 2020. With four megawatts of cooling power, it is one of the

most powerful machines currently on the market, utilizing the remaining waste heat from the machines to produce cooling. Compared to conventional generation of cooling, this saves an additional 880 tonnes of CO₂ per year.

TOP 3 MEASURES

ENERGY-SAVING LED LIGHTING

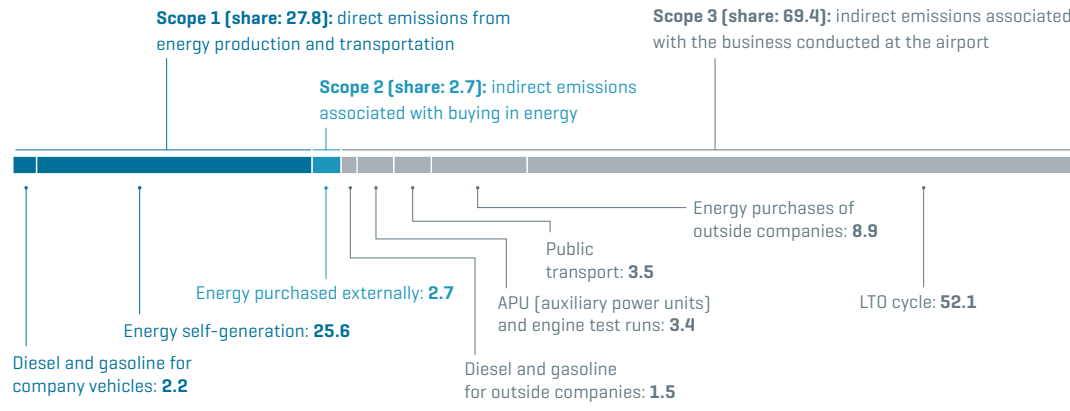
Munich Airport has already shifted the entire apron lighting to energy-saving LED technology. All measures taken in the area of lighting have brought savings amounting to about 16,800 tonnes of CO₂. The external lighting in the public areas of the airport will also be fully switched to LED technology by 2022. Beyond that, lighting management software controls and monitors the apron lighting and exterior lighting. This will give rise to further opportunities to keep energy consumption at a consistently low level. The lighting of the P71 and P73 parking areas is one example. Using LEDs and control software together has reduced the energy needed each night by as much as 86 percent compared to the status before the overhaul. The lights are kept at a minimum brightness level of 3 lux and only increased to the desired brightness when motion is detected.



185,000 LEDs on posts as much as 34 meters tall light the apron.

GREENHOUSE GAS EMISSIONS AT MUNICH AIRPORT 2020

In percent [rounded]



TARGET FOR 2022

Development of a «Net Zero MUC 2050» concept based on the ACI’s Net Zero Carbon Initiative



REPLACEMENT OF MAIN VENTILATION SYSTEMS IN TERMINAL 1

Two central rooftop systems for each module supply Modules A through D in Terminal 1 with fresh air via a total of four supply air fans and four exhaust fans. These fans are being replaced by stages with the latest generation of fans as part of the airport's climate action strategy. The new fans save 219 tonnes of CO₂ per central rooftop system, and replacing the frequency converters there yields further savings as well, for total savings of 503 tonnes of CO₂ each year. Module A, which was almost entirely shut down due to the pandemic, has already been fully retrofitted. Plans for the changeover of the central rooftop systems in Modules B and C are in progress.

VERTICAL AIR DOORS WORK WITHOUT HEAT

Previously, horizontal air doors separated the S-Bahn tunnel in Terminal 1 from the passenger building above it. They used a large amount of preheated air to form a heat cushion. New, vertical air doors now create a kind of divider using a sharp, unheated stream of air, almost entirely preventing circulation of air volumes and thus drafts from the tunnel. This has not only reduced CO₂ by 328 tonnes per year, but also significantly enhanced comfort.

EXCERPT FROM THE ELECTRICITY SAVINGS PROGRAM PROJECTS COMPLETED IN 2020 (SCOPE 1 AND 2)

Issue	Measure	Carbon reductions per year
Lighting	Signal lighting at all parking structure entrances/exits shifted to LED	78 t
	Poulsen lighting in the GAT [General Aviation Terminal] replaced	4 t
Air conditioning	Conversion of main ventilation units in Terminal 1, Module A, to direct drive	503 t
	Ventilation units in the MAC converted to multiple-motor technology	203 t
Renewable energies	Photovoltaic system on the roof of the new eurotrade logistics center	156 t
Mobility	Increase in efficiency of drives and expansion of electromobility	199 t
Other energy efficiency	New sorter baggage transportation system in Terminal 1	104 t

EFFICIENT DRIVES WITHIN THE FLEET

Munich Airport operates a total of 131 cars and vans and 294 handling and special vehicles with electric drives. By 2030, electric vehicles should comprise the lion's share of the vehicle fleet. Right now, the proportion is a bit over 30 percent. The six-figure, environmentally friendly investment is supported by subsidies from the German Federal Ministry of Transport. Compared to 2019, it proved possible to reduce the local emission of CO₂ by around 200 tonnes. With an eye to advances in technology, the airport assumes that improvements in battery technology, green hydrogen, synthetic fuels, and other alternative drive concepts will further diversify the vehicle mix between now and 2030.

Scope 3

The 64 pre-conditioned air (PCA) systems that have been installed are an important element of the climate action strategy. They have been supplying aircraft parked in the parking positions with pre-conditioned air since 2016. As a result, the aircraft no longer need to run their auxiliary power units, which are responsible for high levels of noise, carbon emissions, and other air pollutants. Even with demand down, the four-year implementation phase was brought to a successful close in 2020. Beyond that, FMG worked with airlines and Deutsche Flugsicherung during the year under review to establish the new Efficient Flight Profile (EFP) concept. This concept supports the continuous descent approach, which allows for lower fuel consumption and lower emissions when landing compared with standard

➤ **Measurements in real time**
www.munich-airport.com/air-quality-measurements-4910011

➤ munich-airport.com/air-quality-264266

approaches. Initial analyses have shown that the Lufthansa Group alone has reduced its carbon emissions by more than 2,000 tonnes per month since the EFP concept was introduced, in the spring of 2020.

Air quality

Landing charges are also based on nitrogen oxide emissions

FMG charges emissions-based landing charges. This gives engine and aircraft manufacturers a long-term incentive to invest in the development of aircraft that produce less in the way of pollutant emissions. Munich Airport is thus actively contributing to better environmental quality in its environs. With the information on the aircraft types that have landed, the airport can record the contaminants – including CO₂ – for the specific engines, and directly map the technical progress.

All statutory limits for the protection of human health were once again met in 2020.

Fixed and mobile measuring points

In terms of air pollutants, as with CO₂, the aircraft cause significantly more emissions than the ground traffic on the aprons, feeder roads, and service roads. It is not possible, however, to differentiate between the immissions metrologically. Nitrogen oxides, sulfur dioxide, and particulate matter are key factors in assessing air quality at the airport and in its environs. Concentrations of these substances are continuously measured at two points. The measurement stations in the western and eastern areas of the airport record the effect of the sources of pollutant emissions from road traffic, air traffic, and other airport operations – overlaid with the background levels from the Munich metropolitan area and the natural background concentration in the atmosphere. Traffic-related emissions at Munich Airport were down due to the coronavirus crisis. This is apparent from the decrease in NO₂ concentrations compared to the previous year. Overall, the applicable statutory limit values were observed in 2020. Mobile measurements were taken on the north runway at Munich Airport in 2020. The concentrations measured were significantly below the statutory limits.

FACTS AND FIGURES

Sights set on sustainable mobility

Innovative drive concept: A bus from Munich Airport's existing vehicle fleet has been retrofitted to run on renewable biomethane. A generator provides ecofriendly electric power. With 90 percent less particulate emissions as compared to diesel engines

and more than 60 percent lower nitrogen oxide emissions, this concept is helping to improve air quality at the airport. The Innovation Award of the German Gas Industry was presented in recognition of these achievements in 2020.

CONCENTRATION OF CONTAMINANTS AT THE MEASURING POINT ON THE EAST SIDE OF THE AIRPORT PREMISES

Annual averages in $\mu\text{g}/\text{m}^3$

NO₂ concentration [nitrogen dioxide]

Threshold ----- 40



SO₂ concentration [sulfur dioxide]

Threshold ----- 20



PM₁₀ concentration [particulate matter]

Threshold ----- 40



PM_{2.5} concentration [particulate matter]

Threshold ----- 25



Ultrafine particles: particulate matter of nanoscale size

Ultrafine particles (UFP) are particles that are smaller than 0.1 micrometers in size. There is no standardized procedure at present to measure UFPs, no objective benchmark for their assessment, and also no limit values. Munich Airport is carefully monitoring ongoing projects, however, which address the topic of pollution caused by ultrafine particles in air traffic. Extensive UFP measurements are currently being taken around Frankfurt Airport by the Hessian Agency for Nature Conservation, Environment and Geology. Similarly, the University of Bayreuth is set to begin measuring UFP on behalf of the Bavarian environment ministry at two

The «Phönix E» electric aircraft towing vehicle can move aircraft weighing as much as 352 tonnes, like the Airbus A350 shown here.



measuring points in the Munich Airport area in the spring of 2021. FMG supports the environment ministry's measurement program, but is not currently taking any measurements of its own.

Keeping track of contaminants

Long-lasting contaminants can accumulate in the environment and therefore seep into the food chain. Munich Airport has been monitoring this situation for many years using a variety of methods. In 2020, plant pots containing Italian ryegrass and kale as well as pots for collecting dustfall were set up at eight measuring points around the airport site. Work also continued on the honey monitoring project in 2020.

➤ «Environmental statement»
munich-airport.com/
publications

TARGET FOR 2022

Development of a concept for reducing the use of disposable plastics

TARGET FOR 2025

Increased use of service water through the construction of service water wells

Resource management Target adjustment in waste management

Waste and scrap products are generated from the operation of the airport – across the board – and these are then collected where they occur in various separating systems, handed over to certified specialist businesses close to the airport, prepared in sorting plants, and then recycled. The situation on the disposal and recycling market did not improve this reporting year, as there was a mismatch between oversupply of mixed recyclables and a shortage of capacity among recyclers. The coronavirus pandemic also set in motion a number of drastic events that are posing new and different challenges to the waste management sector in terms of performance and adaptability. Through dialog with customers and employees and consideration of legal requirements, waste management practices will be realigned toward new goals with this in mind.

Responsible water management

The aim of water management at Munich Airport is to affect the natural water balance as little as possible and arrange the various effects caused by water resource management, drainage, and the provision of drinking and extinguishing water so that they have as little impact as possible.

Process water instead of drinking water

Munich Airport is increasingly using process water in cases where drinking water quality is not required: for concrete work and building site supplies, for cleaning runways using high-pressure equipment, for use in wet sweeping machines, for sewer rinsing, and for watering

green areas, bushes, and trees. In addition, quaternary groundwater close to the surface [process water] from our own wells has been used for many years now to supply the west and east power centers instead of precious tertiary groundwater [drinking water]. Water is needed there for evaporative cooling towers that are used to draw away condensation heat from cooling generators and to cool the combustion engine and steam boiler systems. This led to a saving on drinking water of around 200,000 cubic meters in 2020, with total savings now amounting to some 2,200,000 cubic meters since the practice of using process water began in 2010. Planning and preparatory building work have started on additional process water wells in a bid to save up to a further 50,000 cubic meters of drinking water a year; one well is due to go into operation in 2021.

Drinking water consumption at Munich Airport hovered consistently at around one million cubic meters in recent years despite growth in passenger numbers. In 2020, the airport sourced a total of 563,789 cubic meters of drinking water from the Moosrain water utility company. That is approximately 45 percent less than in the previous year, a change due to the coronavirus pandemic.

Aircraft de-icer cycle

De-icing vehicles keep aircraft free from ice and snow before take-off. The de-icer dripping off the aircraft during this process finds its way via slit drainage gutters and channels into underground basins. It is then mechanically and chemically treated in the airport's own recycling plant, its water content reduced, and then converted back to its original state with the use of additives. The recycling rate for the active glycol component in de-icer, used for reconstituting type 1 de-icer, was around 50.2 percent for the 2019/2020 winter season. The recycling rate has ranged between 41 and a maximum of 59 percent since the 2000/2001 winter season, depending on the weather and taking into account a level of energy consumption suited to the environmental footprint.

An electric «elephant» de-ices an aircraft.



FACTS AND FIGURES

Efficiency gains: special camera used to inspect sewers

Munich Airport will rely on a range of technologies, including innovative technologies, for its regular inspections of large underground groundwater pipes in the future. Use of spe-

cial high-resolution cameras is intended to make the time-consuming, labor-intensive process of manually inspecting canals more efficient where possible in technical terms.



Noise protection

Noise reduction measures provide relief for residents

Munich Airport aims to keep the impact on residents and employees caused by flight noise as low as possible. It applies a range of steps to achieve this, including operational, technical, and financial measures.

New airport approach methods enable landings with greater fuel efficiency and lower emissions

Continuous descent operations is the name for a flight procedure in which the aircraft descends with its engines set to minimal power, avoiding horizontal flight phases as far as possible. This method saves fuel and reduces CO₂ emissions. In some areas, the noise can also be reduced, if required. A continuous descent started early on also brings advantages compared to the descent by stages that was previously used.

Advanced engine architecture halves noise levels

The Airbus A320neo, currently the most efficient and quietest short- and medium-haul aircraft, also serves Munich Airport. The A320neo features the latest generation of engines, which allow a reduction in fuel consumption of 15 percent, and at the same time a reduction in both carbon

dioxide emissions and noise levels. The Airbus A350-900 is the most environmentally friendly long-haul aircraft in the world. Compared to its predecessor, the A340, it creates significantly lower noise levels: up to 7 dB(A) less on take-off and up to 3 dB(A) less on landing. In contrast to the A340 series, the A350-900 series noise contour is around 40 to 50 percent smaller and its noise level does not exceed 85 dB(A) outside the airport premises. This results in lower aircraft noise pollution in the airport region. Thanks to its cutting-edge engines and lightweight materials, as well as curved wing tips, the A350-900 series consumes 50 percent less kerosene overall and thus emits 50 percent less CO₂.

Landing charges: quiet equals cheap

Munich Airport can influence the type of aircraft used by ensuring its landing charges depend on noise levels. Airlines using quiet aircraft benefit from a charges system based on a broad sliding scale. Noise-based take-off and landing charges in 2020 were as much as eight times higher for a loud aircraft type than a quiet one. Future plans call for further increases in the proportion of noise-dependent charges. Beyond that, airlines are to pay extra for nighttime flights.

Close monitoring of aircraft noise

From 16 fixed noise measuring points, FMG continuously monitors aircraft noise within a radius of about 20 kilometers around Munich Airport. With air traffic down significantly, the noise levels measured in all locations in 2020 were lower than the previous year. The airport also performs mobile measurements as a voluntary service for municipalities that are not covered by the stationary measurement network. In 2020, with the coronavirus crisis as background, only one mobile flight noise measurement was taken, out of a total of 33 measurement days in Schwindegg.

Rapid, simple flight noise communications

As of November 1, the public can track flight paths and noise data online in near real time, with a lag of about ten seconds instead of the previous ten minutes. The user interface used to display mobile noise measurements was also revamped in 2020. It is now easier to use thanks to a clearly organized calendar view, and the results of all mobile noise measurements taken by FMG since 2013 are available for lookup.

ONE-THIRD

One in three aircraft moving through Munich is in the quietest aircraft category [ICAO Chapter 14].

84

complaints on noise were recorded in 2020

→ [Group management report](#)
Night-flight curfew
See page 52

↗ [«Aircraft noise and aircraft noise control»](#)
munich-airport.com/publications

↗ munich-airport.com/active-noise-protection

↗ munich-airport.com/noise-protection-264207

↗ lx-travisrp01.munich-airport.de/data/WRMobile/index.html

Biodiversity

Landscape design benefits the environment

To integrate Munich Airport into its environment in the best possible way, FMG set about – from the very outset – creating structures that would upgrade the environment in the wider area of Erdinger and Freisinger Moos and link it together. In line with applicable green space planning, a three-zone area was created: Zone I comprises the airport grounds, including the take-off and landing runway system, buildings and roads; Zone II is composed of the wooded green belt with structural diversity around the airport premises, and Zone III is made up of ecological compensation measures.

More compensation areas around the airport

Starting in the fall of 2020, FMG implemented compensation measures across about 20 hectares in the airport area, taking about eight hectares of space out of its existing eco- and/or inventory account. Clearing of surface soil and planting plant and grass mixes typical of the site, combined with targeted mowing, upgraded the cultivated grassland in ecological terms, turning it into diverse rough or wet meadowlands, for example. The newly designed space helps to compensate for interference due to construction work such as additional soil surface sealing. It fits into the existing biotope network in the Freising and Erding regions and helps to expand natural habitat, especially for the lapwing and western yellow wagtail, two protected bird species.

Bird sanctuary on airport premises

Munich Airport is an inherent part of the 4,525-hectare «Nördliches Erdinger Moos» European bird sanctuary, which is home to 40 species of bird, some highly endangered. The 658-hectare meadow areas next to the runways and the compensation and replacement areas outside the airport premises serve as a refuge for meadow-breeding grassland birds, rare plants, reptiles, dragonflies, and butterflies.

Protected habitat for the most varied species

The «Meadow breeder protection in the area around Munich Airport» project, set up in 2016 with specialist support from the Bavarian Ministry of the Environment, has continued to progress: FMG has been continually developing and testing preventive concepts and measures in recent years on around 50 hectares of land currently used for agriculture, including nest protection, more extensive cultivation, mowing concepts designed to suit meadow breeders, and fencing to protect against predators. In addition, ecological lease agreements have been

Part of the airport premises has been designated as a bird sanctuary.



drafted corresponding requirements regarding cultivation. The very dry weather seen in 2020 had a highly negative impact on the breeding season among local grassland birds. Despite these difficult conditions, project areas achieved a certain level of success.

The project to protect rare wetland butterflies in the Freisinger Moos area was concluded in 2020. Mowing activities in the area, which stretches over five hectares in all, will continue to accommodate these threatened species in an effort to build on the success of the measures that have already been taken. During the five-year project phase, the number of butterflies has increased overall, as has the diversity of common species. The number of rare wetland butterflies and the extent of their range have remained constant. However, experts believe the population of these protected insects is on the rise as further advances in habitat quality are made.

40 PERCENT

By themselves, the airport's ecologically valuable meadows account for more than 40 percent of the airport grounds, at 658 out of over 1,575 hectares.

➔ «Bird sanctuary and airport operations»
munich-airport.com/publications

➔ munich-airport.com/bird-sanctuary

➔ munich-airport.com/butterflies



Social responsibility

A responsible employer

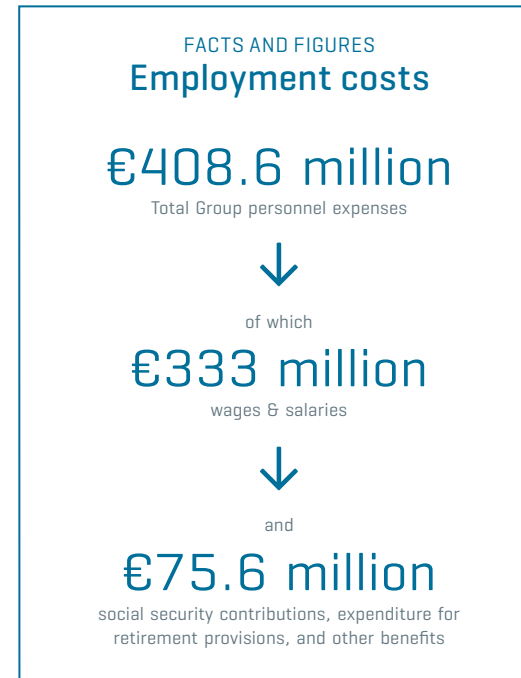
An airport that makes an impact across the region

With its 9,625 employees¹, the Munich Airport Group is the second biggest employer at the site, after Deutsche Lufthansa AG. The neighboring Freising job center region, which also covers the Dachau, Ebersberg, and Erding districts, has one of the lowest levels of unemployment in Germany, at 2.6 percent on average, despite an increase of 0.7 percent. Across Germany, the figure rose by 0.9 percent to stand at 5.9 percent. In 2018, the airport was the source of one in four jobs liable for social security contributions in the districts of Freising and Erding. Wage levels at Munich Airport are above the average values in related sectors in the transport or services industry.

Diversity in the Group

Munich Airport benefits from the diversity of its employees. The company respects all of its employees, regardless of age, sex or gender, nationality, cultural background, sexual orientation, and worldview, and takes their diverse interests and needs into account. To document this commitment to its people, Munich Airport has signed on to the German Charta der Vielfalt, which promotes diversity, thereby taking a stand for a work environment free of discrimination. The «MStars» women's network, which supports ongoing dialog among successful career women within and outside the company, and the «Queerport» LGBTQ+ initiative help to increase diversity at the airport. The Munich Airport Group also strives to continuously increase the proportion of women working on the Supervisory Board and in leadership positions.

¹ Including apprentices and trainees



Munich Airport signed the German Charta der Vielfalt in 2020.

Housing for employees

FMG takes its responsibility as an employer seriously and is committed to providing housing for employees. From furnished apartments for long-term or temporary use to homes, the options include various amenities and price categories. The Group also offers 132 «serviced apartments» in the neighboring community of Hallbergmoos. The housing portfolio is currently being adjusted to reflect the current situation and expected demand.

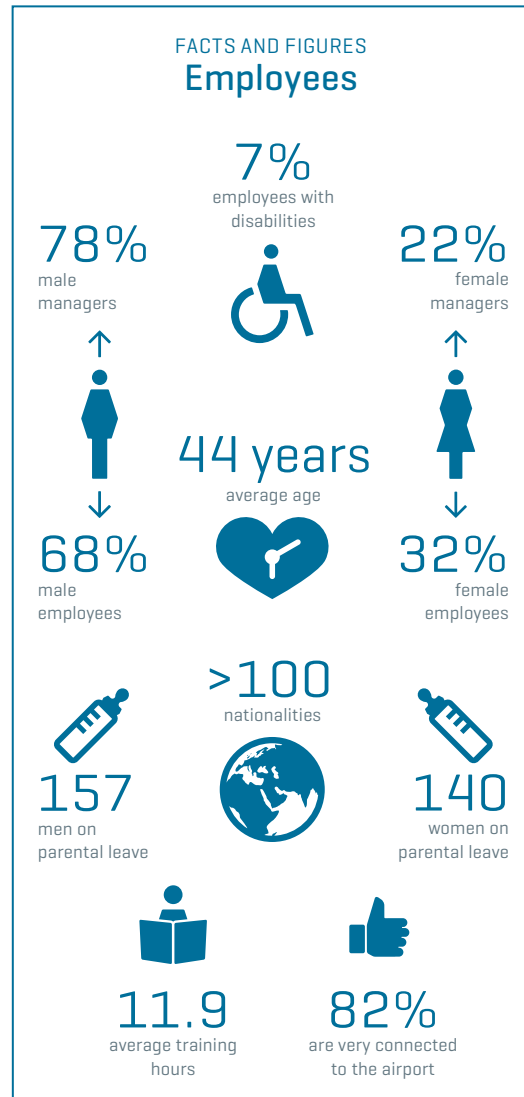
TARGET FOR 2022

Development of measures similar to the various aspects of diversity set out in the German Charta der Vielfalt

→ Group management report

Proportion of female staff
See page 50

↗ [charta-der-vielfalt.de/en](https://www.charta-der-vielfalt.de/en)



Overall conditions under collective agreements

Flughafen München GmbH is a member of the regional public employees' association and, as such, is bound by the TVöD collective pay scale agreement for public sector employees. FMG employees receive a company retirement provision, which is governed by the pay scale agreement and covered by the Bavarian supplementary pension fund for public sector employers. In March 2020, employees received on average 1.06 percent more in their pay packets. The term of the collective agreement expired on August 31, 2020. The results of the TVöD negotiations in the fall of 2020 were not adopted for employees of FMG and AeroGround. Instead, an emergency collective agreement for German commercial airports was signed in December with an eye to the extremely negative trends currently in place in air traffic more broadly and at Munich Airport in particular. This collective agreement applies retroactive to September 1, 2020. It stipulates that employees' hours can be cut by six percent starting January 1, 2022. The pay raise agreed for other public sector employees has been postponed. Airport employees will not receive a raise until October 2022. The increase will be 1.4 percent, with a minimum raise of 50 euros. A special coronavirus bonus was paid in December 2020. Depending on where the employee falls on the pay scale, the amount ranged up to 800 euros.

Focusing on family and health

The Group leadership firmly believes a family-friendly working environment promotes good performance. Moreover, much of the airport's work in this area is focused on maintaining or improving the ability of staff to work. Additional employer benefits aimed at fostering healthy work-life balance supplement the options offered. The Corporate Health and Social Management division offers a wide array of services, ranging from occupational medicine and employee catering to advice for people living in difficult circumstances.

Protection amid the pandemic

In 2020, protecting employees against infection with the coronavirus was the top priority. FMG's crisis management team tackled the challenges of the coronavirus pandemic through improved organization: Education, rules of conduct, options to support employees, hygiene measures, and working from home were all features of everyday working life during this reporting year. Explanatory videos, Internet

FAQs, posters, handouts, and talks with managers and the health management team were just some of the ways the airport communicated with people to give its employees the best possible support and raise awareness even as hours were shortened and for those working remotely. Face masks were provided for employees, and for those with customer contact, further measures were rapidly put in place, including installation of Plexiglas walls and distance markings in the terminals.

BETSI made easy

Effective July 1, 2020, employees have significantly easier access to prevention programs offered by Deutsche Rentenversicherung [DRV]. Among them is the BETSI prevention program, which aims to safeguard people's employability with a focus on participation. DRV now bears the full costs of a stay at a preventive health center, plus travel expenses. The employer pays for leave and continues to pay the employee's wages or salary during the initial and refresher phase. Since 2014, 163 employees have participated in the BETSI prevention program. In 2020, 13 employees completed their prevention measure, and the same number started the BETSI program in October 2020.

Even in times of crisis, the airport is a prime employer for apprentices and trainees.



Back to work with occupational integration management (BEM)

Munich Airport supports all employees in getting back to work after a longer period of inability to work as part of the occupational integration management (BEM) program. This is a voluntary and confidential process for restoring, supporting, and maintaining working ability and employability. As soon as the «BEM IT System» works agreement has been coordinated between the works council and the employer, employees who need support will receive invitations to discussions in 2021.

Training and continuing education to safeguard the future Commitment to the next generation

The Munich Airport Group is among the area's largest providers of vocational training, offering eleven different formal apprenticeship and trainee tracks and dual vocational training and academic study programs. FMG received 1,189 applications for apprenticeships starting in 2020. On September 1, 2020, some 57 apprentices embarked upon their professional career at Munich Airport. Fifteen young talents chose to work toward a bachelor's degree in five different dual study programs. That meant the Group had 287 young people enrolled in some form of formal training program as of December 31, 2020. At the same time, 49 young people completed their apprenticeships at FMG in the year under review. Even with the huge challenges posed by the elimination of in-person events and the fact that many trainers and instructors were working remotely due to the pandemic, the quality of training remained consistent in 2020, as in previous years. Technical requirements were met quickly and flexibly, and every single apprentice was offered a position afterward.

Award for outstanding training

Munich Airport was once again named the best training enterprise in the airports sector by «Focus Money» magazine. In spite of the difficulties caused by the pandemic, one of our apprentice firefighters emerged as the top of his class in Bavaria.

Worldwide partnerships with sister airports

International exchange programs promote the personal, professional, linguistic, and cultural further development and growth of skilled workers and managers, along with Munich Airport's advancement as a company. In February 2020, four apprentices visited our partner airport in Prague with the Erasmus+ European mobility program. The other exchanges that had been planned for 2020, with Athens and Vienna, had to be canceled due to the pandemic. A new model called «blended mobility» was developed to enable extensive exchange and dialog on a hybrid virtual basis in the future. Representatives from Denver, Nagoya, Singapore, and Moscow also visited Munich in February 2020. The other visits between delegations from the sister airports that had been planned for 2020 were postponed due to the coronavirus crisis. Still, Munich Airport stayed in contact with its sister airports virtually. Special «CEO Talks» were held as a forum for dialog between CEOs, and virtual discussions at the work level gave experts a chance to work on specific topics and projects. Outgoing and incoming events are to take place again in 2021, with an adjusted format.

➤ [Stories about partner airports on Instagram:](#)
[@munich_airport](#)
> Highlights > Sister Airports

➤ munich-airport.com/sister-airports

TARGET FOR 2024

Identification of qualification required based on changing tasks

➤ [Occupational health and safety annual report](#)
munich-airport.com/publications

munich-airport.com/academy

Airport Academy: expertise in education and training

Munich Airport operates an in-house training center with just under 50 employees. The Airport Academy is a certified education provider under DIN ISO 9001:2015 and an Airports Council International (ACI) accredited training institution. As a result of the coronavirus pandemic, training measures were scaled back to the activities required by law and critical to operations. This led to a reduction to 14,660 (2019: 35,950) days of participation by Group employees and external customers in in-person events and 10,540 (2019: 12,700) participants in digital learning forms. Training in the areas of aviation and security was a special focus. The Airport Academy concentrated on digital forms of learning and teaching. In addition to implementing distance solutions via Web-based training, webinars, and virtual reality qualifications in the area of aircraft handling, a learning management solution with new functions was implemented. The plan is for the Airport Academy to move to a new building on the LabCampus premises in the first quarter of 2023.



Occupational health and safety: firmly embedded in corporate culture Health and safety first

Munich Airport actively works to counter health and workplace risks. There are defined indicators for systematically monitoring occupational health and safety, which are analyzed on an ongoing basis. The aim is to identify fields of action in order to be able to develop the necessary measures. In 2020, cross-Group dialog and communication and cooperation having to do with all aspects of COVID-19 were the main focus. This topic also dominated the Group-wide occupational safety and health committee meeting, which was held as a virtual year-end event in 2020 due to the coronavirus situation in December. Alongside CEO and personnel industrial relations director Jost Lammers, the executive management of the subsidiaries, managers, the occupational medicine team, the occupational health management team, and members of the works council all participated.

Joint occupational safety and health standards to guard against the coronavirus

On April 16, 2020, the German Federal Ministry of Labour and Social Affairs and the federation of German institutions for statutory accident insurance and prevention, the «Dachverband der Berufsgenossenschaften», published the new SARS-CoV-2 occupational safety and health standards. The goal was to ensure consistency in taking action to protect employees from infection with COVID-19. Since the health of employees, passengers, and visitors is paramount to Flughafen München GmbH, a special coronavirus task force was established. This team was tasked in particular with preparing for the coordinated resumption of flight operations and ensuring that necessary protective and hygiene measures were put in place. These included face covering mandates, installing protective partitions and barriers, ensuring safe distancing, and providing things like disinfectant dispensers. The crisis management, occupational safety, occupational medicine, and occupational health management teams, the works council, and the infectious disease task force of the Bavarian State Office of Health and Food Safety worked very closely together during the coronavirus crisis, coordinating the SARS-CoV-2 occupational health and safety standards in dialog with all parties.

At Munich Airport, the health of employees, passengers, and visitors is paramount.

Occupational health and safety is an important factor, especially in handling operations.

Occupational health and safety: basic training is online

In cooperation with the Airport Academy, the Occupational Health and Safety division developed the first airport-specific Web-based training (WBT) with gamification elements over the past two years. The WBT provides comprehensive and detailed basic training, covering all the relevant foundational material having to do with occupational health and safety. It has been available online to all FMG employees since the third quarter of 2020.

Ergonomics project for robot-based baggage loading

Aircraft ground services staff perform challenging physical activities with a demonstrably heightened risk of musculoskeletal disorders. FMG therefore conducted a survey in 2018 in collaboration with the Fraunhofer Institute on the development of a robot-based automatic baggage loading system, which would significantly reduce the physical strain of manual activities on these employees. Specific results were presented as part of a concept study in 2019. These models



Airport association ACI World has recognized Munich Airport for its special commitment and dedication to curbing the further spread of the COVID-19 pandemic. This certificate confirms that effective health and safety measures have been put in place.



offer initial possible approaches for both grasping and stacking of baggage items onboard the aircraft and conveyor technology connecting to the aircraft. The next step would be a feasibility study, which would allow for physical simulation of these approaches in initial models and mockups.

Reducing mental stress

A works agreement came into effect in July 2019 at FMG to examine psychological stress at the workplace. Precise findings are to be provided by means of a scientifically validated, multi-stage screening process. Due to the effects of the coronavirus pandemic, a planned employee survey on stress within the company was postponed to 2021/2022. The goal is to use the results of the survey to identify ways to reduce employees' psychological stress in the workplace.

Security

Managing the safety and security of flight operations

Safe and secure aircraft operations and ensuring that the infrastructure and systems are operable in technical terms are crucial to airports. As a result, the European Union has set common standards for airport planning, operation, and maintenance, and FMG is obligated to implement these standards on a binding basis. Munich Airport's operating license is directly dependent on renewal of its EASA (European Aviation Safety Agency) certification, which was granted in December 2017. Under this certification, the airport must demonstrate constant compliance with relevant requirements to the responsible supervisory authority, the South Bavarian Aviation Office at the District Government of Upper Bavaria. Munich Airport has a safety management system as one way to achieve these aims. Through the system, the airport continuously monitors ongoing flight and handling operations with an eye to risks and trends in order to identify targeted action early on. To meet the requirements, FMG makes

structural changes in the infrastructure relevant to flight operations or to the operational and organizational processes in keeping with EASA specifications, utilizing safety risk assessments and compliance checks in the process. This approach helps to minimize potential accidents, thereby proactively improving the safety of flight operations on an ongoing basis.

TARGET FOR 2022

Identification and assessment of mental stress



The issue of safety and security is critically important in aviation.



Drones: a possible danger to flight operations

Unmanned aerial vehicles (drones) are invisible to air traffic control for technical reasons, so they pose a threat to flight operations at and around airports. To maintain the safety of flight operations and be able to initiate even more effective protective measures in the future, clear detection and identification of drones is necessary. In the first feasibility study of its kind thus far, Deutsche Flugsicherung GmbH worked closely with FMG to test drone detection systems at Munich Airport on behalf of the German Federal Ministry of Transport from August to November 2020. These tests provided insight into the current status of this technology, particularly with regard to the possible detection range and the general performance capabilities of the systems available on the market. The insights gleaned form the basis for developing a concept for detecting drones at airports in Germany.

Biotope management provides protection from bird strikes

Collisions between aircraft and heavyweight birds or flocks of birds can endanger the safety of flight operations. Through special biotope management practices that do not adversely affect the birds' protection, Munich Airport is taking action to prevent possible collisions:

- The green areas around the runways are mown according to a concept that is adjusted to the local conditions.
- The terrain at and around the airport is designed to prevent bird species that pose a critical risk to air traffic from settling there in the first place.
- The drainage channels near the runways are spanned by steel ropes in order to make access difficult, particularly for waterfowl.
- Wildlife Management employees monitor the bird population on the airport grounds and in relevant biotopes within the vicinity in order to ward off potential dangers from bird flight movements at an early stage.

FMG works closely with the relevant partners and institutions on the topic of bird strike prevention, particularly with the airlines, German air traffic control, regional and higher-level authorities, and the GBSC [the German Bird Strike Committee]. The statistics from the GBSC show that Munich Airport has had a relatively low bird strike rate for many years now. The rate on the airport grounds (Area 1) was about 53 percent below the German average in 2020.

Community engagement Dependable partnership

Munich Airport continues to live up to its responsibility to the local community even in tough times, supporting nonprofit associations and institutions. In 2020, a large amount of feedback was received from associations and organizations that wanted to keep in contact with the airport even though funding had been cut sharply. About 350 sponsors and projects received support through regional sponsoring activities in 2020. They included the Sophienhospiz in Erding and Elisabeth Hospizverein Dachau, along with the integrative childcare center operated by Franziskuswerk Schönbrunn.

53 PERCENT

The bird strike rate at Munich Airport was about 53 percent below the German average.

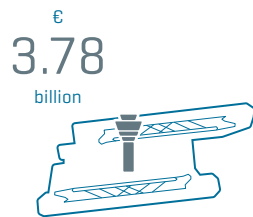
55 PERCENT

of sponsoring activities were devoted to sports, followed by social affairs, culture, education, and nature.

Munich Airport is
wholeheartedly dedicated to the
local area and participates
in many projects.

OVERALL IMPACT

The direct effect of gross value created was 3.78 billion euros for the airport campus in 2018.

**TARGET FOR 2022**

Creation of a Code of Conduct and integration in the purchasing guidelines

Economic responsibility

Value creation – Munich Airport as an economic factor

Economic benefits

Munich Airport has regional economic impact at a number of different levels. A basic distinction is made between the effects resulting directly from airport operations on the one hand and the effects of its use on the other.

Value-added effects resulting from airport operation

The value-added effects generated by airport operations can be categorized into direct, indirect, and induced effects. The most recent study of gross value creation reflects the year 2018. At that time, all of the businesses that were based on the airport campus generated direct added value in the amount of €3.78 billion. Around one-hundredth of every euro generated in Bavaria in 2018 traced back to Munich Airport. Gross value creation at Munich Airport has decreased considerably in recent months due to the traffic reductions brought by the coronavirus.

Effects resulting from use of air traffic

Effects resulting from the use of Munich Airport are known as location effects. These include positive economic effects, such as an increase in productivity and investments, plus a high level of employment and innovation. Proximity to the airport is seen as an important criterion for companies deciding to settle in the area, particularly those operating on an international scale. The airport also offers impressive advantages for the tourism industry.

Procurement of services: Sustainability is becoming increasingly important Group-wide product management

Munich Airport does not have a conventional supply chain, but procures a wide range of products and services needed to operate and expand an international hub airport. The range of essential products is comparable to the requirements of a small town: The 132 product groups range from things like office supplies and road construction to vehicles and buildings. In 2020, the Munich Airport Group's procurement volume amounted to around €643 million [net]. That put this figure about 15 percent below the same period of the previous year. To tap into synergies, all procurement processes involving specialist departments and subsidiaries are handled by the central Group-wide category management system. Only merchandise, food & beverage, and medical equipment are procured directly by subsidiaries.

Legal provisions in respect of procurement

The Munich Airport Group, a sectoral contracting entity, operates in the field of «Ports and Airports». As such, it ensures its procurement policy is consistent with public procurement legislation. Where public contracts are involved, calls for tenders are issued on a Europe-wide basis in keeping with the binding regulations under procurement law. The Group normally puts contracts that are not subject to public procurement legislation to tender based on a formal, company-specific process. A party submitting a tender must confirm it complies with the statutory provisions in order to rule out anything that would prevent it taking part in public procurement or tendering procedures. They must also provide evidence that they comply with the standards relating to quality assurance and environmental management.

Responsibility in the supply chain

Munich Airport awards contracts on the basis of cost-effectiveness and places particular emphasis on the utilization of materials and products that are both durable and use low levels of natural resources. For investment goods, any subsequent costs for servicing and maintenance [life cycle costs] are also considered. To design procurement processes to be as sustainable as possible across all areas of the company, those responsible within the specialized departments increasingly already stipulate ecological, economic, and social standards. This applies to IT, maintenance of buildings and construction of new buildings, the vehicle fleet, and purchasing of promotional materials. When procuring promotional materials, the origin of the item, resource-friendly production, and recycling capability are important criteria. For vehicles and equipment for the FMG vehicle pool, care is taken to ensure that environmentally friendly vehicles, specifically those with low CO₂ emissions, are procured.

Supplier structure and supplier management

Around 4,300 suppliers work for the Munich Airport Group. The supplier structure during 2020 was relatively consistent with the previous year. Because Munich Airport is supplied primarily by business partners from the region, transportation distances are short and CO₂ emissions are reduced. For example, the subsidiary Allresto purchases mainly seasonal produce throughout the year – nearly all of which originates from Bavaria, and a good 50 percent of which comes from the area directly around the airport. An evaluation of the other parties to framework agreements was not performed in 2020 due to the coronavirus pandemic.

Many suppliers are based in the airport area.



Verification and documentation of commitment to human rights

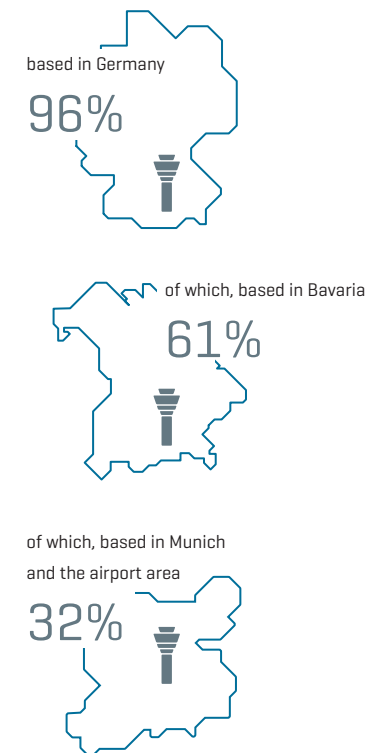
The Munich Airport Group's business operations are primarily confined to Germany. Here, human rights are enshrined in law. In calls for tender for international services, it is ensured that national and international laws and agreements are applied. This is documented again when contracts are signed. As part of the national action plan (NAP) for business and human rights, an internal risk analysis was initiated at the end of 2018 in the form of one-on-one discussions and then analyzed. The process stipulation within Flughafen München GmbH that had been planned for 2020 was delayed due to the coronavirus pandemic. The integration of human rights into Munich Airport's general opportunities/risk analyses indicates the importance of the topic. The ongoing provision of information on human rights specified in the German General Equal Treatment Act takes place via the intranet and managers, who receive regular training on this subject.

Strict requirements for precluding child labor

When sourcing product groups where the likelihood of child labor is high, steps are taken in particular to ensure that none is involved. Manufacturers of products in areas known to be high risk in terms of using child labor are required to present independent certification that they do not. Clauses to this effect are integrated in the calls for tenders and awards documentation.

SUPPLIER STRUCTURE

Of the airport's total procurement volume, the following percentages go to companies



Finances

49	Group management report
49	Situation of the Group
55	Report on economic position
68	Events after the balance sheet date
68	Outlook, risks, and opportunities report
88	Abridged consolidated financial statements
88	Consolidated statement of profit or loss
89	Consolidated statement of comprehensive income
90	Consolidated statement of financial position
92	Consolidated statement of changes in equity
93	Consolidated statement of cash flow
94	Note on the audit opinion
95	Supervisory Board report

INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2020

The online report published in full on the Internet is decisive for the audit of the consolidated financial statements. In addition to the unconditional independent auditor's report, the full consolidated financial statements and the Group management report for the fiscal year from January 1 through December 31, 2020 are generally accessible at: report2020.munich-airport.com. The version published there was audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The present printed Group management report 2020 corresponds to the audited version. The consolidated financial statements are presented in abridged form in the printed report. This includes the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, and the consolidated statement of cash flow. The Group notes under IFRS are published only in the online report.

GROUP MANAGEMENT REPORT

Situation of the Group

Business model of the Group Situation

Flughafen München GmbH (FMG) is headquartered in Munich. As the parent company of Munich Airport Group (Munich Airport), it is the operator of Munich's commercial airport.

Munich Airport is active via the business units Aviation, Commercial Activities, Real Estate and Participations, Services & External Business. The service profile of the Group covers virtually all the services available on the airport campus – from air travel including passenger and cargo handling through to retailing, hotels, and catering services. This integrated business model and depth of added value sets Munich Airport apart from its European competitors.

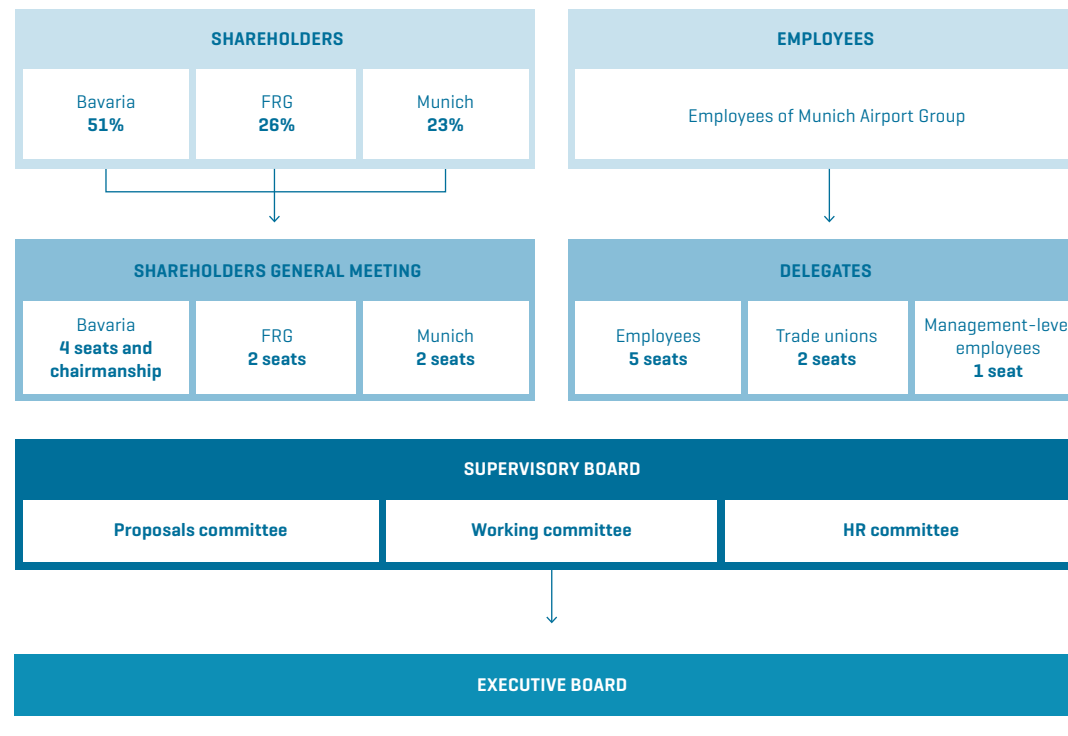
Munich Airport is committed to a corporate policy of sustainability. The orientation toward economic, environmental, and social goals ensures acceptance of the airport and consequently the viability of its business model.

Main features of management and control

The owners of FMG are the Free State of Bavaria with 51.0 percent, the Federal Republic of Germany with 26.0 percent, and the City of Munich with 23.0 percent.

The shareholders' general meeting is the highest monitoring and decision-making body. It decides unanimously on the Group's business fundamentals, including such matters as airport expansion and borrowing. On all other issues, resolutions are adopted by a simple majority.

GOVERNANCE STRUCTURE



Supervisory Board

FMG has a Supervisory Board, as specified in Article 1 [1], [6] of the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG). The Supervisory Board exercises monitoring and co-determination rights. It appoints members of the Executive Board and determines their remuneration. Transactions exceeding certain thresholds or terms require Supervisory Board approval. The employees' represen-

tatives on the Supervisory Board are elected by the Group employees. The shareholders' representatives are elected by the shareholders' general meeting. The term in office of the Supervisory Board members ends with the shareholders' general meeting that resolves on the formal discharge of the members for the fourth fiscal year after the start of their term in office.

The Supervisory Board has appointed a proposals committee, a working committee, and an HR committee. The proposals committee, working committee, and the HR committee were entrusted with the following tasks among others.

Executive Board

The term of office of the members of the Executive Board of FMG is normally five years; reappointment or extension of the term in office is permissible. The Executive Board comprises three members and is responsible for the Group's corporate policy and strategic focus. It determines the budget and monitors business developments.

The executive officers of FMG receive a fixed [salary] and a performance-related remuneration including short and medium-term incentives [bonus]. The bonus is primarily linked to the consolidated profit before taxes.

Female quota

In the context of ensuring equal participation of women and men, the Supervisory Board and Executive Board of the parent company FMG stipulate targets and deadlines for the proportion of women on the Supervisory Board, Executive Board, and on the first two management levels.

As of June 30, 2020, the proportion of women on the Supervisory Board was 19 percent, and below the target of 31 percent. The rate of 25 percent is to be achieved by June 30, 2024. Supervisory Board elections and some changes of members took place during the assessment period. The employee representatives on the Supervisory Board are elected, while the shareholder representatives are mainly appointed on a function-specific basis. In this respect, the Supervisory Board's ability to directly influence the proportion of women is limited.

The current share of women in the Executive Board of 33 percent met the target by June 30, 2020 and must be maintained until June 30, 2024.

COMMITTEES IN THE SUPERVISORY BOARD

Proposals committee	<ul style="list-style-type: none"> • Right of proposal for the appointment of a member of the Executive Board in the event that voting in the Supervisory Board does not achieve the requisite two thirds majority vote for the member of the Executive Board to be appointed in the first ballot
Working committee	<ul style="list-style-type: none"> • Statement on the resolutions proposed by the Executive Board • Approval of certain legal transactions that exceed set maximum monetary values or terms
HR committee	<ul style="list-style-type: none"> • Drafting of contracts of the managing directors (with the exception of remuneration), general representatives and authorized signatories • Approval of the establishment and amendment of remuneration rules outside the collective wage agreements of the Group, the recruitment or amendment of the salary level of certain employees above a specified salary level or remuneration level, and the introduction or amendment of company pension benefits, including the company pension scheme

The target for the proportion of female executives at the top management level of the Group parent company FMG of 19 percent was met in full as of June 30, 2020.

The proportion of female executives in the second-highest management level as of June 30, 2020 was 22 percent. The target of 29 percent was therefore not achieved. During the assessment period, four out of twelve positions were filled by women. Female applicants who met the requirements for the vacant positions were not available during all recruitment campaigns.

Based on the premise that structural and personnel changes will take place at the top and second highest management levels in the future, a target value for a proportion of women at the first management level was set to 25 percent as of June 30, 2024. The target for the second-highest management level was increased to 30 percent.

Business activities Organizational structure

The Group's organizational structure is divided into FMG's business, service and corporate divisions. Commercial management and the internal reporting system are handled by the business units. The business units shown in the figure comprise the business and service divisions of FMG and the

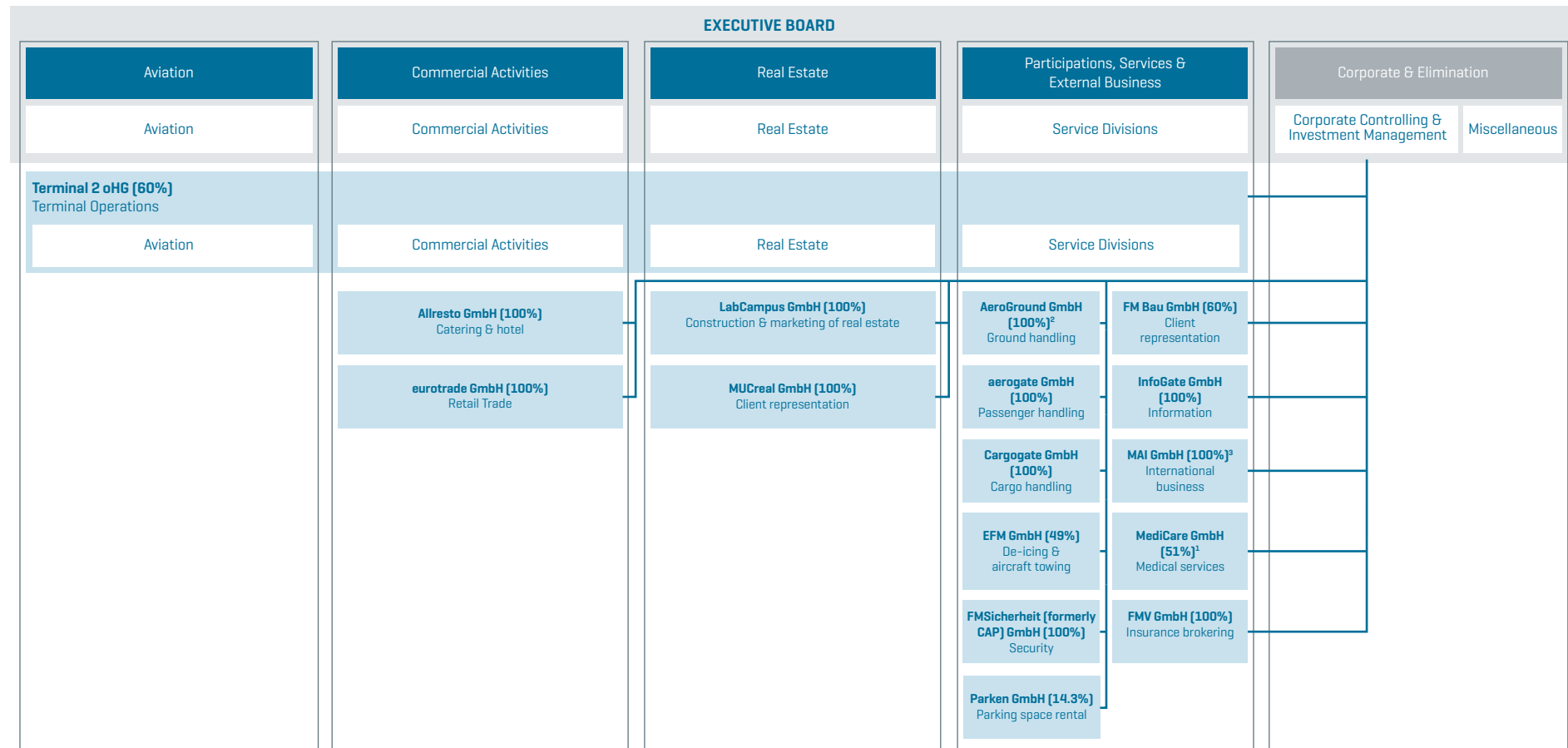
Group companies integrated in the business units. The business units are explained in the following sections.

There have been no fundamental changes to the legal and organizational structure in the 2020 fiscal year, compared with the previous year. There have been no material increases or reductions in shares. A detailed overview of the ownership structure is included in the notes to the consolidated statements.

In the 2020 fiscal year, Munich Airport International GmbH [hereinafter MAI] founded ORAT AMS Group V.O.F., Amsterdam/Netherlands, with Arup B.V., Amsterdam/Netherlands, each holding a 50 percent stake, to further expand international business activities.

In total, the Group comprises 16 fully consolidated companies, two associates, a joint operation, and four companies that are not consolidated. These are directed by Corporate Controlling and Investment Management in line with the business division strategy assigned in each case.

ORGANIZATIONAL STRUCTURE OF MUNICH AIRPORT



■ Business unit ■ Company □ Division

[As of Dec. 31, 2020]

¹ MediCare Flughafen München Medizinisches Zentrum GmbH has a 100% equity interest in Munich AirportClinic GmbH.

² AeroGround Flughafen München GmbH has a 100% equity interest in AeroGround Berlin GmbH.

³ Munich Airport International GmbH has a 100% equity interest in Munich Airport US Holding LLC, a 60% equity interest in amd.sigma strategic airport development GmbH, and a 50% equity interest in ORAT AMS Group V.O.F.. Munich Airport US Holding LLC in turn has a 100% equity interest in EWR Terminal One LLC and a 51% equity interest in Reach Airport LLC.

Aviation business unit

INFRASTRUCTURE FOR AIRLINES AND PASSENGERS

The Aviation business unit covers the operation of Munich Airport's air traffic infrastructure.

The following airport charges are levied for the provision and operation of the air traffic facilities:

AIR TRAFFIC CHARGES

	Assessment basis
Take-off and landing charges	Maximum take-off mass of the aircraft (MTOM) on take-off and landing
Noise charge	Fixed amount per landing depending on the noise category
Emissions charge	Nitrogen oxide equivalent emitted per landing
Passenger charge	Number of passengers on take-off
Cargo charge	Number of workload units on take-off/landing
Parking charge	Maximum take-off mass [for each started period of 24 hours, from the fourth hour]
Security charge	Number of passengers and/or workload units on take-off
Fee for passengers with reduced mobility (person with reduced mobility – PRM fee)	Number of passengers on take-off
De-icing charge	Number of passengers and/or workload units on take-off
Waste disposal charge	Number of passengers on take-off

In fiscal year 2014, Munich Airport concluded a master agreement on charges with uniform terms and conditions for all airlines, which sets the future trend of air traffic charges up to and including 2020, and consequently ensures funding

for infrastructure. A comparable long-term master agreement on charges has also been concluded for the subsequent period 2021 to 2030. In 2020, a contractual reduction in fees by an average of -4.5 percent was implemented.

Munich Airport experienced a historic decline in passengers and aircraft movements as a result of the Corona pandemic. Explanations are provided in the sections «Course of business» and «Risks».

Munich Airport operates two runways with a maximum capacity of 90 aircraft movements per hour during daytime operations at normal capacity. In the past, this capacity was exhausted for long periods during normal operation. As a general rule, between 10 p.m. and 6 a.m., flight operations are only permitted to a very limited extent and only with particularly low-noise aircraft. Scheduled and charter traffic is restricted to 28 planned aircraft movements per night. Cargo can also be transported during this time only in exceptional cases due to the strict night flight regulations. Relief is only available for so-called homebase airlines and delayed flights. In the period between 12:00 midnight and 5:00 a.m., only night mail and survey flights by German air traffic control are permitted. Other exceptions to the curfew include, for example, emergency and medical aid flights, landings required for reasons of air safety, as well as flights in justified exception cases that are approved by the Bavarian Ministry of Housing, Building, and Transport as the responsible authority. The drastic drop in traffic made it possible to close one runway at a time in the summer of 2020 in order to carry out renovation work without disruption.

The terminals will be continuously optimized and expanded as needed. In 2019, the reconstruction of Terminal 1 started. This will be supplemented by a west-facing pier to prepare for future requirements and efficiency with respect to security controls and terminal infrastructure. In the meantime, the second level of the shell structure is in place and construction work on level three has begun. To increase

efficiency and prevent the spread of infection during the Corona pandemic, new technologies were deployed on passenger routes, such as contact-free access points in secure areas. In order to comply with the Corona regulations, Corona test stations have been set up in both the security areas of the terminals as well as in the public access area. FMG was awarded the ACI Airport Health Certificate for these and many other measures.

Munich Airport is strategically well positioned thanks to its central location in Europe, in the middle of the Munich metropolitan region, which is characterized by its strength as a center of innovation, knowledge and business with a broad-based economic structure. However, growth in population and employment in the economically important airport region has slowed as a result of the pandemic. In previous years, Munich Airport had the highest proportion of business travelers among Germany's major hubs and was therefore predestined for high-value airline connections. By the beginning of 2020, population growth and rising prosperity were also leading to increased demand for private flights from Munich Airport. In the 2020 fiscal year, air traffic collapsed and was temporarily brought to nearly a complete standstill. The demographic and economic general conditions in Bavaria and especially in the airport catchment area mean that further growth in transportation demand can be expected at Munich in the medium to long term despite short-term slumps. Further comments on this can be found in the section «Economic and sector-specific conditions».

Over the years, Munich Airport has developed into a major international aviation hub in cooperation with Deutsche Lufthansa AG [hereinafter referred to as Deutsche Lufthansa]. Jointly supported expansion measures such as Terminal 2 and the satellite building as well as the plans for the «T-Stiel» of the satellite building are the foundations of a sustainable partnership that stands for long-term

growth. Deutsche Lufthansa continues to reaffirm its commitment to Munich Airport even during the Corona pandemic by securing global flight connections for Bavaria as a business location in the medium term.

Thanks to its promising market position and successful cooperation with Deutsche Lufthansa, Munich Airport had one of the most extensive networks of intercontinental connections in Europe, measured in terms of the number of destinations, before the Corona crisis. Highly frequented transfer connections ensured that Bavaria is optimally connected to Europe and the world. The combination of a dense network of German domestic and European links and a strong local demand made it possible to offer an attractive portfolio of long-haul flights from Munich. Due to the attractiveness of the location for tourists and the growing surrounding area with an affluent population, Munich Airport became increasingly interesting for point-to-point connections. However, according to the current forecast by the International Air Transport Association (IATA), a return to the traffic level of 2019 is not expected until 2024. Deutsche Lufthansa assumes that it will then operate a hub again at Munich Airport with approximately 30 long-haul aircraft stationed there.

In addition, the German air traffic tax and the lack of traffic rights or the ongoing traffic rights negotiations, for example with Africa (Ethiopia), are hampering future market-driven growth at Munich Airport.

The cargo business at Munich Airport is heavily dependent on the development of passenger traffic. The reason for this is that, as a rule, the majority of air freight at Munich Airport – over 80 percent – is transported as bellyhold cargo on normal long-haul flights. As a result of the Corona pandemic, the widespread elimination of long-distance passenger service

has changed this ratio. All-cargo (transport on all-cargo aircraft) increased compared to bellyhold cargo, but was unable to compensate for the losses. Despite the decline, air freight showed the importance of Munich Airport as a critical piece of infrastructure. The short-term supply of the population with medical products as well as the economic connection to important markets could be maintained through the close cooperation between FMG, the airlines and freight forwarders. The only limiting factor was the number of available cargo aircraft. In some cases, passenger planes were used to transport light cargo such as medical masks.

Commercial Activities business unit **FIRST-CLASS SERVICE AND PROMOTIONS ALONG THE PASSENGER ROUTE**

The Commercial Activities business unit is responsible for developing, marketing, and managing space throughout Munich Airport that may be used for commercial purposes. This includes both strategic planning of the sector mix with regard to the retailing, service, and catering space, as well as the issue of leases and concessions to third parties and Group companies.

Munich Airport maintains approximately 21,000 square meters of catering space and some 20,600 square meters of retail and service space (previous year: 22,800 square meters). Changes compared with the previous year resulted from mostly temporary closures of individual units. FMG's subsidiaries operate their own retail or catering businesses on approximately 68 percent of the total area.

Commercial Activities is also responsible for the five-star hotel in Munich Airport's central area. It has 551 rooms and 30 conference rooms.

This business unit also develops and markets demand-oriented parking capacity. At present there are approximately 32,000 parking spaces, of which some 19,500 are close to the terminal.

Commercial Activities also markets the advertising media and spaces at Munich Airport. The offer of what is known as out-of-home advertising at Munich Airport is characterized by high-profile advertising spaces with little wastage, which are tailored to clients' individual requirements.

The business unit's portfolio also includes the event business.

Real Estate business unit **REAL ESTATE LOCATION WITH ATTRACTIVE APPEAL**

The Real Estate business unit develops, operates, and markets all real estate and property owned by Munich Airport, both on and off-campus. The real estate location is divided into location-specific areas, which are marketed under the AirSite concept.

Munich Airport has a lot to offer as a real estate location: an attractive environment, good road connections, excellent parking, and a comprehensive range of goods and services for daily needs. The existing rail traffic access is being extended to the east by the Erding ring closure to improve access to the airport. In addition, the commissioning of the two additional lanes of the eastern airport feeder road at the end of 2020 means that road access is now even better. The bridge over the Zentralallee (traffic junction West 0), which was put into operation in December 2020, is of particular importance for the development of the AirSite West and the western parking center.

In accordance with the high demands placed on the entire area, an urban planning concept was developed that is continuously updated and is already visible with the construction of the first high-rise buildings.

Participations, Services & External Business

PARTICIPATIONS & EXTERNAL BUSINESS: FULL-SERVICE-PROVIDER

The Group's other companies complete the airport's business. The most significant subsidiaries are:

MATERIAL SUBSIDIARIES

AeroGround Companies	The companies AeroGround Flughafen München GmbH (AE Munich) and AeroGround Berlin GmbH (AE Berlin) provide land and airside handling services for airline customers at the Munich and Berlin locations. The main business units include the classic ramp-side ground handling services of aircraft loading and unloading (ramp and baggage handling), transport services for passengers and crews, and ramp-side cargo transport.
aerogate	aerogate München Gesellschaft für Luftverkehrsabfertigungen mbH offers passenger handling, operation services with ramp supervision, ticketing services and lost & found with baggage delivery and arrival services at Munich Airport. The range of services is completed by general aviation services as well as consultancy and training.
Cargogate	As a regulated agent, Cargogate Munich Airport GmbH performs services related to the handling of air cargo and the processing of the associated customs formalities. Cargogate also offers handling services for all common special goods, such as hazardous substances, refrigerated goods, and valuable goods. Since September 2018, Cargogate is the only airfreight handler on the campus certified according to the Pharma Good Distribution Practice (GDP). As a proven specialist, the company operates the border inspection post prescribed by the EU as well as the animal reception center on behalf of FMG.
MAI	Munich Airport International GmbH and its affiliates provide management, consulting and training services for the aviation industry worldwide. It has evolved from a consultant for airport commissioning projects (ORAT) to an international airport operator.

SERVICES: ENERGY AND TELECOMMUNICATIONS FOR ALL AIRPORT TENANTS

Besides the business units and subsidiaries, Munich Airport's service divisions are also involved in external sales. The largest contribution comes from the following service divisions:

SIGNIFICANT SERVICE DIVISIONS

Technology	The service division is responsible for the secure, cost-effective, and technical operation of airport infrastructure. Among other things, this includes the supply of energy and heating/refrigeration, maintenance of buildings and airport-specific equipment, as well as vehicle management for series vehicles and handling equipment. This division also plays a significant role in implementing Munich Airport's CO ₂ strategy as part of its energy management.
IT	The IT service division offers its customers at Munich Airport various services from the fields of media and communications technology, workplace IT equipment, as well as server, database, and storage system technology. The core competencies of the division lie predominantly in the integration of various technical IT platforms and in the creation of tailor-made support services for logistical processes at Munich Airport. In this context, compliance with safety-relevant requirements and uniform Group-wide standards are becoming increasingly important.

The activities in the Participations, Services & External Business unit (excluding handling services) contribute a small share to the Group's external sales, therefore a detailed explanation is not provided in the section on the economic environment. The impact of the Corona pandemic on business activities is explained in the Course of business section. Developments relating to handling services in the Group have been included in the passages covering aviation.

Control system and values management

Munich Airport measures the performance of its managers using financial and non-financial indicators. The most important of these are the indicators that measure corporate sustainability and quality. Accordingly, the perception of traditional sustainability management is governed economically by earnings before taxes (EBT) and ecologically by CO₂ reductions. Munich Airport uses the Passenger Experience Index (PEI) to determine whether quality objectives, which provide for increasing customer satisfaction as a strategic approach, have been achieved. FMG surveys internal and external interest groups each year to determine and regularly affirm the relevance of the most important performance indicators for stakeholders.

Earnings before taxes (EBT)

Earnings targets for managers are formulated on the basis of earnings before taxes (EBT). EBT is the input factor for determining profitability. It relates to the consolidated earnings before taxes, calculated by applying the International Accounting Standards in the version adopted into European law by the European Commission.



Carbon reductions

The CO₂ reductions (in tonnes) indicator not only allows the reduction in greenhouse gas emissions to be measured, but also takes into account factors such as respectful use of resources or efficient use of energy. Munich Airport set itself a new climate target at the end of 2016 to achieve carbon-neutral operation of the airport from 2030. At least 60 percent of emissions are to be effectively reduced with the remainder being offset by high-value compensation measures. Emissions caused directly by Munich Airport itself through energy supply and fuel consumption [Scope 1] and emissions arising from purchased energy [Scope 2] are factored into the calculation.

Passenger Experience Index (PEI)

The PEI is a measurement model for customer satisfaction, which allows Munich Airport to derive location-specific targets adjusted to the needs of target groups, and to assign the fields of action for improving service to existing customer contact points. Responsibility for determining these values lies with an independent external service provider for reasons of objectivity. Using questionnaires, the provider surveys the satisfaction of departing and arriving passengers on a regular basis over the course of the entire year. Munich Airport therefore receives a wealth of detailed information about the satisfaction of its passengers in eleven categories along the passenger experience chain both on a monthly basis and at the end of the year. The measurements originally planned for 2020 were suspended for the remainder of the year following the outbreak of the pandemic, since a comparison would not have been possible due to the low number of passengers.

Innovation and ideas management

Innovation management should systematically promote the innovation culture in the company and support the implementation of innovation projects. The main emphasis is on new services and products that contribute to the company's economic success and strengthen its competitiveness.

For this purpose, Munich Airport uses a digital cross-departmental trend scouting platform, via which relevant market and technology trends are tracked and analyzed together with experts from the specialist departments. The goal is to identify trends early on that have the potential to change Munich Airport's business and to identify development opportunities for new products and services. Trend management is also intended to provide focus and orientation as well as essential inputs for the Group's strategy work.

Munich Airport also operates the digital idea management platform «InnovationPilot», which all employees can use to submit suggestions for improvements to internal processes as well as ideas for new types of services for customers and passengers. The platform is also used to launch open campaigns and surveys that also address external stakeholders.

Specific ideas that address trends of relevance for Munich Airport culminate in innovation projects, which are implemented jointly with the relevant departments and external partners up to the proof-of-concept stage.

Report on economic position

Economic environment

Macroeconomic environment

THE ECONOMY IS IN A DEEP CRISIS

Both national and international economic growth are crucial for an international air traffic hub such as Munich Airport.

The global economy is in a deep crisis as a result of the Corona pandemic. Growth in the global economy in 2020 was significantly lower than had been forecast in the previous year. According to calculations by the ifo Institute, global real gross domestic product (GDP) fell from +2.6 percent in the previous year to -3.6 percent. This decline was significantly greater than during the 2008/2009 global financial crisis.¹

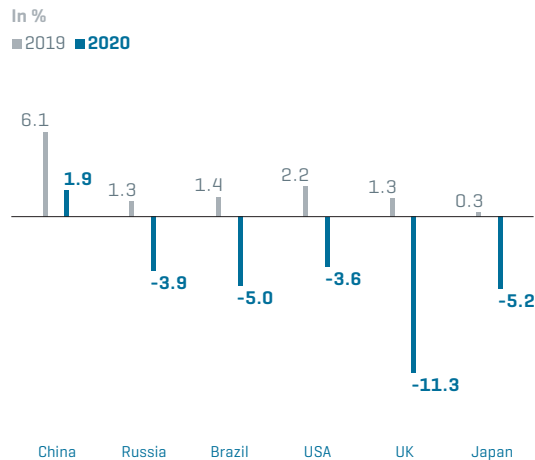
The economies of the emerging markets contracted at a comparatively low rate of 1.2 percent overall (previous year: +4.7 percent). India, however, recorded a 9.4 percent decline in GDP due to very weak private consumption and a sharp drop in investment as a result of the crisis. By contrast, the economy in the People's Republic of China recovered very quickly after the shutdown at the beginning of the year, making a significant positive contribution. The GDP growth rate was +1.9 percent (previous year: +6.1 percent). Existing trade conflicts with the United States were to some extent defused by the signing of a partial agreement in January 2020.²

¹ ifo Institute, Economic Forecast Winter 2020, December 2020; website www.bpb.de, January 2021

² International Monetary Fund, World Economic Outlook, October 2020; ifo Institute, Economic Forecast Winter 2020, December 2020; website <https://www.tagesschau.de/wirtschaft/china-usa-zollstreit-101.html>, January 2020

In the industrialized nations, economic output slumped by 5.2 percent as a result of the crisis. Private consumption and industrial production fell significantly during the course of the crisis. The US economy recovered more quickly than expected from the sharp downturn in the first half of the year. Overall, economic output fell by 3.6 percent in 2020. Above all, unemployment increased sharply during the period under review. By contrast, GDP in the UK slumped the most, by 11.3 percent. Restrictions affecting public life were introduced there comparatively late and had to be maintained for longer. By contrast, unemployment rose only slightly, as short-time work benefits were introduced in March.³ In addition, a «hard Brexit» could be avoided. The UK and the EU agreed on a trade deal on December 24, 2020. The introduction of customs duties and quantitative restrictions on the reciprocal movement of goods is not planned. Important trade barriers could therefore be averted.⁴

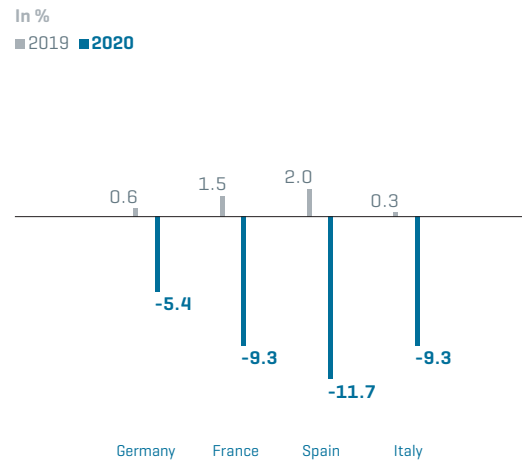
ECONOMIC GROWTH IN SELECTED DESTINATIONS WORLDWIDE



GDP growth in 2019 and 2020⁵

In the euro zone, the GDP decline for 2020 was -7.4 percent, 8.7 percentage points below the previous year's figure. Restrictions to contain the Corona pandemic led to a deep slump in economic output in the second quarter. There was a significant recovery in the third quarter following the gradual easing of government measures from May onward. Private consumption, investments as well as imports and exports all declined significantly despite the easing. In response to the Corona pandemic, the European Central Bank (ECB) had increased its expansionary monetary policy by stepping up bond purchases over the course of 2020. The interest rate level remains historically low. The increase in the unemployment rate in the euro zone was moderate at 8.0 percent (previous year: 7.6 percent), as economic policy measures were introduced to temporarily protect jobs.⁵

ECONOMIC GROWTH IN SELECTED DESTINATIONS THROUGHOUT EUROPE



GDP growth in 2019 and 2020⁵

The German economy contracted by 5.1 percent in 2020 (adjusted for calendar effects 5.4 percent). As a result of the Corona pandemic, there was a historic decline in economic output during the second quarter. Following the easing of restrictions, the German economy recovered faster than expected in the third quarter. However, the recovery was temporarily halted by measures starting in November 2020. These affected the services sector in particular (the hospitality industry, transport and travel services, culture, entertainment and recreation). As a result, private consumption collapsed by 5.6 percent by the end of 2020. Imports and exports also recorded sharp overall declines of -8.7 percent and -9.7 percent respectively as a result of the crisis. By contrast, construction investment increased in 2020, continuing to be driven by the low interest rate [+2.1 percent]. The labor market was comparatively stable due to the extensive use of short-time work benefits. The unemployment rate increased by only 0.9 percentage points to 5.9 percent.⁵

The oil price (Brent) fluctuated between USD 17 and 70 per barrel. The peak was reached before the outbreak of the Corona virus pandemic at the beginning of the year. Oil prices bottomed out in late April 2020 and rebounded to about \$51 per barrel by year-end.⁶

³ ifo Institute, Economic Forecast Winter 2020, December 2020; German Council of Economic Experts, Annual Report 2020/21, November 2020.

⁴ Website https://ec.europa.eu/germany/news/20201224-brexite-abkommen_de, December 2020

⁵ ifo Institute, Economic Forecast Winter 2020, December 2020

⁶ Website onvista, January 2021

Economic environment Aviation GLOBAL DROP IN AIR TRAFFIC BY TWO THIRDS

In the various countries around the world the airlines reacted to the lockdowns and the associated travel restrictions with massive reductions in capacity or even complete shutdowns of their services. Almost no airline will survive the crisis without government support programs. The Air Transport Action Group (ATAG) estimates that some 46 million jobs in the industry are at risk.⁷ According to International Air Transport Association (IATA) analysis, passenger numbers recovered slightly after the initial lockdown in late March and April 2020, driven primarily by the vacation seasons. In the meantime, development has stagnated again due to renewed restrictions with the second lockdown in Germany, amongst other countries.⁸

The global traffic slump is devastating, with a 65.9 percent drop in passenger revenue kilometers.⁹ International passenger traffic was affected in particular [-75.6 percent], since all countries had different pandemic-related travel warnings and restrictions, resulting in a huge drop in passenger demand. By contrast, domestic traffic proved more resilient in several countries, reaching pre-crisis levels by the end of the year in China, for example.¹⁰

Research by IATA found that air travel was booked in 2020 when it was possible to do so.¹¹ Only some of the potential passengers were deterred from traveling by a possible risk of infection on board. It was found that this risk is low compared to other modes of transport and activities. The risk of not being able to return home from the destination or having to go into quarantine had more of a deterrent effect. The uncoordinated and short-term changing global restrictions contributed to further uncertainty.

By contrast, the demand for freight-only services increased in 2020, driven by the sharp decline in additional loading capacities on long-haul passenger routes. However, total freight ton kilometers in the air freight sector decreased by 10.6 percent. Studies show that in the late summer of 2020 approximately 26 percent of freight capacity was lost between Europe and Asia and approximately 40 percent between the USA and Europe. Globally, the capacity available decreased by approximately 20 percent. This led to a sharp increase in intercontinental freight rates.¹²

The airports organized in the German Airports Association (ADV) recorded Corona-related declines on average in 2020. Commercial passenger traffic (inbound/outbound) decreased by 74.6 percent overall. At -54.9 percent, aircraft movements were significantly below the previous year's level. Similar to the global freight volume, cargo handling (sum of airmail and freight excluding transit) declined only slightly by 4.2 percent. This was due to the positive trend at the end of the year as trade flows stabilized.¹³

In its report on the state of the industry, the German Air Transport Association (BDL) highlights the impact of the Corona pandemic on air transport, which threatens the very existence of the industry. Globally, traffic slumped by two-thirds in 2020 compared to the previous year. International traffic, on which European airlines in particular

rely, was especially hard hit; at approximately -69 percent, they therefore recorded the biggest drop in traffic – measured in passenger kilometers – together with Middle Eastern airlines [approximately -71 percent]. German airlines were hit even harder, recording a 76 percent drop in passenger kilometers and carrying only 40 million passengers [approximately 25 percent of the previous year's volume].¹⁴

Similar to the German airlines, German airports as a whole recorded a major drop in traffic. Only 63 million passengers [-75 percent] were handled in 2020; aircraft movements fell by 60 percent. The air freight segment was the least affected, recovering after the slump in the spring and even achieving positive growth rates again from September 2020. This was driven by the all-cargo segment. In contrast, airports with a strong focus on bellyhold cargo, such as Munich Airport, continued to record negative growth rates.¹⁴

Sector-specific environment for Commercial Activities RETAIL EXPERIENCES A YEAR OF EXTREMES

Despite the Corona pandemic, the German Retailers' Association predicts year-on-year sales growth of 5.7 percent to €577.4 billion compared to the previous year. Most of this growth will come from online retailing (2020: +20.7 percent), as well as grocery, home improvement, and bicycle sales. The remaining over-the-counter retail trade is suffering due to the corona-related restrictions and closings, which have been in place again since December 16, 2020. The fashion trade in particular lost almost a quarter of its sales.¹⁵

⁷ ATAG, September 2020

⁸ IATA, Economics' Chart of the Week, January 8, 2021

⁹ IATA, 2020 Worst Year in History for Air Travel Demand, February 3, 2021

¹⁰ IATA, Air Passenger Market Analysis, December 2020

¹¹ IATA, Covid-19, November 4, 2020

¹² www.aircargonews.net as of October 26, 2020; IATA, Air Cargo Market Analysis, December 2020.

¹³ ADV, ADV Monthly Statistics 12/2020, February 2021

¹⁴ BDL, 2020 Annual Balance Sheet, February 2021

¹⁵ HDE, Press Release, February 2021; HDE Economic Info, September 2020

The retail business climate has deteriorated. Companies are not satisfied with the current situation and expectations are also gloomy. Nevertheless, the business climate index rose slightly by 0.3 percent.¹⁶

GASTRONOMY AND HOTEL INDUSTRY – UNPRECEDENTED DROP IN TURNOVER

The hospitality industry is experiencing unprecedented declines in turnover as a result of the Corona pandemic. In the hotel sector, the decline in turnover was 47.5 percent, which represents a price-adjusted decline of 39.0 percent. This industry has been in lockdown again since November 2, 2020. Only overnight stays by business travelers are allowed, but hardly ever take place, as well as take-away sales of food.¹⁷

A real decline in turnover of 35.3 percent was recorded in the gastronomy sector. A detailed examination reveals a more nuanced picture: during the lockdown months, only picking up or the delivery of food was allowed. Catering establishments that had relied on this type of business before the crisis were able to maintain or even increase their sales. Other businesses began offering the delivery and takeaway service for the first time, taking advantage of the only option for revenue.¹⁷

Catering also fell sharply by 34.2 percent as large events were prohibited in 2020.¹⁷

ADVERTISING INDUSTRY – OUTDOOR ADVERTISING PROVES ITSELF TO BE CRISIS-RESISTANT

As a result of the crisis, advertisers cut or postponed their budgets across almost all media in 2020. For this reason, their gross advertising expenditure of 34,325 million euros was below the previous year's level. The advertising category used primarily at Munich Airport is out-of-home advertising. The gross advertising expenditure in this area fell slightly by 6.7 percent compared to the previous year. Outdoor advertising thus performed significantly better than predicted.¹⁸

PARKING MANAGEMENT – DEPENDENCE ON PASSENGER VOLUME

The decline in passengers due to the pandemic has had a major impact on the parking business. Even though the proportion of trips made in private cars increased for reasons of hygiene, the overall volume of trips was significantly lower due to the restrictions placed on mobility.

Economic environment Real Estate MUNICH OFFICE MARKET WITH LOWEST FLOOR-SPACE TURNOVER SINCE 2009

In the Bavarian state capital of Munich, the office leasing market is being defined by the pandemic. The fourth quarter of 2020 saw the first floor-space turnover of less than 100,000 square meters in over 20 years. Overall, floor-space turnover was 567,800 square meters for 2020, the lowest level since 2009 and about 26 percentage points below the previous year's figure of 770,400 square meters. Owner-occupants contributed 55,500 square meters, or about 10 percent of the total, resulting in a leasing-only turnover of only 512,300 square meters.¹⁹

Despite the difficult situation, market activity continues to be characterized by the low supply of space. Vacancies rose by approximately 300,000 to 787,900 square meters compared with the previous year, but this did not change the fundamental situation of a shortage of space. Overall, the vacancy rate was 3.5 percent, 2.8 percent in the urban area and 5.5 percent in the surrounding region. A good 100,000 square meters were sublet space. In some sub-markets within the central ring, the vacancy rate was still well below 2 percent.¹⁹

The average rent for office properties in Munich was 21.50 euros/m², an increase of 7 percent over the previous year's figure of 20.10 euros/m². High-priced major deals in the first half of the year were a key driver of this increase. The average rent in the surrounding area also increased to 13.10 euros/m² (2019: 12.30 euros/m²). By contrast, the prime rent remained unchanged at 39.50 euros/m².¹⁹

In 2020, 276,500 square meters of office space was completed, with an occupancy rate of 93 percent by year-end. Approximately 485,800 square meters are expected to be completed in 2021, with an occupancy rate of 56 percent. 515,000 square meters, which is expected to be completed starting in 2022, is already 59 percent leased or owner-occupied. This clearly indicates that construction activity is at a higher level than in previous years. The Munich market is quite capable of absorbing this space, but given the current lower level of demand, it is likely that marketing times will again be longer.¹⁹

Many users of office space are waiting until the situation becomes a bit clearer in terms of development and/or for the results of their analyses regarding any necessary changes to the office work environment. Nevertheless, floor-space turnover of approximately 600,000 square meters appears feasible in 2021, since there are still a number of large-scale applications on the market. In the medium term, the decisive factor will be the extent to which new construction space is absorbed by the expected economic improvement in tandem with an increasing home office ratio. The Bavarian state capital of Munich boasts of many positive location factors and will therefore continue to be extraordinarily attractive in the long-term.¹⁹

¹⁶ ifo Institute, Business Climate Germany, December 18, 2020

¹⁷ DEHOGA, Press Release December 2020, February 19, 2021

¹⁸ Market Research Company Nielsen, Balance 2020, January 21, 2021

¹⁹ Colliers International, Press Release, January 2021

Course of business

Key events in the past fiscal year

Impact of the Corona pandemic on Munich Airport

The spread of the Corona pandemic had serious negative consequences for Munich Airport Group as an operator of an international commercial airport. The ongoing travel restrictions make a quick recovery of the industry impossible.

There was a massive drop in traffic from March 2020 – as a result of the travel and contact restrictions introduced worldwide. Numerous airlines ceased operations or reduced them to a minimum. After a slight recovery in the summer months, a renewed tightening of restrictions at the end of the third quarter of 2020 led to a renewed decline in traffic figures. This led to significant declines in sales and consequently to a massive drop in earnings. For further information on traffic development, please refer to the section «Aviation business».

In addition, all retail and service units were closed as of March 17, 2020, due to a general order and the Bavarian Infection Control Measures Ordinance [BayIfSMV]. A temporary opening then occurred during the year until December 16, 2020 (second lockdown). The open food service establishments were converted entirely to to-go operation to ensure general service. Table service was provided at times within the scope of the additional catering unit openings allowed under the BayIfSMV. For further explanations, please refer to the section «Commercial Activities business».

In order to counteract the declining earnings and secure liquidity, drastic countermeasures were introduced in the Group both in terms of expenses and investments.

The satellite building has not been used for passenger handling since the end of March 2020. Terminal 1 was also completely closed from late April to early July 2020 and again from December 2020 to reduce costs. In addition, short-time work benefits were introduced for the majority of employees at the Munich location from mid-April 2020, and a hiring freeze was imposed. In addition, the parallel runway system was reduced to a single runway system by decommissioning one runway, and maintenance and reconstruction measures were postponed to a later date. All non-personnel expenses that were not operationally essential were eliminated.

Munich Airport set up the «Restart» change program to address the Corona pandemic. Organizational and efficiency-boosting measures are being developed here, and efforts are being made to adjust personnel capacity.

Many of the planned investment projects from the general expansion plan were examined, among other things, with regard to their operational necessity, their strategic importance and in the context of existing contracts. This review resulted in corresponding reductions or postponements (including the third runway). This did not affect projects with a high degree of completion.

In total, operating expenses were therefore significantly lower than in the 2020 fiscal year.

To further secure liquidity, the Group took out loans totaling EUR 480 million by the end of the year.

Construction progress on various building projects despite the Corona pandemic

The realization of the Erdinger ring connection, i.e. the continuation of the railway line from Freising via Munich Airport to Erding, has been consistently pushed forward since 2018. The costs for the shell of the tunnel extension are being borne by Munich Airport and pre-financed in the form of an interest-bearing repayable subsidy from the Free State of Bavaria. Payment of the investment costs will fall due for Munich Airport when the tunnel extension is commissioned.

In the Terminal 2 area, the eastern apron is currently being expanded by a total area of 180,000 square meters. As a result, 23 new parking slots are available.

The expansion of Terminal 1 to include a gate was also continued to a certain extent. The central objectives of this expansion measure are to accommodate the needs of the non-Schengen area and to enhance the quality of service and the quality of time spent in Terminal 1 for the future.

In addition, the «LabCampus» project is progressing on the AirSite West area. As a result, construction of the first two office buildings commenced in fiscal 2020.

New logistics center goes into operation

On October 1, 2020, the subsidiary eurotrade took over the recently built logistics center on the campus. In the future, Munich Airport Group's storage capacities will be combined there under one roof. The total area including outdoor storage is approximately 24,000 square meters. The building is 113 meters long and 76 meters wide with an area of approximately 15,000 square meters. It has a deep-freeze warehouse, a high-bay warehouse and an automated small parts warehouse.

AE Berlin becomes the largest ground handling service provider at Berlin Brandenburg Airport «Willy Brandt» [BER]

With the opening of the major airport in Berlin in November 2020, the subsidiary AE Berlin became the largest ground handling service provider at the Berlin location by securing two major customers and now has a market share of more than 50 percent.

Road construction work at Munich Airport opened to traffic

On December 10, 2020, the second construction phase for the eastern road link to Munich Airport was opened to traffic. This completes the multi-lane expansion of the southern ring road and its extension to the east in the direction of the eastern airport bypass, including the bridge structures.

Aviation business

Historic slump in traffic numbers due to the Corona pandemic

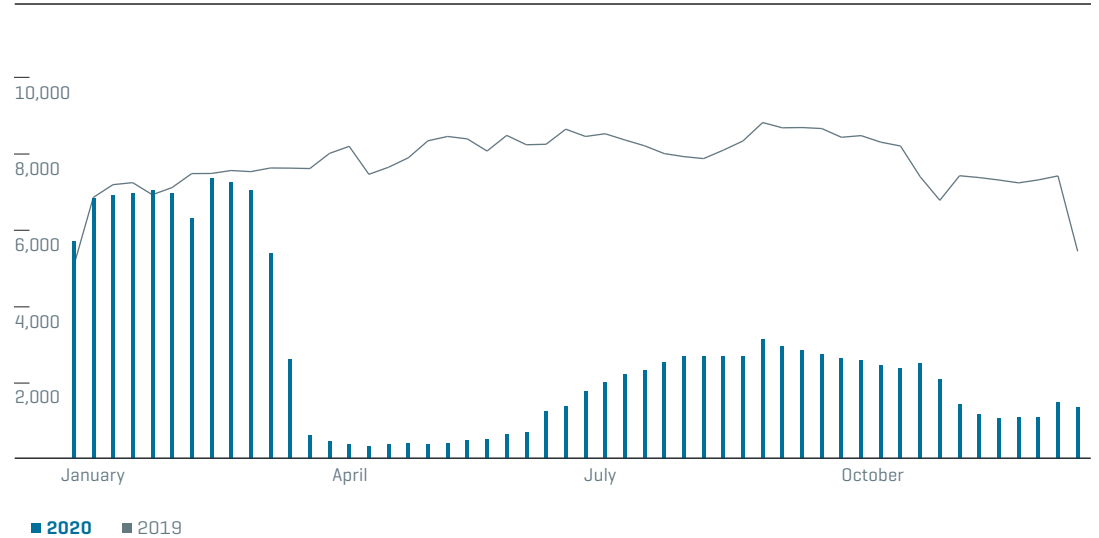
TRAFFIC FIGURES FOR MUNICH AIRPORT¹

	Change			
	2020	2019	Absolute	Relative in %
Aircraft movements	146,833	417,138	-270,305	-64.8
Passengers (in millions)	11.1	48.0	-36.9	-76.8
Cargo ¹ (in tonnes)	158,456	356,970	-198,514	-55.6

¹ For better comparability with other commercial airports, cargo throughput is shown here including the mail and freight volumes that remain on board the aircraft in transit at Munich Airport. Therefore, the values may differ from those in other publications, which only consider freight or cargo throughput [without transit].

With only 11.1 million passengers and 146,833 aircraft movements, Munich Airport recorded a history-worst traffic volume. The various lockdowns during 2020 com-

AIRCRAFT MOVEMENTS AT MUNICH AIRPORT DURING THE YEAR



bined with wide-ranging, international travel restrictions made it impossible to achieve the traffic growth originally anticipated for 2020. The number of aircraft movements fell to levels last seen in the mid-1980s. Passenger numbers were just above those of the last full year of operation at Riem in 1991.

The first lockdown in the spring temporarily brought air traffic at Munich Airport to an almost complete standstill. The situation improved slightly in the summer months, but utilization remained at a low level and only demand for air-freight slightly improved the economic situation of long-haul traffic with high freight rates. However, the increase in supply on the part of the airlines in the summer was already canceled out by the next lockdown in the winter flight schedule.

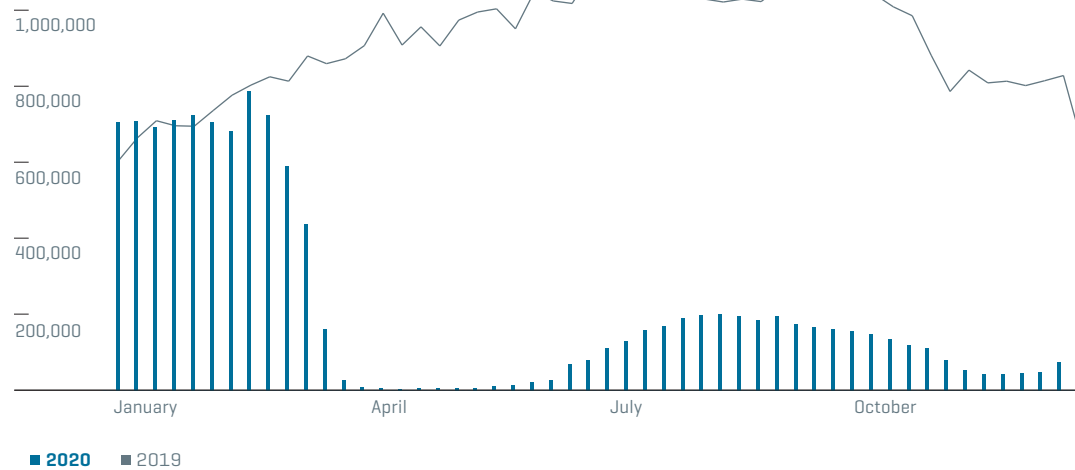
Long-haul traffic fell by approximately 80 percent compared to the previous year to 1.7 million passengers, mainly due to the lack of corresponding shuttle services; aircraft

movements fell by 69 percent to 10,591. Extremely low utilization rates during the lockdowns in long-haul traffic of approximately 20 percent made profitable operations difficult. However, in some cases higher freight rates and more freight tonnage made it possible to cover costs even at a significant reduction in supply.

Both originating and connecting traffic declined during the crisis. Connectivity was significantly reduced due to the very low supply. As a result, the number of connecting passengers fell significantly, while their share of total traffic remained comparatively stable at 34 percent [previous year: 38 percent].

Domestic traffic also contracted significantly, but to a lesser extent than the other traffic segments. Approximately 2.6 million passengers [-73 percent] were carried on 44,127 aircraft movements [-54 percent].

PASSENGER DEVELOPMENT AT MUNICH AIRPORT DURING THE YEAR



With 92,115 movements [-65 percent] and approximately 6.9 million passengers [-77 percent], intercontinental traffic recorded a sharper decline than domestic air travel. This was also affected by travel restrictions, which vary from destination to destination, and uncertainty among passengers. During the summer vacation period, despite unfavorable conditions, there was a moderately positive trend, indicating an unabated desire to travel, at least among parts of the population.

Cargo development [-54.9 percent, 152,636 metric tonnes] at Munich Airport consisted of two main parts in 2020. The passenger aircraft bellyhold cargo business, which had been particularly important in previous years with a share of over 80 percent, slumped by -66.8 percent due to the loss of long-haul traffic and only handled 94,860 metric tonnes. By contrast, the volume of all-cargo transported on freight-only aircraft increased [+9.2 percent], but was far from able to compensate for the loss of bellyhold cargo due

to the short supply and the unfavorable conditions for this segment at Munich Airport. An annual total of 50,253 tonnes was achieved. In addition, there were 7,523 tonnes of freight in transit [air freight that was neither loaded nor unloaded, but only made a stopover in Munich].

Airmail handling decreased to approximately 5,815 tonnes [-68.5 percent] due to the absence of airmail flights from April to November 2020.

Munich Airport's performance was below average compared with the traffic results of the airports represented in the German Airports Association [ADV]. Munich Airport was below the German average in terms of aircraft movements and passengers, due to the concentration of hub traffic at Frankfurt and the temporary suspension of hub traffic in Munich, which was hit particularly hard. Frankfurt Airport benefited here from its very good long-distance rail connections. The above-average proportion of business travelers before the crisis, which has declined sharply due to business

travel restrictions and home office obligations, were also a contributing factor. Cargo handling fell slightly throughout ADV, with an above-average decline in Munich due to the reduction in hub traffic and the associated slump in long-haul traffic. On the cargo side, only the major cargo hubs of Leipzig and Cologne/Bonn, as well as Hahn, recorded a significant increase, driven by all-cargo and e-commerce.

TRAFFIC RESULTS 2020 IN COMPARISON¹

In %	ADV	Munich
Movements [total traffic]	-54.9	-64.8
Passengers [commercial traffic]	-74.6	-76.8
Cargo [airfreight and airmail and transit]	-3.9	-55.6

¹ ADV monthly statistics 12/2020, February 2021

In a European comparison, Munich Airport also fell behind and was no longer in the top ten of the airports with the highest number of passengers. In general, German airports underperformed due to particularly stringent travel restrictions. Germany's largest airport, Frankfurt, ranks only sixth.²⁰

Ground handling services in a difficult economic environment

For the two subsidiaries AE Munich and AE Berlin, as for the entire German aviation industry, 2020 was marked by an extreme decline in the number of handling operations as a result of the global Corona pandemic.

²⁰ Airports Council International, December 2020

There are two ground handling licenses at Munich Airport. One of these is permanently assigned to the subsidiary AeroGround Flughafen München GmbH [AE Munich]. In 2020, AE Munich recorded a 69.2 percent decline in handling operation volumes. The market share decreased by 3.8 percentage points to an average of 51.2 percent in 2020. This can be attributed, among other things, to a shift in market share at Deutsche Lufthansa, which also resulted in a decline in market share at Terminal 2.

By contrast, Terminal 1 saw an increase in market share due to cargo handling operations, which remained constant even during the flight cancellations.

In 2020, AE Berlin recorded a decline in handling operation volumes of 65.7 percent. Business activities were also shaped by the relocation of the Tegel Airport operations to the new BER Airport and the acquisition of two major customers. Overall, the market share at the Berlin location rose to more than 50 percent. The average market share in passenger traffic in 2020 was 24 percent (previous year: 20 percent) and in freight traffic 3 percent (previous year: 0 percent).

Commercial Activities business

Compared with the previous year, revenue in the Commercial Activities business unit fell sharply due to the Corona virus pandemic, due to the small number of passengers boarding flights. As a result of these passenger incursions, terminal areas at Munich Airport were gradually closed. The satellite building and Module A in Terminal 1 were closed on March 24, 2020. One month later, on April 29, 2020, Terminal 1 was then completely closed until July 8, 2020. From December 1, 2020, there was another complete closure.

Furthermore, due to a general order and the Bavarian Infection Control Measures Ordinance [BayIfSMV], all retail and food service units were closed between March 17 and April 27, 2020. Basic supply and gastronomy as take-away or drive-in as well as deliveries were excluded. Since then, it has been up to tenants to decide for themselves whether to open their units based on projected passenger traffic.

In order to reduce the burden on the tenants and to keep them at the Munich location in the long-term, rents or rental agreements were adjusted in individual cases, primarily for passenger-dependent retail and catering and differentiated according to the type and scope of the restrictions, as far as legally permissible and required.

Retail – sales performance reflects slump in passenger numbers

Retail sales have plummeted as a result of the crisis and the associated lower passenger numbers and the closures of terminal areas described above, as well as the restrictions resulting from the general order and the BayIfSMV.

Gastronomy and hotels are suffering under the pandemic

In absolute terms, sales in restaurants and bars also fell sharply compared with the previous year due to the pandemic and the accompanying restrictions. However, in relative terms per guest, revenue increased, reflecting continued employee catering as passenger numbers declined.

Hotels also experienced declines in revenue from demand for overnight stays and conferences. At the Skytrax Awards 2020, the five-star hotel in the central area of Munich Airport was again named the second-best airport hotel in Europe.²¹

Parking – demand decreases with passenger volume

The decline in passenger numbers at Munich Airport has had a severe impact on the parking business. The proportion of trips made by car or car sharing has increased compared with previous years, but only by a very small amount in absolute terms. The only business unit to record just a slight decline in sales was tenant parking, which is not directly dependent on passenger numbers.

Advertising – a challenging market environment

The advertising market has also suffered under the pandemic. However, sales fell disproportionately to the decline in passengers. This was because the majority of advertising contracts were concluded before the outbreak of the pandemic in Germany and these were honored. By contrast, the number of long-term contracts (including passenger boarding bridges, smoking lounges) decreased due to the terminal closings.

Real Estate business Momentum for additional location and real estate development

The effects of the Corona pandemic were also felt in the real estate sector. Various planned construction projects were halted or postponed, and in ongoing projects, the companies carrying out the work reported additional costs and disruptions. Overall, however, the result is roughly at the level of the previous year and therefore within the range of the 2020 plan: while rental income remained almost constant, it was possible to reduce costs by shifting and prioritizing

²¹ SKYTRAX, World's Best Airport Hotels 2020, December 2020

measures for renovation and maintenance. Nonetheless, numerous tenants from all sectors have requested rent reductions and payment deferrals, but FMG has so far failed to implement them.

The development of the future LabCampus project on the AirSite West site is making progress. In the year under review, construction work began on the first two office buildings, which are scheduled for completion in 2022/2023.

Extensive development measures are required to improve connections to AirSite West. The construction measures for this are expected to run until mid-2021. In addition, the bridge structure over Zentralallee [traffic junction West 0], which connects the western end of Nordallee via Zentralallee and the railway tracks with the maintenance area of the airport, was completed at the end of 2020.

In the eastern area of the airport, Munich Airport continued the tunnel works related to the Erding ring closure to improve rail access to the airport. The existing tunnel, which currently ends at the level of the satellite building of Terminal 2, will be extended eastwards. The tunnel extension is around 1.5 kilometers long and will be supplemented by a 300 meter long access ramp, via which the trains will return to the surface. Munich Airport plans to complete the tunnel shell in 2021. Thereafter, it will be fitted out by DB Netz AG with the technical equipment required for railway traffic.

Construction work was also completed on the multi-lane widening of the southern ring road and its extension eastward toward the eastern airport bypass to improve road access to and from Munich Airport. The first construction phase was completed on schedule in September 2020, and the second construction phase was put into operation at the end of 2020.

Munich Airport is currently in the implementation phase of the large-scale Terminal 1 gate project. The extension will help to improve the handling of wide-bodied aircraft and non-Schengen passengers, which was urgently needed due to the changing traffic structure. In addition, because the requirements for security checks have increased constantly since Terminal 1 was opened in 1992, checks on persons and luggage must be expanded. Only with the addition of this gate can the handling quality in Terminal 1 meet the demands of passengers, airlines and authorities again.

The overall concept for the extension includes a structure on three levels, comprising a core building adjacent to Terminal 1 and a gate. This will be connected with the existing Modules A and B and extend more than 320 meters into the western apron of Munich Airport. Up to twelve aircraft will then be able to dock at the gate. The total area of the extension including renovations in the existing arrivals area B is around 95,000 square meters. The construction permit for the gate was issued in January 2020. Construction work in the apron area is proceeding according to plan, and concrete will start to be poured as early as 2021. The excavation pit was also completed on time, and the shell of the building has been under construction since the spring of 2020 and is now at level 04. There has been a delay of a few months due to the Corona pandemic. Contracts for the façade and roof are scheduled to be awarded in the coming months.

Residential properties of various types have been rented since 2019 in order to provide suitable living accommodations for employees already working at Munich Airport as well as for new employees. Apartment buildings owned by the airport have also been renovated and converted into residential facilities. The 196-bed hotel for employees which opened in Hallbergmoos at the end of 2019 will continue to be available.

Demand for office and logistics space within the Group has grown in previous years. For this reason, a central logistics center was built in the area of AirSite West at the beginning of the previous year, and has since been handed over to the operating subsidiary eurotrade in October 2020. Construction work on the West 2 office building, to the north of the office building used by the Real Estate business unit, was completed in 2020 with the building already being handed over to its first occupants.

Results of operations, net assets, and financial position

Results of operations

Profit after tax collapsed due to the pandemic

In the 2020 fiscal year, Munich Airport's profit after tax (EAT) decreased by T€ 499,248 to T€ -321,401. The developments are explained in detail below.

RESULTS OF OPERATIONS

T€	2020	2019	Change	
			Absolute	Relative in %
Revenue	579,672	1,567,967	-988,295	-63.0
Other income	44,543	43,165	1,378	3.2
Total revenue	624,215	1,611,132	-986,917	-61.3
Cost of materials	-232,577	-413,210	180,633	-43.7
Personnel expenses	-408,606	-537,239	128,633	-23.9
Other expenses	-144,870	-106,369	-38,501	36.2
EBITDA	-161,838	554,314	-716,152	>100.0
Depreciation and amortization	-242,016	-208,835	-33,181	15.9
EBIT	-403,854	345,479	-749,333	>100.0
Financial result ¹	-29,566	-88,657	59,091	-66.7
EBT	-433,420	256,822	-690,242	>100.0
Income taxes	112,019	-78,975	190,994	>100.0
EAT	-321,401	177,847	-499,248	>100.0

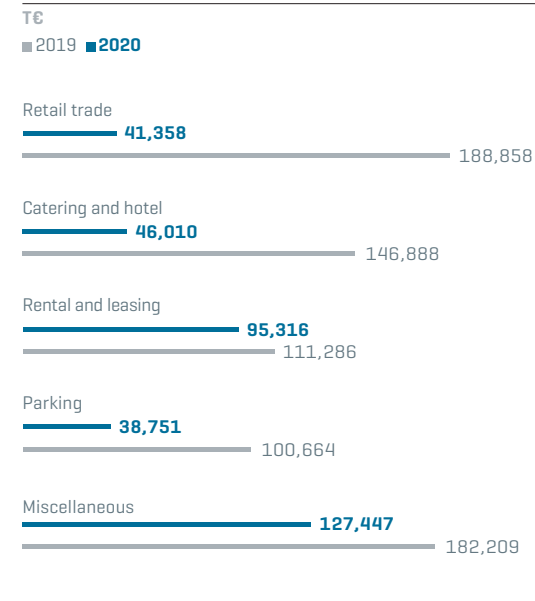
¹ This also includes income from companies valued using the equity method.

After years of steady growth, air traffic at Munich Airport came to a complete standstill from March 2020 due to the various lockdowns combined with additional worldwide travel restrictions. For this reason, revenue from airport charges decreased significantly from T€ 655,189 to T€ 164,782 [-74.8 percent].

Revenue from handling operations also decreased by a total of T€ 116,865 [-63.9 percent], primarily in the area of ground handling services. All airlines repeatedly adjusted their flight offers at short notice to the lockdowns and the corresponding travel restrictions.

Revenue in the other divisions developed as follows.

BREAKDOWN OF REVENUE OF OTHER AREAS



The decline in rental and leasing income is primarily due to the rent reductions in the retail and catering sectors.

Other revenues include global management, consulting and training services for the aviation industry amounting to T€ 20,247 [2019: T€ 14,295].

The cost-cutting measures introduced in the Group resulted in a reduction in the cost of materials [-T€ 180,633]. In particular, purchased services [-T€ 76,932] and cost of sales [-T€ 85,779] decreased significantly.

Personnel expenses at Munich Airport fell by a total of 23.9 percent to T€ 408,606, in particular due to the short-time work benefits introduced in April 2020 and the substantial reduction in remaining vacation and flexitime credits. The average number of employees decreased from 9,678 in the previous year to 9,384.

Adjusted for expenses to cover provisions in connection with the «Restart» change program (T€ 76,868), other expenses decreased by a total of 36.1 percent (-T€ 38,367) as a result of drastic cost-cutting measures.

Depreciation and amortization (T€ 242,016; 2019: T€ 208,835) includes impairment losses on assets of T€ 42,495 (2019: T€ 6,126). With an amount of T€ 24,663, these primarily relate to planning services performed for the third runway in the 2020 fiscal year, which must still be performed due to an expected further postponement in connection with the Corona pandemic. Overall, depreciation and amortization decreased slightly by T€ 3,188 or 1.6 percent.

The financial result (including the result from companies assessed at equity) improved by T€ 59,091 to T€ -29,566. This was mainly due to the non-cash positive effects from the revaluation of financial liabilities from interests in partnerships in other financial results.

Tax expenses include actual tax income of T€ 704 (2019: tax expenses of T€ 85,258) and deferred tax income of T€ 111,315 (2019: T€ 6,283). The high level of deferred tax income is mainly due to the recognition of tax losses carried forward, since the Group companies expect to generate positive earnings again in the coming years.

Net assets and financial position

Assets – Munich Airport secures its liquidity

FINANCIAL POSITION

T€	Dec. 31, 2020	Dec. 31, 2019	Change	
			Absolute	Relative in %
Non-current assets	5,315,139	5,151,911	163,228	3.2
Current assets ¹	213,451	390,112	-176,661	-45.3
thereof cash and cash equivalents	9,717	39,576	-29,859	-75.4
Assets	5,528,590	5,542,023	-13,433	-0.2
Equity	2,064,962	2,378,139	-313,177	-13.2
Other non-current liabilities ²	2,530,126	2,072,660	457,466	22.1
Other current liabilities ²	933,502	1,091,224	-157,722	-14.5
Liabilities	5,528,590	5,542,023	-13,433	-0.2

¹ Including assets classified as held for sale

² Including financial liabilities resulting from partnerships

The increase in non-current assets (+T€ 163,228) at T€ 168,431 primarily affected property, plant, and equipment for own use. As a result of construction projects that continued, advance payments made and assets under construction increased by a total of T€ 147,693 to T€ 635,845.

In the 2020 fiscal year, Munich Airport's liquidity reserves decreased from T€ 168,767 to T€ 67,985 as a result of the crisis. The balance at the end of the year resulted from the raising of new funds to secure liquidity, which are included in the short-term assets. In addition, current receivables (-T€ 33,626) decreased to T€ 60,603 and cash and cash equivalents (-T€ 29,859) decreased to T€ 9,717.

The change in equity to T€ 2,064,962 is mainly due to the consolidated net loss for the current financial year of T€ 321,401.

The increase in non-current debt to T€ 2,530,126 is mainly due to the borrowing of funds totaling T€ 480,000 to secure liquidity.

Current liabilities include repayments of loans due in the 2021 fiscal year. The total balance at the reporting date was T€ 212,751 (previous year: T€ 303,292). In addition, liabilities decreased by T€ 40,023 to T€ 111,597.

Capital structure – borrowing to
secure liquidity

CAPITAL STRUCTURE

T€	Dec. 31, 2020	Dec. 31, 2019	Change	
			Absolute	Relative in %
Subscribed capital	306,776	306,776	0	0.0
Reserves	133,651	147,490	-13,839	-9.4
Other equity	1,624,515	1,923,854	-299,339	-15.6
of which annual profit/loss	-321,401	177,847	-499,248	>100.0
Non-controlling interests	20	19	1	5.3
of which annual profit/loss	1	5	-4	-80.0
Equity	2,064,962	2,378,139	-313,177	-13.2
Financial liabilities from interests in partnerships	334,619	354,047	-19,428	-5.5
Shareholder loans	502,327	491,913	10,414	2.1
Fixed-rate loans	1,220,872	722,576	498,296	69.0
Floating-rate loans	603,417	683,616	-80,199	-11.7
Loans	1,824,289	1,406,192	418,097	29.7
Derivatives	16,341	28,918	-12,577	-43.5
Other liabilities	786,052	882,814	-96,762	-11.0
Financial liabilities	3,463,628	3,163,884	299,744	9.5
Equity ratio	37.4%	42.9%		

The equity ratio has deteriorated mainly due to the results of the financial year and the borrowing of funds to secure liquidity.

The main terms of Munich Airport's current and non-current financial liabilities can be found in the table below. Fig. 1

The shareholder loans are available indefinitely and interest is charged on the basis of the base rate plus a margin, if the results and anticipated economic development allow this.

The loans bear usual non-financial covenants, including negative pledges and pari passu clauses. In addition, there are other general conventional agreements concerning repayment in the event of changes in shareholder structure. No financial covenants have been agreed.

Munich Airport uses interest rate payer swaps and forward exchange transactions to hedge against risks arising from interest rate and exchange rate fluctuations. Interest rate hedges are accounted for as a valuation unit. Fig. 2

NON-CURRENT LOANS CONDITIONS

Fig. 1

Method of funding	Currency	Interest rate	Residual debt in T€	Interest rate in %	
				from	to
Financial liabilities from interests in partnerships	EUR	Earnings-based	334,619	-	-
Shareholder loans	EUR	variable/earnings-based	491,913	Base rate plus margin	
Loans	EUR	Floating-rate	605,992	3M and 6M EURIBOR plus margin	
Loans	EUR	Fixed-rate	1,224,317	0.16	3.46

(As at December 31, 2020)

HEDGING TRANSACTION CONDITIONS

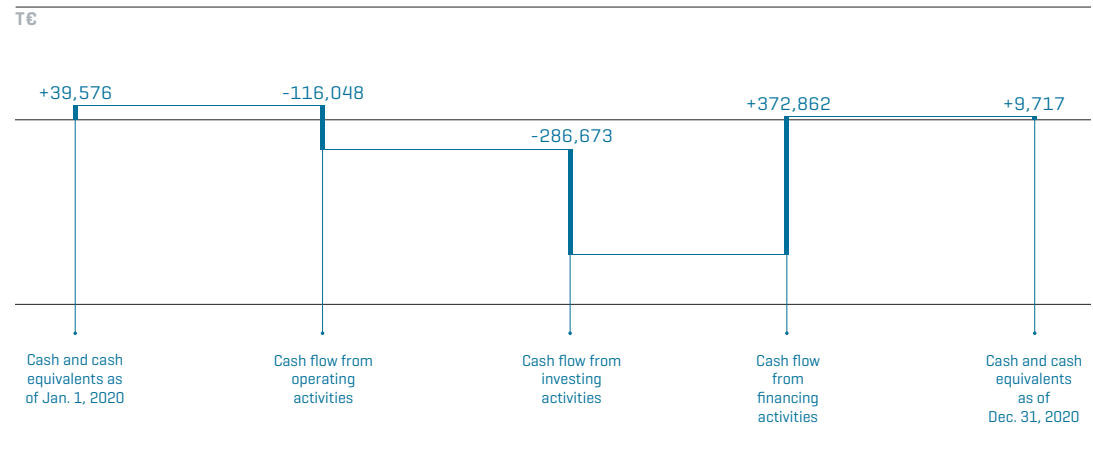
Fig. 2

Hedge transactions	Notional amount	Currency	Fixed rate in %		Forward rate in EUR/USD		Underlying transactions
			from	to	from	to	
Interest payer swaps	491,000	T€	0.52	2.38	-	-	Syndicated loans
Forward exchange transactions ¹	608	T€	-	-	1.15	1.15	Expected transactions

¹ These hedges are not recognized.

CASH FLOW STATEMENT

Fig. 3



Liquidity

Due to the significant decline in the development of traffic throughout the Group in the 2020 fiscal year, there was a cash outflow from operating activities (previous year: cash inflow of T€ 429,074).

The cash outflow from investing activities resulted primarily from investments in construction projects. The cash inflow from financing activities increased by T€ 501,899 over the previous year to T€ 372,862 (previous year: cash outflow of T€ 129,037), in particular due to the raising of long-term financial debt to secure liquidity. Fig. 3

Investments

In fiscal year 2020, investments in property, plant, and equipment for own use at Munich Airport was T€ 387,809 in total. This was offset by planned depreciation and amortization in the amount of T€ 189,538.

These investments primarily comprise costs for construction projects, which were not yet completed in fiscal year 2020. These included investments in connection with the development of AirSite West, including the «LabCampus» project, the expansion and modernization of Terminal 1, and the expansion of the rail tunnel for the Erding ring road.

In addition, construction projects such as infrastructure improvement in the eastern sector, the logistics center and the West O traffic junction were completed and put into operation.

Further explanations on this are included in the section «Key events in the past fiscal year».

Target achievement and overall assessment

Year on year and in comparison with the forecast development, these performance indicators have trended as follows:

FORECAST/ACTUAL COMPARISON

	2019		2020		2020 Actual	
	Actual		Forecast			
			from	to		
			%	%		
EBT [in T€]	256,822	Decrease	significant		-433,420	Achieved
CO ₂ reductions [in tonnes]	24,280	Decrease	-12.3	-7.3	8,207	Not achieved
Passenger experience index	81.84	Unchanged	0.0	0.0	78.12	Not achieved ¹

¹ 2020 could only use the value in the 1st quarter of 2020 as a target value for the overall satisfaction from the passenger experience index, since passenger surveys were only carried out during this period.



Earnings before taxes (EBT)

Munich Airport's EBT in the 2020 fiscal year was impacted by the effects of the Corona pandemic. Despite drastic countermeasures in both the expense and investment categories, it was not possible to compensate for the decline in earnings.

Carbon reductions

To achieve the long-term climate protection goals, binding targets are defined annually for divisions and subsidiaries of the Group. These include stipulations regarding the implementation and recognition of efficiency measures, and special targets for the development of CO₂-reducing technologies. Examples include the increased use of EC Fan-Grid technology in the ventilation systems of Terminal 1 and Terminal 2, and the continuous expansion of gate air curtain systems throughout the campus. Due to the sharp decline

in aircraft movements caused by the Corona pandemic, the special target «PCA utilization» could not be achieved. This absolute figure had been calculated at the beginning of the year for at least 400,000 aircraft movements.

Passenger Experience Index (PEI)

In the 2020 fiscal year, Munich Airport saw a slight decrease in the satisfaction of passengers as measured by PEI compared to 2019. Munich Airport was only able to conduct passenger surveys in January, February and March in 2020. Since then, interviews have had to be suspended until further notice due to the pandemic. The lower value of overall satisfaction compared to the previous year can be explained by the fact that the Corona virus, which emerged in Europe in the first quarter of 2020, caused uncertainty among passengers at Munich Airport.

Events after the balance sheet date

Please refer to the notes to the consolidated financial statements for information on significant events after the balance sheet date.

Outlook, risks and opportunities report

Outlook report

Economic and industry-specific conditions

The following comments on the outlook for 2021 only include the effects of the Corona virus measures to the extent that the corresponding information or forecasts had been published by the time of reporting. The impact on the international and German economy is severe, but based on current knowledge, it is still not possible to accurately estimate how future years will unfold.

In its latest outlook for 2021, the International Monetary Fund (IMF) expects global economic output to recover as a result of the measures introduced to combat the Corona virus. The current forecast is for an increase of 5.5 percent. Economic growth of 4.2 percent is expected for 2022. The IMF is weighing drivers, such as a successful vaccination campaign, on the one hand, against restraining effects due to viral mutations on the other. In addition, global trade volumes are also expected to grow. The services sector is expected to recover more slowly than merchandise trade, which is consistent with subdued cross-border tourism and business travel. Even with the projected recovery in 2021 and 2022, gaps in production are not expected to close.²²

²² International Monetary Fund, January 2021: World Economic Outlook Update

The general economic situation in the leading industrialized nations is expected to experience a significant upswing in 2021, following the devastating slump in 2020, due in part to the earlier availability of vaccines compared with emerging and developing countries. The IMF expects the US economy to grow by an average of 5.1 percent. Canada and the UK have similar forecasts. China is also expected to grow significantly with a forecast average of 8.1 percent. India is even forecast to grow at a double-digit rate of 11.5 percent.²²

The IMF also expects the euro zone economy to grow by an average of 4.2 percent and by 3.6 percent in 2022. Additional EU funds should help to stimulate economic cycle or mitigate the economic consequences of the Corona pandemic. The positive news about vaccine production also contributes to this forecast. In most countries, budget deficits are expected to decline. This is reflected in the forecast growth rates. Germany is expected to grow by 3.5 percent, France by 5.5 percent, Italy by 3.0 percent, and Spain by 5.9 percent.²²

The ifo Institute supports the IMF's statements with comparable expectations for the Federal Republic of Germany. In an industry-specific analysis, the Ifo Institute shows various developments that will continue into 2021. The hospitality industry and other service providers such as hotels and retailers were hit particularly hard. In many sectors of the economy, the infection control measures adopted since November 2020 were tantamount to a halt in activity, analogous to air traffic. By contrast, the Ifo Institute sees the manufacturing sector continuing on a path of recovery. At present, forecasts assume that more far-reaching easing will not be completed until sometime in the spring of 2021.

Overall, the price-adjusted gross domestic product is likely to increase by 3.7 percent in 2021. In 2022, the recovery is expected to continue, although the pace is likely to slow compared with the previous year. Price-adjusted GDP for 2022 is projected to be 3.2 percent.²³

The oil price [Brent] was volatile in 2020 due to the crisis and in some cases even trended negatively. The average for the year was USD42.30 per barrel. For 2021, price movements will depend heavily on coordination among the producing countries.²⁴ The experts are currently not only assuming a rapid recovery in the oil price. They forecast a significantly higher price level than recently assumed. For European benchmark Brent, the forecast is for USD75 per barrel over the next three months.²⁵

The demographic and economic general conditions in Bavaria and especially in the airport catchment area mean that further strong growth in transportation demand can be expected at Munich in the medium to long term despite short-term slumps. According to the results of the regionalized population projection of the Bavarian State Office for Statistics, the population of Bavaria will grow by 3.2 percent by 2039, especially in the Munich region, where it will actually increase strongly to very strongly. In the Bavarian state capital of Munich, the figure is expected to be 7.8 percent; in total, the population in the Munich district will increase by 7.7 percent. The strongest growth is likely to be seen in municipalities in the Munich suburbs, for example Dachau with +10.8 percent or Ebersberg with +11.5 percent.²⁶ In its regional industry forecast 2030 – Germany after Corona – Prognos continues to show Bavaria as one of the top locations in Germany, despite the extreme strain on air traffic caused by the Corona pandemic. Freising, for example, has been hit hard, yet a double-digit growth rate is projected through 2030.²⁷

The global aviation market is suffering severely from the Corona pandemic. Its future prospects should be viewed less optimistically than those of other industries. In principle, the travel restrictions are tantamount to a halt on activity, even though air transport has proven its systemic relevance by transporting medical goods, among other things. IATA also notes that the start of 2021 has been weaker than expected and projects that global air traffic demand will settle in a range between 33 percent and 38 percent of 2019 volumes.²⁸

Forecast course of business

To date, the aviation industry has been more severely and directly affected than other industries by the consequences of the global spread of the Corona virus. Munich Airport expects air traffic to increase in 2021 compared with the previous year. According to an estimate from February 2021, a rather slight growth of approx. two million passengers or almost 20 percent compared to the previous year is expected. This means that the expected passenger volume is approx. 13 million, which is 27 percent compared to the peak from 2019.

²² International Monetary Fund, January 2021: World Economic Outlook Update

²³ Ifo Institute, Economic Forecast Spring 2021, March 24, 2021

²⁴ Website: Tecson, Oil Price Development as of March 16, 2021

²⁵ Website: getoil, oil price forecast and oil price development from February 22, 2021

²⁶ Bayrisches Landesamt für Statistik, population projection by region for Bavaria until 2039, December 2020.

²⁷ Prognos, Regional Industry Forecast 2030 – Germany after Corona, November 20, 2020

²⁸ IATA, COVID-19 Cash Burn Continues – Urgent Preparations for Restart, February 24, 2021

Based on current estimates, Executive Board expects to reach 2019 air traffic volumes in 2024. However, this assumption is subject to great uncertainty and depends heavily on how quickly the pandemic can be contained worldwide, particularly through widespread use of vaccines.

Munich Airport assumes that the impact of the crisis will continue to have a lasting effect on the Group's economic development in all business units in 2021.

With regard to revenue from airport charges, the Executive Board assumes an increase in line with the development of traffic with reference to the newly concluded multi-year master agreement on charges. This agreement does not foresee any price increase for 2021 due to the crisis.

Retail sales are expected to remain at the previous year's level. Average yields per passenger declined slightly due to the lack of foreign customer segments with high purchasing power in particular as a result of the global travel restrictions. This is exacerbated by business closures lasting several months.

Revenue from catering and hotels as well as from handling operations, parking and advertising is assumed to grow at a lower rate than growth in air traffic.

A decrease in revenues from parking and rental and leasing is expected.

Other revenues, which include throughput charges for aviation fuel supply, revenues for utilities and fuel, and global management, consulting and training services for the aviation industry, are developing at a significantly lower rate than passenger growth.

In total, the Executive Board expects an increase in sales revenue of approximately 10 percent compared to 2020.

The cost of materials is expected to rise disproportionately compared with sales revenue. The maintenance and remodeling measures included in this figure will increase significantly due to corresponding catch-up effects from 2020 and in connection with a modernization at the Hilton hotel.

Personnel expenses in the Group are expected to remain at the previous year's level. The decrease in personnel expenses in 2020 is attributable to a special effect resulting from a reduction in vacation and time-off credits. Natural attrition, retirement and the «Restart» change program will reduce the number of employees by the end of 2021.

Other expenses are expected to decrease significantly. This is mainly due to the fact that the one-off effect from 2020 in connection with the «Restart» change program will not be repeated. Irrespective of this, expenses are essentially planned – as in 2020 – only within the framework of the minimum required by law.

Depreciation and amortization will decrease due to asset impairments recognized in 2020.

The financial result is expected to deteriorate due to the annual compounding effects in connection with financial liabilities from interests in partnerships.

In view of the continued very low level of revenue and the limited scope for counteracting this on the expense side, Munich Airport assumes that earnings before taxes (EBT) will be significantly negative in the 2021 fiscal year, even after extensive countermeasures have been implemented.

The Executive Board is making massive efforts to secure liquidity. This will be achieved through cuts in all costs and investments. For example, construction projects that can be delayed, which are not operationally necessary or of great strategic relevance, are postponed to the future. Secondly, the «Restart» change program was initiated, which also includes human resources related measures.

Munich Airport is in a position to continue to make operationally necessary and strategically relevant investments. Compared with the previous year, however, the total investment volume planned for 2021 has been reduced again.

Munich Airport is in constant contact with its principal banks regarding any liquidity requirements that may arise. In the course of 2021, the air traffic, earnings and liquidity forecasts will be continuously updated and, depending on the further course of the crisis, a decision will be made as to when and to what extent an increase in the existing credit lines must be initiated and, if necessary, new funds raised. This ensures that the Group has the necessary liquidity at all times.

The anticipated liquidity depletion assumes that the countermeasures for expenses, investments and personnel are implemented, air traffic recovers and reaches the expected level. If these assumptions do not come to pass in the manner outlined, this may lead to an increased liquidity demand and consequently to earlier consumption of the existing liquidity reserves. From its current perspective, Munich Airport will be able to cover any higher liquidity requirements on the capital market.

Overall, Munich Airport expects EBT to remain at the previous year's level. The exact trend will depend above all on the duration of the travel restrictions and is therefore difficult to estimate at present. This means that in 2021, Munich Airport will still be significantly behind the record year of 2019 before the crisis.

In relation to carbon reductions, a slight decline in the target value for 2021 is expected compared with the savings achieved in 2020. The measures planned, will save more energy than in the previous year. However, the decreasing emission factor for electricity ensures that CO₂ emissions are not reduced to the same extent. The PCA systems (pre-conditioned air systems) installed at Munich Airport are now in normal operation. Their utilization rate will remain at a high level and adjusted if necessary. Additional savings from efficiency measures are targeted for 2021. The planned measures should primarily reduce the energy requirement for lighting and air conditioning technology.

The forecast value of 78.12 for the Passenger Experience Index [PEI] for 2021 was set slightly lower than in previous years because the impact of the Corona pandemic on the PEI cannot yet be determined. In addition, Munich Airport will broaden its ongoing measures to improve passenger satisfaction by adding hygiene to its agenda. Among other things, hygiene measures were included in the audit criteria during the successful 5-Star re-certification audit in 2020, since they have a significant impact on passenger satisfaction, especially when dealing with Covid-19. For example, hygiene was a key component of the successful ACI Health Accreditation in January 2021. In order to maintain and even improve the level of hygiene at Munich Airport, a process will be established in the quality management system during 2021, which will also include the topic of hygiene as part of the continuous improvement process. An important part of this process will be on-site checks, which will be carried out regularly by experts from the specialist departments. In addition, the European Union Aviation Safety Agency, or EASA, included Munich Airport in June 2020 in the group of international pilot airports that exemplify safe travel in times of the Corona pandemic. At these airports, which also include Frankfurt, Brussels, Paris-Charles-de-Gaulle and Amsterdam, the recommendations drawn up by EASA and the European health authority ECDC are to be implemented in an exemplary manner.

PROJECTED MAJOR FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

	2020 Actual	2021 Forecast		
			from	to
			%	%
EBT (in T€)	-433,420	Unchanged		
CO ₂ reductions (in tonnes) ¹	2,373	Decrease	-15.7	-10.7
Passenger Experience Index Overall Satisfaction ²	78.12	Unchanged	0.0	0.0

¹ Actual value CO₂ savings 2020 without savings from use of PCA, i.e. only energy efficiency and supply

² 2020 could only use the value in the 1st quarter of 2020 as a target value for the overall satisfaction from the passenger experience index, since passenger surveys were only carried out during this period.



Risks and opportunities report Risk management system

The Executive Board of FMG and all subsidiaries and affiliated companies is responsible for the early detection and prevention of risks that jeopardize the continuity of Munich Airport and the investments. Group Management has overall responsibility for an effective risk management system and lays the essential foundation for it by communicating and defining corporate strategy and targets. It formulates specifications for the risk management process and the organizational structure of the risk management system.

The goal of the risk management system is to identify events and developments that may have a negative impact on the achievement of strategic and operational targets in good time and develop suitable countermeasures. It takes account of all aspects of entrepreneurial activity – economic as well as environmental and social.

The risk management guideline regulates the general principles of risk management in the Group as well as the tasks and responsibilities of the function holders involved in risk management. This is aligned in accordance with the internationally recognized framework model «COSO ERM» [Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management].

The Risk Management Committee serves as an additional supporting management, control, and supervisory body within the risk management system. As the highest-ranking body in risk management, it reports directly to the Executive Board and consists of the Managing Director of Finance

and Infrastructure, the heads of the Aviation, Commercial Activities and Real Estate business divisions, the heads of the Legal, Corporate Bodies, Compliance and Environment, Group Controlling and Participation Management, Group Security and Corporate Communication & Politics divisions, the head of the IT service division and the risk manager. The head of Compliance is involved in the Risk Management Committee as a guest. The task of the Risk Management Committee is to analyze the risks from a Group perspective and to monitor the effectiveness of countermeasures. It provides support for developing the risk management system and for risk identification, assessment, and control. The Risk Management Committee meets quarterly and issues the risk report, which is subsequently presented to the Executive Board and the shareholders.

The risk management process comprises the following steps. A coordination and communication platform has been established in the system to support this process.

Identification and communication of risks

All divisional managers and Chief Executive Officers of subsidiaries and shareholdings are responsible for the identification and assessment of risks. In the relevant divisions, all risk-relevant information is coordinated, administrated, documented, and passed on by the relevant risk managers. The risk manager checks the divisions' risk reports for plausibility and compliance with the Group-wide standards for risk assessment. The role involves combining the divisions' individual reports in a risk report, taking account of materiality for the Group, and reporting quarterly to the Executive Board and shareholders. Risks that jeopardize the Group's existence that have been identified for the first time must also be reported to the Executive Board on an ad hoc basis.

As a basis for dealing with risks responsibly, each individual employee is involved in managing risks throughout the company. Employees are individually responsible for eliminating risks in their area and for reporting signs of existing risks to their manager without delay.

Assessment of risks

The systematic risk assessment allows the company to determine the extent to which individual risks jeopardize the fulfillment of Munich Airport's corporate goals and strategies and which risks may possibly threaten its existence. For this purpose, the factors damage amount, and probability of occurrence/frequency, are presented in a two-dimensional risk matrix. The expected loss describes the impact on profits that can be expected if the loss event occurs. In the case of events that recur over time, the company works with the frequency with which they occur. The assessment first takes place without considering measures to limit the risk [gross risks, see the section «Risks»]. Subsequently, the risks are assessed after risk-minimizing measures are initiated or implemented [net risks, see section «Risks»].

Dealing with risk

Starting from the risk analysis, appropriate countermeasures for dealing with risk are specified according to corporate strategy and economic aspects. Risk management strategies include: control, insure against, minimize, eliminate, and transfer. The risk officers have the task of specifying and implementing countermeasures to manage risks in the respective division affected.

Risk monitoring

The risk manager monitors the effectiveness of risk management continuously. Risks are also monitored separately by Internal Audit.

Compliance management system

Compliance covers compliance with all Munich Airport-related laws, specifications, and regulations, national and international rules and standards, as well as in-house rules and guidelines. Munich Airport has established a Group-wide compliance management system, which encompasses all organizational provisions ensuring compliance with the aforementioned rules.

The Compliance Department submits reports on the current status of the compliance management system to the Executive Board on a regular basis and to the Supervisory Board on an annual basis.

Compliance risks are also communicated as part of the risk reporting to the Executive Board and shareholders if internal thresholds are exceeded. Regular dialog takes place between Risk Management and Compliance.

Identifying and mitigating compliance risks

The Compliance department prepares the compliance risk analysis with input from the FMG divisions and combines it with the subsidiaries/affiliates compliance risk analyses every year.

Compliance risks are assessed in the same way as the risk management process. Once the compliance risk analysis has been carried out, the Executive Board is notified of the results in a report.

The annual Compliance Report to the Supervisory Board of FMG also includes the results of the compliance risk analysis. If, despite all countermeasures taken, a risk has a high potential for damage and at the same time a high probability of occurrence, then it is examined in more detail in the report.

After consideration of the implemented countermeasures, no significant compliance risks remain for the year 2020. Appropriate protective measures for the health of employees and customers were given the highest priority with respect to the Corona pandemic.

Preventing corruption

The Compliance Principles and the Gift/Invitation Policy support management, executives and employees in behaving lawfully and ethically in the workplace. They are published on the intranet and are therefore available to all employees. In addition, the principles refer to the observance of other internal company guidelines, such as compliance with public procurement law during procurement and procurement processes, data protection organization or information security. These ensure that processes and procedures are transparent and traceable, both internally and externally. In contracting and tendering procedures, Munich Airport requires bidders to submit a declaration of commitment stating that they will undertake everything necessary to preclude corruption. Compliance failures are subject to sanctions, such as exclusion from the contracting process.

The position of anti-corruption officer is exercised by the head of the Compliance department. There are no known confirmed cases of corruption in the Group for 2020. Minor attempts at fraud against Munich Airport could be prevented in advance.

Communication and training

A key task of the Compliance department is to train and advise employees, managers, and the FMG Executive Board in compliance matters as a preventative measure to stop compliance breaches from occurring.

Group compliance regularly provides training and publishes information to ensure that all employees and managers are familiar with the guidelines and any updates or amendments to them. As a result of the effects of the Corona pandemic, compliance training for employees in 2020 was conducted in a flexible manner, both in person and digitally. Participation in the training was documented.

Training courses under the Leadership Excellence Program had to be canceled due to the Corona pandemic and will be resumed in a modified form in 2021 in accordance with current developments.

The Executive Board addresses the issue of compliance in an ongoing process at frequent intervals, and the Supervisory Board is informed at regularly scheduled intervals.

Electronic whistle-blower system

Through an electronic whistle-blower system, the Business Keeper Monitoring System (BKMS®), Group employees, business partners, and customers can report behavior potentially damaging to our organization. As part of the advancing globalization and internationalization of business activities, the whistleblower system will also be offered in English from now on. Furthermore, documents can now also be forwarded electronically in anonymized form. People inside the Group and outside can also contact the Compliance department by other means of communication [telephone, e-mail, face-to-face discussions] if they wish to draw attention to compliance infringements and need advice. Tender documents inform potential bidders of the possibility of using the BKMS® should compliance infringements be suspected.

Data protection

Munich Airport has taken comprehensive measures to comply with the General Data Protection Regulation (GDPR) and the revised Federal Data Protection Act (BDSG). The subsidiaries and associated companies have appointed data protection officers to perform advisory and oversight duties in accordance with the GDPR. Data protection coordinators have also been established in FMG's specialist departments in order to identify and address the issues and risks faced by the departments. They are continuously trained, informed and advised by the Corporate Compliance unit in cooperation with the Data Protection Officer. This has also been handled in a flexible manner on short notice through various media since the outbreak of the Corona pandemic.

Responsibility for data protection compliance in their respective processing operations is decentralized among the individual FMG departments and subsidiaries/affiliates.

FMG's data protection officer is responsible for advising and supporting the departments and is appointed directly as data protection officer in most subsidiaries/affiliates. The data protection officer of FMG is assigned organizationally to the Compliance department and reports directly and independently to the Executive Board.

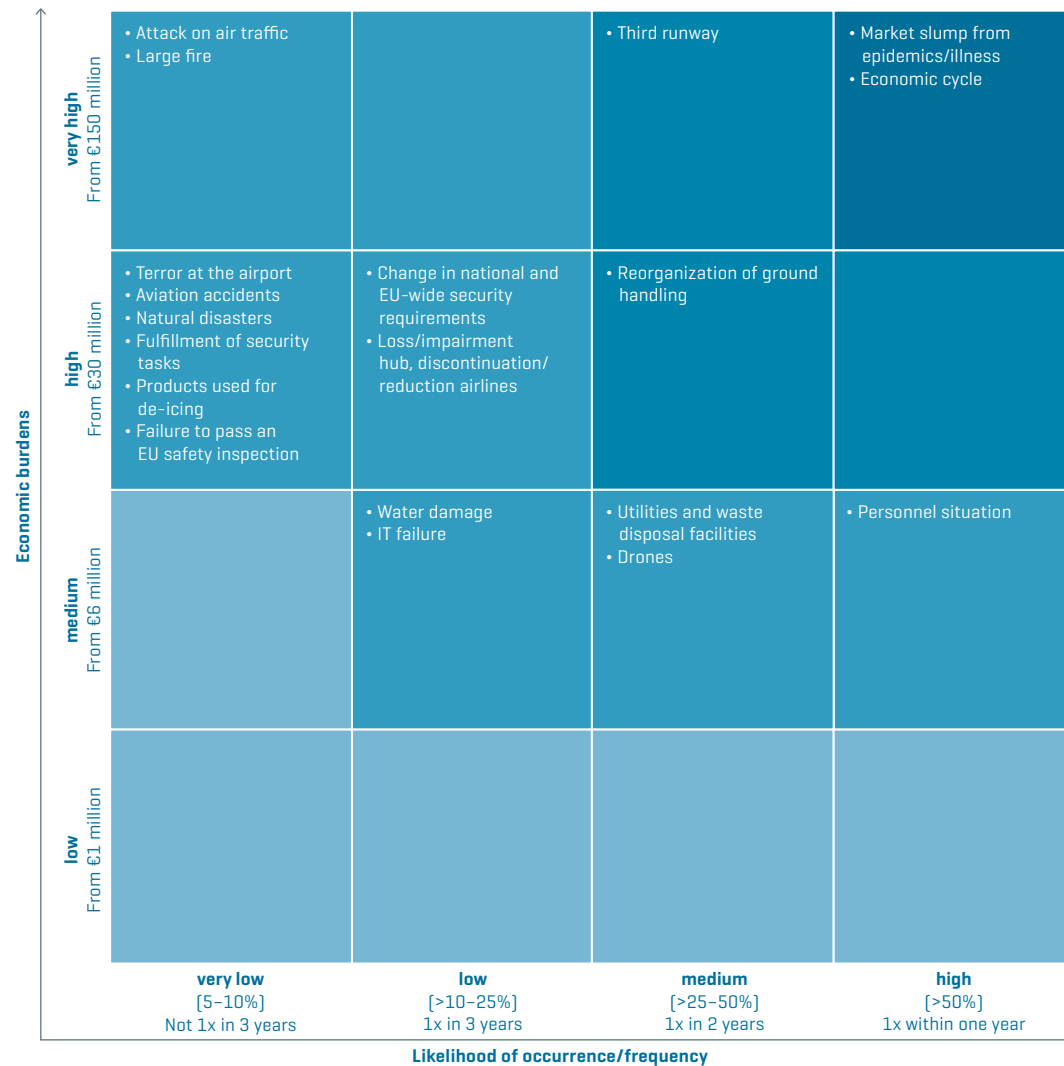
Due to the impact of the Corona pandemic, training measures for Group employees and managers to further raise awareness of data protection and data security took place almost exclusively on a digital basis in 2020. In addition, awareness was continuously raised via the intranet. In individual cases, professional and individual advice was also provided to support security in handling personal data.

Risks

Risks that could have a material influence on the business activity or on the net assets, financial position, and results of operations as well as the reputation of Munich Airport are explained below. In each case, the risks are shown before [overview of gross risks] and after consideration of suitable countermeasures [overview of net risks].

The risk assessment relates to the economic impact in the assessment period quoted. As of December 31, 2020, the following material gross risks were identified for Munich Airport:

OVERVIEW OF GROSS RISKS



As already described in detail in the «Course of business» section, the Corona pandemic at Munich Airport led to a significant reduction in passenger traffic compared with the previous year. Future traffic development depends in particular on international travel restrictions and warnings. Due to the high numbers of infections, it is currently very likely that the measures to contain the Corona pandemic will continue for some time. Due to the ongoing uncertainty among passengers, changes in travel behavior to the detriment of air travel are to be expected in the medium term. Cost-cutting measures in many companies and digital media will, at least for the time being, result in restrictive travel policies for business travel and therefore fewer business trips.

The current level of uncertainty surrounding the further course of the Corona pandemic and its impact on the aviation industry has a major effect on the assessment of the risks «Loss of/adverse impact on hub/discontinuation/reduction airlines», «Economic cycle» and «Market slump from epidemic/disease». The latter two risks were set to «very high» in the previous year's report after December 31, 2019. The risk «Loss/impairment hub, discontinuation/reduction airlines» was reassessed in the current 2020 fiscal year and upgraded from a «very low» to a «low» probability of occurrence. The financing requirements at Munich Airport are also reviewed continuously, which is reflected in the liquidity risk. In addition, the risk «Personnel situation» has gained in importance.

RISKS RESULTING FROM FORCE MAJEURE

Risk	Description and analysis	Countermeasure(s)
Natural disasters	Persistent and intensive rainfall together with melting snow and ground saturation to the south of Munich as far as the Alps could cause flood run-off in the Isar. A resulting breach of the Isar dams and flood protection dike in Freising could lead to the terminals being flooded.	Gradual upgrading of the Isar dams by the water authority. They have already been partially renovated. In addition, the Free State of Bavaria is planning to shift the flood protection dike further back. Munich Airport also monitors the waste water discharge situation on a permanent basis and carries out maintenance and repair work. A study of the flood protection system conducted in 2019 also showed that it is adequate even in the event of intense precipitation and flash flooding, which can occur under certain weather conditions. Countermeasures are being intensified at an operational level by means of crisis and risk management procedures at Munich Airport. Insurance to cover earthquakes, storms, hail, and flooding has been arranged.
Attack on air traffic	The risk of terrorist attacks on air traffic remains unchanged. In addition to bodily injury and property damage, this would result, at least temporarily, in a decrease in the number of aircraft movements and passengers.	To avert a terrorist attack, Group security is taking strategic, operative, as well as technical and organizational measures: provision of sufficient and well-trained personnel resources, construction measures to guarantee modern and approved security technology and infrastructure, monitoring of service quality through sustainable quality measures, and constant exchange with the responsible security authorities. Bodily injury and property damage as well as interruptions of operations are insured.
Terror at the airport	Terrorist acts on the airport campus pose a risk of personal injury and property damage. A further consequence of such events would be, at least temporarily, a decrease in the number of aircraft movements and passengers.	To avert a terrorist attack, Group security is taking strategic, operative, as well as technical and organizational measures: provision of sufficient and well-trained personnel resources, construction measures to guarantee modern and approved security technology and infrastructure, monitoring of service quality through sustainable quality measures, and constant exchange with the responsible security authorities. Bodily injury and property damage as well as interruptions of operations are insured.
Fulfillment of security tasks	The airline companies are responsible for security tasks in transferred areas. In these areas, airline companies fulfill the same task as airport operators, but are not subject to the same supervisory authority. For Munich Airport, there is a risk that inspections will reveal defects in transferred areas and the airport as a whole will lose its security status as a result. Defective controls could lead to property damage and bodily injury as well as reputational damage.	At present, a subsidiary of FMG is responsible for operational security tasks in the transferred areas; its services rendered are subject to regular monitoring by FMG. Furthermore, a mutual, intensive exchange takes place with the responsible government and supervisory authorities.
Market slump from epidemics/illness	Munich Airport is an arrival, departure, and transfer location for millions of air passengers and therefore a potential source of bacteria and viruses from all over the world. Epidemic/sickness outbreaks can result in market downturns with reduced aircraft movements and passenger numbers. As a result of the Corona pandemic, this risk is becoming particularly important. It is currently evident that the pandemic at Munich Airport is creating enormous economic burdens, which in 2020 caused a very high drop in earnings. The effects on future years cannot be reliably estimated at this time due to the high degree of uncertainty.	Munich Airport is subject to the Act Implementing the International Health Regulations [IGV-DG] and employs a subsidiary to fulfill the necessary functions. Similarly, the rules prescribed by the European Aviation Safety Agency (EASA) on the topic of «emergency response planning» are also fulfilled. This includes, among other things, the responsibility of the Airport Medical Service for managing operations, and compliance with laws and regulations [e.g., the German Infection Protection Act]. A number of measures are currently being planned or have already been implemented to prevent infections. These include protective walls, contact-free access points and fixtures, regular hygiene inspection tests for ventilation systems, adjustment of cleaning quality/intervals, and the «Touchless Travel» project with two «eGates» for contact-free identification using facial recognition. Recommendations have been issued by EASA as well as by the European Public Health Agency (ECDC) to ensure safe travel in times of the Corona pandemic. These recommendations were taken into account and implemented in a «Hygiene Protection Concept.» For explanations of the economic countermeasures, please refer to the «Economic cycle» risk.
Large fire	In the event of damage to or destruction of terminals or infrastructure systems caused by a large fire, property damage and bodily injury as well as long-term interruptions of operations are to be expected.	To minimize the risk of a large fire, Munich Airport takes all required preventive and defensive fire protection measures, and has its own Airport Rescue and Firefighting unit. The risk of a major fire is additionally minimized by a fire insurance policy [property and interruption of operations insurance] and public liability insurance [liability claims of third parties]. After taking the countermeasures into consideration, the net risk is below the risk tolerance limit.
Aviation accidents	Aviation accidents or damage to aircraft can result in bodily injury and property damage, as well as interruptions of operations and secondary damage.	To minimize the risk, Munich Airport maintains an Airport Rescue and Firefighting service, a medical service, and a counseling team. The risk of aviation accidents is minimized through liability insurance and fully comprehensive insurance. After taking the countermeasures into consideration, the net risk is below the risk tolerance limit.

MARKET RISKS

Risk	Description and analysis	Countermeasure(s)
Loss of/adverse impact hub, discontinuation/reduction airlines	<p>Since the beginning of the year, the global Corona pandemic has had an unprecedented impact on air traffic, requiring appropriate government support measures for airlines. Above all, different international quarantine and entry regulations and contact restrictions in numerous destinations are leading to less and less mobility and slowing down a normalization of air traffic. The pandemic will inevitably lead to serious reductions in supply (routes, frequencies of aircraft) and demand. In the current winter flight schedule, Deutsche Lufthansa is concentrating most of its heavily reduced intercontinental services at Frankfurt, thereby significantly reducing services in Munich. This temporary measure is not a precedent for a decision detrimental to hub traffic in Munich in the post-pandemic period. At present, Deutsche Lufthansa's planning scenarios do not foresee any impairment of hub operations. Lufthansa continues to adhere to its strategy of operating Munich Airport as a hub.</p> <p>The future is uncertain for other airlines, which were already struggling with financial problems before the pandemic.</p> <p>The risk of losing the hub in the short-term is therefore rated as «low.»</p>	<p>Munich Airport's collaboration with Deutsche Lufthansa is based on joint investments and long-term cooperation agreements. The widespread use of rapid tests as well as «Tested Flights» is intended to create framework conditions for the resumption of intercontinental air traffic.</p> <p>Despite the Corona pandemic and its impact on air traffic, the cooperation between Munich Airport and Deutsche Lufthansa will continue. In this context, the letter of intent signed between the two parties on December 16, 2019 was expanded to include a side letter in October 2020.</p> <p>In addition, Munich Airport was again awarded the top rating of «5-Star Airport» by the Skytrax institute in 2020. This is the best foundation for a successful new start after the Corona pandemic.</p>
Economic cycle	<p>As a result of a weak economy, the growth parameters assumed in the planning process cannot be achieved, which has a negative impact on earnings development.</p> <p>During more significant economic crises, a collapse in loan finance markets may occur.</p> <p>Increasing protectionist tendencies could put a strain on global trade in general, but especially on European-American trade and consequently on the transatlantic aviation market. This could result in growth-inhibiting effects for Munich Airport.</p> <p>In addition to the above explanations, the outbreak of the pandemic is putting a heavy strain on the global economy. The economy in countries like the USA or Great Britain has been particularly hard hit.</p> <p>Since the further course of the pandemic is uncertain, all forecasts are subject to a very high level of uncertainty. At present, it is not possible to make a reliable estimate of the economic impact this will have on Munich Airport in the years to come.</p>	<p>Reducing expenses through cost monitoring, if necessary reducing staff numbers in a socially responsible manner, short-time work benefits plus a short-term cut in the investment budget in non-critical divisions aim to mitigate the consequences of economic slowdowns.</p> <p>To ensure solvency, revolving credit lines exist or loans can be taken out on the capital market.</p> <p>In the wake of the Corona pandemic, Munich Airport initiated these countermeasures at an early stage to reduce the economic impact. The aim is to safeguard earnings and liquidity.</p> <p>On December 24, 2020, the EU and the United Kingdom agreed on a trade deal that provides for a comprehensive economic partnership. As a result, serious trade barriers could be averted. Nevertheless, there are changes in air traffic laws. On the other hand, traffic between the individual EU countries and Great Britain will remain unaffected by the changes.</p>

OPERATING RISKS

Risk	Description and analysis	Countermeasure(s)
IT failure	<p>Damage to the IT system can result from fire, water ingress, and sabotage.</p> <p>Constant new technological developments and the increasing threat of cyber attacks worldwide also lead to risks in relation to the security of IT systems and networks as well as data security. In the area of cybercrime, there is an increasing, abstract potential risk that requires constant monitoring and assessment.</p> <p>Failure of IT for traffic operations can lead to interruptions in operations. This would result in financial losses and reputational damage.</p>	<p>Critical corporate IT systems are fully redundant with systems located in physically separate locations. Property damage and interruptions of operations are insured.</p> <p>To avert a cybercrime attack at Munich Airport, there is a central information security management system that specifies and controls strategic, technical and organizational measures to defend against cyber attacks. Awareness of cyber risks is reinforced among managers and employees through training. In the competence center against cyber crime (Information Security Hub), IT specialists at the airport work together with experienced IT security companies to test and search for new methods to combat cyber crime. In addition, Munich Airport is working with German air traffic control and other airports to develop measures to defend against cyber attacks.</p> <p>The risk is minimized through insurance. After taking the countermeasures into consideration, the net risk is below the risk tolerance limit.</p>

OPERATING RISKS

Risk	Description and analysis	Countermeasure(s)
Water damage	Water damage caused by a break in the main drinking water or fire extinguishing water pipelines could lead to the failure of infrastructure systems important for air traffic.	Remotely controlled emergency shut-off equipment and additional protective devices in the pipeline connections limit the possible damage. Property damage and interruptions of operations are insured. After taking the countermeasures into consideration, the net risk is below the risk tolerance limit.
Change in national and EU-wide security requirements	Munich Airport is subject to national and EU-wide aviation security requirements, encompassing the topics of airport security, air passenger and hand luggage checks, airfreight, airmail, and goods control, among others. Security requirements are adjusted continuously to the current circumstances. This can give rise to procedural and also infrastructural changes for Munich Airport. Corresponding financial burdens would then follow.	Munich Airport attempts to minimize these consequences through work in associations and on committees. Early information relating to ongoing legislative procedures ensures the timely implementation of security regulations. Additional expenses incurred as a result of infrastructural changes are used as the basis for the master agreement on charges.
Failure to pass an EU safety inspection	The EU's aviation authorities are conducting safety inspections at airports. Should it fail to comply with a safety standard and subsequently fail the follow-up audit, Munich Airport can lose its «Clean» status. The consequences would be a heightening of the safety regulations, considerable obstruction with operational processes, competitive disadvantages, and a loss of image.	Munich Airport conducts thorough and strict quality controls to manage the quality of all safety aspects at the airport. The quality controls implemented have shown that the countermeasures taken as well as the consistent monitoring are effective and that – in theory and practice – very well trained personnel are employed. Therefore, the probability of occurrence of the risk is reduced to «low.»
Utilities and waste disposal facilities	The inadequate availability of substances necessary for operating activities, such as electricity, heat, cooling energy, drinking and extinguishing water, waste water, and waste, may result in property damage and interruptions of operations.	The service and maintenance programs, network redundancies, and storage reduce the risk of gaps in supply. Property damage and interruptions of operations are insured. After taking the countermeasures into consideration, the net risk is below the risk tolerance limit.
Reorganization of ground handling	The success of the reorganization of the former Ground Handling business unit could be put at risk by the following uncertainties and circumstances: sustained reductions in traffic from existing customers, ground handling losses due to the transfer of part fleets to third parties, aggressive pricing policies of competitors, and increasing price decline at Munich Airport. Due to the Corona pandemic, this risk is becoming increasingly important because of the high declines in traffic.	During the negotiations to extend the long-term contract with an important customer of AE Munich, a new contract was concluded at the end of 2016. As a result, associated collective restructuring agreements could be extended. To compensate for declining ground handling volumes, talks with potential new customers are ongoing. In the event of a loss of ground handling, capacities and associated costs will fall. Constant monitoring and reporting of the renovation progress and renovation path is carried out. In response to the significant drop in handling volumes caused by the pandemic, the «Restart» change program, which also includes ground handling, was launched in the fiscal year. The program is designed to position the company for the future. In addition to measures to adjust personnel capacity, organizational changes will also be developed as part of the program.
Personnel situation (previous year: Personnel procurement/recruitment)	Munich Airport is in crisis mode given the situation created by the Corona pandemic. Due to the massive drop in air traffic, the Group is expecting significantly lower staffing levels in the future. The issue from the previous year regarding recruitment/staffing is of secondary importance. Munich Airport is concentrating on overcoming the crisis and taking measures that are intended to ensure the health of employees on the one hand and to mitigate the economic consequences on the other. Personnel management measures can lead to a loss of know-how. Despite the countermeasures that have been introduced, Munich Airport is committed to retaining existing skilled employees.	The countermeasures initiated are aimed at securing liquidity and limiting the negative impact on earnings. To achieve this, personnel capacity is adjusted to the decreasing workload. These measures include in particular the reduction in time-off credits and the short-time work benefits introduced in April 2020, which have been extended until the end of 2021. In addition, the FMG-wide «Restart» change program was initiated, as described under the «Ground Handling Restructuring» risk. This involves developing organizational and efficiency-enhancing measures and focusing on adjusting personnel capacity. In addition, the emergency collective agreement will come into force on January 1, 2021, which was concluded at the federal level between the Association of Municipal Employers' Associations (VKA) and Verdi/Beamtenbund dbb for Flughafen München GmbH.

OPERATING RISKS

Drones	<p>Arising from the increasing number of drones in the sky, there is a risk that drones can enter into the controlled space of Munich Airport without authorization and endanger or disrupt flight operations.</p> <p>In 2017, with the regulation concerning the operation of unmanned aircraft, the Federal Government adopted tightened rules for the use of drones, including an obligation to register aircraft and a ban on operation within the controlled space of airports. In addition, the EU Commission adopted a provision on May 24, 2019 to make the increasing drone traffic safer for people on the ground and in the sky. At national level, legal responsibility for the implementation of drone detection, identification and verification was regulated in mid-2019. At all German commercial airports, the German Air Traffic Control (DFS) is responsible for this. Implementation in the member states took place in December 2020 and is expected to be completed after two years. This provides a binding legal framework for the operation of drones in Europe based on risk assessments.</p> <p>The required legislative changes necessitated by the EU Implementing Regulations (IRs) have not yet entered into force as of December 31, 2020.</p>	<p>Although national responsibilities and competencies with regard to detection and protection against drones do not lie with the airport operator, an exchange between relevant stakeholders on the current status of detection and protection technology has taken place in an expert meeting initiated by FMG. Together with the airport associations ADV, Airport's Council International (ACI) and the German Air Transport Association (BDL), Munich Airport is working toward uniform regulation of drone traffic at national and European level.</p> <p>In addition, a realistic technical evaluation of detection systems was carried out at Munich Airport in the third and fourth quarters of 2020 by DFS in cooperation with the Group and other partners. The findings from the test project will provide a basis for deciding which technology appears suitable for future drone detection at and around German commercial airports.</p> <p>After taking the countermeasures into consideration, the net risk is below the risk tolerance limit.</p>
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LEGAL RISKS

Risk	Description and analysis	Countermeasure(s)
Third runway	<p>Due to the postponement of the decision to realize the third runway, all planning and land acquisition costs incurred to date must be examined for recoverability on an ongoing basis and written off if necessary.</p> <p>Effects from the moratorium agreement reached in 2018 and the Corona pandemic were accounted for in the balance sheet.</p> <p>Without an increase in capacity brought about by the construction of the third runway, there could be a significant loss of company value in the medium and long-term. This will be influenced primarily by a stagnation or decline in the traffic volume and the associated lower revenues in the Aviation and Non-Aviation divisions.</p> <p>The further development of the Corona pandemic and its impact on the aviation industry are subject to a high degree of uncertainty at this time and depend heavily on international travel restrictions and warnings. Based on current vaccination activity, the risk will be reassessed in 2021 and the classification revised.</p>	<p>The confirmation of the planning approval decision by the Bavarian Administrative Court (BayVGH) on February 19, 2014 and in the following year by the Federal Administrative Court limited the legal risks for project implementation.</p> <p>Diversification of the product range and expansion of foreign business were planned as countermeasures to the significant loss of company value. In previous years, the «LabCampus» project was launched, with which Munich Airport intends to create a unique location for innovation and cross-industry cooperation. The expansion in the USA continues.</p> <p>The third runway remains a key long-term strategic project for the future of the Munich Airport.</p>
Products used for de-icing	<p>Formates in the airfield deicing agent currently in use are believed to accelerate the oxidation of aircraft brakes. Discussions about banning these formate de-icing products are ongoing at the SAE (Society of Automobile Engineers) international standardization committee. As an alternative, there are currently only glycol-based de-icers on the market, the use of which is not permitted at Munich Airport by the Ministry of the Environment. If they were banned, substantial sums would have to be invested in waste water systems to comply with the requirements of water management legislation.</p>	<p>The German passenger airports within the ADV and BDL associations are jointly opposing the ban on formate-based de-icers. The intention is to continue to influence SAE through ACI Europe.</p> <p>In discussions with the Bavarian water management authorities, ACI Europe, and the responsible SAE working group, it was shown that as little de-icer as possible is used in order to minimize the environmental impact. In addition, the surface deicing agents used for airfields are published by Munich Airport in the Notice to Airmen (NOTAM).</p> <p>The manufacturers of the de-icer are to be involved in the future in order to find a solution to this problem.</p>
EU General Data Protection Regulation	<p>In addition to the legal risks listed in the risk matrix, there are risks in connection with the EU General Data Protection Regulation (GDPR). The GDPR expands the existing obligations arising from the Federal Data Protection Act (BDSG) and increases the legal, operational, and technical/organizational requirements for data protection. An infringement of these rights and obligations could incur high fines, claims for damages, reprimands, and reputational damage.</p> <p>Currently, Munich Airport is considering issues related to the use of closed circuit television (CCTV) video surveillance.</p>	<p>At Munich Airport, the project to implement the requirements of the GDPR has been successfully completed. As part of this, organizational structures and processes as well as their documentation were adjusted and awareness of data protection was heightened within the Group.</p> <p>In particular, the following measures were taken as countermeasures for data protection risks arising from CCTV: Role usage concept, re-signage to indicate video surveillance, renegotiation of the company agreement on CCTV, consolidation of the legal basis, implementation of a data protection consequence assessment.</p> <p>Munich Airport has also appointed data protection officers and data privacy coordinators who receive awareness training and other types of training on a regular basis from the Group's Compliance unit.</p> <p>The gross risk here is below the risk tolerance limit set by FMG and is therefore not represented in the risk matrix.</p>

Munich Airport is confronted with various legal disputes during the normal course of business. These can lead, in particular, to the payment of compensation claims or, in the case of construction projects, to changes in the remuneration of services. Moreover, other legal disputes can be initiated or existing legal disputes can be expanded. Apart from matters for which provisions have already been made in the balance sheet, Munich Airport is not currently anticipating any material negative impacts for the net assets, financial position, and results of operations from other known cases at the present time.

In addition, further risks can arise in construction projects from increases in construction prices, supplier defaults, planning delays and external influences from the public, the environment, politics, changes in technology, engineering rules or other requirements, including the postponement of construction projects. The investment projects are planned appropriately in terms of their commercial viability, their financial feasibility and the risks associated with the investments, and are monitored continuously during implementation.

During the course of establishing foreign subsidiaries as part of operating and advising other airports and terminals, risks may arise in particular from assuming operational responsibility in other countries for the first time. Airport operating projects, like the Munich location itself, are subject to general economic and company-specific risks. To minimize risk, Munich Airport therefore works with local partners who have experience with respect to the specific country regulations and conditions. In order to counter liability risks in particular, local companies with limited liability were founded in the previous year. Risks can arise, in particular, with what are typically long-term airport operator projects, when it comes to assessing future aviation development and consumer behavior on the part of passengers. This risk became increasingly visible, particularly as a result of the Corona pandemic. A possible lack of growth and/or a possible decline in air traffic, including delayed expansion

projects, could have a material adverse effect on the earnings performance of the foreign companies, which would consequently result in risks for the invested capital. In 2021, Munich Airport will attempt to establish a compensation mechanism with appropriate contractual provisions vis-à-vis the franchisor. Risks may also arise from unforeseen regulatory intervention in the tariff, tax and levy structure of airports or from contractual breaches to the detriment of airport operators.

Tax [operational] audits by the tax authorities are also considered a general risk.

Financial risks

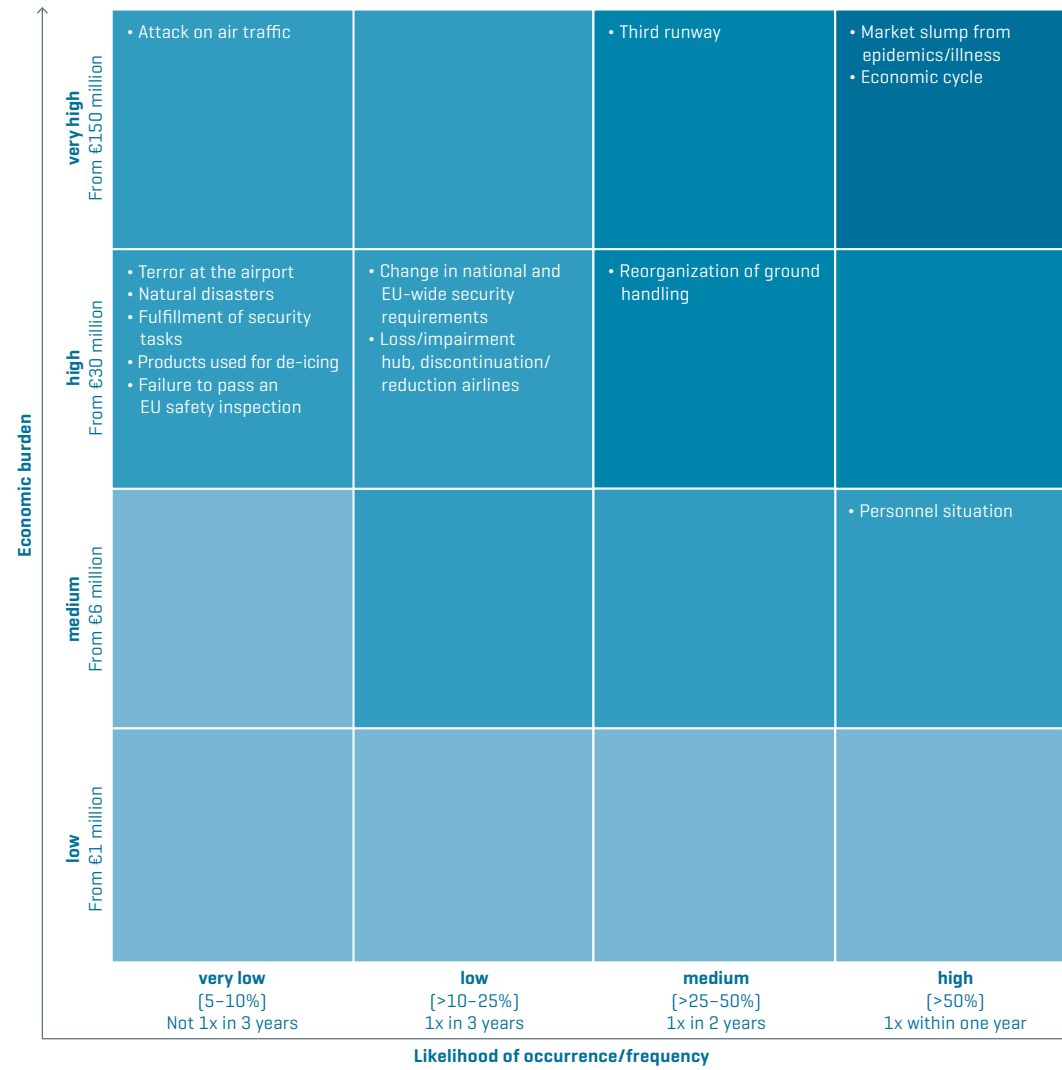
The expected financial liability for the gross financial risks listed below were under the reporting limit as at December 31, 2020. Therefore they were not included in the risk reporting. The monitoring and management of these risks are the responsibility of central finance and cash management.

FINANCIAL RISKS

Risk	Description and analysis	Countermeasure(s)
Currency risks	Currency risks arise insofar as planned sales in foreign currencies are not balanced by any corresponding expenses or outgoings in the same currency.	Munich Airport hedges currency risks using forward exchange transactions.
Credit and reliability risks	Credit and credit rating risks primarily arise from short-term deposits as well as trade receivables.	Deposits are [generally] only made with [German] banks with deposit protection. The management of credit risks includes the constant monitoring of debtors' creditworthiness, overdue invoices, and stringent collections management. Dependent on the credit rating, certain services are only performed against prepayment or provision of collateral in the form of guarantees.
Interest rate risks	Interest rate risks largely arise from floating-rate financial liabilities with respect to loans and financial liabilities to shareholders.	Interest rate risks from floating-rate financial liabilities from loans are countered by Munich Airport by hedging with interest rate swaps.
Liquidity risk	Munich Airport monitors risk as part of its long-term business planning and short and medium-term financial planning. In order to ensure solvency at all times, long-term credit lines and liquid funds are made available based on a rolling liquidity plan. This risk is becoming increasingly important in the context of the Corona pandemic. Risks to the net assets, financial position and operating results may arise from banks' lending practices and changes in the general conditions on the capital market.	Munich Airport has set up a separate liquidity management system to safeguard liquidity during the pandemic. Liquidity planning takes into account ongoing business, capital expenditure and financing aspects for the entire Group. In addition to cost reductions, as described under the risks «Economic situation» and «Personnel situation», the goal is to postpone or avoid capital expenditure projects. In addition, Munich Airport raised a promissory note loan with a total volume of EUR 380 million in November 2020 to secure liquidity. In addition, there are revolving lines of credit.

After considering countermeasures, the following net risks remain:

OVERVIEW OF NET RISKS



Opportunities

As an international aviation hub, Munich Airport competes with other major commercial airports. Functional and targeted opportunity management is of central importance for maintaining and expanding the airport's market position. This is an integral part of the strategy and planning processes at Munich Airport. Opportunities are future developments and events that may lead to a positive deviation from planning or strategic targets. Both external (for example, changes in the market environment) and internal opportunities (for example, programs to increase efficiency) are considered.

All divisional heads and managing directors of the subsidiaries and associated companies are responsible for developing and implementing measures to take advantage of opportunities. They are supported by the Group Controlling and Investment Management department. In addition, all employees of Flughafen München GmbH and its subsidiaries are required as a matter of principle to identify opportunities during the course of their daily work and report them to their supervisors. In order to make the best possible use of the company's own resources, Munich Airport operates a professional and tool-supported innovation management system in addition to a traditional ideas management system (for more information, see the section on innovation and ideas management).

As a basic principle, Munich Airport strives to strike a balance between opportunities and risks. Where opportunities are likely to occur, they have already been included in the 2021 forecast or the medium and long-term planning. The opportunities presented therefore focus on future developments or events that could lead to a positive deviation for Munich Airport from the forecast and the medium and long-term planning.

The evaluation of opportunities is based on the risk assessment system. The economic benefit resulting from the opportunities and the probability of occurrence are divided into the following categories analogous to the risks under consideration:

Economic advantage	Amount in €
Low	1-5 million
Medium	5-30 million
High	30-150 million
Very high	>150 million

Probability of occurrence	Percentage intervals
Very low	5-10%
Low	10-25%
Medium	25-50%
High	>50%

In contrast to the risks, the probability of occurrence and financial impact (economic benefit) are not shown separately, but are combined in the «high relevance» and «low relevance» opportunity categories.

Since Munich Airport is confronted in some cases with very long planning periods, the opportunities are also indicated as to when they will occur in the short, medium or long-term.

Maturity	Period
Short-term	<2 years
Medium-term	2-5 years
Long-term	>5 years

Compared to the previous year, the current situation as of December 31, 2020 resulted in changes in the opportunities identified.

These mainly concern the naming and grouping of opportunities by subject. Prior year opportunities «Consumption», «Economic Cycle», «Transportation», «Hub Development», and «Off-Campus» are included in the opportunities «Corona Pandemic Development», «Economic Development», and «Market Development». The opportunity «CO₂ strategy» has been renamed «Implementation of climate protection measures (CO₂ strategy)». In addition, the opportunities «Regulation and legislation», «Interest rate and exchange rate developments», and «Internal process and efficiency improvements» were recently included.

OVERVIEW OF OPPORTUNITIES AT MUNICH AIRPORT

Opportunities	Rating	Time of occurrence	Summary of the measures
Development of the Corona pandemic	high relevance	short- and medium-term	<ul style="list-style-type: none"> • Systematic monitoring of pandemic development and identification of measures • Close cooperation with relevant stakeholders (especially airlines)
Economic development	high relevance	short- and medium-term	<ul style="list-style-type: none"> • Continuous monitoring of global economic developments • Identification of measures to exploit opportunities in all relevant business units
Market development	high relevance	short-, medium-, and long-term	<ul style="list-style-type: none"> • Intensive airline acquisition • Quality management • Close cooperation with system partner DLH
Regulation and legislation	low relevance	long-term	<ul style="list-style-type: none"> • Association work • Use of expertise in the area of Corporate Communication & Politics
Rail access	high relevance	long-term	<ul style="list-style-type: none"> • Intensive contact with political decision-makers and the Deutsche Bahn (German Railways) • In-house expertise in the field of rail connectivity
Interest and exchange rate trends	low relevance	short-term	<ul style="list-style-type: none"> • Adjustment of product and service portfolio in the retail sector
Implementation of climate protection measures [CO ₂ strategy]	low relevance	long-term	<ul style="list-style-type: none"> • Ongoing trend monitoring with regard to efficiency improvements in low-emission technologies
Internal process and efficiency improvements	low relevance	short-term	<ul style="list-style-type: none"> • Intensive use of the expertise available in the company (among other things, see «Restart» change program) • Efficient alignment as well as organizational changes
Off-campus	low relevance	medium- to long-term	<ul style="list-style-type: none"> • Observation of foreign business and further development
Real Estate	low relevance	long-term	<ul style="list-style-type: none"> • Successive implementation of innovative real estate concepts on campus

Development of the Corona pandemic

The travel and tourism industry is particularly affected by the Corona pandemic due to severely restricted mobility worldwide. Further developments, specifically with regard

to mobility restrictions, are therefore extremely important for the recovery of global air traffic and for the economic success of Munich Airport as well. At present, it is generally assumed that the aviation industry will take several years to

return to pre-crisis levels. If, for example, medical advances were to result in better-than-expected performance or opportunities in other business sectors within the Group, this would have a very positive impact on Munich Airport's EBT. Corona aid for Munich Airport, which is not included in the planning, could also have a positive impact. The Group is systematically monitoring further developments and is in close contact with airlines as part of its acquisition activities. The goal is to participate at an above average level in a possible recovery.

Although the probability of an early recovery is presently rated as low, the resulting opportunity is rated as «highly relevant» due to its high earnings effect.

Economic development

There is a strong correlation between national and global economic growth and growth in air traffic. At the moment, economic development both in the Federal Republic of Germany and worldwide is being negatively impacted to a considerable extent by the Corona pandemic. A significant recovery is expected for the following years assuming that the prevailing measures can bring the subsequent course of the pandemic under control. Although the downside risks are predominant, there is still a chance of a faster recovery in the economy and accompanying growth in air traffic.

Protectionist trade policy tendencies have been observed in various countries in recent years. Prominent examples of this are the trade disputes between the United States and China and the United Kingdom's exit from the European Union (Brexit). Since the volume of air traffic depends heavily on the degree of economic globalization, protectionist measures generally have a restraining effect on worldwide air traffic. If these trends reverse in the following years and there is a renewed political focus on the global distribution of labor, it could boost economic and air traffic growth.

Furthermore, Munich Airport closely monitors all of the world's relevant economies in various corporate divisions. In this way, potential for the various business units (e.g. Aviation, Commercial, International Business) is identified and appropriate measures are initiated to exploit opportunities on a decentralized basis.

Since economic development is one of the key factors influencing air traffic, the associated opportunities must be rated as «highly relevant» in the short and medium term.

Market development

Airline industry trends are of particular importance for traffic volumes at airports. The airline industry is currently facing historically unprecedented challenges. The current situation involves significant losses for the airlines due to the considerable reduction in traffic. Since a clear trend towards a consolidation of the European airline market could be observed before the outbreak of the pandemic, a continuation or even an intensification of this trend can now be expected due to the effects of the crisis. At present, demand for air travel is expected to remain below pre-crisis levels for an extended period in the wake of the pandemic and its aftermath. In the event of a wide-scale airline consolidation, however, the remaining demand would be spread among fewer providers. In addition, it appears possible that the remaining network carriers will emerge from the crisis downsized and concentrating on fewer hub locations in order to bundle their traffic efficiently.

Munich Airport has been pursuing intensive quality management for some time and is just one of a small number of airports worldwide to hold the status of a 5-Star Airport. It also has an extremely attractive catchment area, both in terms of business and private travel, and has been operating a professional airline acquisition service for years. Deutsche Lufthansa is an important customer for Munich Airport. They operate a hub at the Munich location and intend to maintain it in the future. In addition, cooperation is based on joint investments and long-term cooperation agreements.

If there is a large-scale consolidation of the airline market, Munich Airport could benefit disproportionately from the recovery in the aviation market in the medium term, which could lead to earnings growth well above plan.

Although such a development is uncertain due to the current situation, the resulting opportunity must be rated as «highly relevant» due to its impact on the subsequent development of the company in the medium and long-term.

Regulation and legislation

Air transport has historically been a highly regulated market. Accordingly, laws, ordinances and international agreements are still a decisive factor influencing air traffic today. The introduction of new regulations as well as changes to existing ones may involve risks, but also present opportunities for market participants.

In 2011, the German government introduced a ticket tax in the form of the German aviation surcharge, which was increased on April 1, 2020. The surcharge is used to implement climate policy objectives. The goal of the increase is to achieve a volume shift to rail. Due to its national character, the German air traffic surcharge has competition-distorting effects in the European air traffic market. As a result, passengers from areas close to the border are increasingly choosing airports in other countries as their departure point. If the aviation tax were to be replaced by more effective international or supranational climate policy instruments, this could reduce the competition-distorting effects. And this could lead to an increase in traffic at Munich Airport.

In the wake of the current crisis, the discussion on the creation of a Single European Sky gained momentum. The European Commission launched the Single European Sky program back in 1999. In addition to the introduction of uniformly high safety standards, the goal is to expand air-space capacity and achieve more economical supranational cooperation between the individual national air traffic control organizations. In concrete terms, the goal is, among other things, to enable airlines to operate more economical flight routes (direct air route), since there is still considerable potential for improvement in this area. More efficient flight routes could significantly save kerosene and thus reduce CO₂ emissions [by up to 10 percent]. While the latter could bring a positive image boost for air travel as a whole, the former would have a positive impact on demand for air travel due to lower costs. However, Single European Sky is an extremely complex issue, since it involves questions of national sovereignty of the individual European states. Accordingly, the formulation of solutions must take place in cooperation with all national and European players and in dialog with industry.

In order to properly utilize opportunities arising from regulation and legislation, Munich Airport maintains a Policy & Region department and is involved in various aviation associations, such as the BDL. The central objective here is to help shape important regulations for the aviation sector and counteract competition-distorting effects.

In summary, the opportunities arising from regulation and legislation are currently rated as «low relevance» due to the low probability of occurrence.

Interest and exchange rate trends

Favorable interest rate and exchange rate trends may have a positive impact on the Group's financial result. Thus, currency effects from the conversion of earnings not denominated in euros into the Group's functional currency (euros) may have a positive impact on the financial results.

In the retail business at Munich Airport, international customers (outside the eurozone) play a special role due to retail spending, some of which is significantly above average. Internal analyses have shown that fluctuations in the exchange rate (euro versus foreign currency) have a significant impact on retail revenues. A depreciation of the euro against key foreign currencies therefore offers the potential for earnings that exceed targets. However, due to the very low passenger numbers as a result of the crisis and the corresponding drop in retail sales, this effect is significantly weaker than in previous years.

In general, Munich Airport expects to be able to benefit from favorable conditions on the financial markets.

Altogether, the opportunity arising from interest rate and exchange rate trends must be rated as «low relevance» in the short-term due to the current crisis situation.

Implementation of climate protection measures

Munich Airport is pursuing the climate target of «CO₂-neutrality by 2030». It will reduce the CO₂ footprint it can control to zero through a combination of reduction and off-setting measures. The implementation of this CO₂ strategy is associated with costs. In the field of energy generation and conservation as well as renewable energies, a progressive increase in efficiency can generally be observed. If this development continues at an accelerated rate, the cost of CO₂ neutrality at Munich Airport could fall below the expected level thanks to a better price-performance ratio for low-emission energy generation. The environment, technology, and strategic sustainability management departments at the airport monitor trends in this direction.

In the long-term, this could lead to higher than expected earnings. However, the resulting opportunity must be rated as «low relevance» due to the comparatively low earnings effect.

Internal process and efficiency improvements

The impact of the Corona pandemic prompted Munich Airport to launch the «Restart» change program. The program is designed to make the company viable and efficient for the future. In addition to measures to adjust personnel capacity, organizational changes will also be developed as part of the program. The management structures and the interfaces between departments are under scrutiny, as are the company strategy and the Group structure. Initial estimates of the program's earnings-improving effects are part of the medium-term plan presented to FMG's governing bodies at the end of 2020. The program's measures will be finalized during 2021 and then implemented. Since the economic effects of the «Restart» change program have already been taken into account in Munich Airport's medium-term planning and ambitious targets have been assumed, the likelihood of a significantly greater than planned performance can be classified as low. The resulting opportunity is therefore currently rated as «low relevance».

Off-campus

Munich Airport's off-campus business (services and retail) may perform better than expected.

In the medium and long-term, this could lead to higher than expected earnings. However, the resulting opportunity must be rated as «low relevance» due to the comparatively low earnings effect.

Real Estate

The innovative real estate concepts being implemented within the framework of LabCampus could lead to a greater demand for real estate in the long term than assumed in the plan. This would result in an increase in revenue in this and, potentially, in other business units.

The probability of growth significantly in excess of plan is currently rated as low. Consequently, the resulting opportunity was rated as «low relevance».

Overall assessment of the opportunities and risk situation

As the second-largest commercial airport in Germany and one of the largest airports in Europe, it is important for Munich Airport to actively seize opportunities as they arise in order to secure and further improve its position in the market through steady growth. However, it is also a key objective of Munich Airport to recognize risks in good time and to counter them systematically.

Therefore, the actual expected impact of possible events and developments is already taken into account in the business planning every year. The reported opportunities and risks are defined as potential deviations going beyond the forecast corporate result. Munich Airport consolidates and aggregates the risks reported by the corporate divisions and Group companies, and reports quarterly to the Executive Board and shareholders. Opportunities are identified and managed with the participation of the Group Controlling and Investment Management departments.

The spread of the Corona virus and its impact on global air traffic had a significant negative impact on Munich Airport's risk situation compared with the previous year. Taking this current situation into account, the risks were reviewed or reclassified. The Executive Board expects that the economic impact of the Corona pandemic will continue to affect earnings. However, the further course of the pandemic is not foreseeable, so that a conclusive risk assessment is not possible at the present time.

No risks were foreseeable from the Group-wide risk management system or in the assessment of the Executive Board during the current forecast period, which individually or in their entirety could jeopardize the continued existence of Munich Airport. As in the previous year, management is confident that access to liquidity to meet financing needs will be available to overcome the challenges posed by the Corona pandemic. With its diversified business units, Munich Airport's fundamental earnings power forms a solid basis for exploiting opportunities for future business development and for providing the necessary resources to accomplish this.

Munich Airport would like to point out that various known and unknown risks, uncertainties and other factors could lead to material differences between the actual events, financial situation, development or performance of the company and the estimates given here.

Munich, April 15, 2021

Jost Lammers Andrea Gebbeken Thomas Weyer

ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

T€	Disclosure	2020	2019
+ Revenue	VI.1	579,672	1,567,967
+/- Changes in inventories and work in progress		-86	40
+ Own work capitalized	VI.2	15,611	16,689
+ Other income	VI.3	29,018	26,436
Total revenue		624,215	1,611,132
- Cost of materials	VI.4	-232,577	-413,210
- Personnel expenses	VI.5	-408,606	-537,239
- Other expenses	VI.6	-144,870	-106,369
Earnings before interest, taxes, depreciation, and amortization (EBITDA)		-161,838	554,314
- Depreciation and amortization	VI.7	-242,016	-208,835
Operating result (EBIT)		-403,854	345,479
+ Interest result	VI.8	-94,059	-78,233
+/- Other financial result	VI.8	66,305	-11,812
Financial result		-27,754	-90,045
+ Result from companies accounted for using the equity method	VII.4	-1,812	1,388
Earnings before taxes (EBT)		-433,420	256,822
+/- Income taxes	VI.9	112,019	-78,975
Group profit/loss of the year (EAT)		-321,401	177,847
of which assignable to owners of the company		-321,402	177,842
of which assignable to non-controlling interests		1	5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T€	Disclosure	2020	2019
Group profit/loss of the year		-321,401	177,847
+/- Cash flow hedging	VII.16	12,354	11,406
+/- Deferred taxes not affecting profit or loss	VII.6	-2,470	-2,281
Items to be reclassified to the statement of profit or loss		9,884	9,125
+/- Actuarial gains and losses	VII.17	-1,670	-5,351
+/- Deferred taxes not affecting profit or loss	VII.6	463	1,488
+/- Effects of foreign currency translation		62	3
Items not to be reclassified to the statement of profit or loss		-1,145	-3,860
Other comprehensive income net of tax		8,739	5,265
Total comprehensive income		-312,662	183,112
of which assignable to owners of the company		-312,663	183,107
of which assignable to non-controlling interests		1	5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets			
T€	Disclosure	Dec. 31, 2020	Dec. 31, 2019
Intangible assets	VII.1	19,384	21,162
Property, plant, and equipment	VII.2	5,120,387	4,951,956
Investment property	VII.3	145,273	155,358
Investments in companies accounted for using the equity method	VII.4	2,304	4,138
Receivables	VII.5	5,109	5,201
Contract assets	VII.23	6,237	2,232
Other financial assets		245	214
Deferred tax assets	VII.6	8,810	5,497
Other assets	VII.9	7,390	6,153
Non-current assets		5,315,139	5,151,911
Inventories	VII.7	28,057	37,483
Receivables	VII.8	60,603	94,229
Contract assets	VII.23	7,516	7,315
Other financial assets	VII.8	40	1
Current income tax assets		4,196	5,123
Other assets	VII.9	32,786	35,872
Short-term deposits	VII.10	67,985	168,767
Cash and cash equivalents	VII.10	9,717	39,576
Current assets		210,900	388,366
Assets held for sale	VII.11	2,551	1,746
Assets		5,528,590	5,542,023

Equity and Liabilities			
T€	Disclosure	Dec. 31, 2020	Dec. 31, 2019
Subscribed capital	VII.12	306,776	306,776
Reserves	VII.12	133,651	147,490
Other equity	VII.12	1,624,515	1,923,854
Non-controlling interests		20	19
Equity		2,064,962	2,378,139
Financial liabilities from interests in partnerships	VII.14	334,619	354,047
Payables	VII.15	19,471	14,211
Other financial liabilities	VII.15	1,631,789	1,148,779
Employee benefits	VII.17	119,135	61,965
Other provisions	VII.18	92,038	91,984
Deferred tax liabilities	VII.6	318,474	424,400
Other liabilities	VII.20	14,600	15,807
Non-current liabilities		2,195,507	1,757,146
Payables	VII.19	111,597	151,620
Contract liabilities	VII.23	792	2,244
Other financial liabilities	VII.19	744,664	813,645
Employee benefits	VII.17	46,987	47,587
Other provisions	VII.18	13,238	11,445
Current income tax liabilities		4,895	8,209
Other liabilities	VII.20	11,329	17,941
Current liabilities		933,502	1,052,691
Equity and liabilities		5,528,590	5,542,023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Disclosure	Subscribed capital	Reserves		Other equity	Non-controlling interests	Equity
			Capital reserve	Revenue reserve			
As of Dec. 31, 2018	VII.12	306,776	102,258	49,095	1,766,853	14	2,224,996
Group profit/loss for the year		0	0	0	177,842	5	177,847
Other comprehensive income		0	0	-3,863	9,128	0	5,265
Total comprehensive income		0	0	-3,863	186,970	5	183,112
Distributions		0	0	0	-30,000		-30,000
Transactions with shareholders		0	0	0	-30,000	0	-30,000
Effects of foreign currency translation		0	0	0	31	0	31
As of Dec. 31, 2019	VII.12	306,776	102,258	45,232	1,923,854	19	2,378,139
Group profit/loss for the year		0	0	0	-321,402	1	-321,401
Other comprehensive income		0	0	-1,207	9,884	0	8,677
Total comprehensive income		0	0	-1,207	-311,518	1	-312,724
Allocation to reserves		0	0	40,229	-40,229	0	0
Withdrawals from reserves		0	0	-52,861	52,861	0	0
Changes in reserves		0	0	-12,632	12,632	0	0
Effects of foreign currency translation		0	0	0	-453	0	-453
As of Dec. 31, 2020	VII.12	306,776	102,258	31,393	1,624,515	20	2,064,962

CONSOLIDATED STATEMENT OF CASH FLOW

T€	Disclosure	2020	2019
Total comprehensive income		-312,662	183,112
+ Deferred taxes not affecting profit or loss		2,007	793
+ Actuarial gains and losses		1,670	5,351
+ Cash flow hedging		-12,354	-11,406
Changes due to foreign currency translation		-62	-3
Group profit/loss of the year [EAT]		-321,401	177,847
Result from companies accounted for using the equity method		1,812	-1,388
Income taxes		-112,019	78,975
Financial result		27,754	90,045
Operating result [EBIT]		-403,854	345,479
Depreciation and amortization		242,016	208,835
Gains/losses from disposal of fixed assets		3,800	2,481
Increase/decrease in inventories		9,426	1,710
Increase/decrease in current receivables		33,626	-18,172
Increase/decrease in liabilities		-34,507	-8,932
Increase/decrease in employee benefits		54,415	9,031
Increase/decrease in other provisions		1,848	-3,573
Increase/decrease in other assets/liabilities not related to investing and financing activities		-21,200	-23,243
Gross cash flow from operating activities		-114,430	513,616
Net income taxes paid/received		-1,618	-84,542
Cash flow from operating activities		-116,048	429,074
Proceeds from sale of owner-occupied property, plant, and equipment		2,604	5,138
Proceeds from sale of intangible assets		681	707
Proceeds of distributions from associated companies		0	1,173

T€	Disclosure	2020	2019
Payments for investments in owner-occupied property, plant, and equipment		-387,809	-306,980
Payments for investments in intangible assets		-2,857	-6,870
Payments for investments in investment property		-379	-5,592
Payments from acquisition of subsidiaries		0	-1,200
Interest received		305	382
Changes in connection to companies that are not fully consolidated		0	-275
Changes in short-term deposits		100,782	40,679
+ Cash flow from investing activities		-286,673	-272,838
Payments for distributions to shareholders	IX	0	-30,000
Proceeds from borrowings	IX	515,850	71,111
Repayments of borrowings from banks	IX	-96,899	-79,406
Repayments of lease liabilities		-6,734	-4,903
Repayments of financial liabilities from interests in partnerships	IX	-11,713	-36,919
Cash flows from Group-wide cash management with associates and shareholdings	IX	4,231	-4,460
Interest paid (excluding borrowing costs for qualifying assets)	IX	-23,330	-39,743
Payments for borrowing costs for qualifying assets	IX	-8,543	-4,717
+ Cash flow from financing activities	IX	372,862	-129,037
Change in cash and cash equivalents		-29,859	27,199
Cash and cash equivalents at the beginning of the year		39,576	12,377
Cash and cash equivalents at the end of the year		9,717	39,576

NOTE ON THE AUDIT OPINION

Disclosures on the result of the audit of the consolidated financial statements and the Group management report for fiscal year 2020

The notes to the consolidated financial statements are not included in the above, abridged consolidated financial statements for the fiscal year 2020, which are designed to be included in the printed Integrated Report. The full consolidated financial statements – including the notes – and the Group management report for the fiscal year from January 1 through December 31, 2020 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, who came to the overall conclusion that the audit raised no objections and issued an unqualified independent auditor’s report. In addition to the unqualified independent auditor’s report, the full consolidated financial statements and the Group management report for the fiscal year from January 1 through December 31, 2020 are generally accessible on the Flughafen München GmbH website.

SUPERVISORY BOARD REPORT

The Supervisory Board was informed regularly and in detail by the Executive Board in written reports and at meetings about the Company's situation, its development, and important business events. In its meetings and the meetings of its committees, the Supervisory Board discussed all major company matters and made such decisions as it was called upon to make in accordance with its statutory responsibilities. The Supervisory Board met for four meetings during the fiscal year. The working committee held four meetings. The HR committee convened four times.

The financial statements as at December 31, 2020, and the Management Report of Flughafen München GmbH and of the Group presented by the Executive Board have been audited and issued with an unqualified opinion by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, the appointed auditor.

Having conducted its own review, the Supervisory Board acknowledges the auditor's findings and raises no objections.

In accordance with Section 52(1) of Germany's Limited Liability Companies Act (GmbHG) and Section 171(2) of Germany's Stock Corporations Act (AktG), the Board approves the financial statements of FMG and the consolidated financial statements. It proposes that the shareholders endorse the financial statements of FMG and approve the consolidated financial statements.

The Supervisory Board wishes to express its gratitude and respect for the work carried out and the successes achieved by the company's Executive Board and employees in fiscal year 2020.

Munich, June 23, 2021

For the Supervisory Board



Minister of State Albert Füracker
Chairman of the Supervisory Board
of Flughafen München GmbH

IMPRINT

Published by

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Graphics

Flughafen München GmbH

Consulting and design

Kirchhoff Consult AG, Hamburg

Printing

Pinsker Druck und Medien GmbH, Mainburg

Paper

Content: Enviro Top
(certified according to Blauer Engel)

Production

Munich Airport is working hard to minimize its environmental impact – this also goes for its printed products. This publication is printed in accordance with the airport's eco-efficient printing standard. The individual «recipe» of this printing standard combines environmentally friendly inks, additives, and papers as well as optimal recyclability with simultaneously high quality.

Links for further information

The online report with additional content is available at:

➤ report2020.munich-airport.com

Further information on the company is also available on the website:

➤ munich-airport.com/company

Facebook: facebook.com/flughafenmuenchen

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