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2019 Annual Report

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FLUGHAFEN GRAZ BETRIEBS GMBH, FELDKIRCHEN BEI GRAZ

Shareholders

- 99,9 % Holding Graz – Kommunale Dienstleistungen GmbH, Graz
- 0,1 % GSU Gesellschaft für Strategische Unternehmensbeteiligungen m.b.H., Graz

Meeting of shareholders/Owner's representatives:

Dipl.-Ing. Wolfgang Malik, Chairman of the Board of Holding Graz – Kommunale Dienstleistungen GmbH
 Mag. Barbara Muhr, Member of the Board of Holding Graz – Kommunale Dienstleistungen GmbH (till 31.08.2020)
 Mag. Dr. Gert Heigl, Member of the Board of Holding Graz – Kommunale Dienstleistungen GmbH

Supervisory Authority

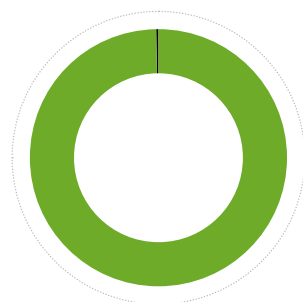
Ministry of Transport, Innovation and Technology, the highest civil aviation authority in Austria

Managing Directors

Mag. Gerhard Widmann
 Mag. Jürgen Löschnig
 (since 01.01.2021: Wolfgang Grimus, EMBA and Mag. Jürgen Löschnig)

Authorised signatory

Ing. Johann Fasching



AFFILIATED COMPANIES (FULLY CONSOLIDATED)

FLUGHAFEN GRAZ BODENSERVICES GMBH, FELDKIRCHEN BEI GRAZ

Shareholders/Owners

- 93 % Flughafen Graz Betriebs GmbH, Feldkirchen bei Graz
- 7 % Swissport DACH Holding AG

Shareholders' Committee

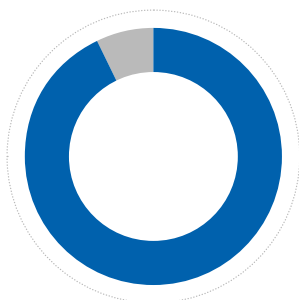
Mag. Gerhard Widmann (Chairman), Flughafen Graz Betriebs GmbH
 Dirk Schmitt, Swissport Cargo Services Deutschland GmbH

Managing Director

Mag. Gerhard Widmann

Authorised signatory

Michael Hirt



AIRPORT PARKING GRAZ GMBH, FELDKIRCHEN BEI GRAZ

Shareholders/Owners

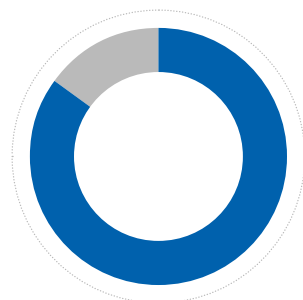
- 85 % Flughafen Graz Betriebs GmbH, Feldkirchen bei Graz
- 15 % APCOA Parking Austria GmbH, Wien

Shareholders' Committee

Mag. Gerhard Widmann (Chairman), Flughafen Graz Betriebs GmbH
 Ing. Johann Fasching, Flughafen Graz Betriebs GmbH
 Mag. Stefan Sadleder, Geschäftsführer APCOA Parking Austria GmbH

Managing Director

Mag. Gerhard Widmann



EQUITY-ACCOUNTED INVESTMENTS

FLUGHAFEN GRAZ SICHERHEITSDIENSTE GMBH, FELDKIRCHEN BEI GRAZ

Shareholders/Owners

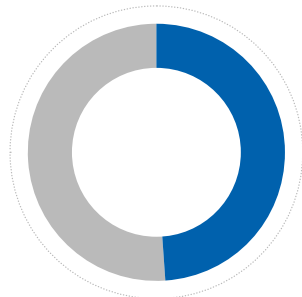
- 49 % Flughafen Graz Betriebs GmbH,
Feldkirchen bei Graz
- 51 % Securitas Sicherheitsdienste GmbH, Wien

Shareholders' Committee

Mag. Martin Wiesinger (Chairman),
Securitas Sicherheitsdienstleistungen GmbH
Paul Divjak, Securitas Sicherheitsdienstleistungen GmbH
Mag. Gerhard Widmann, Flughafen Graz Betriebs GmbH
Ing. Johann Fasching, Flughafen Graz Betriebs GmbH

Managing Directors

Mag. Ingo Almer
Gerhard Amtmann



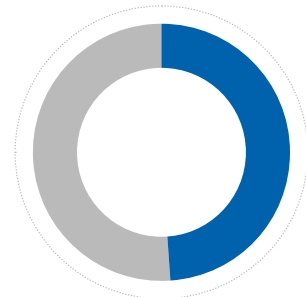
SWISSPORT CARGO SERVICES GRAZ GMBH, FELDKIRCHEN BEI GRAZ

Shareholders/Owners

- 49 % Flughafen Graz Betriebs GmbH,
Feldkirchen bei Graz
- 51 % Swissport Cargo Services Austria GmbH

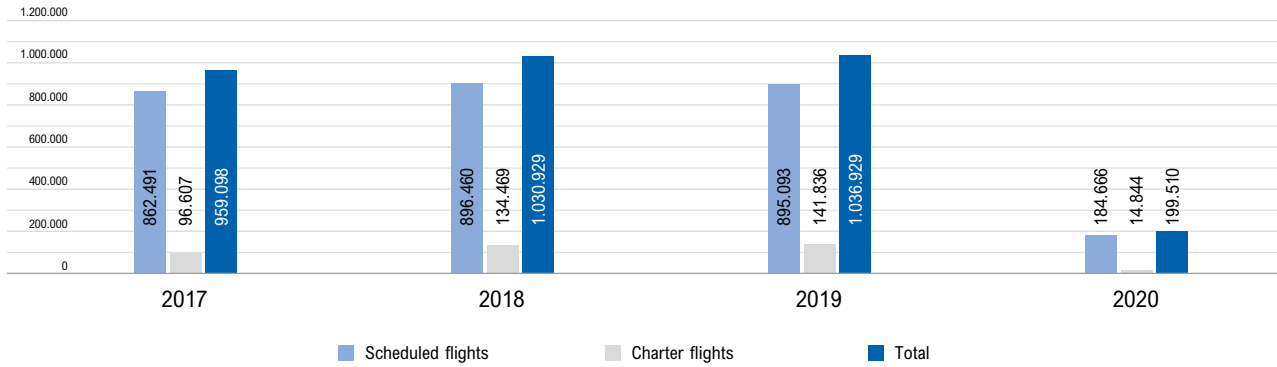
Managing Directors

Mag. Gerhard Widmann,
Flughafen Graz Betriebs GmbH
Willi Ruf, Swissport Cargo Services
Deutschland GmbH
(till 31.10.2020)
Bernd-Hennig Dieter,
Swissport Cargo Services
Deutschland GmbH
(since 01.11.2020)

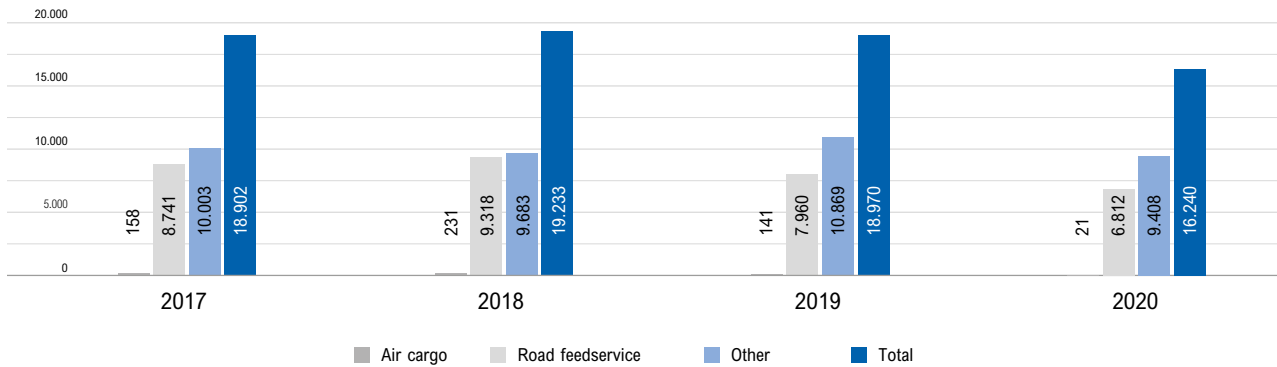


TRAFFIC RESULTS

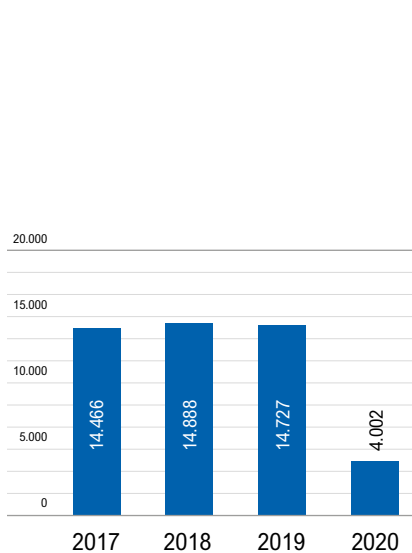
PASSENGER NUMBERS



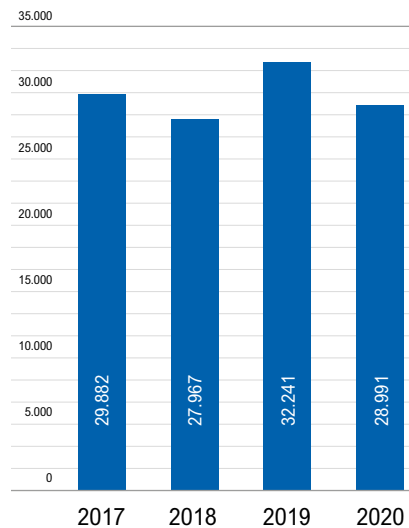
CARGO VOLUME IN TONS



FLIGHT MOVEMENTS



GENERAL AVIATION



ECONOMIC INDICATORS

in EUR'000	2018	2019	2020
RESULT OF OPERATIONS			
Sales revenue	36,267	37,302	14,653
of which Aviation	29,400	29,867	7,757
of which Non-Aviation	6,867	7,435	6,896
Earnings before taxes	7,901	8,332	-4,343
Profit for the year	6,028	6,082	-4,329
Return on sales	22%	23%	-29%
Return on equity	14%	14%	-7%
Return on total assets	11%	11%	-6%
EBITDA	11,735	12,064	-549
ASSET AND FINANCIAL SITUATION			
Investments	1,053	1,744	812
Cash flow (from ordinary business activities)	12,366	9,615	-4,410
Equity	58,550	60,703	56,374
Balance sheet total	76,563	78,529	70,142

REPORT ON THE COURSE OF BUSINESS, ON EARNINGS AND THE COMPANY'S SITUATION IN 2020

The Corona virus and the lockdowns imposed as protective measures as well as the closing of borders have temporarily brought passenger air transport activity to an almost complete standstill in many countries and thus caused strong declines in the entire air traffic sector. Many airlines, including AUA, which back in 2019 had reported the highest number of passengers at Graz Airport, grounded their fleet for several weeks at a time. Graz Airport is strongly affected by this decline in passengers. While it closed 2019 as the best year in its history, passenger numbers and flight traffic decreased significantly from the second week in March of 2020 with the last regular scheduled flight starting on 20 March. It was only in the middle of June, i.e. more than 3 months later that Austrian Airlines restarted its flight connection to Vienna. Scheduled flights to other destinations like Frankfurt, Düsseldorf, Stuttgart and Amsterdam and some chartered flights restarted to and from Graz during summer. Then, all scheduled flights were cancelled again when the second lockdown started, apart from the flights to Vienna and some special flights. KLM restarted its flights to Amsterdam on 20 December.

In view of 199,510 air travellers (2019: 1,036,929), the airport welcomed 80.76% passengers less than in 2019. That is a severe slump after two record years.

184,666 passengers (2019: 895,093) used scheduled flights from/to Graz (-79.37% compared to 2019).

And at least 14,844 passengers (2019: 141,836) still took chartered flights to holiday destinations, despite the Corona virus threat (-89.55% compared to 2019). Those were mainly flights to Rhodos, Heraklion and Santorini.

However, it was not only flight traffic that was affected by COVID-19 at Graz Airport. Graz Airport's event area which had been well booked in 2019 and held about 290 events, welcomed significantly less guests from the middle of March; only 90 events were organised in the entire year of 2020. The duty-free shop closed in spring/early summer for months, small shops like Destillerie Bauer or Domain Kilger have been closed since March due to the low number of customers.

In summary, it is true to say that the air traffic sector is, together with the entire travel industry, one of the economic sectors that was hardest hit by the impacts of the Corona crisis.

At the same time, it is worth mentioning that Graz Airport is a system-relevant infrastructure playing an important role in public service. Both the police and ÖAMTC (the Austrian Automobile Club) maintain helicopter bases here, important flights of the military started and landed here and freight shipments were made (for instance, protective equipment and masks were brought to Styria via the freight area at Graz Airport). The SPAR super market, an important grocery facility for people living in the surrounding municipalities, and the car rental companies that are located in the terminal building were still open to the public.

Graz Airport reacted immediately to the spread of the Corona virus. Staff members took some of their vacation entitlements and used up time credits already in the month of March. Beginning with the 1st of April, the entire staff started performing short-time work. Operating hours were restricted as far as possible which saved even more personnel expenses. When it became apparent that the crisis would not be over soon, a stringent cost cutting programme took effect immediately which has been challenging Graz Airport until today.

The "COVID-19" subsidies granted by the federal government were used – wherever possible. Those are, however, only short-time work and other personnel support measures. The costs for maintaining the system-relevant infrastructure must be borne by Graz Airport, since it is currently not entitled to such government support measures like a subsidy granted in Austria for the fixed costs arising in companies and cannot benefit from the compensation granted by the government for lost revenue.

FREIGHT

The effects of COVID-19 are also palpable in the air freight trend at Graz Airport, even though to a much lower extent. Swissport Cargo Services Graz GmbH, the joint subsidiary of Swissport Cargo Services Austria and Flughafen Graz Betriebs GmbH which has been active since 1 February 2016, reported a decline of 14.39% in freight volume which is down to 16,240 tonnes compared to 2019 (18,970).

The reduction of flight traffic naturally also resulted in a decrease of transported freight for import and export, which is reflected in a decline of 85.21% compared to 2019 (2020: 21 tonnes; 2019: 141 tonnes). The decline in replacing import

and export transports made in trucks is comparatively low at 14.42% (2020: 6,812 tonnes, 2019: 7,960 tonnes).

A positive trend occurred particularly in exports where large tonnages were handled, e.g. in October for customers from the pharmaceutical sector. The total decline in this segment thus only amounts to 4.98%. As for imports, cost-cutting measures taken by Airlines and direct deliveries to customers had a negative effect and led to a reduction of 65.70%.

Forwarder handling went down in 2020 by 13.4% (2020: 9,408 tonnes, 2019: 10,869 tonnes). This decline was comparatively low since companies interested in a sensitive handling once again attached importance on the good cooperation with their handling agent on site and the trust they have in them. This trend could be observed mainly for large pharmaceutical export tonnages.

Staff members working in the freight department have also been doing short-time work since the beginning of April.

AIRLINE RANKING

Lufthansa takes first place in the ranking of airlines with the highest number of passengers, with 81,739 flight passengers, before Austrian Airlines with 65,796 passengers. Air Dolomiti follows in 3rd place – it flies to Munich jointly with Lufthansa. Next in line are Swiss International (8,211 passengers), KLM Cityhopper (7,403 travellers) and Corendon Airlines EU (6,957 passengers).

INVESTMENT MANAGEMENT

Flughafen Graz Betriebs GmbH holds a 49% stake in Flughafen Graz Sicherheitsdienste GmbH (FGSG) which is engaged with performing safety controls pursuant to the Luftfahrtsicherheitsgesetz (LSG –Law on the Protection of the Security of Aircrafts).

Flughafen Graz Betriebs GmbH holds a 85% stake in Airport Parking Graz GmbH (APG) which has been responsible for parking space management at Graz Airport since 1 January 2003.

A share of 49% in the cargo joint-venture Swissport Cargo Services Graz GmbH which has been operating Cargo Services Austria GmbH jointly with Swissport since February 2016 is held by Flughafen Graz Betriebs GmbH. The value of this participation was reduced to zero, due to the

negative results in the past and the weak earnings situation to be expected in the future.

INVESTMENTS / MAJOR MAINTENANCE MEASURES

The investment programme was assessed for urgently necessary matters and reduced accordingly, also on account of the restricted air traffic caused by the COVID-19 pandemic. Safety and IT devices which had reached the end of their useful lives were still exchanged. Investments were also made in IT equipment for video and home-office use.

The new flight path and noise measuring station was commissioned and will be operated in cooperation with the province of Styria. A gritting vehicle, including urea spreader, was procured as a replacement device. The relaunch of the VIP Lounge is planned for 2021, plans started in 2020.

HUMAN RESOURCES

The COVID-19 pandemic has a huge impact particularly on the human resources segment.

184 (2019: 203) staff members were employed on 31/12/2020, 81 of which women and 103 men. The average headcount was 201 employees (2019: 209). From 21 March 2020 until the end of the year, all employees used the option to perform short-time work, due to the pandemic and the strongly declining air traffic. The reduction in the number of employees until the end of the year could be achieved by some staff members retiring or exiting the company. In addition to using short-time work, we achieved more flexibility in employment by concluding part-time retirement agreements and by leasing employees to other divisions of the parent company or to the city of Graz (e.g. Contact Tracing).

RISK AND FORECAST REPORT – FORESEEABLE DEVELOPMENT OF THE COMPANY

a. Risks

The COVID-19 pandemic had a strongly negative effect on the air traffic industry. Despite comprehensive vaccination and test strategies, the demand for air traffic and with it the number of passengers will only recover gradually. It is to be expected that the number of air travel passengers will only reach its pre-crisis level from 2024/2025.

The climate change will exert increasing pressure on the aviation industry and air traffic sector in the future. Graz Airport which has been working on a reduction of its CO2 emissions for many years but is unable to exert any influence on what measures are taken above the clouds, will thus be affected as well. The pressure to fly more economically and ecologically will increase. While experts report that intensive work is being conducted on finding new technical solutions, neither electronic flying nor synthetic fuels are ready for serial production yet. And the industry is coming under time pressure, since the development and life cycles of aircrafts are significantly longer than those in the automotive sector. But, one must not forget in this undisputedly important discussion that air traffic accounts for only 2.7% of the global CO2 emissions. This number ascends to only 0.52% within Europe. Austrian air traffic accounts for a share of only 0.16% in Austria's CO2 emissions.

Naturally, the local, economic, demographic and tourist trends within the catchment area of a regional airport are of decisive importance for its traffic development. These factors are, however, assessed as being permanently positive for the greater Graz region in the upcoming years. It is particularly the demographic development which will be characterised by more people moving to the region, so that risks in this field can be considered to be low. Another typical risk for the industry are changes in regulatory conditions which might give rise to high investments. Such essential developments are currently unknown. The investments necessary for any currently foreseeable changes are laid down in economic plans and forecast calculations.

The company's liquidity consists predominantly of accounts receivable from affiliated companies in the context of intra-group netting arrangements with the parent company. In view

of the negative annual result, cash needed to be requested from cash pooling, despite the limited investment activities. Inventories fell from EUR 12.5 million to EUR 9 million on 31/12/2020. But, the company's liquidity is still secured for the foreseeable future so that the company will be able to meet its current payment obligations in due time.

Additional cash of EUR 2,362 thousand was provided to the company in a capital increase of 24 Feb. 2021.

b. Forecast

All experts agree: the aviation industry will recover only slowly from the Corona crisis. Eurocontrol estimates that the European air traffic will achieve about 50 percent of its pre-crisis level in 2021. In 2020, it had declined by 55 percent. According to Eurocontrol, the number of passengers in Europe declined by 1.7 billion. In Austria, the number of aircraft movements fell from 1.37 million by 57 percent to 591,000.

The Airport Industry Connectivity Report 2020 issued by the ACI Europe (Airports Council International) stated that 6,000 flight routes were cancelled in Europe.

Eurocontrol expects that the industry will recover to pre-crisis levels not earlier than in 2024.

The year 2021 starts under difficult circumstances with lockdowns in many countries and various entry and quarantine requirements that are aggravating the situation. After the Christmas holidays, AUA reduced its offer for the 1st quarter to 10-15% of the previous year's numbers. All parties are working intensively on a restart of the flight routes to Düsseldorf, Frankfurt, Munich, Stuttgart and Zurich.

Despite an increased lockdown in December, KLM restarted the connection to Amsterdam so that Graz is connected to two hubs at the beginning of 2021. A switch to night stops toward the end of March will allow for better transfer times to more destinations from Amsterdam.

But, there is also reason for some optimism:

The travel industry is cautiously optimistic for its summer flight plans. Airline partners are working intensively on connecting up to 8 destinations / hubs to Graz in regular service. Travel agencies have prepared an attractive programme for the tourism sector with 33 weekly holiday connections

EXPECTED DEVELOPMENT OF THE COMPANY

to 15 destinations, including new destinations like Naxos, Karpathos, Zakynthos and Calvi and a number of short and city trips from/to Graz. The success of this summer timetable will ultimately depend on the further course of the pandemic and the number of infections.

Feldkirchen, 26 February 2021

The Management

Wolfgang Grimus, EMBA Mag. Jürgen Löschnig

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Ein Unternehmen der Holding Graz