Report to the Annual General Meeting

Flughafen Wien AG

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Purchase offer from Australia pushes up share price to € 100

Agenda

1. Presentation of the 2015 financial year
2. Resolution on the appropriation of the net profit
3. Resolution on the discharge of the members of the Management Board for the 2015 financial year
4. Resolution on the discharge of the members of the Supervisory Board for the 2015 financial year
5. Resolution on the remuneration of the members of the Supervisory Board
6. Election of the auditor for the annual financial statements and consolidated financial statements for the 2016 financial year
7. Resolution on an amendment to the Articles of Association in Section 6, "Management and Representation, Reports to the Supervisory Board" by adding two new paragraphs 7 and 8 and subsequently changing the designation of previous paragraphs from 7 until 12 to 9 until 14
8. Resolution on a stock split and the corresponding amendment to the Articles of Association in Section 4 "Capital Stock"
9. Authorization for the Management Board to buy back and sell own shares (treasury shares) in the Company

Report to the Annual General Meeting of Flughafen Wien AG

Flughafen Wien AG invited its shareholders to attend the Annual General Meeting held at the Multiversum, Schwechat on May 31, 2016. The meeting attracted some 200 shareholders and guests. As a result, the audience was somewhat smaller than in previous years. This was likely attributable to the increase in the stake held by the Australian pension fund IFM, which further reduced free float to close to twelve percent. Matthias Wahler attended the meeting on behalf of GSC Research.

Following a brief film presentation as a warm-up to the event, Ewald Kirschner, Chairman of the Supervisory Board, formally opened the Annual General Meeting shortly after 10 a.m. and explained formalities. The entire Management Board consisting of Julian Jäger and Günther Ofner was present. The only Supervisory Board member excused from attending was Herbert Paierl. The notary public Rupert Brix was responsible for taking meeting minutes.

Report of the Management Board

Günther Ofner, Member of the Management Board, began his remarks with an overview of the financial situation of the company, which continues to be very positive. Mr. Ofner mentioned numerous crisis areas which negatively impact the business of the airport, for example the Ukraine, Egypt, Syria and Russia. Nevertheless, 2015 turned out to be a very successful year for Flughafen Wien AG (FWAG).

The ongoing upward development since the year 2011 continued once again in the 2015 financial year, with revenue up 3.8% to € 654.4 million (2014: € 630.2 million). EBITDA showed an above-average improvement, rising to € 275.2 million (2014: € 250.2 million), with the EBITDA margin increasing to 42% from the prior-year level of 39.7%. In 2011, the EBITDA margin was still 32.5%. Mr. Ofner sees this indicator as evidence of the productivity gains achieved by the airport.

Consumables and services used could be significantly reduced thanks to energy savings and a decline in fuel consumption as well as insourcing. Personnel expenses rose slightly, but much less than revenue. Other operating expenses decreased.

The net profit for the period climbed by 21.8% to € 100.4 million (2014: € 82.5 million), comprising the best results in the company's history. Earnings have more than tripled since 2011. The proposal was made to once again substantially raise the dividend to € 2.00 per share (2014: € 1.65/share). This corresponds to a constant payout ratio of 42% based on the earnings per share of € 4.78 in 2015 (2014: € 3.93/share).

The financial result improved only marginally to minus € 12 million (2014: minus € 13.1 million). According to Mr. Ofner, this was due to the fact that a credit line of over

€ 400 million with a term to maturity of 25 years and a fixed interest rate of 4.5% was concluded in 2006 to ensure sufficient long-term financing. At that time, this was a good idea. However, today it limits the airport's flexibility. The loan is being paid in 16 installments of € 25 million starting in June 2016.

The cash flow from operating activities also showed a further improvement, rising to € 228.4 million (2014: € 220.6 million). Similarly, equity also increased to € 1.02 billion (2014: € 0.95 billion), surpassing the € 1 billion threshold for the first time. At the same time, net debt further declined to € 466 million (2014: € 506 million). Mr. Ofner stated that the airport even exceeded its original target for 2016, achieving a ratio of net debt to EBITDA of 1.7.

According to the Management Board, the decline in the free cash flow to € 81.5 million from the prior-year figure of € 153.1 million is due to the acquisition of VFI, formerly Hermione. Without this transaction, which will have an overall positive impact on earnings, the net debt of the Flughafen Wien Group could have been reduced even more.

Mr. Ofner felt it was important to mention that Flughafen Wien AG has achieved a sustainable and balanced corporate development. In addition to earnings, service quality for passengers, the satisfaction of employees and the relations to the airport's neighbors have continually improved. All this combined comprises the basis for sustainable economic success.

In Mr. Ofner's view, the airport succeeded in further improving performance indicators in the first quarter of 2016 in spite of the ongoing difficult business environment. In his opinion, the 16.5% increase of the airport's stake in Malta Airport to a shareholding of 48% also contributed to this success.

The price of € 3 per Malta Airport share equaled a transaction value of € 64 million. This was a good deal considering the current share price of € 4.25 per share. Effective immediately, Malta Airport is fully consolidated in the consolidated financial statements of Flughafen Wien AG. Moreover, in accordance with IFRS regulations, an upward revaluation will be recognized for the previously held shares.

The operational business also developed positively. Revenue in the first quarter of 2016 rose by 1.4% to € 142.7 million, and EBITDA adjusted for the upward revaluation of the stake in Malta Airport climbed by 3% to € 56.8 million. Including the Malta revaluation, EBITDA almost doubled to € 108.6 million. Net debt was reduced by a further € 33 million compared to the end of 2015, to a current level of € 432.5 million.

Mr. Ofner confirmed the guidance for the entire year 2016. Accordingly, revenue will further increase to € 740 million, and net profit for the year adjusted for the Malta revaluation will rise to € 115 million. Moreover, net debt is expected to fall below € 400 million.

Mr. Ofner concluded his presentation by taking a look at the Vienna Airport share, which once again showed a substantial rise in value. The accumulated increase has amounted to 31% since January 2015. The takeover offer of the Australian pension fund IFM also contributed to the increase in the share price to € 100. The pension fund used this offer to increase its shareholding by 8.26%, and now holds a 38.16% stake, making it the largest shareholder.

Subsequently, Management Board member Julian Jäger informed the participants at the Annual General Meeting about developments in the individual segments. In its core Airport Segment, FWAG profited from a new passenger record. The effects of the crisis in Eastern Europe could be more than offset by growth in flight traffic to North America, the Middle East and the Far East.

The competitive environment was difficult in the Handling Segment. Nevertheless, Flughafen Wien AG maintained a stable market share. The Retail & Properties Segment developed positively. In this field, the parking, rental, and shopping & gastronomy business areas all made almost equal contributions to total revenue.

The number of passengers handled by the Flughafen Wien Group rose by 1.3% to EUR 22.8 million. However, this growth was exclusively driven by local passengers, whose volume climbed 3.2% to EUR 16.4 million. Due to the difficult competitive situation, the number of transfer passengers fell by 3.6% to a total of 6.3 million.

The stakes held by FWAG in Malta Airport and Kosice Airport once again developed very gratifyingly. In Malta, the number of passengers was up 7.7% to 4.6 million, and the EBITDA margin reached an outstanding level of 55.3%. The margin for Kosice Airport was 34.8%. Mr. Jäger considers the positive earnings of Kosice Airport to be a good performance in light of the fact that it only handles 400,000 passengers.

As Mr. Jäger mentioned, Vienna Airport hosts a total of 75 airlines flying to 181 destinations in 73 countries around the world. Europe continues to be the most important market. North America, the Middle East and Africa also developed successfully, alongside China and Korea. There has also been strong growth to long-haul destinations since 2011.

Mr. Jäger expressed his optimism to at least generate a slight rise in passenger volume for the year 2016. The number of passengers handled by Vienna Airport was up by 0.5% in the first four months to 6.25 million. Growth at Malta Airport and Kosice Airport was considerably higher, with passenger volume rising by 12% and 31% respectively. The overall rise for the Flughafen Wien Group was 2.5%.

In addition, the Management Board also provided information about current investment projects. Current plans call for maximum investments of € 500 million for all projects. From today's perspective, existing business operations should comprise the basis for financing the investments. Net debt should not climb to a value of over 2.

General Discussion

The first request to speak was by Wilhelm Rasinger. He spoke on behalf of the Austrian Shareholder Association (IVA). He informed the audience that he represented about 20% of the shares in free float, in light of the fact that the free float was substantially reduced to less than 12% as a result of the takeover offer on the part of IFM.

Similar to the statement made by the subsequent speaker, Mr. Rasinger congratulated the company on its ongoing positive business development. All performance indicators improved over the past financial year. In particular, he was pleased with the steady decline in the net debt. In his opinion, FWAG has become a solid infrastructure share with good return on investment.

One negative point Mr. Rasinger noticed was the continuous decline in the number of transfer passengers. This decrease amounted to 8.6% in the last three years alone. In this regard, the Management Board always said that a key cornerstone of its business strategy was to more effectively target transfer passengers.

In response to these comments, Mr. Jäger said that the reasons for this development were complex, including the decrease in Eastern Europe, changes in the Lufthansa Group and growth of airlines such as Turkish Airlines and Emirates. In his view, the downward trend is expected to last for several years. However, thanks to local passenger growth, overall passenger volume should rise by 2-3%.

When asked about the effects of the air passenger duty, Mr. Jäger stated that he considers this levy to be the biggest obstacle to growth at the present time. An additional tax of € 7 for short-haul flights, € 15 for medium-haul flights and € 35 for long-haul destinations is a major constraint to growth, especially in light of the airport's attempts to lure low-cost carriers as customers.

The Management Board is in the midst of intensive negotiations concerning this levy, at least to drastically reduce it. Mr. Jäger pointed to serious studies, which concluded that the total elimination of this tax would bring one million additional passengers and thus create 1,000 new jobs.

Mr. Rasinger said it was unfortunate that an interest rate of 4.5% had to be paid for many years for the loan of over € 400 million. Responding to his question, Mr. Ofner said that a premature termination would be possible in principle, but would lead to additional costs. Nevertheless, according to the CFO, it was the right decision ten years ago to secure a stable interest rate level in the long term.

Mr. Rasinger believed it made sense to add the item to the agenda to authorize the Management Board to acquire own shares. Share price fluctuations could be limited in this way in spite of the small number of shares in free float.

Shareholder Köll expressed a different opinion. He did not see how the tradability of the FWAG share could be improved by buying back own shares considering a free float of only 12%. He considered share price ups and downs to be normal occurrences in stock market trading.

With respect to this issue, Mr. Ofner declared that the company did not plan to permanently stay in possession of the acquired shares, and had not yet made a decision on what it would precisely do. Shareholders will be informed about the precise details of the buyback program.

The representative of the Austrian Shareholder Association was not happy with the proposed amendments to the Articles of Association concerning “Management and Representation” as stipulated in item 7 on the agenda. In his view this opens up too many possibilities for the administration.

According to Mr. Ofner, a corresponding suggestion on this issue had been made by shareholders. The Management Board and Supervisory Board consider the changes to make perfect sense in order to prevent undesirable events from taking place. Other companies have already included this provision in their articles of association as a precautionary measure. The issue is not about changing the way business is carried out.

One shareholder, apparently a lawyer, spoke about the lawsuit to the amount of over € 150 million in the USA as mentioned in the Risk Report. As she researched, the lawsuit involved the alleged discrimination of a business partner. She asked for more details about the background of this lawsuit, and wanted to know what would happen if the company was actually found to be guilty.

Mr. Ofner explained that this issue is not a new one. A business partner in New York was allegedly discriminated. In this regard, FWAG never operated there. Accordingly, this lawsuit has no basis in reality. Nevertheless, the airport has to defend itself.

For this reason, the airport has hired a lawyer in Austria and one in the USA. A lump sum of $ 100,000 was agreed upon in the USA. Naturally, it is annoying to know that such high costs arise although there are absolutely no reasons to justify the lawsuit. The airport did not allocate any provisions for this lawsuit.

Responding to a question, Mr. Jäger said that a high single digit million euro amount would be invested over the next two to three years in order to enable the handling of the Airbus A380 aircraft on two levels. The aircraft can be already handled at the present time, but only on one level.

The Management Board was congratulated on the increase of FWAG’s stake in Malta Airport to 48%. According to Mr. Jäger, a rise in the shareholding to exceed the 50% threshold is unrealistic in the foreseeable future. The government does not intend to give up its stake, and purchases on the stock market would drastically push up the share price.

Furthermore, responding to a question posed by shareholders, the Management Board said that Frankfurt, London, Zurich, Dusseldorf, Berlin and Paris are the six most important destinations for Flughafen Wien AG. On balance, these six destinations account for some 25% of total passenger volume.

One shareholder asked about the current status of proceedings concerning construction of Runway 3. He expressed his doubt that there is a realistic chance that this project would be realized in the future. As Mr. Jäger explained, the airport continues to wait for a decision by the second instance authority. He continues to believe in a positive decision. However, he did not dare to estimate precisely when the project could move ahead. It is already obvious that the proceedings will end up in the higher courts, and that a final decision is first likely in 2019.

In his opinion, a solid foundation for a decision will not exist before the final decision is made by the courts. Naturally, the airport will only build a third runway if there is sufficient demand and the most important customers have given corresponding assurances. And of course, the investments have to pay off.

According to the Management Board, a partnership with Bratislava Airport is not possible. Due to the fact that the new runway would be required primarily for peak times in the morning and evening, it would not make sense to transfer flight traffic to Bratislava.

Mr. Jäger denied that there are already agreements with the Australian pension fund. He also did not know what such agreements would be about. Naturally, talks are held on a regular basis. This is a significant shareholding, comprising a stake of 38%.

Voting Results

Mr. Kirschner announced that a total of 19,605,982 shares were present. In relation to the entire share capital of € 152,670,000, dividend into 21,000,000 no-par value shares, this represented 93.36% of the total share capital. All resolutions were passed with a majority of over 99% of the votes cast.

Taking each resolution on its own, the resolutions involved approving the dividend of € 2 per share (item 2), the discharge of the Management Board (item 3) and the Supervisory Board (item 4), remuneration for the Supervisory Board members (item 5), the selection of KMPG Austria GmbH to serve as the auditor (item 6), the amendment to the Articles of Association regarding the section on “Management and Representation” (item 7), a one-to-four stock split (item 8) and the authorization granted to the Management Board to acquire own shares (item 9).

The Chairman declared the Annual General Meeting of Flughafen Wien AG for closed at 1:15 p.m.

Conclusion

Flughafen Wien AG continues to set new records. Although the environment in the sector is not simple, all relevant performance indicators could be improved in the 2015 financial year. Moreover, the airport expanded its market position based on the increase of its stake in Malta Airport and other extensive investments.

The main event occurring over the last few months was the purchase offer submitted by the Australian pension fund IFM. It increased its shareholding in FWAG to more than 38% based on a share price of € 100. As a result, only close to 12% of shares in the company are still in free float. The offer certainly was a major reason why the share is now traded at a price of € 100.

The share price development in recent years has been impressive. A share price of € 100 is by no means excessive. The dividend of € 2 corresponds to a basic yield of 2%. In light of earnings per share coming close to € 5, there is still room for higher dividends to be distributed in the future considering that net debt is quickly decreasing. In any case, it is recommended to "hold" the FWAG share.

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