

Statement by Dr. Michael Kerkloh, Munich Airport President and CEO, at the FMG annual press conference

I'd like to begin by outlining the key traffic and business figures for the past year and explain our plans and expectations going forward. As expected, Munich Airport had a difficult year in 2009. Against the backdrop of the global economic crisis, economic output in Germany was down by 5 percent. The manufacturing sector experienced a 17 percent drop in value added as compared with 2008. Of course these massive economic setbacks had substantial effects on demand for air travel. Total passenger traffic at Munich Airport decreased by 5.4 percent in 2009 to 32.7 million. If we bear in mind the scale of the economic crisis, this is actually a rather satisfactory result, and one that we could hardly have taken for granted even after the first very weak months of 2009 were over.

The 32.7 million passengers represented the third-highest passenger volume in the history of Munich Airport. As a result, Munich held on to its number seven ranking among Europe's busiest aviation hubs. Our airport's hub function – in other words, its role as one of the central European distribution nodes for air traffic – was not negatively impacted by the crisis. At less than 3 percent, the decline in the number of transit passengers was significantly lower than the overall drop in passenger traffic. Consequently, the share of connecting passengers in total traffic actually increased, and is now at 37 percent – a gain of one percentage point over the previous year. As these figures demonstrate, the hub function had a generally stabilising effect on our traffic performance. In other words: Without its hub function, Munich Airport – and therefore the regional economy in southern Germany – would have been hit much harder by the crisis.

Another indication of the largely stable hub operations is the fact that our strategic growth partner Lufthansa has in the meantime raised Munich Airport to a central role in its operations. During the last crisis – the enormous decline in air travel after the terrorist attacks on September 11, 2001 – Lufthansa shifted

some of Munich's hub traffic to Frankfurt. This time, however, the airline left the range of destinations served from Munich almost fully intact, and only cut back the frequency of service on some routes. The long-haul segment, which is so important for our competitiveness, was largely unaffected by reductions. The total number of passengers flying to intercontinental destinations was almost unchanged, with a marginal decline of only 0.6 percent. On flights to and from Asian cities, there was actually a significant 6.2 percent increase in the passenger total. By contrast, the decrease in demand in the domestic and European traffic segments was steeper than the overall decline, with the number of passengers flying to German and European destinations down by 6.5 and 5.9 percent respectively.

Another revealing indicator for assessing the traffic results comes from a look at the diverse trends in business and personal travel at Munich Airport. Our surveys showed a relatively sharp decline in business travelers last year, while the number of passengers flying for personal reasons was actually up by a substantial 6 percentage points. As a result, the relative proportions of the two segments in total traffic was actually reversed. In 2008 the business travelers represented a 51 percent majority. In 2009 they amounted to only 45 percent of all passengers. As this shift indicates, business travel was indeed the main cause of the drop in demand last year. In view of the serious economic slump I mentioned at the outset and the resulting cost-cutting measures by companies, this is not a very surprising insight.

The clear link between the overall economic trend and the volume of air traffic is also evident over the course of the year. Like the economy, the traffic figures steadily improved with each passing quarter. In contrast to the first quarter, when we had to absorb a drop of 9.6 percent in total passengers, we returned to growth already in the last quarter of 2009, and were able to report an increase of 1.2 percent. We are very confident that the tendency in evidence here will continue in the current year, and that we will come through 2010 with moderate growth in the number of passengers.

That brings me to the figures on aircraft movements, in other words the number of take-offs and landings. In 2009 we experienced a decrease of approximately 8 percent to just under 400,000. The fact that this category shows a sharper decline than the passenger numbers results from the determined efforts by airlines to adjust their capacities to falling demand in the crisis year of 2009. Consequently, they combined flights and used larger aircraft, so that the average capacity per flight was up by five seats.

The airfreight sector was impacted even more seriously by the crisis than passenger travel. The annual results at Munich Airport show a total airfreight volume of 216,000 tons, which represents a year-on-year decrease of 10.7 percent. The substantial drop in freight traffic is in line with the overall trend in the transport sector. Figures released by the German Federal Statistic Office show an 11.2 percent decline in freight traffic in Germany in 2009. The fact that the highly export-driven Bavarian economy was particularly hard-hit by the crisis is underscored by another figure: The quantity of goods exported from Bavaria was down nearly 24 percent in the first 10 months of last year.

In the freight segment it is also worth looking at the quarterly breakdown. With a plunge of almost 26 percent, the first quarter was also the low point in this area, and the re-emergence from the crisis can be easily read in the figures for the succeeding quarters, with strong growth of 8.7 percent already achieved to close out the fourth quarter. We see this as a clear trend towards recovery that we believe will continue in 2010. What makes this especially pleasing is the fact that the airfreight sector is usually a reliable bellwether for the overall trend.

That brings me to our business results, which are naturally still preliminary, pending the publication of the final financial statements in the summer. Total revenues of FMG were down 3 percent in the year under review to 844 million euros. This decrease is rooted in the declining traffic results, which were reflected both in revenues from air traffic and in income from the non-aviation

sector. For the FMG Group as a whole, i.e. including our subsidiaries, we expect total revenues of just above one billion euros, as in the previous year. Despite the decreasing revenues it is pleasing to note that we managed to improve our operating result. The available figures show that our EBIT – earnings before interest and taxes – excluding exceptional charges increased by more than 20 million euros in 2009 to 97 million euros. This improvement was made possible because we responded in a timely response to the change in demand, reduced our expenses and utilized potential savings. With revenues declining we put a comprehensive income improvement program in place that has already yielded concrete successes in many areas.

Our annual results show a net profit of 105 million euros without the exceptional effect of provisions for pending losses from ground handling. This represents an improvement of 27 million euros over the previous year. As these figures show, FMG is maintaining its position as a stable, economically healthy company even in the crisis. This is also reflected in the cash flow, which was close to 161 million euros. We are also still in a position to cover our ongoing costs and investments with our own resources. In this connection I would also like to add that this naturally applies to Munich Airport's third runway as well. In addition to our cash flow we will also – as is entirely normal for investments of this order of magnitude – utilise resources that we will generate through the capital markets.

Despite profitable operations in all other business segments, our ground handling operations unfortunately continued to post heavy losses in 2009. The losses in this area, which encompasses all aircraft handling services, are not the result of the temporary slump in demand for air travel, but rather reflect the distorted competitive environment that we have faced in ground handling for many years. The problem is that, with a workforce of approximately 1,800 ground service employees paid according to the public-sector collective agreements, we are up against competitors who are not subject to these contracts and also have clear advantages with regard to flexibility and working hours. With their far more favorable cost structures these competitors can offer airlines substantially lower

prices. The resulting decreases in prices for ground handling services have left us with losses of several hundred million euros in recent years.

With the existing structures there is no escape for us from the cost trap in ground handling. In our role as the airport's top management we have therefore been making intensive efforts for quite some time to find a solution with the unions and the works council to overcome the structural competitive disadvantages. The restructuring that we have proposed would have secured the entitlements of today's employees to a large extent. Unfortunately the employee representatives could not make up their minds to put their support behind this forward-looking and competitive concept.

Because we now have an obligation to our shareholders only to sign contracts with airlines that cover our costs, we will inevitably lose market share in ground handling due to these structural competitive disadvantages and may actually end up leaving this market entirely. This possibility has to be reflected in the 2009 annual results in the form of appropriate provisions. Although we cannot concretely quantify these provisions at the present time, we cannot rule out the possibility of ultimately showing an annual loss due to this exceptional effect.

Allow me to state the facts clearly once again: I still believe in the possibility of saving our ground services activities – although perhaps not on the current scale – and I will do everything in my power to retain this business for FMG – but not at any price. This will work only if the employee side makes significant concessions, because we are all aware: Without competitive structures we cannot offer competitive prices, and without such prices there will be no orders, and without orders there will be no employment.

Lufthansa – our biggest customer in this business segment – has already announced that it will be handing over at least 25 percent of its total order volume to the competitor as of next year. We will also lose other airlines as customers. Against this backdrop we will inevitably have to adjust the size of

the FMG ground handling workforce to reflect the declining demand. How that will look in detail will be addressed in discussions that we will conduct with the works council. But there is one thing I would like to stress at this point: If we as the airport operating company lose ground service jobs, that is not an indication that the airport is losing its influence on employment. The work on the ramps and aprons will still have to be done in the future and the number of employees – seen from the perspective of the entire airport – will continue to increase with growth in air traffic. This increase in employment at the level of the entire airport will therefore happen regardless of developments with our own ground services activities.

I would also like to point out that we did not eliminate any jobs last year despite the economic crisis and the 8 percent decrease in take-offs and landings. With one exception we also refrained from introducing short working hours anywhere in the FMG Group. This move was unavoidable only in our Cargogate subsidiary, which specializes in airfreight handling, and was hard-hit by steep decreases in orders. However, in view of the signs of recovery in the airfreight business we hope that our colleagues with Cargogate – of which approximately 120 employees are affected – can again return to 100 percent of their working hours.

For the medium to long-term development of our airport I also see very good prospects at present, with the economy now picking up again. With our strategic expansion plans we are now laying the foundation for Munich to share in the expected growth in air travel in the coming years. The most important expansion project is still the planned construction of a third runway: As you are aware, the district government of Upper Bavaria, which is responsible for granting planning permission for the project, has now received a report by the Hamburg Institute of International Economics (HWWI) with forecasts on overall economic trends. This new study is intended to clarify the extent to which the current economic crisis will affect the economic parameters underlying the demand forecast for the third runway.

The economists who authored the study unanimously concluded – in agreement with other leading economic research institutes – that the economy in Germany is back on an upward path that will continue during the coming years. All three scenarios presented by the HWWI see a steady growth trend until 2020, with the outlook calling for it to continue until 2025. In the baseline scenario, which the authors believe to be the most likely outcome, the average annual growth rate in Germany in the period from 2005 to 2020 is 1.3 percent. This figure already includes the 5 percent shrinkage of the economy in 2009 caused by the crisis. As a result, stronger growth is forecast for the coming years, namely an average of 1.7 percent for the period from 2009 until 2020.

All in all we can state that most of the forecast figures in the new report are within the range of the so-called sensitivity calculations made by Intraplan, the expert consultancy which drew up the forecasts for the planning application process. According to the HWWI projections, global economic growth will average 3.8 percent per year: significantly higher than in the original Intraplan forecast.

For the oil market the HWWI report predicts a sharper price increase than the Intraplan forecast. In the most likely scenario according to the experts, the oil price will rise to 103 dollars a barrel by 2020. However, the effects of possible future oil price rises should be at least partly offset by intensified fuel-saving efforts on the part of the aviation industry.

The fact that the oil price trend has only a limited impact on demand for air travel is underscored by the trend in past years. After all, since Munich Airport opened in May 1992 the oil price has risen by 215 percent without causing a decrease in passenger traffic. On the contrary: The number of passengers using Munich Airport has increased over the same period by about 170 percent.

The details of the concrete results of the follow-up scenario analysis for air traffic forecasting that will now be carried out using the new data from Hamburg will be seen when Intraplan enters the new data and makes the necessary

supplementary calculations. In view of the economic growth trend predicted by the HWWI we expect these scenarios to reaffirm the need for a third runway at Munich Airport – even if it is quite possible that the traffic volume originally expected for 2020 will not arise until a few years later due to the economic crisis, which could not be foreseen by the forecasting expert.

Regardless of the forecasts and future scenarios, we are already experiencing the need for the third runway every day in our airport operations. The decreases over the past year have changed practically nothing. The 90 schedulable take-offs and landings per hour now permitted with our two-runway system are nowhere near enough to meet current air traffic needs. For several hours a day we are already operating at our capacity limits, and for peak hours, there is enough demand from airlines even today to fill 110 take-off and landing slots.

In our talks with the airlines who want to operate in Munich we now frequently have to concede that the connections they wish to arrange prove impossible because of this bottleneck situation. This is hardly surprising, because an airline that lands at our airport between seven and eight in the morning and wants to depart for Nice or Warsaw an hour later is dependent on this specific timeframe. Of course we could just tell the airline that we're full in that time window, but that we'll be happy to let them land two hours later and take off three hours after that. But this is of no use to the airline because they will not be able to turn around their aircraft as required. Instead of flying to the intended destination and back four times a day, the airline may then only be able to make three return flights. But then the profitability calculations, which are based on four flights a day, will no longer work. Aircraft only make money for airlines when they are in the air.

The situation is even more difficult with intercontinental flights, for which route planners also have to take time differences into account. A shift in the slot assignment in Munich can easily result in the airline having to take off or land at the other end at a completely unreasonable time. In this context it is obvious why the small capacity reserves we now have between the peak hours can help only to a very limited extent in overcoming bottlenecks during the busiest periods.

Apart from additional runway capacity, to handle hub traffic in the coming years we also need more park positions close to the terminal buildings – especially for widebody jets – as well as passenger-handling resources. To address these needs, as you may be aware, we are planning to build a satellite facility to complement Terminal 2 – an additional terminal building on the eastern apron linked to the main terminal via an underground transport system. Preliminary planning for this building was completed on schedule last year, and the project is now in the design stage. Based on current progress we now expect the first phase of the satellite facility to go into operation in 2014 or 2015. We will then have 27 additional aircraft park positions close to the terminal and will increase our terminal-side passenger capacity by 11 million.

The expansion of Munich Airport is not something we undertake for its own sake. On the contrary, it is part of a sustainable corporate strategy with which we seek to ensure that Munich Airport can continue unimpeded to perform its infrastructure role for Bavaria in the future. By continuing to develop the airport in line with demand we are taking concrete action to secure competitiveness, value creation and employment for our state. Our commitment to sustainable management of the company is not limited to economic objectives, however.

For us, sustainability also includes FMG's environmental and climate policy goals. In our first sustainability report, published just two months ago, we formulated clear targets. One of them states that we intend to achieve CO₂-neutral growth at the airport by 2020. For the continual improvement of our CO₂ emission balance we have already developed numerous individual measures. For instance we will begin this year to change the method of heating and cooling aircraft at the park positions adjacent to the terminals. Instead of the onboard APUs – auxiliary power units – now still used by the airlines for this purpose, which are a relatively poor choice for "air conditioners" in terms of energy efficiency, we will gradually equip the jetways with compact air conditioning units linked to the airport's supply network. This will benefit the airlines, which will spend less money to use the airport's energy supplies than for fuel to run the APUs. It will also contribute to climate protection, because when all of the

positions adjacent to the terminals are retrofitted, the increased energy efficiency will result in savings of up to 14,000 tons of CO₂ per year. Of course this project is just one of our many measures for achieving our climate goals.

Naturally the subject of corporate social responsibility also encompasses our commitment and involvement in the airport region. From our role as a partner for the rural districts and communities in the Erding-Freising region in their joint marketing efforts, the employer of many thousands of people from the surrounding area or as the sponsor of social, cultural and sports facilities – we engage in many forms of networking within the airport region and have a vital interest in seeing this region continue to prosper. Consequently, we have also continued to bear in mind the interests of our neighbors. The Regional Advisory Council, which has followed the expansion plans from the very beginning, has become an important forum for dialog in this regard. Incidentally, another meeting of this council is on the program this afternoon. Among the topics on the agenda is the application of the 100 million euros which FMG has voluntarily set aside in the interests of the region as a fund for mitigating hardships related to the construction of the third runway.

Ladies and gentlemen,

The global economic crisis has temporarily interrupted the dynamic growth of our airport. However, we will be reporting growth again in 2010. From today's standpoint we expect to see an increase of about 3 percent in total passengers this year – partly as a result of a substantial expansion of our flight timetable. Especially in the long-haul traffic segment, our timetable features attractive new connections as of the coming summer period. Three renowned international airlines are adding Munich to their route maps. For example, Singapore Airlines will be operating five weekly flights to Singapore with a Boeing 777. The silver medalist among the world's airlines, having just taken the number two spot in the most recent Skytrax Airline Of The Year Awards, this airline also offers an extensive network of connecting flights to Asia, Australia, New Zealand and many other Pacific region destinations from Singapore. The future presence of

All Nippon Airways represents a further quantum leap for Munich Airport with seven flights a week to Tokyo, also with a Boeing 777. From the beginning of the summer timetable period Continental Airlines will also be offering seven departures a week from Munich to Newark, near New York, with a Boeing 767. As a result, three non-stop flights a day will serve the Big Apple from our airport starting this summer.

In addition to those Star Alliance partners, Lufthansa itself is also expanding its long-haul routes with three new destinations, with three weekly departures to Miami planned for the future, four to Tehran and three to Tashkent, the capital of Uzbekistan. All in all the number of long-haul flights departing from Munich will increase by about 6 percent to approximately 260. Particularly in times like these, with the airline industry still coping with the effects of the crisis, the commitment of new airlines and the addition of new long-haul routes tell us that our airport and Munich as a destination are still held in the highest esteem in the international air travel sector.

Beginning in May, incidentally, we can offer guests from all over the world a new accommodation option at Munich Airport. That's when the new Novotel at Munich Airport is scheduled to open its doors. With 250 rooms in the medium price category, it perfectly complements the time-tested Kempinski Airport Hotel.

Permit me now, in closing, to sum up briefly: Munich Airport experienced a difficult year and for the first time in seven years had to report decreases in traffic figures. Demand for air travel is now picking up noticeably, and we are confident that we will resume our dynamic growth of past years in the near future. In the European traffic segment Munich now offers more destinations than any other European airport. As for intercontinental flights from Munich, we are likely to see steady expansion in the coming years – already starting with the upcoming summer timetable. To be in a position to benefit from the existing growth opportunities, a third runway is urgently needed at Munich Airport. We therefore hope that the ongoing planning permission process will end with a positive ruling this year so that we can move forward decisively with the expansion measures that are so crucial to the development of our airport.

The day after tomorrow the Winter Olympics will begin in Vancouver and in three weeks we will be welcoming home the German athletes and their hopefully rich haul of medals here. But our Olympic ambitions go further than that: We will expand Munich Airport to become one of the world's most attractive air transportation hubs, which can then demonstrate its capabilities in 2018 as – we very much hope – the gateway to the Winter Olympics in Munich.