Hub to the Future

Annual Report 2004

Fraport

Vision

We develop mobility professionally and make it an experience for our customers. As an airport group, we are the most capable industry player in all segments. We consider airports to be activity centers and intermodal hubs. We link transport networks systematically. We stand for efficient management of complex processes and innovations, maintain our position by providing competitive integrated services and respond flexibly to our customers' requests. Safety is our top priority. By carrying out our vision, we create sustained value in the interests of our shareholders, our employees and the regions in which we operate.

Key Group figures of Fraport AG

	2001	2002	2003	2004
Revenues and earnings (€ million)				
Revenues	1,580.6	1,803.6	1,834.3	1,998.1
Total revenues	1,692.2	1,851.8	1,887.7	2,043.7
EBITDA	532.0	260.3	461.8	516.2
EBIT	322.7	46.2	203.7	281.1
Result from ordinary operations	170.2	–35.1	215.1	265.9
Group profit/loss for the year	101.1	–120.8	115.2	136.4
Key figures from the balance sheet and cash flow statement (€ million)				
Shareholders' equity	1,964.3	1,803.4	1,920.1	2,030.8
Equity ratio (%)	52.5	49.8	51.7	53.8
Total assets	3,672.0	3,620.7	3,636.4	3,650.2
Gearing (%)	46.4	18.0	12.1	–0.3
Capital employed	2,829.2	2,140.9	2,119.2	1,969.3
Fraport assets	2,612.1	2,800.4	2,841.5	2,812.8
Operating cash flow	364.8	395.6	447.2	519.4
Capital expenditures	883.4	290.5	256.9	279.4
Key profitability ratios (%)				
Return on revenues	10.3	–2.2	11.4	13.0
EBITDA margin	33.7	14.4	25.2	25.8
EBIT margin	20.4	2.6	11.1	14.1
ROCE	11.4	2.2	9.6	14.3
ROFRA	12.4	1.6	7.2	10.0
The Fraport share (€)				
Year-end price	26.50	17.00	22.80	31.39
Earnings per share (basic)	1.28	–1.34	1.28	1.51
Dividend per share	0.40	–	0.44	0.75[1]
Frankfurt Airport traffic figures				
Passengers (million)	48.6	48.5	48.4	51.1
Cargo (thousand tons)	1,613.3	1,631.5	1,650.6	1,839.1
Aircraft movements (thousand)	456.5	458.4	458.9	477.5
MTOWs (thousand tons)	25,564.5	24,926.9	25,398.9	27,229.6
Seat load factor (%)	68.2	69.8	69.4	71.0
Passengers per passenger flight	116	115	115	117
Employees				
Average number of employees	15,526	21,395	23,353	24,182

See page 151/152 for explanatory notes about the key figures.

[1] Proposed for distribution

Segments of Fraport Group

Aviation

Intermodality a success factor

The Aviation segment is responsible for the flight and terminal operations as well as for airport and aviation security. We generate revenues primarily by airport fees for using the infrastructure of Frankfurt Airport. Linking the different air, rail and road carriers is one of our success factors.

Retail & Properties

Airport as real estate

The Retail & Properties segment covers renting of shops and offices, parking facility management and marketing of properties and CargoCity South. A steady increase in the shop, office and storage space available has made these operations the most profitable area of the company's business. The current modernization and expansion measures are strengthening our portfolio and are preparing us to tackle future assignments.

Ground Handling

Trademark: a professional approach

We provide all the ground handling services – from aircraft handling to passenger and cargo services – in Frankfurt. The large international airlines appreciate our performance as a reliable partner that maintains consistent quality standards and punctuality rates. Every second passenger is taking a connecting flight in Frankfurt and we move the largest cargo volume in Europe. The challenge: cost awareness in spite of complexity.

External Activities

Involvement in growing markets

All the investments that are not confined to the Frankfurt location are combined in this segment. We focus on growing international markets. The increasing privatization of airports and the demand for airport management, ground handling and aviation security services are creating opportunities for us that we are exploiting systematically. We are the European market leader for aviation security.

Key figures

(€ million)

Aviation	2003	2004
Revenues	551.7	626.2
EBITDA	115.6	144.8
EBIT	59.1	90.8
Fraport assets	906.7	896.3
ROFRA (%)	6.5	10.1
Employees	3,368	3,311

Retail & Properties	2003	2004
Revenues	369.0	373.9
EBITDA	302.3	285.8
EBIT	186.4	174.5
Fraport assets	1,263.3	1,246.2
ROFRA (%)	14.8	14.0
Employees	3,038	3,050

Ground Handling	2003	2004
Revenues	570.7	608.1
EBITDA	23.6	53.3
EBIT	–0.4	31.1
Fraport assets	380.0	371.6
ROFRA (%)	–0.1	8.4
Employees	7,120	7,042

External Activities	2003	2004
Revenues	342.9	389.9
EBITDA	20.3	32.3
EBIT	–41.4	–15.3
Fraport assets	337.1	345.0
ROFRA (%)	–3.2	–0.4
Employees	9,827	10,779

See page 151/152 for explanatory notes about the key figures.

Foreword by the Chairman of the Executive Board

Dear Shareholders,

I am both proud and delighted to be able to write this sentence: 2004 was a good year for Fraport.

Please do not misunderstand me. As part of the international air transport industry, we are extremely dependent on global influences. It is an unfortunate fact that there were terrorist attacks, political instability and devastating natural catastrophes again in 2004. The past fiscal year was nevertheless a year of recovery compared with the consequences of September 11, 2001, the Iraq war and SARS in the previous years.

I have mentioned on numerous occasions that air transport has been, is and will remain a growing business. Over the past 25 years, we have achieved average passenger growth of more than 4.5 percent in Frankfurt. After three years of stagnation, we are returning to growth. With an increase of 5.7 percent in passenger traffic, we even managed to make up some of the shortfalls recorded in the previous years.

One particular figure symbolizes the recovery of air traffic. We achieved what we had originally been planning for 2001, i.e. being able to welcome more than 50 million passengers to Frankfurt in one year.

For you as shareholders, it is important what we have made of this fact at the economic level. The performance here is impressive, too: we exceeded the forecasts we made at the beginning of the year considerably. Revenues increased by 8.9 percent, EBITDA by 11.8 percent and the Group profit for the year by as much as 18.4 percent to a new record of € 136.4 million.

The figure that interests you most will certainly be the share price. In 2004, the Fraport share increased in value by 40 percent to € 31.39. We intend to raise the dividend from 44 cents to 75 cents. This represents not only an increase of 70 percent but also an attractive dividend yield of almost 2.5 percent. So 2004 was a good year for our shareholders, too.

What are our plans for the future? In the coming years, we will be making substantial investments to increase the capacity of Frankfurt Airport. It is therefore important that Fraport has a thoroughly sound balance sheet. The equity ratio increased to 53.8 percent at the end of the year and we generate an operating cash flow of far more than € 400 million per year. This means that we are in an excellent financial position and have a good credit standing. What does this mean for the expansion of the airport in Frankfurt? The expansion program can be carried out without any financial problems.

We are currently in the process of modernizing the existing terminals. As far as earnings are concerned, development of the retail business is our most important concern. Regarding this, we are still substantially behind comparable airports such as London or Amsterdam. We are continuing to increase the retail space systematically and aim to enable our passengers and visitors to experience an attractive shopping environment.

The Airbus A380 will be starting scheduled flights as early as next year. Frankfurt will be the most important airport destination for it in Continental Europe. The A380 is ideal for a hub airport like Frankfurt, because it takes optimum advantage of the asset of ours that is in the shortest supply: landing slots. In the coming years, we will be growing mainly via the size of the aircraft, because we are already very close to the limit of about 500,000 annual aircraft movements that are possible with the existing runway system.

We are preparing carefully for the deployment of the new Super-Airbus. The approval procedure for the Lufthansa A380 maintenance hangar was completed successfully in November 2004. This facility will be completed on time in 2007, when Lufthansa takes delivery of the first two A380. In the other approval procedure for the new runway and a new terminal, the Hessian state government is expecting the procedure to be completed in 2007. This means that the new runway could be completed in 2009.

Why is it necessary for us to grow all the time? In aviation, there are only three teams in the European Champions League. Every airline alliance has a base: Skyteam/Air France-KLM in Paris, Oneworld/British Airways in London and Star Alliance headed by Lufthansa in Frankfurt. If further growth in Frankfurt was no longer possible, we will fall behind. I am doing everything I can to make sure this does not happen!

We are in fact in an enviable position: we co-operate with the strongest airline in Europe. This system partnership with Lufthansa remains successful when both partners make their own particular contribution. What this means for us is not just to be the most efficient hub in Europe, but also to remain one with competitive prices. Since our customers need to save money, we have to do the same.

We have already achieved a great deal in the current cost-cutting program WM 2005. By the end of 2004, we had made sustained savings of € 87 million, especially in non-staff costs. You can see the success in the Aviation and Ground Handling segments in particular.

Many observers find it difficult to understand, however, why we are starting another economy drive after a record year. There is a simple reason for this: we want to remain fit for the future. Our customers and employees need to be satisfied and profits are to be increased at the same time. It is therefore necessary for us to take action now, because it is considerably easier to do this from a position of strength!

We are a service provider and depend on the quality of our staff, but personnel expenses are of course our biggest cost factor, too. We have great social responsibility, so I do not want to play on people's fears: we want every employee to keep a job and to find exactly the same amount of money reaching his bank account at the end of the month as before. However, we expect appropriate openness to change in return for this, too: longer and more flexible working times and a further increase in our productivity, for example. Then Fraport will stay fit and the airport will continue to create jobs.

We have ambitious plans for 2005. We are expecting "normal" growth this year, with about three percent more passengers in Frankfurt, mainly in intercontinental traffic. Consolidated revenues are to increase by more than three percent and the Group profit for the year is to be considerably higher again.

Together with my colleagues on the Executive Board and all of the company's employees, I will be doing everything in my power to make sure we are successful. Because I would like to be able to write about 2005 that it was a good year, too!

Sincerely,

Wilhelm Bender

The Executive Board of Fraport AG

Dr Wilhelm Bender *(second from the left)*
Chairman

Dr Bender is responsible for corporate development and organization, marketing and corporate communications. He studied law and economics at Giessen University, obtaining a doctorate (Dr. iur.) there. Dr Bender started his career at the headquaters of the Deutsche Bundesbahn railway company and was then director of the railway industry association "Verkehrsforum Bahn". After this, Dr Bender was Managing Director of the major forwarding company Schenker, later becoming a member of the Executive Board of Schenker-Rhenus AG and Chairman of the Executive Board of Schenker Waggon- und Beteiligungs AG. He has headed Fraport AG since 1993.

Professor Manfred Schölch *(far left)*
Vice Chairman, infrastructure and legal affairs

Professor Schölch studied law at Frankfurt am Main University and has been with the company since 1971. He became a member of the Executive Board in 1986 and was appointed Vice Chairman in 1989. He is currently responsible for infrastructure, external real estate and legal affairs. The main emphasis in his activities is on the approval procedure for the expansion of the airport and the subsequent implementation of this project. In 1993/94, he was a member of the EU Commission's council of experts for aviation issues. He is involved in the international airport organization Airports Council International (ACI) as a member of the ACI Governing Board.

Dr Stefan Schulte *(third from the left)*
Finance

Dr Schulte is responsible for acquisitions and investments, controlling, finance and accounting, information technology and telecommunications services, central purchasing and the awarding of construction contracts. From 2001 to 2003, he was a member of the Executive Board of Deutz AG, where he was responsible for finance and human resources. Following an apprenticeship at a bank and university studies that he completed with a doctorate (Dr. rer. pol.) in 1991, he began his career in the corporate development department at Deutsche Bank AG. Dr Schulte then moved to Mannesmann Arcor to become head of the controlling division and then Chief Financial Officer at Infostrada S.p.A., which was at that time the Italian fixed network subsidiary of the Mannesmann/Vodafone Group.

Professor Barbara Jakubeit
Real estate development

Following her graduation in architecture, Professor Jakubeit became a design architect in Karlsruhe. She later headed the government building construction authorities in Baden-Baden and the building division of the regional finance authorities in Karlsruhe. She was President of the German Federal Construction Authority from 1990 to 1994. After a period as professor at Darmstadt Technical University from 1995 to 1996, Professor Jakubeit became the Berlin Senate building director with the rank of a state secretary. Until the beginning of 2000, she was responsible for all the building projects of political significance in Berlin. At Fraport, she is responsible for real estate development and facility management.

Herbert Mai *(far right)*
Labor relations

Herbert Mai is responsible for human resources. After completing his training for deployment in higher public service in the state of North Rhine-Westphalia, he took over the position of a supervisor on the staff of the Düsseldorf district president. This was followed by a position with the ÖTV trade union in Hesse. Herbert Mai was state chairman of ÖTV in Hesse and then, in 1995, became national ÖTV chairman. Parallel to this, he completed training at the University of Applied Social Work in Frankfurt am Main. In 1996, Herbert Mai was elected President of the European trade union association for the civil service and President of the European organization of international civil services.

Volker Zintel, Executive Vice President, Traffic and Terminal Management

Three questions to

Volker Zintel
Executive Vice President, Traffic and Terminal Management

1. What was the highlight of fiscal 2004 for you?

To me, it was the extremely positive development in traffic. This year, Frankfurt exceeded the magic limit of 50 million passengers for the first time and ended the year with a total of 51.1 million passengers. And more than 1.8 million tons of cargo were a new record, too. Both made a major contribution to our excellent Group earnings. And with the introduction of hub management at Lufthansa, an important milestone was reached in the process of establishing a close system partnership between both companies. With a direct contact at both ends, we will be able to intensify this close co-operation even more.

2. Where do you think the best opportunities for the future lie?

Preparation of Frankfurt Airport for the new Airbus A380 is particularly important, of course. By building the Lufthansa A380 maintenance facility, we are giving a clear demonstration of our determination to continue developing Frankfurt as the Lufthansa and Star Alliance hub. Equipping the airport for the A380 in good time is an important step forward in the airport's development for the many other airlines, too.

3. What challenges will you have to tackle in the coming years?

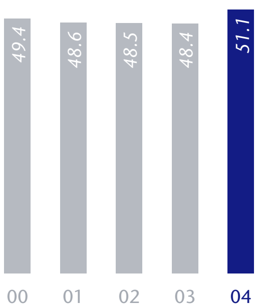
In addition to the start-up of the Terminal 1 gates and positions for the Airbus A380 on schedule, one tremendous challenge is modification of our terminal buildings and airport site to satisfy ongoing modernization, safety and fire protection requirements. It really is an enormous task to do all of this without any serious disruptions while keeping the airport running normally. Continuing to develop the capacities on the air and land sides until the airport is expanded represents another critical success factor. We need to respond positively to the demand for additional slots in Frankfurt, so that our airline customers are able to go on developing their business adequately. The objective in this context is to improve the performance of our operations steadily and to position Frankfurt as the most convenient hub for passengers to make connecting flights in Europe.

More than twice as many people as the populations of New York, London, Paris, Rome and Berlin arrive and depart here. In 2004, the number of passengers served by Frankfurt Airport exceeded what has been the magic 50 million mark up to now. Passengers in million:


51.1

Everything revolves around the passengers

Passengers Frankfurt Airport
million



Frankfurt Airport is one of the three major hubs in European air transport alongside London-Heathrow and Paris-Charles de Gaulle. Globally, Frankfurt holds third place as regards to the share of transfer passengers after Atlanta and Chicago. This outstanding position is a challenge for us to continue doing everything we can to ensure that the millions of passengers from all over the world are happy when they are with us. We spare no effort to make their stay a pleasant experience – whether they reach Frankfurt by plane to continue their journey to America or Asia on a connecting flight – or whether they arrive by car or train and set off for their destination directly from Frankfurt.

Countering stress in security checks with innovative solutions

In liaison with our partners, we modernize our systems constantly to make sure that the check-in operations and the necessary security checks are carried out as quickly and efficiently as possible. Because we are aware how endlessly long even five minutes can seem when one has to wait for a passport and baggage check and is trying to reach a flight on time. We aim to avoid stress situations like this as far as possible, using state-of-the-art computer technology for this purpose, too. The number of automatic stations at which passengers can check themselves in conveniently is, for example, being increased all the time.

Successful test with biometric passport checks

Long queues to check passports may perhaps be a thing of the past soon. In February 2004, we supported the start of a pilot project for automatic border control as a partner of the Federal Ministry of the Interior and Deutsche Lufthansa. About 10,000 frequent flyers are taking part in this test. They have had passport data and photos of their iris stored. Every time they go through border control posts, they only need to put their passport onto a scanner and look at a camera. The latter takes a digital photo of the iris and compares these data with the file. An operation that takes 10 to 15 seconds.

Participants very satisfied

An initial poll showed that the participants are very satisfied with this system. More than 75 percent said that they saved a considerable amount of time as a result. All of them reported that they intended to use the system in future as well. More than 80 percent of them advocate using this technology in other areas of flight operations, too, such as for checking in or when getting on the aircraft.

The Federal Ministry of the Interior, which is responsible for the project, has therefore decided to continue the test until August 2005. The Minister of the Interior, Otto Schily, has expressed confidence about the test: "The extremely high level of approval shows that people are having no problems using this new technology. Our concept for greater security in air transport and border control, which facilitates faster and more convenient travelling at the same time, is attracting national and international attention."

New security standards demanded by the EU Commission

In order to increase security in air transport, the EU Commission is demanding that legal regulations are introduced in future to guarantee that arriving non-EU passengers are kept separately from departing passengers until another security check has been made. The background to this is the fact that passenger control standards are not the same at all airports. Passengers from destinations where the safety standards do not match those applied in the EU are not supposed to have any contact with passengers departing from Frankfurt. Airport personnel and aircraft crews need to be identified clearly when they enter the sensitive areas, too. We are preparing for these assignments.

We already started to meet a different requirement successfully at the beginning of 2004. Not only 100 percent of the baggage checked in by passengers locally but also all goods transport operations for the duty-free shops, restaurants and retail outlets in the sensitive security areas are controlled.

Faster, more reliable and more convenient: biometric passport checks.

Security is our top priority. We work constantly on finding innovative solutions, so that we can guarantee minimum waiting times and maximum safety in the check-in process in spite of increasing passenger figures. The great success of the biometric passport checks (above) demonstrates that we are on the right track. We are systematically integrating new EU security standards in our existing security procedures.

Our concept for the future is to switch short-distance flights to the railway system. By doing this, we are creating valuable capacities for more long- and medium-distance connections.

Intermodality

Airlines:	121 with passenger service
Flights:	more than 1,400 on peak days
Destinations:	322 in passenger service, 148 of them outside Europe
Trains:	376 per day
Long-distance trains:	163 IC/ICE, incl. 23 international connections and 120 long-distance trains with a flight number (code-sharing)
Regional/local trains:	213 per day
Buses:	318 per day
Product range at Frankfurt Airport:	long-distance and regional train station, AIRail service (check-in facilities at Cologne and Stuttgart central train stations), code-sharing/Rail & Fly (also for passengers switching between a train and a plane)
Connection:	directly via the A3 and A5 motorways
Cars:	330,000 per day at the Frankfurt motorway intersection
Public parking spaces:	14,000

Projects to increase capacity in the existing system:

- *Better use of the existing runway system*
- *Introduction of new technology for landing and taxiing operations*
- *Switching of short-distance flights to the railway system.*

Continued growth

All the predictions made by experts indicate that air traffic will be continuing to grow in the coming years. We are expecting the passenger figures in Frankfurt to increase steadily in the next few years. Since we will reach the capacity limits in the medium term if this development continues, we have arranged a series of projects to increase the capacity of our airport in the existing system.

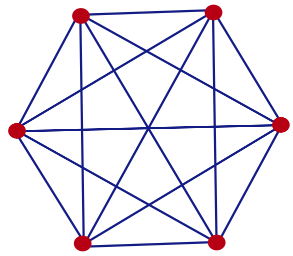
One of the projects is the gradual increase in the number of co-ordinated aircraft movements. This figure specifies how many takeoffs and landings can be planned per hour. By co-operating intensively with the air traffic control and airline experts, we have managed to up this figure from 80 to 82 flight movements per hour.

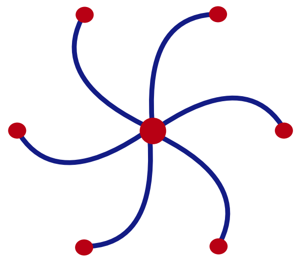
The magic word in air transport is "Intermodality"

Another project has the title "Intermodality". We are co-operating on it with the airlines and the Deutsche Bahn railway company. In this project, we are linking the different air, rail and road carriers to form a network. By switching short-distance flights to the railway system, we are able to create valuable capacities for larger aircraft and medium- and long-distance traffic.

Since about 43 percent of the German population live within a radius of 200 kilometers around Frankfurt, we consider that the "rail – air" concept has great potential. The faster train connections become, the larger the catchment area will be with people who can reach the airport within two hours. This means that intermodality strengthens our competitive position and the hub function: because the railway system becomes a feeder for flights abroad to an increasing extent.

Point-to-point traffic (above) and hub-and-spoke system (below).





18 percent of passengers arrive on long-distance trains

The long-distance railway station "AIRail Terminal" at Frankfurt Airport is particularly important in this context. 163 high-speed Deutsche Bahn trains stop here every day, more than at any other European airport station. The proportion of passengers arriving on long-distance trains increased from 7 to 18 percent between 1998 and 2004 – more than 4.2 million people in 2004. The long-distance railway station at the airport is already connected to other European countries, too, for example with connections to Amsterdam and Brussels.

Cologne to Frankfurt in 57 minutes – by train

Passengers can check themselves and their baggage in at Cologne and Stuttgart railway stations as well as at the "AIRail Terminal" in Frankfurt. The number of passengers flying between Cologne and Frankfurt has halved since there has been a railway connection between Cologne and Frankfurt Airport that takes only 57 minutes. By way of comparison: the city train system in Munich takes 41 minutes to reach the city center from the airport. The journey from Stuttgart to Frankfurt Airport takes one hour eleven minutes in an ICE train and one hour 23 minutes from Düsseldorf. A new service is available in the meantime: Fraport is supporting the partnership between Deutsche Bahn and the airlines about code-sharing. Passengers can travel on by train with a flight number from their airline. American Airlines, TAP Air Portugal and All Nippon Airways are already providing this service together with Deutsche Bahn alongside Deutsche Lufthansa. Further partners are to be added.

"Future For FRA" – co-operation on improving processes

A joint work and communication platform with the motto "Future For FRA – shaping the future together" was established four years ago now with Deutsche Lufthansa and the German air traffic control company. The purpose of the co-operation is to optimize the processes at our hub, in order to cope with the growing traffic until the present takeoff and landing runway system is extended. Systems and procedures are being developed for the airport and the areas closely associated with it, which make it possible to optimize the takeoff and landing frequencies without making any sacrifices where safety is concerned. Quality is being monitored by a joint punctuality management system, with which delays are identified, causes analysed and improvements developed.

A new era is starting with the A380

The deployment of larger aircraft is becoming more and more important for a hub airport like Frankfurt. Wide-body aircraft transport more passengers and reduce both fuel consumption and environmental pollution. The Airbus A340-600, the longest passenger aircraft in the world, was brought into service recently. It can transport up to 485 passengers. Lufthansa is flying the aircraft with 345 seats. In the meantime, we have prepared for the next challenge: the huge two-story Airbus A380.

The A380 is the biggest civil passenger aircraft in the world. The huge Airbus "made in Europe" will be landing in Frankfurt from 2006 onwards. We already have a model of the fuselage of it on show.

Airbus A380-800

Wingspan	79.65 m
Length	72.75 m
Height	24.08 m
Max. takeoff weight	560 t
Max. range	14,816 km
Passengers	up to 840
Lufthansa version	550

Super-Airbus versus traffic bottlenecks

Its wingspan of about 80 meters is a world record for passenger aircraft. The A380 can transport up to 840 passengers. Its range of 14,800 kilometers gives it a leading position, too. New engine technology and the use of modern materials make the wide-body aircraft considerably more economical and efficient. It will be the most spacious and economic jet that has ever flown.

The huge European aircraft is already a sales success all over the world. The A380 marks the start of a new dimension in civil aviation. The maiden flight is planned for the spring of 2005. Singapore Airlines intends to celebrate the A380's first scheduled flight one year later. Lufthansa is planning to put its first two A380 jets into service in September 2007. Frankfurt is one of the first airports that the mammoth Airbus will be flying to, alongside London, New York and Tokyo.

We are building the big bird a nest

We are working intensively on preparing for the arrival of this revolutionary aircraft. The two-story Airbuses operated by Lufthansa and its Star Alliance partners are to dock at Terminal 1 from 2007 onwards.

Up to five positions will be available gradually for the wide-body jets operated by the other airlines at Terminal 2 from 2006 onwards. The passenger building opened in 1994 was already planned for jets with a wingspan of more than 15 meters wider than the jumbo jet. Both Terminal 2 and Terminal 1 need to be modified even so.

The A380 will be ready to take off again in 90 minutes

Thanks to the dialogue initiated at an early stage by the aircraft manufacturers, airlines and Fraport as the airport operator as well as other airports, no major changes need to be made to the handling processes. The time between landing and takeoff is to be only 90 minutes in the case of the A380 as well.

Go-ahead for new maintenance facility

Lufthansa is planning to base its A380 fleet, which will be increasing to a total of 15 aircraft by 2015, in Frankfurt. Lufthansa is planning to build a new maintenance facility for servicing and repairing the wide-body jets in the southern section of the airport site. It will be 35 meters high, 350 meters long and 140 meters wide. Up to four of the big Airbuses can be maintained in the hangar at the same time. The building will incorporate workshops and a high-rise warehouse for about 10,000 different spare parts as well.

Air transport is a growing market. We are continuing to develop the existing infrastructure steadily. For the expansion we plan an investment of about € 3.4 billion.

Since the Hesse Ministry of Economics, Transportation, and State Development issued its zoning approval for the A380 maintenance facility in November 2004, it will probably come into operation in fall 2007.

Major projects in future

We are making concerted efforts to complete the planning and approval procedures for expanding Frankfurt Airport, so that it remains an efficient hub for international air transport in future as well. What is involved here is an increase in capacity, particularly by building the new runway to the north-west of the airport site as well as Terminal 3. The planned expansion of our airport is the biggest private investment project in Germany in the coming years, with a volume of € 3.4 billion.

It is particularly important to us that the German government and the State of Hesse are giving these plans political support. They agree with us that the international competitive position of the region is closely associated with the expansion of the central air transport hub in Germany.

The job machine in the region

Frankfurt Airport is the job machine in the region. The number of jobs at the airport has doubled from 32,000 to about 65,000 since 1980. Two current independent reports forecast further growth to about 95,000 employees in 2015. If the entire impact – including indirect effects – of the airport expansion project on the economic structure of the Frankfurt/Rhine-Main region and the whole of Germany is taken into consideration, roughly 100,000 new jobs can be expected.

Into the new decade with the north-west runway

The planned runway to the north-west of the airport site will be 2,800 meters long and 60 meters wide. The number of landings can be increased by 50 percent to 120 aircraft movements per hour with this new runway. This means that the airport would be prepared for the future. The zoning procedure for the expansion of the airport is supposed to be completed in 2007.

Vision for 2015: the new Terminal 3

By the end of 2005, the US Air Force will have moved all of its military units to the airfields in Ramstein and Spangdahlem and will then return the US Air Base to Fraport. After the 153-hectare site to the south of the airport has been cleared thoroughly, new aircraft movement areas are to be created here. Terminal 3 is planned at this location, too, with 50 aircraft positions on the building and 25 apron positions. In the final stage of its development, which is planned for 2015, an additional 25 to 35 million passengers can be looked after in Frankfurt.

Karl-Heinz Dietrich, Executive Vice President, Retail and Properties

Three questions to

Karl-Heinz Dietrich
Executive Vice President, Retail and Properties

1. What was the highlight of fiscal 2004 for you?

The establishment of the retail and properties division, because the foundations for systematic development of the non-aviation business were laid by taking this step. To me, as the manager responsible, the start at this company was of course a personal highlight. Last but not least, the good business results in spite of what were sometimes difficult general conditions and thanks to the right countermeasures were the highlight at the end of the year.

2. Where do you think the best opportunities for the future lie?

Frankfurt Airport has tremendous potential from the non-aviation point of view. We have ambitious plans! We will be constantly on the lookout for ideas with which we can increase value creation at this location. The substantial growth in attractive retail space in the next few years will of course be the most important basis for this. I am convinced that we can improve the quality of a stay at the Frankfurt hub considerably and can make the shopping facilities an exciting experience with our innovative concepts. In the property development sphere, we will be optimizing the use made of the existing portfolio, safeguarding such successful concepts as CargoCity South and creating space for new operations.

3. What challenges will you have to tackle in the coming years?

The decisive challenge will be to identify changes in general conditions, new trends and requirements at an early stage and to incorporate them systematically in our developments. The most important attributes in future will include flexibility, innovative skills, speed, quality and efficiency. Close co-operation with our strategic partners on the market will be an important success factor, so that we can position ourselves strongly in our competition with other locations.

A city in the city, as big as five football fields, with 188 shops, bars and restaurants. The retail area at Frankfurt Airport in square meters:


23,103

Frankfurt Airport City – a fascinating world

The American professor John D. Kasarda from the Kenan Institute at North Carolina University was the first to predict it: “Airports are becoming the main driving force behind industrial and technological growth.” Kasarda points out that only a handful of airports in the world satisfy the conditions for this: high passenger and cargo traffic and excellent worldwide flight connections combined with a first-class road network. As one of the leading airports in the world, Frankfurt Airport City belongs to this exclusive group.

The non-aviation business consists of the operations that are not directly connected to air transport.

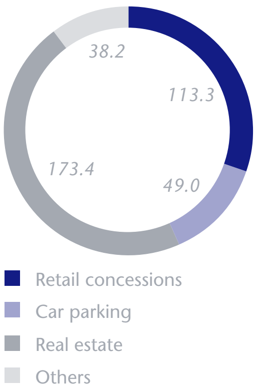
Transformation: from a traditional airport to “Airport City”, the activity center

With its unique transport network, its ideal geostrategic position and its optimum infrastructure, Frankfurt Airport has everything it takes to be a successful location in future. We have completed a transformation – the airport of the past is now the Airport City of the present and the future.

Practically no other area of the city is as international and alive. The entire world meets where we operate. 51 million passengers arrived, departed or changed flights at Frankfurt Airport in 2004. With about 65,000 employees at 500 companies, our “city in the city” is in addition the biggest local place of work in Germany. Not to mention 15 million visitors and people collecting passengers.

Revenue breakdown Retail & Properties

€ million



Together with our partners at the location and in the region, we are working systematically on developing “Frankfurt Airport City” as a top property address and activity center with highly attractive shopping, catering and service opportunities and as an international conference and accommodation location.

The aim is to achieve sustained growth and added value in the non-aviation business by developing the location. We have therefore pooled all the operations and assignments that focus on this goal, such as the renting and marketing of property, parking facility management and airport retailing, in a strategic business division. These operations are already the most profitable area of the Group. The “Retail & Properties” segment generated 19 percent of total revenues and currently contributes 56 percent of Group’s EBITDA. A success story with a bright future.

Retailing is a fast-growing market for future-oriented airports and is a profitable business for us. We will be making extensive investments to expand and redesign our retail facilities at Frankfurt Airport in the next few years. New shops, restaurants and service locations will be created as a result in order to provide passengers with an even larger selection of attractive products.

Airport shopping – large crowds and purchasing power

We are convinced that retailing is one of the key features in the economic development of the location. 130,000 people use Frankfurt Airport every day on average, not only as a hub on their way around the world but also to shop, to eat and to be entertained here. Customers with plenty of money they are keen to spend, long opening times 365 days a year and attractive marketplaces make Frankfurt Airport an excellent retail center. An attractive range of retailing and catering outlets increases the appeal of the location at the same time and makes a stay at the Frankfurt hub a memorable experience.

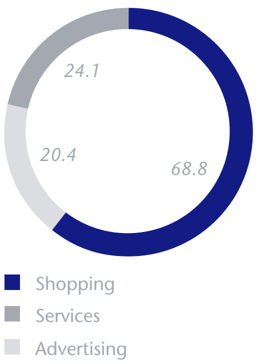
The retail business consists of concession revenues from
- *Shopping (retail outlets and duty-free/travel value)*
- *Services (restaurants, hotels, banks and car rental companies) and*
- *Advertising.*

The setting and the specific shopping psychology of the different target groups make it necessary to have creative shop concepts tailor-made for the location that guarantee high product turnover. Airport shopping takes place in comparatively small but highly productive areas, that we develop as marketplaces and set up at points where the crowds are particularly large. The arrangement of an attractive blend of different types of shops and the choice of innovative concepts are crucial success factors that play an important role when space is still being rented. We focus here not only on goods that are popular with travellers, like books and press publications as well as duty-free/travel value shops but also on a variety of different international brands and innovative concepts that are in line with current trends. In addition to this, we liaise with the tenants to make sure the retailing performance is improved on an ongoing basis. This includes, for example, the provision of information from interviews with customers or "mystery shopping" campaigns and the implementation of effective sales promotion.

Our marketplaces in Terminals 1 and 2 have already developed into lively focal points at the airport. After passengers have checked in and completed the security and ticket checks, bars, cafés and restaurants are inviting destinations on the "air side", which is the technical term for this part of the terminal. Duty-free and travel value shops, fashion stores with international chic and designer collections, special shops with high-quality goods and luxury stores tempt visitors to shop.

New activity centers are being created

Retail revenues by sectors
€ million



Additional space, a friendly atmosphere and inviting surroundings are essential in order to encourage people to shop and to generate even faster retail growth. Efficient and safe exploitation of the terminals is becoming more and more important in this context in view of the continuing increase in passenger figures. In 2004, we therefore decided to carry out a program of 30 individual projects to modernize and remodel Terminal 1 and to optimize fire protection there, in which we will be investing about € 1 billion in the next few years. 10,000 square meters of new business space will be created as a result, too. The special feature of this major project: the work will be carried out in certain sections while normal operations are still going on. The outcome will be a modern Terminal 1 equipped to satisfy the latest standards with a friendly atmosphere and inviting surroundings.

The incentive to shop is to be increased and more capacity created on the "land side", too – the section of the terminal to which visitors, people fetching passengers and employees have access. The winner of the architects' competition for redesigning Level 0 in Terminal 1 was chosen in mid-December 2004. The jury was unanimous in awarding the first prize to the Frankfurt architects Jo Franzke, who co-operated with the Grego & Smolenicky interior design company from Zurich. Franzke won a European competition with about 50 entries. This area of Terminal 1 is to be used for distribution purposes to a larger extent in future, in order to relieve the strain on the arrival and departure halls. The intention in this connection is to expand the commercial facilities substantially and to establish attractive marketplaces on Level 0. Restaurants and fast food outlets, shops with everyday goods and service providers will then be the priority. The prizewinning design makes sure that a pleasant atmosphere which encourages passengers, airport staff, visitors and people collecting passengers to stay is created at Level 0 of the airport with the help of high-quality materials, bright light and warm colours.

Frankfurt Airport is an impressive shopping center with many different catering facilities and attractive stores.

Airport retailing

Area:	*23,103 m² of retail space, 14,507 m² of them for shopping, including duty-free/travel value shops*
Number of outlets:	*188; 15 of them duty-free/travel value shops*
Number of catering facilities:	*43*
Highlight:	*casino*
Target group focus:	*concentration on the air side, i.e. after security and ticket checks have been completed. This area is only accessible to passengers*
Shop range:	*books/magazines, perfume/cosmetics, jewellery/watches, optical goods/glasses, bags/shoes/leatherware, fashion/accessoires, electronics/photography/hi-fi/video/CD, tobacco products and confectionery, gift articles/flowers, delicatessen, supermarket*
Catering range:	*snack bars, bars, bistros, fast food, fine dining*
Service range:	*car rental, money changing, banks, post office, travel agencies, drugstores, hairdresser, WLAN, mobile telephone rental*
Special feature:	*all of the countries with the highest per capita sales are in the east: South Korea, Taiwan, Japan, China and Russia*

Property address with excellent connections

The tremendous advantages of the location and the increasing concentration of business and commercial operations of different companies make Frankfurt Airport City an extremely attractive property address with a bright future. The marketing of property and space to maximize value is therefore the second main emphasis in the future development of the airport location with the aim of increasing its appeal. The range of property alternatives we and our strategic partners at the location have to offer is as diverse as the requirements of the existing and prospective users. Companies with national and international operations are already finding office properties here in outstanding locations, airlines are optimizing their processes in top terminal locations, while comprehensive concepts like CargoCity South provide not only offices and other space but also an industry-specific infrastructure and networking which give the companies based here a clear competitive edge. New space that is being developed is creating additional potential for further success stories.

The property management operations involve the development, marketing and renting of property at the airport.

Impressive performance by CargoCity South: the magnet for companies

We have maintained our leading position in airfreight traffic as the biggest European cargo airport even in difficult economic times. One major reason for this is our successful CargoCity South concept, where more than 90 percent of the space has in the meantime been marketed. In earlier forecasts, this had not been expected until 2008. 221 companies with more than 5,000 employees have now settled on the site, which has a total area of 98 hectares. The cargo business is becoming increasingly important to us. Because logistic managers are following the hub concept more and more – over 150 international airlines are represented in Frankfurt – and are concentrating their standard cargo in particular at central airports. Freight turnover in Frankfurt totalled more than 1.8 million tons in 2004, 11.4 percent more than in the previous year. Asia is a particularly fast-growing region. The Far East is by far the most important market today, accounting for almost 50 percent of the total cargo volume in Frankfurt. In order to be able to safeguard Frankfurt's position as the most important cargo hub in Europe and to continue the CargoCity success story, Fraport will be developing and marketing new freight capacities at the Airport City in future as well.

A new era is beginning with the withdrawal of the US Air Force

A new era will be starting for Frankfurt Airport at the end of 2005. This is when we will be taking possession of the site of the US Air Base at the southern end of the airport. The Air Force will have transferred its units to Ramstein and Spangdahlem by then. The areas that have been used for military purposes up to now will be taken over primarily for the planned new Terminal 3 and the operating processes associated with it as well as for commercial facilities.

An architects' competition, in which ten large firms are participating and which is to be decided in May 2005, is currently in progress. A decision has already been taken about the shape – known within the company as the "beetle": a semi-circular central building, in which large shopping areas are also planned. Four pier "fingers" with the gates will project away from this. It will be a terminal where only short distances have to be covered. This is particularly important for us as an air transport hub with a large proportion of passengers changing to connecting flights.

A congress center in "Gateway Gardens"

"Gateway Gardens", the residential area of the US forces east of Terminal 2, is being vacated in 2006. Fraport AG is involved in the development company. The 33.5-hectare site is classified as a mixed commercial area. In addition to the construction of offices, shops, a hotel and a retail center, a congress center is also planned – with a total gross floor area of 700,000 square meters.

Space for expansion on the Mönchhof site

We have bought the 84-hectare site of what used to be the Caltex refinery right next to the airport, too. This site in a strategically important position close to the River Main is the biggest undeveloped commercial area in the region. The site has a direct motorway connection and is only two kilometers from Frankfurt Airport. Thinking is being done about developing a service center here.

The "AIRRAIL center frankfurt" will be the most mobile place to work in Europe

The plan to build on the roof of the airport long-distance railway station is a particularly ambitious project. The "AIRRAIL center frankfurt" is to be created here, with a luxury hotel, offices, restaurants and shops. A syndicate intends to implement this € 500 million project as Fraport AG's strategic partner. Construction work is scheduled to begin in 2005. The complex is to be built on the roof of the railway station. The roof was designed to be built on at a later date right from the start. The streamlined building is to be 660 meters long, 65 meters wide and 35 meters high and would as a result be a new Airport City landmark. Architects are already calling the spectacular building that is planned the "biggest skyscraper in the world that is lying on its side".

The dynamic development of the airport is the driving force behind the City

The growth of Frankfurt Airport is providing the potential for creating value in the non-aviation business. Fraport boss Dr Wilhelm Bender: "The air transport business will be remaining a growth industry because of increasing mobility. The proportion of global air traffic accounted for by booming economic regions in Asia will be rising. It can be expected that mobility will be boosted by the expansion of the European Union into Eastern Europe, too. Our most important objective is therefore to extend our hub airport – the central air traffic hub in Germany – to satisfy demand."

He is right in line here with the vision articulated by the American scientist Professor John D. Kasarda, who is convinced that airports will be influencing the development of cities and business areas in this century in exactly the same way as roads and motorways in the 20th century, railways in the 19th century and ports in the 18th century. "The three A's – accessibility, accessibility, accessibility – will be replacing the current three L's – location, location, location – in the assessment of property."

Kasarda expects global airfreight volume to triple in the next 18 years. According to him, 70 percent of all the products sold via the Internet are already shipped by express delivery in the USA. And express consignments evidently make up more than 60 percent of airfreight in America today. In a globalized world, where companies can sell goods to everyone, everywhere and at all times, speed and flexibility have in his opinion become just as important as quality and price nowadays.

Frankfurt Airport City is excellently prepared for this.

Frankfurt Airport City

The most mobile place to work in Europe: the planned AIRRAIL center frankfurt (shown here as a model) above the airport long-distance railway station.

Unique infrastructure:	*outstandingly easy to reach by plane, train and car*
Catchment area:	*35 million people living within a radius of 200 km, 51 million passengers, 12 million people fetching passengers and 3.5 million visitors*
Area:	*19,2 km^2 with 428 buildings*
Companies:	*500, from Lufthansa to a bakery*
Convention Center:	*airport conference center with 39 conference rooms for up to 200 participants*
CargoCity South:	*basic area of 98 hectares, 5,000 jobs, more than 200 airlines, transport companies and logistic service providers*
Location development:	*AIRRAIL center frankfurt with 185,000 m^2 of space (above the long-distance railway station), Gateway Gardens, Mönchhof site and surrounding areas, A380 maintenance hangar*

Peter Schmitz, Executive Vice President, Ground Services

Three questions to

Peter Schmitz
Executive Vice President, Ground Services

1. What was the highlight of fiscal 2004 for you?

As the person responsible for the division with most staff, meeting our employees – particularly at the operating level – is, if you like, a constant highlight. Their professional approach, enjoyment of their work and commitment boost my motivation to work hard to reach our goals, too. It is quite simply fun to work with the team!

2. Where do you think the best opportunities for the future lie?

The excellent quality of our comprehensive ground handling services here in Frankfurt, which are recognized to be the best in the industry, need to be maintained at a high level in future as well.

3. What challenges will you have to tackle in the coming years?

We will have to exploit all the potential available so that we can respond to constantly increasing market pressure by coming up with innovative new products, staying close to our customers and optimizing efficiency – without compromising on quality. This is a job that is never finished! It is not only necessary for our staff to appreciate this; their active, flexible involvement is required, too. I am optimistic as far as this is concerned!

Every second passenger changes to a connecting flight. He or she is back in the air fastest in Frankfurt even so – thanks to the speed of our ground services. Number of aircraft handled:


192,073

Trademark: a professional approach

Professional ground handling is a trademark of the major international airport in Frankfurt. We create the necessary basis on the ground for airlines to be successful in the air. Almost 50 years of experience in this area of business enable us to fulfill our customers' individual requests and to guarantee smooth handling. 7,000 employees provide passenger, apron, baggage and cargo services for more than 200 national and international airlines in Frankfurt alone – with tremendous success. Frankfurt is one of the fastest major airports in the world – with a guaranteed connecting time of only 45 minutes.

Number three in global ground handling:
1. Servisair/Globe Ground
2. Swissport
3. Fraport Ground Services

Source: Airline Business 01/2005

Global standards in reliability and quality

Our ground handling service staff carry out the complex operations perfectly and have been setting global standards for punctuality, reliability and quality for years now. On a revenue basis, we are in third position in the worldwide ground handling market.

Complex logistic processes and qualified skilled personnel backed by a range of special equipment and systems guarantee a high degree of efficiency, dependability and punctuality. Our proven concepts even enable airlines to compensate for delays in the air by means of fast handling on the ground – a crucial factor that increases Frankfurt's appeal as a hub in international air transport, which has developed into a hub for all modes of transport thanks to the excellent connections to the motorway and ICE railway networks.

Process of structural change identified at an early stage and costs cut

The ground handling industry is going through a process of radical change at the present time. Due to the increasingly fierce competitive situation, the airlines are under enormous cost pressure, which they are countering by applying systematic cost management. Liberalization in the ground handling services field has led to more market players, too.

We have been quick to respond to this process of change and have already initiated and implemented measures to make substantial structural cost reductions. We are continuing to follow this path systematically with new projects. Personnel deployment is, for example, to be adapted even more effectively to the fluctuations in traffic volume in 2005 by introducing new working time arrangements.

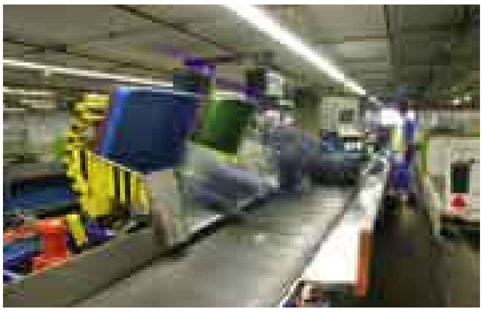
We create the necessary basis on the ground for airlines to be successful in the air. Fast and efficient aircraft handling is the visiting card of the ground handling services. More than 200 national and international airlines in Frankfurt alone rely on our efficiency, our reliability and our know-how about complex logistic processes. Thanks to the application of cost management principles at an early stage and innovative working time arrangements, we are well equipped to tackle the challenges of a fiercer competitive environment in future.

Ground Handling

Pieces of baggage:	28,604,187 in 2004; record for one day of 111,594 on July 31
Aircraft handled*:	192,073
Cargo volume*:	1,792,073 tons of freight and airmail
Connecting time:	guaranteed time: 45 minutes, minimum time: 35 minutes
Baggage conveyor system:	length: 67 km, reliability level: 99.65 percent
Service range:	passenger service, loading service, baggage service, cargo transport, cargo handling, cleaning, de-icing, special services
Special features:	facilities for animals: animals travel, too – from poisonous South American snakes to Olympic show jumping horses. perishable center: all kinds of perishable goods are handled here. Frankfurt is the biggest fishing port in Germany!

* FRA Ground Services airside handling.

Smooth baggage handling is one of the central assignments of the ground services. We move more than 100,000 pieces of baggage every day in peak periods with our baggage conveyor system.



"Ground handling is a Frankfurt success story"

Peter Schmitz, head of the Ground Handling division, is optimistic that all the challenges will be met: "Ground handling is a Frankfurt success story and we are continuing to write it. With our many years of experience, we are one of the leading international providers of ground handling services. We are the airlines' partner, understand their needs, take account of them and find the solution." Right in line with this, the focus at our "Customer Service Center" is always on the customer. "One face to the customer" is our philosophy, an individual service concept with the same contact person throughout. These "Customer Service Managers" look after all of the airlines' interests, so that smooth procedure is made possible in day-to-day airport operations.

We are proud of the achievements of our ground handling services. The entire team is highly motivated and knows how important their skills and commitment are for smooth air traffic all over the world. We handle about 50 million passengers a year, more than half of them changing planes in Frankfurt. This is a particularly tough challenge for our baggage experts, because the suitcases from the aircraft that has landed have to be unloaded, allocated to the right connecting flight and loaded on to it again in only 45 minutes. Connecting times of only 35 minutes can be achieved in special cases via the direct transfer of passengers and their baggage to the connecting flight.

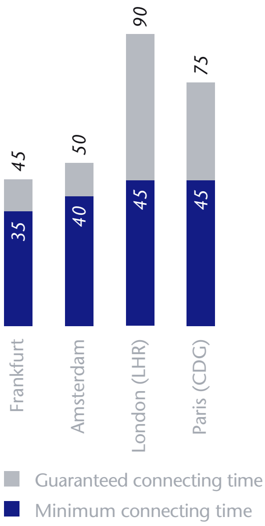
Reliability level: 99.65 percent

The automatic baggage conveyor system is the heart of the baggage handling operations and is the leading one of its kind and size anywhere in the world. The complex system with its roughly 67 kilometers of conveyors makes sure that more than 100,000 pieces of baggage reach their destination quickly and reliably every day in peak periods. Even when such disruptions occur as delays or changes in reservation, suitcases are redirected to the flight on which the passenger is leaving Frankfurt using special software. The reliability level of the system is now 99.65 percent.

Not only punctuality and precision but also safety are essential features of baggage handling. The baggage system guarantees that all suitcases and bags are X-rayed, whether they are checked in at one of the 359 counters in Terminals 1 and 2, at the "AIRail Terminal" or directly at the departure gate. The concept of transporting baggage in coded plastic tubs has proved its viability for large air traffic hubs impressively. Other major airports like Paris, Amsterdam, Munich and Dubai have adopted this method.

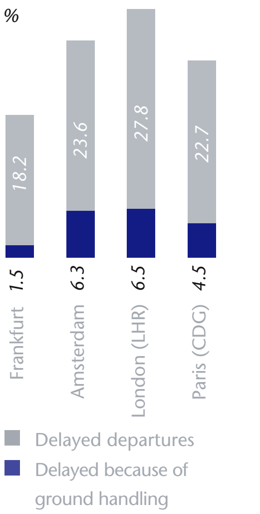
Connecting times at hubs

minutes



Delays in European traffic

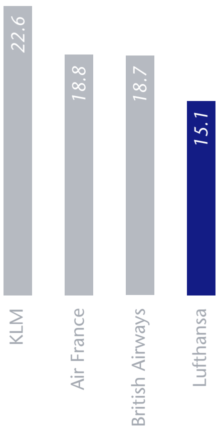
%



Source: AEA

Baggage performance

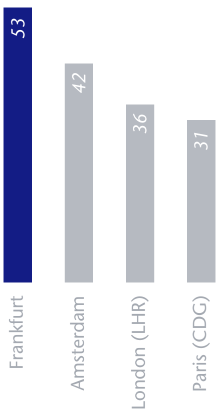
Number of pieces of baggage left behind per 1,000 passengers



Source: AEA

Transfer passengers

%



Every second passenger in Frankfurt is taking a connecting flight. Source: AEA

Optimization of the baggage conveyor system did not by any means stop when it celebrated its 30th anniversary in 2004. Expansion of the airport in the south is posing new challenges, for example. In accordance with the concept of multi-stage baggage controls, 100 percent X-ray examination of all checked-in baggage is to be integrated in the baggage conveyor system.

Fast and efficient aircraft handling

Rapid and efficient aircraft handling is the core skill of the ground handling services. Highly qualified staff handle up to 1,100 flights a day using a wide range of special equipment and logistic systems. The skills that have been developed over decades form the basis for the IT systems developed in co-operation with well-known software companies and for solutions that enable complex handling processes to be carried out so smoothly.

The transport services handle up to 9,000 orders per day with very different kinds of cargo. We use a special planning system for this purpose, which arranges the waggons in the transport trains exactly as the customer requires. Our customers can communicate their requirements electronically and monitor the orders online.

Punctuality rate: more than 98 percent

A punctuality level of more than 98 percent helps to a decisive extent to guarantee the high quality of the handling services, particularly in the sensitive areas such as express transport. Even export cargo that arrives late is still taken to the aircraft requested by the customer in close co-ordination with the loading service.

Fit for the future with the cargo subsidiary

We spun the cargo handling operations off from Fraport AG in July 2004 and incorporated them in the newly established subsidiary Fraport Cargo Services, with the aim of making the cargo services fit for the future. Since the summer, our teams of experts have been working on new business ideas, with which further customers can be obtained and future trends on the airfreight market can covered. With its 550 excellently trained staff, the biggest neutral service provider at Frankfurt Airport handles cargo for more than 80 different airlines and acts as a partner for more than 200 forwarding companies and truckers.

Smooth flow of goods thanks to the use of innovative systems

Such additional logistic services as shipment collation, maintenance of the cold chain and simplified customs clearance, which enables cargo to be transferred duty-free within the airport, are becoming increasingly important. A smooth flow of goods is made possible by modern computer programs developed specially for this purpose, in which the emphasis is on maximum precision, speed and flexibility.

Our cargo transport staff complete up to 9,000 orders a day. The team handles a total of 1.6 million tons of cargo per year. We are also the people who are contacted first when special, sensitive cargo – such as animals – needs to be transported.

Subsidiaries generate competitive edges

APS Airport Personal Service GmbH was established at the end of 2003 to provide personnel services of various kinds. Following a positive start on January 1, 2004, APS has managed to expand its business and now has more than 500 employees. It provides its services successfully not only to its main customer Fraport AG but also to other companies at Frankfurt Airport as well as in areas associated with it.

N*ICE Aircraft Services & Support GmbH maintains the entire infrastructure for de-icing/anti-icing aircraft at Frankfurt Airport. It is the only provider of aircraft de-icing/anti-icing services on the ground there. In addition to this, it develops technical and operational processes for this purpose and markets its know-how externally, too.

The range is rounded off by ASG Airport Service GmbH, the operations of which consist of cleaning aircraft cabins and supplying aircraft with magazines and accessoires. The company is German market leader for aircraft cabin cleaning and has about 800 employees.

Andrea Pal, Senior Vice President, Acquisitions and Investments

Three questions to

Andrea Pal
Senior Vice President, Acquisitions and Investments

1. What was the highlight of fiscal 2004 for you?

2004 was a very successful year for the Fraport AG investment portfolio. Almost all of the investments exceeded the targets set for them. ICTS Europe in particular, our investment in the security field, reported EBITDA growth of 31 percent to us at the end of the year. The progress made as scheduled in the construction work at Lima Airport is cause for confidence, too. The highlight was, however, the conclusion at the last minute of the management contract for Cairo Airport. Fraport won this commission against tough competition from France and Spain and will now be sending a management team to Cairo for 8 years.

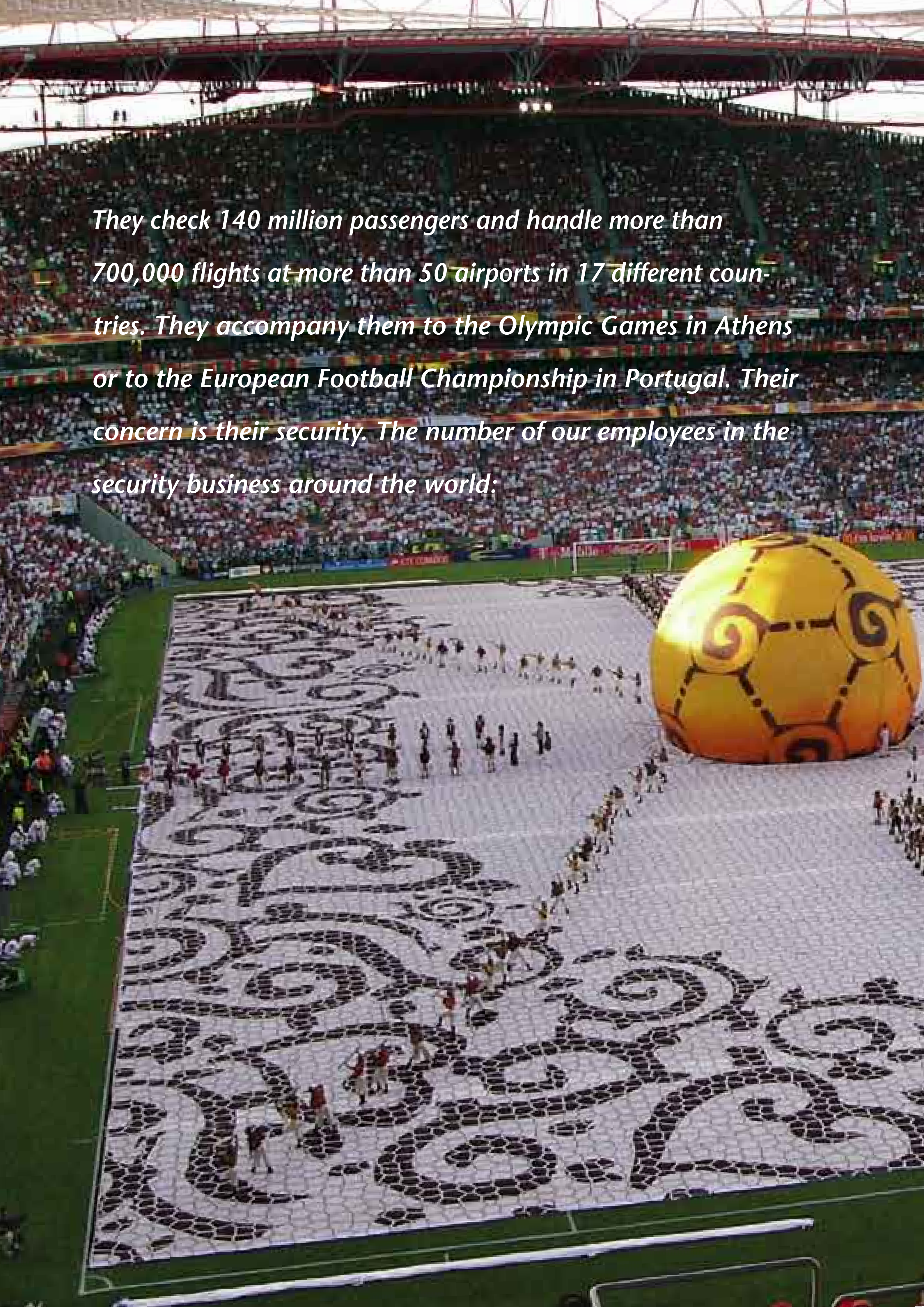
2. Where do you think the best opportunities for the future lie?

The aviation industry has returned to growth and this is leading to more intensive merger & acquisition activities on the airport market. We are expecting three to four attractive privatization projects in 2005. The entire team worked with great motivation and flexibility again this year in order to prepare the bids for them.

3. What challenges will you have to tackle in the coming years?

Active portfolio management means not only promoting growth by the investments but also opening up new markets. For the next few years, we are planning fast growth for ICTS Europe and intend in particular to enter new markets like Asia and the USA. The concession contract for operating the international Terminal 1 in Antalya is expiring in 2007. We are already making preparations, so that we are ready when a new invitation to tender is issued. In addition to this, we will be starting our activities on the next stage in the expansion of the airport in Lima in 2006. As can be seen: we have more than enough to do! But it is these challenges that make the job particularly exciting and the whole of the team is working hard to meet them.

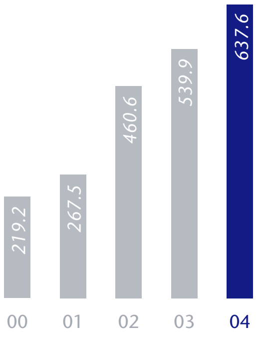
They check 140 million passengers and handle more than 700,000 flights at more than 50 airports in 17 different countries. They accompany them to the Olympic Games in Athens or to the European Football Championship in Portugal. Their concern is their security. The number of our employees in the security business around the world:




9,577
JVC

Revenues generated by the investments* before consolidation

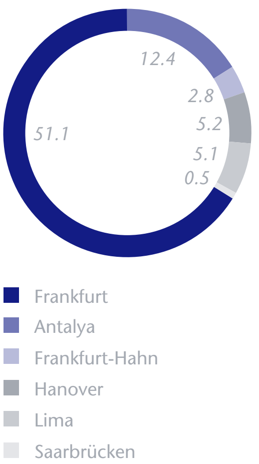
€ million



** Subsidiaries and joint ventures*

Passengers

million



Fraport – a global brand

Fraport is a global brand – the name stands for expertise in airport management, for maximum quality in ground handling and for many years of experience as the European market leader for aviation security. These three areas of operation are export products, with which we are safeguarding growth of our Group above and beyond the Frankfurt location. Our aim in the international business is to participate in the higher growth of other markets. We anticipate that there will be new opportunities in the USA, too in the coming years due to further liberalization.

Operating in Germany and abroad also means for us that we are strengthening our relationship to the international airlines that are our customers in Frankfurt by carrying out activities in the ground handling and security fields. We build up new markets gradually, in accordance with clear rules.

Large increase in passengers at airport subsidiaries

We succeeded in recording above-average growth in passenger figures with our existing airport investments in 2004, too. The increase in the Group as a whole was 9.2 percent. The profits generated by the airport investments developed encouragingly, too.

In Antalya, the gateway to the Turkish holiday region, in which Fraport holds a 50 percent interest, the passenger figures increased by 27.4 percent to 12.4 million passengers, while growth in Lima (interest: 42.75 percent) was 11.9 percent to 5.1 million.

Frankfurt-Hahn Airport (interest: 73.07 percent) increased passenger figures by 13.6 percent to 2.8 million. The parking areas were increased by 1,200 to 9,700 cars and the space available was expanded again, in order to meet the continuing demand. The marketing of space reflects the positive development of the location, too. A new hotel is being built right next to the terminal, while office buildings and a cargo hall are being constructed as well. Frankfurt-Hahn received planning approval for lengthening the takeoff and landing runway to a total of 3,800 m in December.

Fraport operates successfully in several different areas: e.g. as a ground handling service provider in Vienna and Jacksonville (b.l.). Airports like Lima (t.l.), Antalya (b.r.) and Frankfurt-Hahn (t.r.) have developed successfully, too.

Management of airports

The trend towards the privatization of airports is continuing. Public owners are planning to dispose of their shareholdings. The airports in Milan as well as airports in Germany, China and India are examples. Not only international hubs are of interest here. The growth in point-to-point traffic by low-cost airlines is making regional airports attractive, too, for example in holiday centers in Southern Italy and on the Black Sea coast.

Now involved in Cairo as well: in December, Fraport concluded the contract to manage the international airport in Cairo for eight years.

New opportunities on the Black Sea

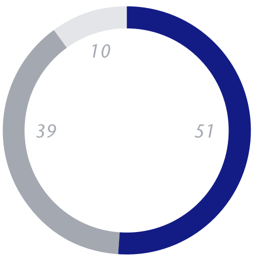
There are openings for us to enter the market at the Bulgarian airports Varna and Burgas on the Black Sea, too. Together with a Bulgarian shipping company as our partner in a syndicate, we plan to take over operation of these holiday airports. The coast of the Black Sea in Bulgaria has substantial potential in the mass tourism field. Because it is considerably less expensive to go on holiday there than, for example, on the Mediterranean in Spain – and the climate is similar. The Bulgarian government is planning to take a decision about awarding the two concessions in the spring of 2005.

Airport management on fast-growing markets

We prefer management contracts for terminals and airports and concentrate here on markets that are growing disproportionately fast, such as China, India or Eastern and South-Eastern Europe. In China there are plans to privatize more than 230 airports by 2010. In 2005, negotiations are being held about the sale of Budapest, Milan and Bratislava Airports and the partial privatization of Delhi and Mumbai Airports in India.

Employees

%



■ Fraport
■ ICTS Europe
■ Other investments

Entering the ground handling business in the USA

We have been operating on the American market, initially at Jacksonville International Airport (JAX) in Florida, since October 2004 following the establishment of the wholly-owned subsidiary Fraport Ground Services USA Inc. All the well-known US airlines fly to this airport, which handles 5 million passengers a year. Our US subsidiary in Jacksonville is currently providing aircraft handling services (aircraft and baggage services) and passenger services. Talks are also being held about taking over further services, which will make the airport more attractive to the airlines.

Another boom year for the security sector

2004 proved to be another boom year for the security sector. Our subsidiary "ICTS Europe" continued to expand its leading position in Europe here. ICTS operates at 50 different airports – from Lisbon to Athens, from Oslo to Rome – with 18 independent subsidiaries in 17 countries. 10,000 employees handled over 700,000 flights with 140 million passengers.

New contract with United Airlines at six airports

After ICTS Europe received approval from the American Federal Aviation Agency FAA for all US airlines in Europe, a contract was concluded with United Airlines in June 2004 that covers security checks (passenger and passport controls, examination of hand baggage and the aircraft) at London-Heathrow, Paris-Charles de Gaulle, Frankfurt, Amsterdam, Munich and Zurich Airports. Brandon O'Reilly, Airport Operations Manager for United in Europe, commented as follows about the agreement: "United is very impressed by the reputation and capabilities of ICTS Europe, particularly the professional approach it adopts to combine security, new technologies and customer services."

ICTS staff check passengers and passports, monitor arriving passengers, carry out surveillance assignments, provide personal protection services, check baggage and airfreight.

The American airlines in particular rely on the services provided by ICTS Europe. Five out of the six US airlines that fly to Europe are customers.

Serving hospitals, hotels and luxury goods companies, too

ICTS Europe does not just provide services at airports, however. Our subsidiary is responsible for access control assignments at hospitals, universities and hotels, too. ICTS Europe developed security plans, risk analyses and fraud prevention schemes for luxury goods companies like Chanel, Cartier, Versace and Louis Vuitton and trained corporate security personnel.

Two major sports events were particular challenges in 2004 – the Olympic Games in Athens and the European Soccer Championship in Portugal. ICTS Europe was involved as a security service provider at both events.

External Activities

Investments:	*90 at 88 locations in 18 countries, including 78 airports*
Geographical distribution:	*75 in Europe, 7 in Asia, 5 in North America and 3 in South America*
Service range:	*airport and terminal management, security services, ground handling, airport IT*
Activities:	*management contracts (e.g. Cairo), establishment of new companies (e.g. Fraport Ground Services USA), acquisitions (e.g. ICTS Europe), consulting*
Special features:	*Fraport does not just manage the hub in Frankfurt; it is also present with associated companies in London, Paris and Amsterdam*

ICTS Europe is a successful operator in the security services business: our subsidiary is responsible for the security checks at London-Heathrow, Paris-Charles de Gaulle, Amsterdam, Munich and Zurich Airports for United Airlines, for example. Port security (e.g. in Bremerhaven) is one of the services the company provides, too.

Perfect preparation for the Olympic Games

ICTS Hellas was the preferred partner for aviation security during the Olympic Games and the subsequent Paralympics. We prepared the checks for the Olympic Games with our partners and customers, including Athens Airport, Delta Air Lines, Swissport and Pandair, long before the Games began. 40 percent additional personnel were recruited and a special "round-the-clock emergency center" was established, which monitored the daily security status and was in a position to respond in a co-ordinated fashion to any possible situations. Specialists from other ICTS stations such as London, Paris and Frankfurt supported their colleagues in Athens. Fraport staff from Frankfurt were responsible for looking after the baggage transport system, too.

Special checks for special athletes

Services provided by ICTS Europe:
- *Passenger and passport control*
- *Monitoring of arriving passengers*
- *Personal protection*
- *Baggage and cargo checks*
- *Maritime security*

The Olympic riders and their horses were demanding customers. The animals and their extensive accessory equipment needed to be checked in a particularly ingenious control procedure, which had been specially developed by ICTS Europe.

The most impressive performance was on August 30, the day after the Games ended. 856 aircraft landed and took off during this day, one aircraft movement per minute at peak times. 43,361 passengers with more than 50,000 pieces of baggage were handled. The punctuality level was higher than at any other major event of this kind.

European Football Championship in Portugal: mission at short notice

ICTS Europe security:
- *50 airports*
- *10,000 employees*
- *More than 700,000 flights*
- *140 million passengers*
- *115 customers all over the world*

ICTS Portugal had to prepare for its mission at the European Football Championship in a very short time. The Portuguese airport group ANA asked ICTS Europe to provide additional security services at the three airports in Lisbon, Porto and Faro before the tournament began, because large crowds of football fans were expected. The main assignments included baggage and passenger identity checks. Within a matter of weeks, ICTS Portugal was required to recruit 350 control staff and 50 supervisory staff and train them to carry out their duties.

During the mission, ICTS Portugal received intensive support from colleagues from Great Britain, France, Holland, Italy and Germany. Experienced readers of the X-ray pictures of baggage in particular made sure handling went smoothly. There were no security problems at this major sports event either. With its mission at the airports, ICTS Portugal was responsible for this success to a large extent and established a good reputation for the coming years.

Our ground handling company Portway performed excellently in helping to deal with the additional traffic in Portugal during the European Championship. In the course of the Championship, Portway handled almost 500 additional flights with more than 120,000 arriving and departing passengers. ICTS Europe and Portway therefore contributed to the overall success of the European Championship.

Airfreight made safer by dogs with a nose for explosives

The dogs detect minute traces of explosive in the air. The specimens detected are 1,000 to 1,000,000 times smaller than those detected with any known technical process.

ICTS Europe presented an important new process for finding explosives in airfreight to the public in the summer of 2004: air is sucked out of containers, crates or palleted goods via a filter with the help of an extraction unit. This filter is then presented to dogs specially trained to sniff out explosives, which detect any traces of explosives in the air.

Hundreds of tests in Paris prove the quality of "RASCargO"

In the past three years, ICTS Europe has developed this method, trained dogs and dog supervisors, checked the viability and reliability of "RASCargO" and made sure the process is economic. A subsidiary called "Diag-Nose" operates a training center for dogs near Paris.

Fraport investments

Fraport operates at many different locations around the world. As a full-service provider, we are in a position to carry out the entire range of services required in airport-specific core processes both quickly and smoothly.

Eight “Rasco” dogs and five security staff are deployed at Paris-Charles de Gaulle Airport and can check up to 1,500 tons of goods every day. The system has been tested on hundreds of containers of all shapes and sizes in normal operation since January 2004. Every single piece of freight that had been prepared to contain explosives was identified by the dogs immediately.

Flexible deployment at any location and fast results
In contrast to passenger baggage, airfreight is still transported largely unchecked today, because it is assumed that the sender and the recipient are known and that shipping companies guarantee safe storage and loading. This potential security gap can be closed reliably and inexpensively with “RASCargO”. The system can in addition be deployed flexibly at any location and produces results within only a few minutes.

The response from shipping companies has been very encouraging, says ICTS director Zamir Eldar. “Cargo needs to be checked quickly, efficiently, inexpensively and with no restrictions on size and contents nowadays – and these are precisely the advantages of RASCargO.”

A new area of operation: security for ports and ships
The new method can be used not just at airports, but also in another area of operation that ICTS Europe is developing: ship and port security. ICTS Europe therefore set up a maritime security department in 2004, which is devoted specially to these assignments. Since the American authorities are requiring stricter security standards at European ports, huge growth can be expected here. Experts estimate that the potential for seaport guarding and control amounts to a billion dollars per year. In December, we acquired a majority interest in the specialized British company Maritime & Underwater Security Consultants, which has worldwide operations in the ship security field and maintains locations in the USA, Singapore, Estonia, Greece and Nigeria.

Additional opportunities due to internationalization
We will continue to grow all over the world, while minimizing risks and making comprehensive analyzes of every project as we do so. Internationalization means additional opportunities for Fraport AG. It enables us to broaden our business base in fast-growing markets and increase value creation within the Group, irrespective of the growth achieved at the Frankfurt location. It reduces our dependency on one single market, too. Activities in many different markets minimize the risk of national economic fluctuations. Our international presence in the areas of airport management, ground handling and security improves customer loyalty among our airline partners, makes us a more familiar name all over the world and strengthens our image as an international market player.

Global growth with investments and management contracts.

Investor Relations

Large increase in the price of the Fraport share.
Higher dividend proposed for 2004.
Positive assessment of our investor relations activities.

The Fraport share was influenced by varying factors in early 2004. Following a positive start at the beginning of the year, the terrorist attacks in Madrid and rising crude oil prices depressed developments on the European stock markets. During the rest of the year, increases in corporate profits in Germany and more optimistic forecasts about the country's economy stimulated the share considerably. The positive development of Fraport AG's business is likely to have supported this trend as well.

The German share indices DAX and MDAX went up in the course of 2004: the DAX increased by 7.3%, while the MDAX ended the year 20.3% higher.

The Fraport share generated an overall yield of 40.3% in the same period. This meant that it outperformed the DAX by 33.0 percentage points, the MDAX by 20.0 percentage points and the MSCI sector index by 12.8 percentage points.

The high for 2004 was the same as the year-end price of € 31.39, whereas the low of € 22.20 was recorded on May 18. Market capitalization at the end of the year was € 2,841.3 million; this represents an increase of € 784.0 million in the stock market value since the beginning of the year. 102,563 shares changed hands on average every trading day.

The volatility of the Fraport share decreased in 2004, the historical beta compared with the MDAX was 0.70 following 0.84 in the previous year. A figure of less than 1.00 means that Fraport reacts less strongly to fluctuations of the market as a whole.

Share price development since December 31, 2003 (index = 100)

Key figures about the Fraport share

		2004	2003
Fraport AG capital stock (acc. to IFRS)	€ million	905.2	902.3
Total number of shares		90,638,708	90,361,658
Number of floating shares[1] on Dec. 31		90,515,040	90,231,488
Absolute share of capital stock	per share, €	10.00	10.00
Year-end price	€	31.39	22.80
Highest price[2]	€	31.39	24.89
Lowest price[3]	€	22.20	15.95
Annual performance[4]	%	40.3	34.1
Beta relative to the MDAX		0.70	0.84
Market capitalization[5]	€ million	2,841	2,057
Average trading volume per day		102,563	62,697
Earnings per share (basic)[6]	€	1.51	1.28
Earnings per share (diluted)[6]	€	1.48	1.26
Price-earnings ratio[7]		20.8	17.8
Dividend per share[8]	€	0.75	0.44
Total dividend payment	€ million	68.0	39.7
Dividend yield on Dec. 31[9]	%	2.4	1.9

1 Total number of shares on the balance sheet date, minus treasury shares
2 Closing price on December 30, 2004 and September 4, 2003
3 Closing price on May 18, 2004 and January 8, 2003
4 Percentage increase in the overall yield in the period under review
5 Year-end price multiplied by the number of floating shares
6 Relating to the weighted annual average of the floating shares
7 Relating to the year-end price
8 Dividend proposed (for 2004)
9 Dividend per share/year-end price

ISIN :
DE 000 577 330 3

Security identification number (WKN):
577330

Reuters ticker code:
FRAG.DE

Bloomberg ticker code:
FRA

Shareholder structure
The biggest individual shareholders continue to be the State of Hesse, Stadtwerke Frankfurt am Main Holding GmbH and the Federal Republic of Germany. The free float amounts to 29.4% of the shares.

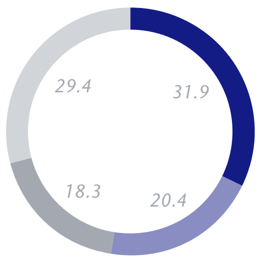
We estimate that German private investors hold about 30% of this free float. 70% are owned by institutional investors, with an approximately equal regional spread over the USA, Great Britain and Continental Europe.

Dividend policy
The earnings per share increased in line with the development of the profit for the year, by 18% from € 1.28 to € 1.51. There is to be a disproportionately large increase in the dividend: the Supervisory Board and the Executive Board will be proposing to the Annual General Meeting this year that a resolution is passed to pay a dividend of € 0.75 per share (previous year: € 0.44). This would represent an increase of 70% and the dividend payout ratio would amount to almost 50% of the Group profit; 34.5% were paid in the previous year.

Investor Relations at Fraport
Our objective is to create maximum transparency for the capital market by providing comprehensive, open and prompt information.

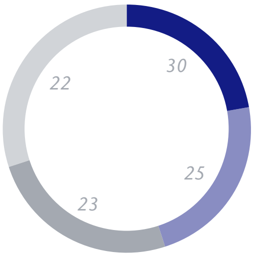
Fraport gave presentations to institutional investors in Germany and abroad on 53 roadshow days in fiscal 2004. We intensified our existing contacts and established new ones as a result. The Executive Board also presented the company at the Annual General Meeting as well as at annual financial press, analysts' and capital market conferences. For the second time, the Executive Board invited investors to an event that took place this year at Frankfurt-Hahn Airport.

Shareholder structure
%



State of Hesse
Stadtwerke Frankfurt am Main Holding GmbH
Federal Republic of Germany
Free float

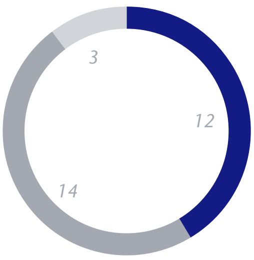
Free float shareholders' structure*
%



Private investors
Institutional investors/USA
Institutional investors/UK
Institutional investors/Continental Europe

*) Internal estimate

Analysts' recommendations
Date: December 31, 2004



Buy
Hold
Sell

About 1,600 shareholders and shareholders' representatives came to the Jahrhunderthalle in Frankfurt-Höchst for the third Annual General Meeting on June 2, 2004. 77.7% of the capital stock was represented and the conduct of the business by the Executive Board and the Supervisory Board was approved with 99.98% of the votes. The meeting was moderated by the Chairman of the Supervisory Board Karlheinz Weimar, Finance Minister of Hesse, who took this office over from Prime Minister Roland Koch in December 2003.

Our IR activities have become considerably more extensive now that the German legislation to improve shareholder protection (AnSVG) has come into force (effective October 30, 2004). The regulations about insider liability, ad hoc publishing requirements and directors' dealings have also been redefined and tightened up.

A study commissioned by the business magazine "Capital" confirms the quality of our IR activities. Analysts from all over Europe assessed the credibility, quality and topicality of our activities as well as the corporate governance standards. Fraport was rated ninth out of 50 MDAX companies in 2004.

The high level of acceptance of Fraport AG on the finance markets is also reflected by the fact that 29 major German and international private and investment banks now carry out research and publish studies.

The illustration shows the banks' assessment at the end of the year. 12 banks recommend to buy the share, 14 to hold it and 3 to sell it.

We will be expanding our website, which plays a particularly important role in communication with our private investors, again in 2005. We already provide a wide range of information in the "investor relations" section of our website (www.fraport.com). With the online annual report, live broadcasts of analysts' conferences and the availability of all the figures in Excel format, we go beyond standard practice. In co-operation with banks and shareholders' associations, we aim to increase our program of events for private investors, too.

Employee investment plan

Since the IPO in 2001, Fraport employees have been able to subscribe shares once a year in the context of the performance- and success-based compensation program "LEA". Fraport AG buys back the shares for this program, making use of some of the authorized capital following a capital increase in return for the injection of cash, and passes them on to its employees.

In 2004, about 5,100 employees opted for one of the share models offered and subscribed 146,450 Fraport shares. This means that the participation level rose from 33.1% in 2003 to 41.5%. The shares were issued in May 2004 at a price of € 22.22; the price was calculated from the average final Xetra price in the period between April 1 and 16, 2004 minus a deduction of € 1.00.

Fraport employees have therefore bought 719,736 shares since the employee investment plan started.

Corporate Governance

The expression “corporate governance” stands for responsible company management, the aim of which is the sustained creation of value. In this context, close and efficient co-operation between the Executive Board and the Supervisory Board is just as important as the protection of shareholders’ rights and open and prompt corporate communications. We are committed to these principles and took further action in 2004 that supplements our own code of conduct in accordance with the German Corporate Governance Code (GCGC).

At the end of 2004, we had not yet implemented the following recommendations made by the Government Commission that compiled the German Corporate Governance Code (version dated May 21, 2003):

1. The compensation paid to the members of the Supervisory Board does not include a performance-related, variable component (Code section 5.4.5 paragraph 2).
2. The overall compensation paid to the members of the Executive Board consists of a fixed salary and variable components. Stock options with a two-year blocking period serve as variable compensation components with long-term incentive effect and risk elements. They can only be exercised if the closing price of the Fraport share exceeds the exercise price by at least 15% on at least five trading days. No other comparison parameters have been arranged at the present time (Code section 4.2.3 paragraph 2 sentence 2). Our stock option plan does not include a limitation (cap) to cover extraordinary, unforeseen developments (Code section 4.2.3 paragraph 2 sentence 4).

It is planned to propose new arrangements for the stock option plan to the Annual General Meeting in 2005, which observe the recommendations of the Government Commission that compiled the German Corporate Governance Code. At the end of 2004, the statement of compliance published in March applied unchanged.

In 2004, Fraport did not comply with four of the total of eleven suggestions made in the GCGC:

- For first time appointments of Management Board members, the maximum possible appointment period of five years should not be the rule: all the members of the Fraport AG Executive Board were already appointed for five years when they were appointed for the first time.
- The performance-related compensation paid to the members of the Supervisory Board should contain components based on the long-term performance of the enterprise: so far, the Supervisory Board of Fraport has rejected performance-related compensation for the members of the Supervisory Board.
- The company should make it possible for shareholders to follow the General Meeting using modern communication media (e.g. Internet): for security and cost reasons, Fraport only broadcast the welcoming speech by the Chairman of the Supervisory Board and the complete speech of the Chairman of the Executive Board in the Internet in 2004.
- The proxy representative should also be reachable during the Fraport General Meeting: the shareholders were able to commission a proxy until the evening before the Annual General Meeting. However, since the event was not broadcast outside the area where the meeting was held, he did not need to be reachable during this time.

Fraport complied with all the other suggestions in 2004. The Supervisory Board is continuously discussing about any changes regarding the corporate governance of Fraport.

Supervisory Board

The Supervisory Board of Fraport AG has twenty members and has formed several committees with sufficient expertise, in order to increase the efficiency of the work of the Supervisory Board and to handle complex issues more effectively (Code section 5.3).

The eight members of the **presidential committee** met twice in 2004. Particular emphases in their discussions were issues relating to performance-based compensation for the Executive Board and the extension of contracts with members of the Executive Board that were expiring. The **finance and audit committee** met four times. The eight members focussed on the individual and consolidated financial statements, the size of the dividend, risk management and – as required by the German Corporate Governance Code – the necessary independence of the auditors. They also decided the main areas on which the audit was to concentrate and discussed the business and Group plan for 2005.

The eight members of the **investments and capital expenditure committee** met five times to discuss the Fraport AG investment portfolio and the capital expenditure plan for 2005. The approval of the committee is needed when planned measures exceed a value of € 5.0 million. The entire Supervisory Board is required to give its approval if the volume amounts to more than € 10.0 million. The eight-member **human resources committee** met five times to prepare resolutions about human resources issues, particularly basic collective agreement issues, the employee investment plan and the old-age pension scheme. The four-member **mediation committee**, which has to be formed in accordance with industrial democracy regulations, did not need to meet in 2004.

Economic Advisory Board

The Economic Advisory Board provides the Executive Board with assistance about important issues relating to the economy and air traffic. The members are appointed by the Executive Board for regular periods of three years. The Executive Board attends the meetings of the Economic Advisory Board, while the Chairman of the Supervisory Board is invited to participate as a permanent guest.

Management organization Fraport

Dr Wilhelm Bender
Chairman
- Marketing
- Corporate communications
- Corporate development, organizational structure, boards & committees

Professor Manfred Schölch
Vice Chairman
- Airport expansion program
- Legal affairs

Professor Barbara Jakubeit
- Real estate and facility management

Herbert Mai
- Human resources

Dr Stefan Schulte
- Information & telecommunications
- Controlling, finance, accounting
- Central purchasing and construction contracts
- Global investments and management

Traffic and Terminal Management | Retail and Properties | Ground Services

Segments

Aviation	Retail and Properties	Ground Handling	External Activities
Volker Zintel	Karl-Heinz Dietrich	Peter Schmitz	Andrea Pal

Financial Report

Group management report

Consolidated financial statements

Group management report

Highlights and key figures

Dear Sir or Madam, dear Shareholders,

2004 was a successful fiscal year for Fraport. In the context of a slight economic recovery and the growth in air traffic volume, we generated considerably higher revenues than in the previous year. Thanks to sustained cost management, we even succeeded in making a disproportionately large increase in EBITDA and the Group profit for the year by comparison with revenues. We will be continuing to follow this path systematically, taking further action to improve the efficiency of our business processes.

The Executive Board of Fraport AG will be proposing to the 2005 Annual General Meeting that about € 68 million are distributed in dividends. This would represent an increase in the dividend for fiscal 2004 to 75 cents per share; the dividend paid for 2003 amounted to 44 cents per share.

Business highlights in 2004:

- **Passenger traffic at Frankfurt Airport exceeded 50 million for the first time.**
- **Increase of 8.9% in revenues to € 1,998.1 million.**
- **Improvement of 11.8% in EBITDA to € 516.2 million.**
- **Group profit for the year 18.4% higher than in the previous year at € 136.4 million.**
- **Substantially larger dividend for 2004.**

Key income statement figures

€ million	2003	2004	Change in %
Revenues	1,834.3	1,998.1	8.9
Total revenues[1]	1,887.7	2,043.7	8.3
EBITDA[2]	461.8	516.2	11.8
EBIT[2]	203.7	281.1	38.0
EBT	215.1	265.9	23.6
Group profit for the year	115.2	136.4	18.4
Earnings per share in € (basic)	1.28	1.51	18.0

Key balance sheet and cash flow statement figures

€ million	2003	2004	Change in %
Shareholders' equity	1,920.1	2,030.8	5.8
Equity ratio[3] in %	51.7	53.8	–
Total assets	3,636.4	3,650.2	0.4
Capital employed[3]	2,119.2	1,969.3	–7.1
Gearing in %	12.1	n. a.[4]	–
Operating cash flow	447.2	519.4	16.1
Capital expenditures	256.9	279.4	8.8

Key profitability ratios

%	2003	2004
Return on revenue	11.4	13.0
EBITDA margin	25.2	25.8
EBIT margin	11.1	14.1
ROCE	9.6	14.3

Employees

	2003	2004	Change in %
	23,353	24,182	3.5

[1] The reporting of foreign currency effects has been changed by comparison with 2003. See notes (5).
[2] The calculation of EBITDA and EBIT has been changed by comparison with 2003. See notes (5).
[3] Shareholders' equity without the retained earnings that are earmarked for distribution.
[4] Not shown, because the liquid funds were higher than the financial debt.

Strategy and value management

Strategy

The air transport industry is changing. We have responded to the trends and redefined our vision of a modern and efficient Fraport Group in 2004:

We develop mobility professionally and make it an experience for our customers. As an airport group, we are the most capable industry player in all segments. We consider airports to be activity centers and intermodal hubs. We link transport networks systematically. We stand for efficient management of complex processes and innovations, maintain our position by providing competitive integrated services and responding flexibly to our customers' requests. Safety is our top priority. By carrying out our vision, we create sustained value in the interests of our shareholders, our employees and the regions in which we operate.

Our primary goals are based on this vision: value creation, capability and sustainability. There has been no change in the three pillars of our strategy: consolidation of the integrated business model at Frankfurt Airport as well as growth in Frankfurt and elsewhere. The fundamental alignment of all the Group segments is determined by the core elements of the strategy.

The **Aviation** segment develops, controls and is responsible for the overall functionality of Frankfurt Airport. Value is created in this area in co-operation with the airlines by means of ongoing process improvement. The focus is on the function as the primary hub of Deutsche Lufthansa and the Star Alliance.

The **Retail & Properties** segment is responsible for real estate and space development as well as for all the retail activities at Frankfurt Airport and supports the concessionaires as airport partners. It optimizes the utilization and availability of all space. It has completed the strategic change from a pure infrastructure provider to a real estate manager and provider of associated services.

Fraport is the third-largest provider of ground handling services in the world. Due to the difficult situation the airlines are in, the **Ground Handling** segment is under strong market pressure. The creation of competitive cost structures while maintaining the high product quality for which Frankfurt is respected is the basic precondition for economic success.

The **External Activities** segment is responsible for controlling the development of the Group above and beyond the main location in Frankfurt. It operates in accordance with the expansive strategy adopted in our external business.

Human resources development and targeted improvement in staff qualification are central elements in the strategy pursued in all the segments.

Consolidation of the integrated business model in Frankfurt

In Frankfurt, we operate one of the most important air traffic hubs in Europe and the largest airport in Germany. To enable us to maintain this position in future as well, we work constantly on improving our competitive edges: intermodality, efficiency, reliability, punctuality. We will be expanding our hub skills and intensifying the business relationships to our key customers in particular. A competitive position in our product quality and prices has top priority for all segments.

In 2001, we initiated the Group-wide project "WM 2005 – creating value for the future". The targets for 2004 were reached: we cut costs, strengthened our competitive position, increased customer satisfaction and safeguarded jobs as a result.

By the end of fiscal 2004, a sustained contribution to earnings of about € 87 million was achieved with WM 2005 activities. In our medium-term planning, we are expecting a positive impact on EBITDA totalling about € 150 million by 2006.

Growth at the Frankfurt location

Expansion of the capacity at Frankfurt Airport is essential in order to participate in global air traffic growth. 120 co-ordinated aircraft movements per hour are to be reached with the planned addition of one runway and a passenger terminal. We anticipate that about 100,000 additional direct and indirect jobs will be created by the expansion program, 80% of them in the region. This is the biggest privately financed investment project in Germany, with a volume of about € 3.4 billion (adjusted for inflation; based on the price level in 2000).

It was determined in the regional planning procedure that the construction of a runway 2,800 meters long to the north-west of the airport site will have least impact on the environment and neighbours by comparison with other expansion alternatives. The least amount of space is needed to build it, water and soil pollution is lowest and the number of neighbours affected by air traffic noise is smallest.

What is currently the US Air Base to the south of the airport site is being taken over completely by Fraport AG at the end of 2005. The new passenger terminal is to be built on this site, which would increase our present capacity of 56 million passengers per year by about 26 million passengers. A total of 75 aircraft positions and additional taxiways will be built – probably in three phases up to 2015 – for the operations at this terminal.

Airbus Industries will be delivering the new A380 long-distance aircraft from 2006 onwards. Deutsche Lufthansa, the main user of Frankfurt Airport, is planning to base its A380 fleet at this location. A new maintenance facility and the associated storage building will be needed in this context. They are to be built to the south of the airport site on an area of about 20 hectares. Since the stationing of the A380 fleet is independent of the expansion of the airport, a separate zoning application was submitted in January 2003 for the construction of the new hall and the relevant additional facilities; the Hessian Ministry of Economics, Transport and Regional Development issued its zoning approval on November 29, 2004. The stationing of the A380 fleet in Frankfurt is a crucial contribution to safeguarding the airport's future market position as a traffic hub for Germany, Europe and the world.

We think that not only air traffic but also the retail business at Frankfurt Airport have considerable growth potential. Business travelers and holidaymakers expect to experience an attractive activity center with a varied selection of high-quality products. We provide the necessary infrastructure for this, in addition to inviting restaurants, cafés and bars, which enable guests to enjoy a pleasant time at the airport.

External business

Our aim in the "external business" is to export our management and service provision skills to national and international markets with high growth potential. The emphasis is on airport management, ground handling and aviation security. Service, management and consultancy contracts are our priority; we make capital investments as well where this is necessary.

Value management

The creation of sustained value is one of the central goals of our vision. For this reason, we have implemented a value-oriented control system, with the help of which we align all the company's operations to achieve this objective. We use the "Fraport **value contribution**" to measure the creation of sustained value.

The Fraport **value contribution** indicates the amount that is being generated above and beyond the cost of capital. We have chosen a purely pre-tax basis in this context, i.e. earnings before interest and tax are compared with the cost of capital before tax. The Fraport value contribution is calculated as follows:

Fraport value contribution (Group/segment/division) =
Earnings before interest and tax – WACC (before tax) x Fraport assets

The **weighted average cost of capital** (**WACC**)[1] is based on the standard minimum interest rate that equity and debt investors expect on the capital market[2]. The parameters of the WACC are validated annually and then adapted if there has been a serious change in the interest rate and/or our risk and financing structure.

The **"Fraport assets"** are the average capital employed at the company on which interest has to be paid – determined in our case as fixed assets plus working capital. Our fundamental rule is that assets which can be depreciated are included with half of the historical acquisition or production costs and not with residual book values. We have decided to adopt this procedure, because it – in contrast to the calculation systems for other key figures such as EVA™ – makes sure that "value creation" does not already occur simply when the capital basis decreases because of depreciation charges. We also avoid the misallocation of scarce funds, which would occur in the case of value-oriented control on the basis of residual book values ("net assets") because of Fraport's high property, plant and equipment intensity and the fact that the airport industry is heavily influenced by investment cycles.

Contrary to the procedure outlined above, the EBIT in the External Activities segment is adjusted by the earnings of the at equity and other investments assigned to this segment. The same applies to the asset basis, to which the appropriate asset shares are added. This means that minority investments, the earnings of which are shown in the Group financial result, are included in the value-oriented control system.

Calculation of Fraport assets

	Intangible assets
+	Property, plant and equipment
–	On-account payments and construction in process
+	Prepaid expenses
+	Trade accounts receivable
+	Inventories
–	Trade accounts payable
–	Deferred income.

[1] Weighted Average Cost of Capital.

[2] We determine the cost of equity by using the "Capital Asset Pricing Model" (CAPM). The cost of debt is based on the average interest rate for long-term loans.

In order to be able to compare divisions of different sizes with each other, we take the key ratio **return on Fraport assets** (**ROFRA**), which is the ratio of the EBIT to the Fraport assets, into account in addition to the (absolute) value contribution. The rule here is: if the return on capital employed is higher than the WACC, the division is creating value.

€ million	Group		Aviation		Retail & Properties		Ground Handling		External Activities	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
EBIT	203.7	281.1	59.1	90.8	186.4	174.5	–0.4	31.1	–10.9*	–1.3*
Cost of capital before tax	284.2	281.3	90.7	89.6	126.3	124.6	38.0	37.2	33.7	34.5
Value contribution before tax	–80.5	–0.2	–31.6	1.2	60.1	49.9	–38.4	–6.1	–44.6	–35.8
Fraport assets	2,841.5	2,812.8	906.7	896.3	1,263.3	1,246.2	380.0	371.6	337.1*	345.0*
ROFRA	7.2%	10.0%	6.5%	10.1%	14.8%	14.0%	–0.1%	8.4%	–3.2%	–0.4%

* Including earnings/assets of the investments held at equity and other investments.

The value contribution before tax improved considerably in the Group segments Aviation, Ground Handling and External Activities. The value contribution made by the Retail & Properties segment was the exception: it was lower than in the previous year, because the EBIT decreased too. It continued to exceed the value contributions of the other segments substantially, however.

The development of the ROFRA was similar. The Retail & Properties segment achieved the highest return on capital employed in the year under review – although it was slightly lower than in the previous year – whereas it increased considerably in the three other segments.

We are satisfying the high requirements we have set ourselves in the Aviation and Retail & Properties segments at the present time. We will be continuing to intensify cost management here and above all in the Ground Handling segment. The negative figures that are still being recorded in the External Activities segment are typical, because many of the investments are still at the beginning of the investment cycle.

To simplify comparison, the returns that would be achieved if the average capital employed on which interest has to be paid was calculated on the basis of residual book values (net assets) that are indicated below as well.

€ million	Group		Aviation		Retail & Properties		Ground Handling		External Activities	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Net assets	2,473.8	2,299.0	884.5	843.9	999.1	904.2	244.1	230.0	391.7*	367.0*
RONA	8.2%	12.2%	6.7%	10.8%	18.7%	19.3%	–0.2%	13.5%	–2.8%	–0.4%

* Including earnings/assets of the investments held at equity and other investments.

Business development in 2004

Business environment and development of air traffic

2004 was an extremely good year for the global economy. According to calculations by Deutsche Bank, it grew by 4.8%[1] – which was therefore faster than at any time since the mid-70s. Global trade increased by as much as 9.5%[2]. The recovery of the world economy boosted the air transport industry and Frankfurt Airport benefitted from this as an international air traffic hub too.

General economic conditions

Following the year of crisis in 2002 and the slow recovery after this, 2004 was dominated by positive news about global economic growth. One of the driving forces was the very expansive monetary and fiscal policy of the USA. The United States economy increased by 4.4% in 2004.

The OECD (Organization for Economic Co-operation and Development) estimates that the gross domestic product in China grew by about 9.3% in 2004. The economy also developed positively in Japan, India and other Asian countries as well as in many of the Eastern European countries.

The global recovery had a positive effect on the Eurozone too; growth in this region amounted to 1.7%; in the European Union, which was expanded to include 25 states in May 2004, it reached 2.3%.

After two years of stagnation, the German gross domestic product rose by 1.6%. German exporters succeeded in upping their exports by 8.6% in 2004, while imports were 6.4% higher. Consumer demand remained poor, however, because of stagnant net household incomes and rising unemployment.[3]

Gross domestic product (GDP)/world trade in 2004

Real changes over the previous year in %

	2004
Germany	1.6
Eurozone	1.7
EU 25	2.3
Central and Eastern Europe	6.5
USA	4.4
Japan	2.6
China	9.3
OECD in total	3.5
World	4.8
World trade	9.5

Source: OECD Economic Outlook No. 76, December 2004, as well as various international banks February 2005.

The raw material prices had an adverse effect on the global economy. World market prices for many raw materials soared, primarily because of the boom in Asia; the oil prices were affected particularly hard. While many countries that export raw materials generated additional income, the higher sales prices slowed down the economies that consume raw materials. Global trade and industrial growth therefore slowed down somewhat in the second half of the year. The IMF and OECD estimate that a sustained increase in the oil price of 10% reduces world economic growth by up to 0.3 percentage points.

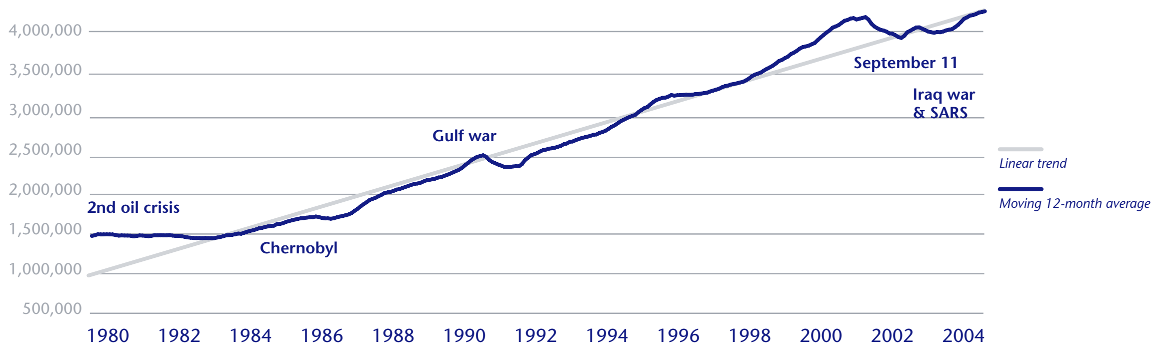
[1] Date: February 2005. [2] OECD, date: December 2004. [3] Federal Statistical Office Germany, February 22, 2005.

Development of air traffic

According to estimates[1] by IATA (International Air Transport Association), global passenger traffic increased by 7.6% in 2004, with international scheduled traffic growing by as much as 11.0%. This would mean that the highest increase rates since 1992 were achieved in 2004.

The highest growth rates for 12 years were recorded in passenger traffic in Germany in the year under review too. Particularly large increases were achieved primarily on the routes that had been hit hardest by the crises in recent years: the Middle and Far East and North America. Although European connections had been depressed relatively less, the figures for the previous year were exceeded considerably here as well.

Long-term passenger development at Frankfurt Airport since 1980



Tour operators reported an increase in demand for long-distance trips in Germany. The trend towards booking low-cost airlines instead of classic package tours including flights continued and contributed to the polarization of the air transport market that has been apparent for a number of years now. On the one hand, there are large airlines and air transport alliances such as Deutsche Lufthansa and Star Alliance, which offer a global network of routes, while low-cost airlines – on the other hand – have specialized in shorter direct connections. A consolidation process is in addition taking place on both markets at the present time, which is also changing the market structure for airport operators. The Frankfurt hub, which is effectively positioned with its central geographical location, a large catchment area and the airline Deutsche Lufthansa – which is based in Frankfurt – as its main customer, participated in the recovery in air traffic volume.

Group traffic figures

The traffic figures at the airports in the Fraport Group reached record levels in 2004. Total passenger traffic increased by 9.2% to 77.1 million passengers, while the volume of cargo handled was 11.7% higher at 2.2 million tonnes. The increases at all the locations are attributable essentially to the positive development of the global economy; the significant growth in Frankfurt and Antalya was influenced by the comparatively poor figures the year before too. In the first half of 2003, the Iraq war and SARS led to substantial shortfalls in traffic at these locations.

[1] Date: November 2004.

Traffic figures for the Fraport Group

	Passengers[1]		Cargo (airfreight + airmail) in tons[2]		Movements	
	2004	Change from 2003 in %	2004	Change from 2003 in %	2004	Change from 2003 in %
Frankfurt Main	51,098,271	5.7	1,839,086	11.4	477,475	4.1
Frankfurt-Hahn[3]	2,755,176	13.6	191,114	20.0	31,484	1.4
Hanover	5,249,162	4.1	15,764	3.7	85,463	–1.1
Saarbrücken	459,853	0.4	43	–88.4	13,764	–8.3
Antalya[4]	12,410,428	27.4	n.a.	n.a.	74,025	24.7
Lima[5]	5,077,295	11.9	171,540	7.0	72,311	2.9
Group	**77,050,185**	**9.2**	**2,217,547**	**11.7**	**754,522**	**4.6**

[1] Only commercial traffic in + out + transit
[2] Only commercial traffic in + out
[3] Frankfurt-Hahn freight includes trucking
[4] International terminal
[5] Internal data from Lima

Source: ACI reports

Passenger traffic

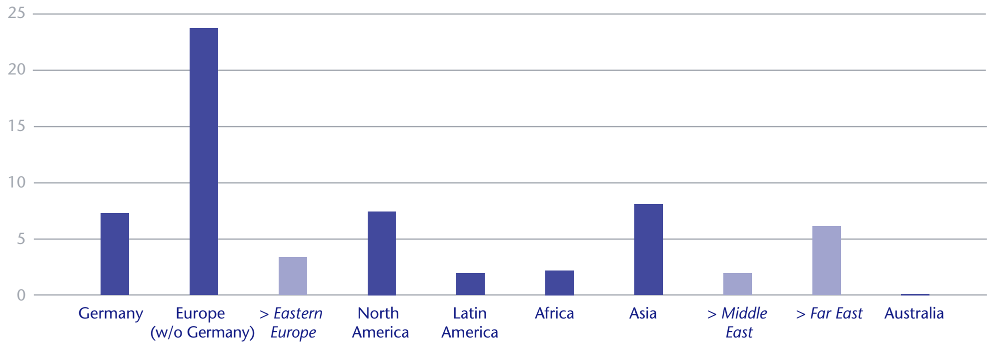
Frankfurt Airport counted more than 50 million passengers in one year for the first time in its history in 2004. A total of about 51.1 million passengers used the airport, 5.7% more than in the previous year. The proportion of connecting passengers remained constant at the high level of about 53%.

The growth was driven primarily by international traffic. Passenger traffic on the intercontinental routes increased by 12.4%. Asian traffic achieved particularly high growth of 16.2%. Destinations in China and India recorded the largest increases. Strong growth was registered on the routes to the EU accession states in Eastern Europe too (total increase: 9.2%). 3.8% fewer passengers flew on the domestic routes, on the other hand. One reason for this decrease is our strategic concept of intermodality. Together with Deutsche Lufthansa and Deutsche Bahn, we are trying to switch short-distance flights to the railway system.

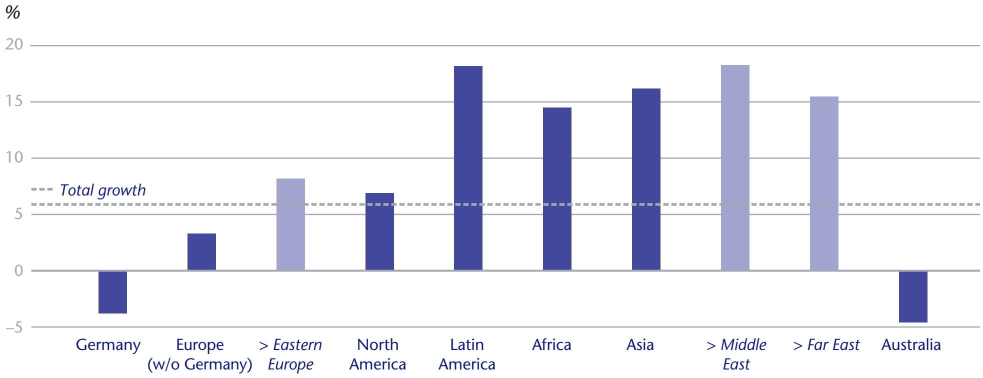
In 2004, Frankfurt was the third-busiest European airport by passenger figures, after London-Heathrow and Paris Charles de Gaulle. Frankfurt Airport was in 8th position on the global ranking list.

Passengers in 2004 at Frankfurt airport: by regions

million

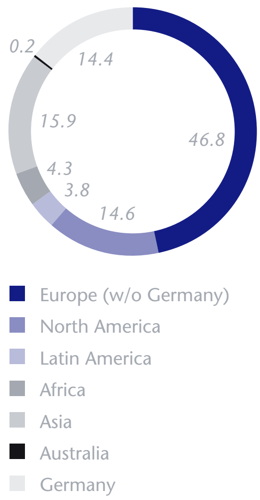


Passengers in 2004/2003 at Frankfurt airport: growth by regions



Passengers in 2004 at Frankfurt airport:

regional breakdown in %



Source: Fraport AG

The number of passengers at the low-cost airport **Frankfurt-Hahn** increased by 13.6% to 2.8 million. As in the previous year, double-digit growth was achieved, although developments were slightly less dynamic than in the past, because a consolidation process has in the meantime started among the low-cost airlines too. Our main customer in Frankfurt-Hahn, Ryanair, increased the number of destinations and flight frequencies somewhat more slowly than planned, while other airlines like Amadeus Flugdienst, Volare Airlines and Air Polonia discontinued their operations.

Hanover-Langenhagen Airport is one of the most important German holiday airports and has been attracting low-cost traffic to an increasing extent since 2003 as well. It benefitted from the recovery of tourist demand and increased passenger figures by 4.1% to 5.2 million in the year under review. The passenger figures in **Saarbrücken** (0.5 million) were at the same level as in the previous year.

Antalya registered the highest increase in passenger traffic of all the Group airports with growth of 27.4% to 12.4 million. Some of the growth rate is due to the comparison base, because Antalya had been hit particularly hard by traffic shortfalls during the Iraq war in the previous year. Growth was also stimulated by the steady rise in demand for destinations on the Turkish Mediterranean coast.

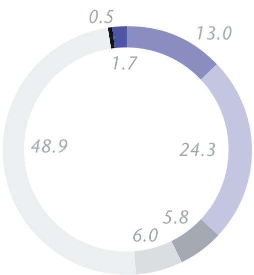
Passenger traffic in **Lima** increased in both domestic and foreign traffic. The figure of 5.1 million passengers in 2004 was 11.9% higher than in the previous year.

Cargo

The flourishing global economy and increasing German exports boosted cargo traffic (airfreight + airmail) at Frankfurt and Frankfurt-Hahn Airports in particular. More cargo than ever before (1,839,100 tonnes) was handled in Frankfurt in 2004; the tonnage growth in this one year was higher than the increases between 1996 and 2003 together. Cargo traffic here was 11.4% higher than in the previous year. The highest percentage growth rates were achieved in the connections to Latin America and Africa, while the most important cargo handling markets for Frankfurt (North America and the Far East) grew substantially by volume too. The cargo growth of 20.0% in Frankfurt-Hahn was achieved through an increase in capacities and flight frequencies by existing cargo services as well as by the cargo flights on behalf of British Airways World Cargo since September 2004.

Airfreight in 2004 at Frankfurt Airport:

regional breakdown in %

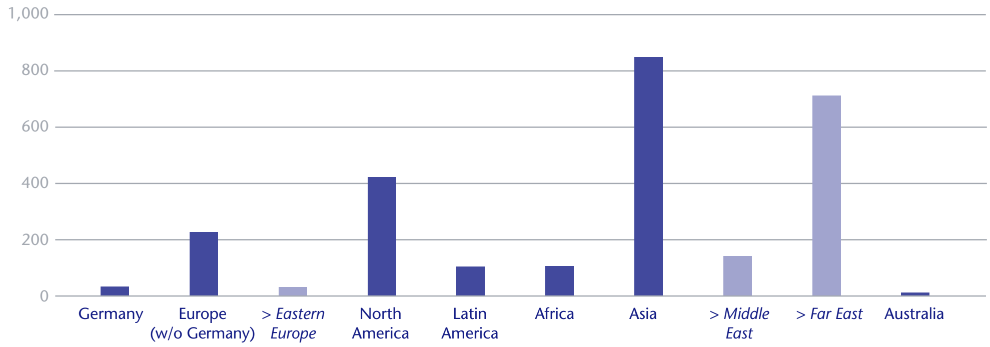


Germany
Europe (w/o Germany)
North America
Latin America
Africa
Asia
Australia

Source: Fraport AG

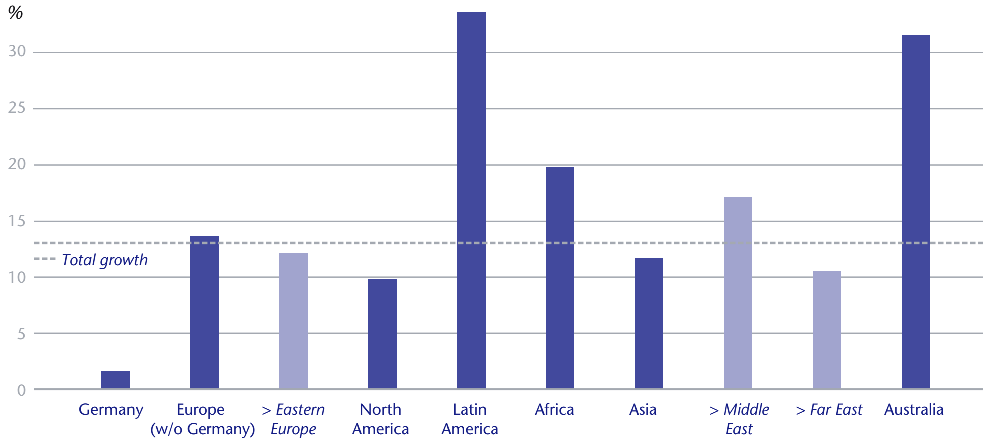
Airfreight in 2004/2003 at Frankfurt airport: growth by regions

t '000



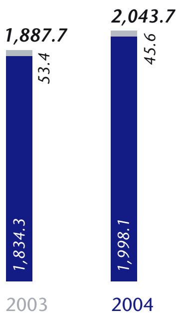
Airfreight in 2004 at Frankfurt airport: tonnage by regions

%



Revenues and total revenues

€ million



Other income
Revenues

Aircraft movements

The growth rates in passenger and cargo traffic at all the Group airports were achieved with a disproportionately small increase in aircraft movements; in Hanover and Saarbrücken, the number of movements even decreased.

The airlines used bigger aircraft, primarily in Frankfurt and Frankfurt-Hahn, and the capacities of the passenger machines were utilized better: Frankfurt Airport in particular benefitted from the more productive use made of the limited slot capacities as a result of this. The key figure for aircraft size, the maximum take-off weights, increased here by 7.2% to 27.2 million tonnes, the seat load factor was 1.6 percentage points higher than in the previous year at 71.0% and the passengers per passenger aircraft movement ratio went up from 115.3 to 117.2.

Revenue and earnings development

The Fraport Group achieved double-digit earnings growth in fiscal 2004: EBITDA increased by 11.8% to € 516.2 million, while the Group profit for the year was 18.4% higher than in the previous year at € 136.4 million. This development was attributable to a significant extent to strict cost management.

Revenues and earnings

€ million	2003	2004	Change in %
Revenues	1,834.3	1,998.1	8.9
EBITDA[1]	461.8	516.2	11.8
EBIT[1]	203.7	281.1	38.0
Result from ordinary operations	215.1	265.9	23.6
Group profit for the year	115.2	136.4	18.4

[1] The calculation has been changed by comparison with the previous year. See notes (5).

Revenues in fiscal 2004 were 8.9% higher at € 1,998.1 million. Traffic fees at the Frankfurt location in particular benefitted from the recovery in air traffic volume. The proceeds from security services were higher too, partly because of the positive development in traffic. The more and more intensive security precautions made at European airports and the expansion of ICTS Europe's business had an effect too. Substantially higher revenues were generated at the Group locations outside Frankfurt by Antalya and Frankfurt-Hahn in particular.

The other internal costs capitalized, change in work in process and other operating income are summarised in the **other income**, which decreased by 14.6% or € 7.8 million to € 45.6 million. The **internal costs capitalized** increased from € 18.0 million in 2003 to € 21.8 million because of the expansion planning and terminal modernization exercises in Frankfurt, whereas the **other operating income** was € 11.7 million lower at € 23.8 million. The main reason for this was income of € 8.4 million from a property sale that was included in the figure for the previous year.

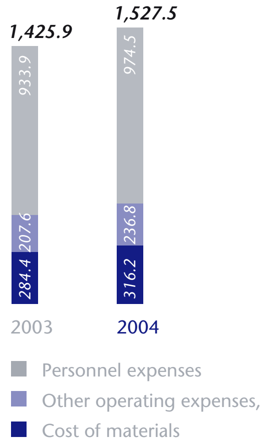
The **operating expenses** increased at the disproportionately low rate of 7.1% (to € 1,527.5 million) when compared with the revenues and total revenues. Higher expenses were incurred primarily for the modernization of the terminals and aircraft movement areas at Frankfurt Airport. They are included in the cost of materials, which was 11.2% higher than in the previous year at € 316.2 million. The other operating expenses increased by 14.1% to € 236.8 million, primarily because of higher transfers to provisions and accruals to cover possible reimbursements.

Personnel expenses are the biggest cost item in the operating expenses, accounting for 63.8% of them in 2004. They increased by 4.3% to € 974.5 million, primarily because of the larger number of employees. In the year under review, the Fraport Group had an average of 24,182 employees, which represents growth of 3.5% or 829 employees. Due to the expansion of the business, 11.6% or 995 people more than in 2003 were deployed by ICTS Europe alone. Expenses at the Frankfurt location were increased by two collectively agreed pay rises of 1% each from January and May 2004 onwards too. Concerted activities to improve the efficiency of the business processes at the most important Group location in Frankfurt helped to optimize costs: the considerably higher traffic volume was achieved with only a slightly larger number of employees than in the previous year. Group personnel expenses as a percentage of revenues decreased by 2.1 percentage points to 48.8%.

The improvement in productivity led to the disproportionately large increase in **EBITDA** by comparison with revenues of 11.8% to € 516.2 million. The **EBITDA margin** went up from 25.2% to 25.8%.

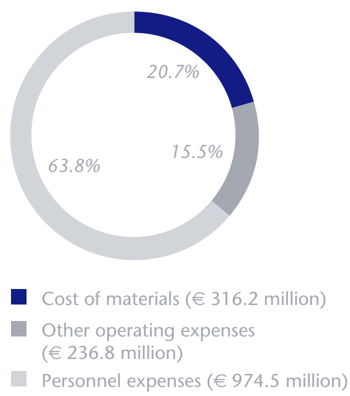
Operating expenses

€ million



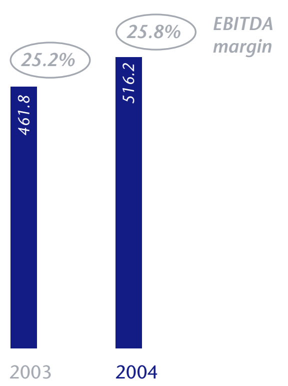
Operating expenses

%



EBITDA and EBITDA margin

€ million



Depreciation and amortization of tangible and intangible non-current assets (€ 235.1 million) were 8.9% or € 23.0 million lower than in the previous year. This was attributable principally to the reduction in unscheduled depreciation: write-downs in the year under review amounted to € 20.5 million compared with € 41.1 million in the previous year.

Due to the lower depreciation and amortization charges, **EBIT** (operating profit) increased even more than EBITDA, by 38.0% to € 281.1 million. The **EBIT margin** was 3 percentage points higher at 14.1%.

The **financial result** of € –15.2 million was € 26.6 million lower than in the previous year. This was due mainly to the reduction of € 17.2 million in **income from investments** to € 13.7 million. The previous year's figure was influenced by two special factors: in addition to the dividend from Antalya for fiscal 2003, the dividend of € 8.5 million for 2002 was received in the same year, contrary to the normal rhythm. The project company for privatization of the airports in Berlin made a compensation payment of € 4.8 million in 2003 too. The **results from investments held at equity** were € 1.2 million higher than in the previous year at € 1.8 million.

The balance of foreign currency effects – shown in the **other financial results** of € –1.7 million – was € 10.4 million lower than in the previous year.

In contrast to the previous year, when no **write-downs of financial assets** were made, write-downs in the year under review totalled € 5.9 million. The biggest write-down related to a loan to Tradeport Hongkong Ltd., Hong Kong.

The **interest results** developed positively: lower overnight and short-term money requirements, larger loan repayments and the lower interest rate level led to an improvement of € 8.3 million to € –23.1 million.

The **result from ordinary operations** was 23.6% higher than in the previous year at € 265.9 million. The **Group profit for the year** increased by 18.4% to € 136.4 million. The **earnings per share** (basic), calculated from the weighted annual average of the floating shares, went up from € 1.28 to € 1.51.

The profit for the year generated by Fraport AG (HGB) amounted to € 137.0 million in the year under review. Following a transfer of € 69.0 million to the revenue reserves, the **retained earnings** amounted to € 68.0 million.

We will be proposing to the 2005 Annual General Meeting that about € 68 million are distributed in dividends. This would represent a **dividend** of 75 cents per share; the dividend payout ratio would then amount to 49.9% of the Group profit for the year. 44 cents per share or 34.5% of the Group profit for the year were paid for fiscal 2003.

Fraport AG key earnings figures (HGB)

€ million	2003	2004	Change in %
EBITDA	391.8	457.2	16.7
EBIT	209.6	288.9	37.8
Result from ordinary operations	202.0	260.2	28.8
Profit for the year	103.0	137.0	33.0

Segment reporting

Fraport adapted its segment reporting to the reorganized structure of its divisions at the beginning of fiscal 2004. Since then, its business operations have been presented in the four segments "Aviation", "Retail & Properties", "Ground Handling" and "External Activities".

The strategic business divisions of Fraport AG in Frankfurt – flight and terminal operations, retail and rental management and ground handling services – are assigned clearly to the Aviation, Retail & Properties and Ground Handling segments. These segments also include investments that are integrated in the business processes at the Frankfurt location. The former strategic business divisions information technology and telecommunications services and real estate and facility management have been transformed into internal service departments and are included in the "Retail & Properties" segment.

All the investments outside Frankfurt are assigned to the central acquisitions and investments department at Fraport AG, are included in the "External Activities" segment and are controlled centrally. The same applies to three companies based in Frankfurt which have business operations that do not fit in with any of the other segments.

Concentration of all the business operations relating to retailing as well as space rental and development in the "Retail & Properties" segment takes account of the increasing importance of the non-aviation business. It already makes the largest contribution to earnings and has tremendous growth potential too. We intend to expand the relevant business processes purposefully and to continue increasing their profitability by means of efficient control.

In connection with the restructuring exercise, most of the property, plant and equipment has also been allocated to the segments using it. The volume of charges for internal Group services has been reduced as a result.

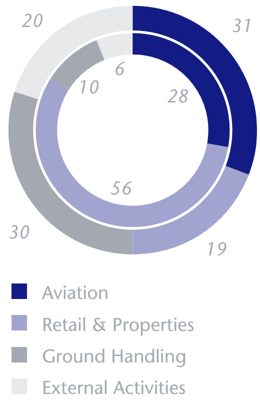
The figures for the previous year have been adapted to the new segment structure. The earnings of minority interests that are included in the accounts at equity or with their acquisition costs are shown in the financial result.

The Group segment Aviation made the largest contribution to Group revenues (about 31%), followed by Ground Handling (30%), External Activities (20%) and Retail & Properties (about 19%). These contributions were essentially the same as the comparable figures for the previous year.

The most profitable segment – Retail & Properties – accounted for about 56% of Group EBITDA. The "loss" of about 10 percentage points to the three other segments is attributable mainly to special factors in this segment's earnings and expenses development. The Aviation segment increased its contribution to Group EBITDA by 3 percentage points to about 28%, while Ground Handling contributed 10% (5 percentage points more than in the previous year) and the External Activities segment contributed 6%, a change of 2 percentage points.

Segment contributions

to Group revenues (outside) and EBITDA (inside) in %



Aviation

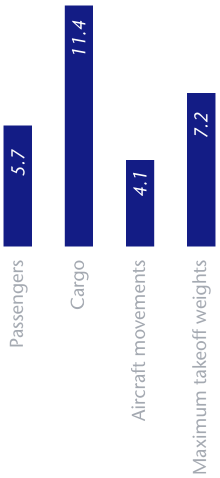
The Aviation segment of the Group is responsible for the flight and terminal operations, airport and aviation security and the infrastructure demands made on the Frankfurt location in this context. It is also responsible for the airport expansion program.

€ million	2003	2004	Change in %
Revenues	551.7	626.2	13.5
EBITDA	115.6	144.8	25.3
EBIT	59.1	90.8	53.6
Employees	3,368	3,311	–1.7

Aviation increased its **revenues** over the previous year by 13.5% to € 626.2 million in 2004. The airport fees – i.e. passenger, landing, takeoff and slot fees in Frankfurt – were about € 43 million higher than in the previous year. This was attributable mainly to the growth in traffic volume, while the airport fees were also increased by an average of 4.0% with effect from January 1, 2004 in accordance with the general agreement with the airlines. The proceeds from military air traffic unexpectedly reached the same level as in the previous year, partly because of the temporary closure of the US Air Base in Mildenhall, Great Britain, in July 2004. The revenues from security services increased substantially by € 32.8 million too. This was due not only to higher passenger figures but also to the stricter and stricter security regulations at European airports. In accordance with the EU aviation security regulations, all goods and people (including airport and airline staff) have had to be checked when they enter "sensitive parts of the security areas" in the terminals since January 2004. The relevant expenses were reimbursed to Fraport in 2004 by the German Federal Ministry of Interior.

Frankfurt Airport traffic figures 2003/2004

Change in %



Source: ACI reports, Fraport AG

The **operating expenses** were higher than in the previous year. Whereas the personnel expenses were slightly lower than in the previous year, primarily because of the reduction in the number of employees, non-staff expenses increased considerably. This was due mainly to expense items in connection not only with the security services, particularly the larger number of external personnel required, most of whom were provided by the second-tier subsidiary FIS, but also with the modernization of the terminals and aircraft movement areas.

The higher utilization of the capacities of Frankfurt Airport combined at the same time with a reduction in the personnel expenses led to growth in segment **EBITDA** of 25.3% to € 144.8 million. **EBIT** increased to a disproportionately large extent – by 53.6% to € 90.8 million – thanks to lower depreciation and amortization charges.

Retail & Properties

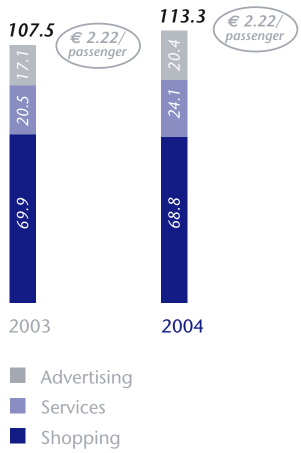
The business operations in the areas of retailing, parking facility management, property rental and marketing at the Frankfurt location as well as CargoCity South are combined in the Retail & Properties segment of the Group.

€ million	2003	2004	Change in %
Revenues	369.0	373.9	1.3
EBITDA	302.3	285.8	–5.5
EBIT	186.4	174.5	–6.4
Employees	3,038	3,050	0.4

Segment **revenues** increased slightly, by 1.3% to € 373.9 million. While the revenues generated in parking facility management and the real estate revenues were at roughly the same level as in the previous year, the retail business recorded slight revenue growth, particularly with advertising and services (revenue-based rental payments by restaurants, hotels, banks and car rental companies). The shopping revenues decreased slightly, on the other hand. These revenue-based rental payments by retail outlets, including the duty-free and travel value shops, depend partly on the purchasing power of the international passengers, which was depressed by the strength of the euro compared with the US dollar. Whereas the euro – US dollar exchange rate had averaged € 1.13 in 2003, it increased to € 1.24 in the year under review. In addition to this, less shopping space was available temporarily due to the terminal modernization program and individual outlets had to be closed completely at times. The “retail revenues per passenger” key figure remained stable at € 2.22 all the same.

Retail revenues

€ million



Modernization of the terminals in particular, but also two collectively agreed wage and salary rises of 1% in both January and May, made the **operating expenses** increase faster than the revenues. Segment **EBITDA** therefore decreased by 5.5% to € 285.8 million and **EBIT** were down 6.4% at € 174.5 million.

Ground Handling

The Ground Handling segment includes such ground services as aircraft handling, passenger and cargo services as well as the investments involved in these operations at the Frankfurt location.

€ million	2003	2004	Change in %
Revenues	570.7	608.1	6.6
EBITDA	23.6	53.3	> 100
EBIT	–0.4	31.1	–
Employees	7,120	7,042	–1.1

The increase of 6.6% in **revenues** in the Ground Handling segment to € 608.1 million essentially reflects the traffic growth at Frankfurt Airport. Both the infrastructure and ground services fees are linked closely to the development of the maximum takeoff weights (MTOWs), which are based on the number and size of the aircraft handled in Frankfurt. This revenue growth more than made up for shortfalls attributable to the small market share loss of 0.8 percentage point to 88.9%.

The measures to increase efficiency and cut costs were most successful in the Ground Handling segment. The business processes were optimized while maintaining the high quality of the services provided, so that a somewhat smaller number of employees coped with the substantially higher traffic volume. The personnel expenses – the biggest item in the **operating expenses** of this particularly labour-intensive segment – decreased slightly.

The higher productivity led to an increase in segment **EBITDA** of € 29.7 million to € 53.3 million. A loss of € –0.4 million was reported (based on the **EBIT**) in the previous year; this figure was exceeded by € 31.5 million in the year under review.

External Activities

The newly established External Activities segment of the Group basically covers all the investments that carry out their business operations outside Frankfurt or are not involved in the business processes at the Frankfurt location.

€ million	2003	2004	Change in %
Revenues	342.9	389.9	13.7
EBITDA	20.3	32.3	59.1
EBIT	–41.4	–15.3	–
Employees	9,827	10,779	9.7

The External Activities segment achieved **revenue** growth of 13.7% to € 389.9 million. This was due to a large extent to the expansion of the business of ICTS Europe, which specializes in security services. The Antalya and Frankfurt-Hahn locations reported particularly high revenue growth because of the positive traffic development.

The expansion of the security business was the most important reason for the increase in the **operating expenses**. An average of 995 or 11.6% more staff than in the previous year were deployed at ICTS Europe alone in the year under review.

EBITDA were € 12.0 million or 59.1% higher at € 32.3 million. Since the depreciation and amortization charges decreased considerably – primarily because of the special depreciation and amortization charges made at the Frankfurt-Hahn location in the previous year – there was a disproportionately large increase in **EBIT** of € 26.1 million to € –15.3 million.

Not only the earnings of the External Activities segment but also **income from investments** and some of the **results from investments held at equity** are generated by the external business. These items are shown in the Group financial result. In 2004, they amounted to € 13.7 million and € 1.8 million respectively.

Investments

The Fraport Group consists of 67 companies in Germany and other countries.

Internationalization creates additional opportunities for Fraport: we participate in fast-growing markets and reduce our dependence on the Frankfurt location. Our focus in operations outside Frankfurt is on airport management, ground handling and aviation security.

The airport investments, BOT projects (build, operate, transfer), other companies and co-operation ventures outlined below are of particular strategic importance and influence the asset, financial and earnings situation. The figures in the following summary are based on the financial statements of the individual companies before consolidation.

Consolidated Group companies

We held 73.07% of the shares in **Frankfurt-Hahn** Airport until the end of the year under review. The shareholders' equity of the company is to be increased in early 2005. In this context, the State of Hesse will be joining the company as a shareholder by acquiring 17.5% of the shares. The existing shareholders Fraport AG and the State of Rhineland-Palatinate will then own 65.0% and 17.5% respectively. The strategic focus of what used to be a military airport in the Hunsrück region is on the low-cost market as well as on charter and cargo business. The main passenger transport customer is the Irish airline Ryanair. It flies to 21 destinations from Frankfurt-Hahn in the meantime, but has partly postponed the increase of capacity until 2005. In addition, Volare Airlines and Air Polonia have discontinued their connections from Frankfurt-Hahn. Thus, passenger growth was slightly lower than expected: the increase over 2003 amounted to 13.6%, meaning that 2.8 million passengers were transported. The cargo volume (including trucking) that was handled increased by 20.0% to almost 191.1 thousand tonnes. This growth was due in part to the start of business by British Airways World Cargo, which has been flying from Frankfurt-Hahn since September 16, 2004. The British airline began by relocating one flight per week from Cologne-Bonn and another one from Frankfurt to the Hunsrück airport because of the planned ban on night flights; it increased the frequency to four flights a week in November.

Revenues in Frankfurt-Hahn increased by 31.0% over 2003 to € 29.6 million; thanks to the disproportionately small increase in the operating expenses, the EBITDA loss was reduced by € 3.2 million to € –4.3 million.

We hold a 51.0% interest in the company operating **Saarbrücken** Airport, which is the smallest airport in our portfolio with 0.5 million passengers (0.4% more than in the previous year). It primarily handles passenger traffic in the package tour field. Revenues and EBITDA stagnated at almost exactly the same level as in the previous year: the revenues totalled € 9.7 million and the EBITDA € 0.8 million.

We own 50% of the company operating the international terminal in **Antalya** in Turkey (Antalya Havalimanı Uluslararası Terminal işletmeciliği Anonim Şirketi). We also hold additional 30% of the dividend rights. Following the large drop in passenger traffic in the previous year during the Iraq war, the number of passengers increased again substantially in fiscal 2004 by 27.4% to 12.4 million. Revenues were 31.2% higher than in the previous year (€ 94.5 million) at € 124.0 million, while EBITDA were up 29.5% at € 67.7 million.

Security is part of the Fraport Group's strategic core business. Our wholly-owned subsidiary ICTS Europe Holdings B.V. continued to expand its leading position in the aviation security field in Europe in 2004. The ICTS Group (**ICTS Europe**) operates at more than 50 different airports – from Lisbon to Athens, from Oslo to Rome – and has 18 independent subsidiaries in 17 countries. The customers include American Airlines, Delta, Continental, US Airways and Northwest Airways as well as Athens, Paris Charles de Gaulle and Amsterdam Schiphol Airports. Aviation security is the main area of ICTS Europe's operations, while it also develops integrated security concepts and provides its know-how outside the aviation industry too, for example in the area of maritime security.

In view of the high quality of ICTS Europe's security services, the American Federal Aviation Agency FAA has approved the company for all US airlines in Europe. In June 2004, United Airlines and ICTS Europe concluded a contract that covers security checks (passenger and passport controls, examination of hand baggage and the aircraft) at such airports as London-Heathrow, Paris Charles de Gaulle, Frankfurt, Amsterdam, Munich and Zurich.

Two major sports events – the Olympic Games in Athens and the European Football Championship in Portugal – represented particularly tough security challenges in 2004. ICTS Europe was involved in both of them as a security service provider.

ICTS Europe succeeded in increasing its revenues in fiscal 2004 by 19.9% to € 301.4 million with new customers, services and locations. EBITDA amounted to € 22.5 million, 30.8% more than in the previous year.

The wholly-owned subsidiary VAS Flughafen Bodenverkehrsdienste GmbH (**VAS**) provides aircraft handling, baggage and passenger services at Vienna Airport. Revenues increased by 1.0% to € 10.3 million, whereas EBITDA decreased from € 1.0 million to € 0.9 million. The company was renamed Fraport Ground Services Austria GmbH with effect from January 1, 2005.

S.A. TCR International N.V., in which Fraport holds 50% of the shares, is based in Brussels and operates in the area of ground handling equipment rental and maintenance. The TCR Group (**TCR**) has locations at airports in London, Manchester, Paris, Amsterdam, Brussels and Jacksonville, Florida. The TCR Group increased its revenues by 20.2% to € 39.7 million in 2004, while EBITDA were up 18.7% at € 14.6 million.

We entered the ground handling business in America in October 2004. The newly established, wholly-owned subsidiary **Fraport Ground Services** USA, Inc. is based in Jacksonville, Florida. Our US subsidiary provides aircraft handling services (ramp and baggage services) and passenger services at the international airport with about 5 million passengers a year. The aim of the company is to provide ground handling services at other American airports as well.

Fraport set up a subsidiary in China with Shanghai Airport Group in 2004. Both airport companies hold 50% of the shares in Shanghai Frankfurt Airport Consulting Service Co. Ltd., which is based in Shanghai. The joint venture contract has an initial term of 20 years. The main purpose of this new consulting subsidiary is to provide professional advice about the building and operation of airports as well as personnel training for civil aviation in China.

Investments held at equity

Fraport holds a 30% interest in the company operating **Hanover** Airport (Flughafen Hannover-Langenhagen GmbH). Hanover Airport is the home base of Hapag-Lloyd Flug GmbH and – since 2003 – of the low-cost carrier Hapag-Lloyd Express GmbH too. Hanover benefitted from the ongoing traffic growth in the low-cost market. The number of passengers increased by 4.1% over 2003 to 5.2 million and revenues were 1.7% higher than in the previous year at € 129.0 million, whereas EBITDA were 8.5% lower at € 31.4 million (previous year: € 34.3 million). Higher expenses because of increasingly exacting aviation security requirements as well as non-recurring measures to develop the low-cost market were the main reasons for the disproportionately large drop in earnings.

Fraport holds an interest of 42.75% in the company **Lima** Airport Partners S.R.L. (LAP), which is expanding and operating Jorge Chavez Airport in Lima, Peru. LAP has a 30-year operating concession, with an option to extend it by a further ten years. The Peruvian airport is becoming increasingly important in Latin America, which is reflected in passenger development: compared with the previous year, the number of passengers rose by 11.9% to 5.1 million. Due to exchange rate effects, revenues were down 1.3% at € 60.8 million, while EBITDA were 5.9% higher than in the previous year at € 12.5 million. In US dollar terms, revenues and EBITDA increased by 8.2% and 16.5% respectively.

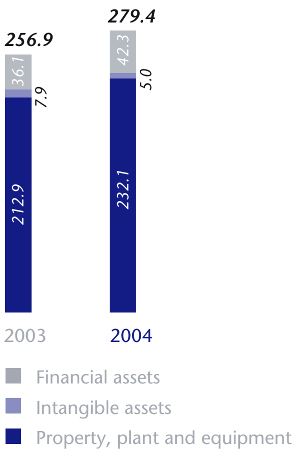
Other investments

We own 20% of each of six joint ventures (**UTE**) in Spain trading under the name of Ineuropa Handling. The Ineuropa Handling joint ventures provide handling services at Madrid-Barajas, Palma de Mallorca, Alicante, Ibiza, Menorca and Teneriffa South Airports on the basis of concession contracts. Smaller satellite stations are operated at Teneriffa North, Las Palmas (only cargo handling) and Albacete Airports too. Most of the concession contracts are expiring in 2005 (the expiry date for Madrid Airport is 2006) and a new tendering procedure is being held.

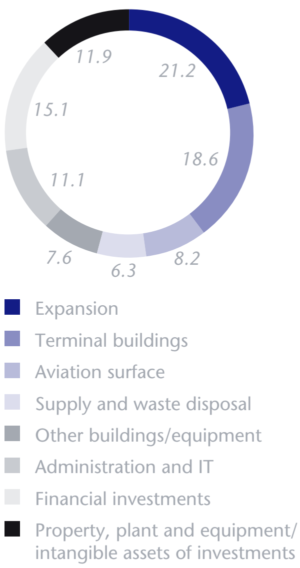
Asset and financial situation

Capital expenditures

Capital expenditures
€ million



Capital expenditures 2004
%



Capital expenditures by the Fraport Group increased by 8.8% or € 22.5 million to € 279.4 million in the year under review. € 232.1 million of the total were capital expenditures on property, plant and equipment, while intangible assets accounted for € 5.0 million and € 42.3 million were attributable to financial assets.

Most of the **capital expenditures on property, plant and equipment as well as on intangible assets** (€ 203.8 million) were accounted for by the Frankfurt location. € 52.0 million were spent on the modernization and expansion of the existing terminals, including the fire protection systems in them. € 22.8 million were invested in optimization of the aviation surface – with the emphasis on renovation of the north runway. € 59.1 million were required for services in connection with the zoning procedure and activities by means of which the technical basis is being created for the planned expansion of the airport. This item also includes Fraport AG's preparations for the construction of the A380 maintenance facility by Deutsche Lufthansa. The largest individual item in the capital expenditures on other buildings and equipment (€ 21.3 million) was the investment of € 9.9 million in the Lufthansa first-class terminal. These capital expenditures were posted as a Non-current asset disposal, since it was classified as finance leasing.

€ 17.0 million were invested in property, plant and equipment at the Frankfurt-Hahn location, primarily in the expansion of the runway and apron areas as well as the terminals. S.A. TCR International N.V., Brussels, accounted for a further € 8.9 million, essentially for ground handling equipment.

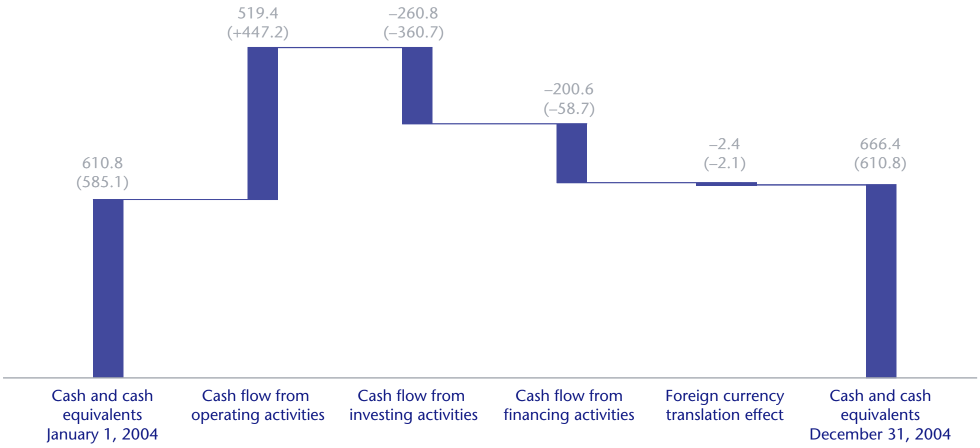
The capital expenditures on **investments held at equity and other financial assets** increased by € 6.2 million to € 42.3 million. In the year under review, € 10.0 million were invested in a foreign currency fund, while another € 20.7 million were invested in fund shares in connection with the legal regulations about bankruptcy protection of credit balances in accounts for part-time working schemes for older employees and long-term accounts. The property company Gateway Gardens GmbH accounted for € 3.1 million. A capital increase of € 1.2 million was made at Portway-Handling de Portugal S.A. The figure for the previous year included the purchase price of € 30.1 million for a further 10% of the shares in Hanover Airport.

Cash flow statement

The **net cash flow from operating activities** of € 519.4 million was the balance of cash inflows from operations of € 633.7 million (€ 467.0 million in the previous year) and cash outflows of € 104.9 million for taxes on income and of € 9.4 million in the financial activities. The reduction in the dividend payments received exceeded the improvement in the negative balance of interest paid and received here.

Change in cash and cash equivalents

€ million; in brackets: figure for the previous year



The **net cash flow used in investing activities** amounted to € 260.8 million and was € 99.9 million lower than in the previous year. There were higher cash outflows for capital expenditures on intangible assets and property, plant and equipment (€ 16.3 million) and other financial investments (€ 35.1 million), which were made essentially to buy shares in a foreign currency fund (€ 10.0 million) as well as shares in a fund to provide bankruptcy protection for credit balances relating to time account models at Fraport AG (€ 20.7 million). The proceeds from disposals of non-current assets in the year under review (€ 14.0 million) were lower than in the previous year too. The reduction in cash outflows from other items was, however, larger, particularly because of the payments of € 136.5 million made in the previous year in connection with the Manila project. The cash outflows for capital expenditures on investments held at equity in the year under review (€ 1.3 million) were also considerably lower than in 2003 (€ –31.2 million), when Fraport acquired further shares in Hanover Airport.

The **net cash flow used in financing activities** in the year under review (€ 200.6 million) was substantially higher than in the previous year, when the figure was € 58.7 million. This was attributable primarily to larger repayments of financial liabilities. The dividend for 2003 was paid in 2004 as well.

The improvement in the operating cash flow and the lower cash outflows for capital expenditures exceeded the higher net cash flow used in financing activities considerably. The **cash and cash equivalents** therefore increased by € 55.6 million to € 666.4 million during the period from January 1, 2004 to December 31, 2004.

Balance sheet structure

There was practically no change in **total assets** and **non-current assets** over December 31 the previous year. Non-current assets therefore accounted for 72.6% of the total assets of € 3,650.2 million, the same level as in the previous year.

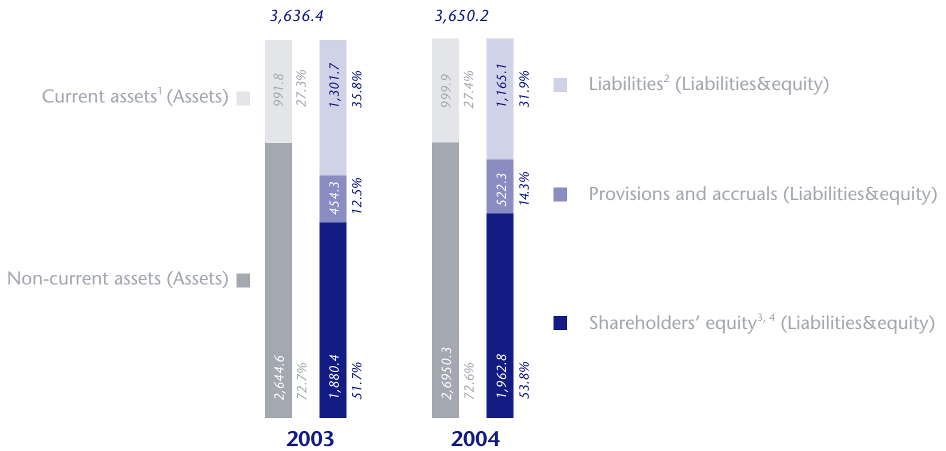
Current assets increased slightly by 1.4% to € 950.0 million. The increase of € 55.6 million in cash and cash equivalents to € 666.4 million was offset by a reduction in the receivables. The drop of € 12.7 million in trade accounts receivable to € 168.6 million was attributable mainly to improvements in receivables management. Other receivables and other assets decreased by € 25.1 million to € 102.9 million, particularly because the receivables from airlines for refinancing the passive noise abatement program (Casa 1) were € 20.5 million lower.

The **provisions and accruals** increased by € 68.0 million to € 522.3 million, partly because of higher provisions and accruals for taxes, possible reimbursements as well as part-time working schemes for older employees and pensions.

The **liabilities** were lower than in the previous year, thanks to an improvement in the operating cash flow. They decreased by a total of € 150.8 million to € 866.5 million. Larger long-term loan repayments were made and the overnight and short-term money requirements were smaller. Total cash and cash equivalents were higher than the financial debt on the balance sheet date in the year under review. **Gearing** – the ratio of net financial debt to shareholders' equity – is therefore not shown for 2004.

Balance sheet structure

€ million



[1] Including prepaid expenses and deferred tax assets.
[2] Including minority interests, deferred investment grants, deferred income, provisions for deferred tax liabilities and the proposed dividend payment.
[3] Without the dividend payment for 2003 proposed in 2004.
[4] Without the dividend payment for 2004 proposed in 2005.

The **Group profit for the year** increased from € 115.2 million in 2003 to € 136.4 million. Shareholders' equity was 5.8% higher at € 2,030.8 million primarily for this reason. The **equity ratio**[1] went up from 51.7% to 53.8%. Shareholders' equity covered 74.7% of non-current assets (previous year 71.7%)[2]. The **third-party capital ratio**[3] decreased from 48.3% to 46.2%.

Key balance sheet figures

		2003	2004
Net financial debt (2003)/net cash (2004) (financial debt – liquid funds)	€ million	227.2	5.7
Gearing (net financial debt/shareholders' equity[1])	%	12.1	–
Debt ratio (net financial debt/total assets)	%	6.2	–
Dynamic debt ratio (net financial debt/cash flow[4])	%	50.8	–
Working capital (current assets – current liabilities)	€ million	535.1	680.4
Non-current asset coverage (shareholders' equity[1]/non-current assets less deferred investment grants)	%	71.7	74.7
Cash ratio (liquid funds/current liabilities)	%	151.9	247.2
Quick ratio (liquid funds + short-term receivables/ current liabilities)	%	225.2	344.5

[1] Shareholders' equity without the retained earnings that are earmarked for distribution.

[2] Non-current asset coverage = Shareholders' equity without the planned dividend payment / non-current assets less deferred investment grants.

[3] Third-party capital including special and deferred items and the proposed dividend payment.

[4] Net cash flow from operating activities.

Employees

The Fraport Group had an average of 24,182 employees (without apprentices) in 2004, 3.5% more than in 2003. 15,482 people worked for the company in Frankfurt on average, which represents an increase of 1.0%.

Segments	2003	2004	Change in %
Aviation	3,368	3,311	–1.7
Retail & Properties	3,038	3,050	0.4
Ground Handling	7,120	7,042	–1.1
External Activities	9,827	10,779	9.7
Total	23,353	24,182	3.5

	2003	2004	Change in %
Fraport Group	23,353	24,182	3.5
of which in Frankfurt	15,330	15,482	1.0
Participations	10,910	11,979	9.8
of which ICTS	8,582	9,577	11.6

The number of apprentices[1] at Fraport AG increased by 10 to 286. About 4,000 young people applied for the 110 apprenticeships available in 2004.

Equal opportunities and advanced training

Equal opportunities and a high-quality advanced training program are essential in order to take advantage of all the potential employees have to offer. The principle of equal opportunities is specified for Fraport at the Frankfurt location in a company agreement and is taken into account in all personnel decisions. The purpose of this agreement is to give more women access to management positions. We have the general aim of making it easier for both women and men to combine career and family.

The “family service” program has been helping to facilitate the combination of career and family since as long ago as 1994. This program was extended in Frankfurt to include “Fluggi-Land” in 2002: it makes sure that children are looked after in emergencies or when family bottlenecks occur. “Family service” in this form is unique in the Rhine – Main region.

The extensive program of advanced training provided within the framework of the “Fraport College” gives Fraport employees an opportunity to meet the increasingly exacting requirements of an knowledge-based society on a long-term basis. The greater complexity of operating procedures and the use of new technologies are making growing demands on staff qualification. The College helps to give Fraport‘s employees the necessary know-how, thus safeguarding our company‘s future as well.

We control the strategic development of our management via the “Fraport Academy”. Potential candidates from the whole of the Group are identified and given appropriate training. The Academy supports the management of internal processes of change as well. In co-operation with the University of Nottingham Business School, we also offer selected staff with high potential a Master of Business Administration (MBA) program that they can complete alongside their responsibilities at the company.

€ 15.5 million were spent in Frankfurt alone in the year under review on vocational, basic and advanced training.

[1] The basis for calculating the average number of apprentices changed on January 1, 2004. Our calculations are now based on monthly averages instead of quarterly averages. The monthly average in 2003 was 276.

Health management

Fraport considers its commitment to the health of its employees to be an important assignment from which both parties benefit. Healthy employees contribute to a performance-oriented corporate culture. We are therefore continuing to expand our prizewinning health management system. In 2004, the AOK health insurance fund once again gave Fraport employees insured with it a premium bonus of 1.2%. The employees and the company shared the total saving of € 2.1 million equally.

Alongside this, we are concentrating primarily on measures to improve occupational safety: the number of accidents at work was reduced from nine to seven accidents per one million traffic units at the Frankfurt location, while working time losses due to accidents there was cut from 121 to 99 days.

A bright future thanks to innovations

Fraport depends on the creativity of its employees: their ideas help to improve processes and cut costs. Many of the products developed from new ideas have been filed as utility model or patent applications. The position established on the staff of the labor relations director is responsible for investigating suggestions submitted for improvements, for identifying new projects and for co-operating closely with universities and non-university research institutes.

Compensation systems

Fraport AG implements the civil service collective agreements as a member of the Hessian association of municipal employers; they include the collective agreement for salaried federal employees (BAT) and the outline collective agreement for wage-earning employees of local authority administrative and other operations (BMT-G II). We have also concluded a number of company agreements with the works council that supplement collectively agreed benefits.

The compensation paid takes the importance of the assignment, the employee's age and his family status into account. Holiday and Christmas bonuses, shift allowances and performance-based components are also paid. Employees of Fraport AG are able to transfer up to 3,000 hours of overtime to a lifetime working time account and thus either take a lengthy, paid break during their working life or shorten working time before retirement.

There are different compensation systems in the Fraport Group outside the parent company, depending on the location and the area of business in which the investment operates. Fraport AG advises the investments about issues relating to collective agreements and is involved in the development and negotiation of collective agreements. Our medium-term aim is the central control of all the collective agreement systems in the Group.

Company old-age pension scheme

The old-age pension scheme is subject to the collective agreement about additional old-age pension benefits for civil service employees (ATV-K). The employees of Fraport AG are insured with Zusatzversorgungskasse Wiesbaden (ZVK). ZVK operates essentially on the basis of financing via contributions. The old-age pension scheme for senior executives is also covered via ZVK to some extent. It is supplemented by a direct, employee-financed pension from Fraport AG.

Corporate responsibility

We live in a world where division of labor has reached a very advanced stage – a world in which the mobility of people and goods is absolutely essential for economic success. Fraport's assignment as an airport operator is to guarantee this mobility by providing what the market requires. The long investment cycles make it necessary to manage the company on a sustained basis. The first reflection of this was our commitment to environmental protection. Sustainability is now expressed in other areas too, such as human resources and social policy, corporate management and our dealings with our neighbours in the Rhine – Main region. Fraport is a corporate citizen, a responsible member of society.

Honest communication is corporate responsibility put into practice

The debate about expansion of the airport is the current focal point of our active dialogue with all stakeholders both inside and outside the company. We are willing to maintain an open and purposeful exchange of opinions, particularly with critical partners.

Our environmental management system has been tested and validated

Fraport has had an environmental management system since 1999. We are aware of our special responsibility to the environment as airport operators. Environmental protection is an established corporate principle and is part of our corporate code of conduct. Avoidance of pollution is a more economically viable approach than the elimination of its consequences too. Our environmental management system has been validated in accordance with EMAS (Eco-Management and Audit Scheme), which is based on European regulations, and has been certified on the basis of the ISO 14001 standard that applies all over the world.

Responsibility to society

We take our responsibility to society seriously, by supporting social involvement and promoting education, sport, culture, health and the environment. Since 1997, Fraport has contributed a total of € 16.5 million to the funding of more than 280 environmental projects. An additional total amount of € 4.9 million was made available in donations and for sponsoring purposes in 2004.

Further information

Detailed information can be found in our sustainability report. This report can be obtained from Fraport directly and is also published on our website. Further information about environmental issues is available in the Internet too (www.fraport.com).

Report on related party transactions

Due to the interests held by the Federal Republic of Germany (18.3%), the State of Hesse (31.9%) and Stadtwerke Frankfurt am Main Holding GmbH (20.4%) and the consortium agreement concluded between these shareholders, Fraport AG is a dependent public enterprise. There is no control or profit transfer agreement. The Executive Board of Fraport AG has therefore compiled a report on the related party transactions in accordance with § 312 of the German Stock Corporation Law (AktG). At the end of the report, the Executive Board of Fraport AG made the following statement: "The Executive Board declares that under the circumstances known to us at the time, we received fair and adequate compensation for each and every legal transaction conducted. No action was taken or not taken at the behest or in the interests of the Federal Republic of Germany, the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH and companies affiliated with them in the year under review."

Risk management

Fraport has a comprehensive risk management system. It makes sure that significant risks are identified, monitored constantly and limited to an acceptable level.

Risk policy principles

Fraport actively looks for opportunities and takes them when this is justified by the ratio of the size of the anticipated benefits to the risks involved. Controlled risk exposure is the primary objective of our risk management system.

This objective is the basis for the following risk policy principles:

- *The risk strategy is co-ordinated with the corporate strategy and is required to be consistent with it, as the strategy specifies how strongly the company's operations are exposed to risks.*
- *Risk management is integrated in the ongoing business process.*
- *Risks are managed primarily by the organizational units that operate locally.*
- *The aim of the risk management process is to make sure that significant risks are identified, monitored constantly and limited to an acceptable level.*
- *Active and open communication of the risks is a major success factor in the risk management system.*
- *All the employees of Fraport AG are expected to participate actively in risk management in their area of responsibility.*

The risk management system

The risk management system is documented in writing in a separate manual, in which the Executive Board has summarized its risk policy principles, detailed the risk management personnel and operational organization structure and specified the reporting system and communication channels.

The "risk management committee" (RMC), the top body below the Executive Board with senior executives from the company divisions as members, implements the central risk management system, develops it with reference to the business processes and reports to the Executive Board.

Risk controlling is on a decentralized basis and is integrated directly in the business divisions and Executive Board staff functions, so that risks can be identified and controlled at an early stage. The individual management teams are obliged to monitor risk areas constantly and to present a report to the RMC about all the risks in their particular area of responsibility once a quarter. "Significant" new risks that arise outside the regular reporting rhythm must be notified immediately.

Risk transfer by means of the conclusion of insurance contracts is controlled by the subsidiary Airport Assekuranz Vermittlungs-GmbH (AAV).

The risk management system satisfies the requirements of the German legislation about corporate control and transparency (KonTraG) and its viability is checked regularly by the internal auditing department. The auditors appointed to audit the Fraport AG annual financial statements check the risk early warning function in this context too.

Evaluation of risks

The RMC collects the detailed risk reports from the divisions and evaluates the risk situation Fraport AG faces at company level on the basis of a "risk map". Risks are reported to the Executive Board when they have to be classified as "significant" according to systematic evaluation standards that apply throughout the Group. Risks that endanger survival of the company and exceed defined thresholds in the potential damage they may cause and in the probability of their occurrence are considered to be "significant". A distinction is made here between gross evaluation – before the established countermeasures are taken – and net evaluation – after appropriate countermeasures have been taken into account.

Risk management at investments

The manual for the Fraport AG risk management system also include rules for the investments, which are incorporated in the risk management system to varying extents depending on their importance. The rules for investments specify the personnel and operational organization of the risk management system and commits the investments to ongoing reporting about significant risks.

Business risks

An explanation is given below of the risks that might have a significant impact on the business operations of the Fraport Group.

General economic risks

Economic fluctuations can have a considerable impact on the business development of the Fraport Group. According to calculations made by the IMF, the world economy grew by 5.0% in 2004. The global economic recovery had a positive effect on the development of passenger and cargo traffic. Our business environment was stable and there were no risks worth mentioning.

In times of crisis and war, we face the direct threat of flight cancellations and route shutdowns. Restriction of the demand risk is only possible to a limited extent. As an international air traffic hub, Frankfurt Airport has benefitted in the past from the fact that the airlines concentrate their business on the hubs in times of crisis. This explains why we have been able to compensate for the effects of crises within a relatively short period of time up to now.

Exchange rate fluctuations that influence passengers' shopping patterns can change our earnings development in the retail business at Frankfurt Airport in particular.

The buildings and space we currently rent at the Frankfurt location are used mainly by airlines or companies whose business depends to a large extent on the development of air traffic at Frankfurt Airport. This section of the real estate business is not therefore dependent directly on general property developments. If we develop and market commercial areas more in future, as we are planning, management of these areas will be based more closely on the general market conditions.

Market risks

The business relationship to our main customer Deutsche Lufthansa and its Star Alliance partners makes a substantial contribution to revenue development. A deterioration of this business relationship would have a significant adverse impact on Fraport AG. We are working on the assumption that Lufthansa and the Star Alliance will come out of the current consolidation phase in the European air transport industry stronger in the long term.

Increasing competition and – to some extent – falling prices mean that the airlines are under constant cost pressure. The agreement about ground handling services between Fraport and Deutsche Lufthansa is expiring at the end of 2005. In the context of the renegotiations with our main customer, we recognise that there is a danger that the conditions of the new contract that needs to be concluded might have a negative effect on our earnings.

The economic situation of some airlines is difficult. Acute weaknesses could force individual airlines to discontinue their flight operations completely or partly. The slots that would then become free at the Frankfurt location could, however, be made available to other potential customers, for whom no capacities are free at the present time.

Revenues could decreate if the costs of the additional passenger and goods controls in Frankfurt, which were introduced on January 1, 2004 in accordance with the EU aviation security regulations, cannot be recovered in airport fees completely or at all.

In the last two Annual Reports, we already explained the risk of a possible restriction on revenues from airport concession fees charged to companies that operate at Frankfurt Airport in accordance with the German regulations about ground services at airports (BADV). According to a ruling by the European Court of Justice of October 16, 2003, an airport is not allowed to charge fees as specified in the BADV from a supplier of ground and other services above and beyond charges for using specific airport facilities. A ruling by the higher regional court of Frankfurt am Main of March 16, 2004 does not, however, contain any indication that the charging of a concession fee in return for providing access to the market must be considered illegal. If there is a change in court rulings about this subject, it is possible that fees already received might have to be reimbursed. We are working on the assumption that we will be charging fees to the ground service providers in future as well, because the ruling by the European Court of Justice permits a cost-based usage fee. However, if the fee is lower than at present or if levying fees is no longer possible in future, this may lead to considerable reductions in revenue.

In the course of the forthcoming revision of the German Air Traffic Noise Act, it might become necessary to expand the current noise abatement program. There is the risk in this context that Fraport will have to participate in appropriate measures at the Frankfurt location.

The appendix to the “Regulation No. 2320 / 2002 of the European Parliament and the Council of December 16, 2002 about the Specification of Joint Regulations for Security in Civilian Aviation” stipulates either separation of passengers who are departing and who have already been through security checks and passengers who are arriving or alternative measures, so that passengers and their luggage can be checked on arrival at an airport too if they were not checked in accordance with the EU security standards at the airport they departed from. This regulation affects transferred luggage as well. An investigation is currently being made of the effects this regulation will have on Frankfurt Airport as far as adaptation of procedures and the infrastructure are concerned.

Demand for the area that is to be built on at the high-speed train station could change negatively. If this was the case, there is a risk that further depreciation charges would have to be made.

Risks in connection with the planned expansion of the airport
Frankfurt Airport has the opportunity to maintain and strengthen its status as an international hub airport in future with the planned construction of another runway and a third passenger terminal. Expansion of the airport is one of the main preconditions for Fraport's participation in the long-term growth of global air transport. Failure to expand or further delays could mean that air traffic will bypass Frankfurt in future. It is not out of the question that airlines will then transfer some of their flights to other airports, which would endanger our hub function. The relocation of Lufthansa flights or operations to different airports would have a major negative impact on Fraport.

The expansion plans are meeting with considerable resistance from various pressure groups in the region. Local authorities and other groups have already taken or threatened legal action. In spite of the successful completion of the regional planning procedure in the summer of 2002 – the first stage of the necessary administrative process – and the progress achieved in the zoning procedure, the risk of a considerable delay or even complete blockage of the expansion project due to legal action cannot be ruled out. Additional financial expenses could be incurred in this context. In order to reach the broadest possible consensus among the local population and other groups affected by the airport expansion project, we have decided to comply with the results and recommendations of the mediation process – including a ban on night flights effective from the time when the new runway starts operation – in the implementation of the expansion project. They have been incorporated in the ten-point program compiled by Fraport AG. The ten-point program includes passive noise mitigation measures on buildings and promotion of the use of such alternative means of transport as the railway system.

If the alternative we prefer cannot be implemented, the value of the capital expenditures already made could be impaired significantly.

Fiscal risks
We cover interest and foreign currency risks by establishing naturally hedged positions, in which the values or flows of funds of original financial instruments offset each other in their timing and amount and / or by hedging the business transactions via derivative financial instruments. The scope, responsibilities and controls for the use of derivatives are specified in binding internal guidelines. The existence of a risk that needs to be hedged is the precondition for the use of derivatives. There can only be open derivative positions in connection with hedging transactions in which the relevant basic business transaction is cancelled or is not carried out contrary to planning. Interest derivatives are used exclusively to optimize loan conditions and to restrict risks of changes in interest rates in the context of financing strategies with the same deadlines. Derivatives are not used for trading or speculation purposes. Within the framework of our interest and foreign currency policy, we used derivatives at the end of 2004 to hedge interest positions, in order to take advantage of the historically low level of interest rates on the market at the present

time with respect to the capital requirement that is becoming apparent in the medium term. Following the commitment to these interest rate hedging positions, there is now the risk that the market interest rate level will continue to decrease and that the negative market value of the interest rate hedging instruments will increase as a result. We consider this risk to be low, on the basis of the assumption of the majority of market players that interest rates will be increasing in the medium term. The potential losses accumulated in the meantime will be realised if the derivatives are closed and / or if the planned funding requirements do not materialize. Fraport AG does not think that there are any further interest rate and foreign currency risks that are worth mentioning.

The difficult economic situation some airlines are in might lead to losses due to bad debts. We are taking account of this risk as far as possible by means of active receivables management.

Legal risks

Manila project

The investment in Manila, the capital of the Philippines, to build and operate an airport terminal was written off completely in the financial statements for the year that ended on December 31, 2002. The main ongoing risks and legal disputes in connection with the project are outlined below.

In 2003, Fraport AG commenced arbitration proceedings against the Republic of the Philippines at the International Center for the Settlement of Investment Disputes (ICSID) on the basis of the German – Philippine investment protection treaty. Fraport's goal in these arbitration proceedings is a ruling requiring the Republic of the Philippines to pay damages. The outcome and the duration of the arbitration proceedings are uncertain.

The Philippine government submitted its counter-memorial, in which it disputed the responsibility of the arbitration court and the justification for the request for arbitration, in 2004. At the same time, it submitted an as yet unquantified contingent counterclaim against Fraport AG in case the arbitration court confirmed that it was responsible for the handling the request for arbitration. This contingent counterclaim is based essentially on the alleged involvement of Fraport AG in what are claimed to be illegal activities on the Philippines. It is Fraport's conviction that its capital expenditures were made legally and that the demands of the Philippine government are unjustified.

In a decision of January 21, 2004, the Philippine Supreme Court confirmed its judgement of May 5, 2003 about the invalidity of the concession agreements of the project company PIATCO. PIATCO had taken legal action against this judgement, which was rejected on February 26, 2004. In an obiter dictum, the Supreme Court explains with reference to the issue of compensation which was not submitted for a decision in the Supreme Court procedure about the validity of the concession agreements that the Philippine government is fundamentally obliged to pay compensation in accordance with the legal rules and regulations if the government takes over the terminal permanently.

On December 21, 2004, the Philippine government initiated compulsory purchase proceedings against PIATCO at the Pasay City Court (RTC). On the same day, the court ordered that the plaintiffs had the right to take possession immediately, with the result that the latter took possession of the terminal – again on the same day. On January 4, 2005, the court ordered that an amount of about USD 62 million deposited at a Philippine bank in the context of the compensation proceedings was to be paid to PIATCO. The Supreme Court prohibited payment at the request of the government by means of a temporary injunction on January 14, 2005.

At the end of 2003, investigations were started against Fraport AG and others by the Philippine National Bureau of Investigation, because it was suspected that what is known as the "Anti-Dummy Law" had been violated. The aim of this law is to limit the influence of non-Philippine citizens on certain companies incorporated under Philippine law. Fraport AG is convinced that its capital expenditures on the Philippines were made legally. In the event that the outcome of criminal proceedings which may possibly follow is negative, Fraport AG's assets on the Philippines could be seized, while fines and jail sentences could in addition be imposed on the people involved. There is the risk that these proceedings might affect the ICSID arbitration proceedings and/or could question the legality of Fraport AG's capital expenditures on the Philippines.

In 2002, Fraport AG sued PIATCO for repayment of a loan of USD 28 million. PIATCO then in return sued Fraport AG for payment of damages of PHP 1.57 billion (about € 22.5 million) plus costs. PIATCO and its shareholders agreed on a moratorium regarding their mutual claims in September 2003. This moratorium has been extended several times in the past, most recently until June 30, 2005.

At the beginning of 2003, the shareholders and directors of PIATCO decided – against the votes of Fraport AG and the PIATCO directors it appointed – to prepare legal action for damages against Fraport AG and its directors because of alleged improper and harmful action against the company. Fraport AG rejects these accusations. It is also disputed whether these resolutions are legally valid. The above-mentioned moratorium covers these alleged claims too.

Further criminal proceedings and investigations have also been initiated against current and former board members and employees of Fraport AG on the Philippines, in which Fraport AG is not a directly involved or affected party, the continuation and possible outcome of which could, however, influence the ICSID arbitration proceedings and/or question the legality of Fraport AG's capital expenditures on the Philippines and could, in the case of a conviction, serve as the basis for proceedings to seize relevant Fraport AG assets on the Philippines. With reference to the accusations made against board members or employees of Fraport AG in the relevant proceedings that the company is aware of, Fraport AG is working on the assumption that the accusations are being made wrongly.

Further legal risks

Fraport AG could be required to pay damages in a dispute between the new company owning the partial leasehold rights to the Sheraton building at Frankfurt Airport and the previous shareholder, which sold its rights. The former purchaser is now claiming that the building has faults that are attributable to inadequate building management by Fraport AG, suggesting that there are doubts about the value of the partial leasehold rights as a result. We consider the risk that Fraport AG could be required to pay compensation is minimal.

In the report we presented as at December 31, 2003, we already indicated that DB Station & Service AG is making claims on Fraport AG relating to services provided in connection with the project to build on the roof of the high-speed train station at Frankfurt Airport. In June 2004, DB Station & Service AG filed a suit about this matter concerning part of the claims submitted amounting to about € 30 million plus interest. In August 2004, DB Station & Service AG filed another suit for payment of about € 52 million plus interest. We still consider that the claims are unjustified in this form. It is not out of the question that Fraport AG will have to make further payments relating to the costs incurred in connection with the building project.

Risks attributable to investments and projects

There are general political, economic and company-specific risks as well as market risks at individual locations outside Germany.

Our concession to operate the international terminal in Antalya expires on July 31, 2007. The concession to operate a second terminal was awarded to a Turkish company in 2003. Since this second terminal will probably be opening in the spring of 2005, we are expecting revenue shortfalls.

We already reported last year that the market environment in which AirIT Inc. provides airport-related IT services in the USA became more difficult after September 11, 2001. Since then, airports have been concentrating their capital expenditures mainly on the security field. This development is only slowing down gradually, so that the order situation is problematic.

In view of the large number of tenders that are standard practice in the area in which ICTS Europe operates, there is a general risk that commissions will not be extended, which would lead to revenue shortfalls. Poor performance could also hurt the company's image and result in claims to damages.

Other risks

Our business operations in Frankfurt can be adversely affected by such events as accidents, terrorist attacks, fires or technical problems. Fraport AG's insurance coverage includes the standard risks airport companies face. It particularly involves events that lead to the loss or damage of property, including any consequent business interruption costs. Claims to damages by third parties arising from Fraport AG's corporate liability risks are covered too. Since January 2003, the risk in connection with liability claims by third parties attributable to war and terrorist attacks have been covered by private insurance companies up to a maximum of USD 1 billion. This also applies to Fraport AG's majority-owned investments in Germany and abroad that are covered by the Fraport corporate liability insurance policy.

All the IT systems of critical importance to the company are designed on a redundant basis and are housed at separate locations as an optional additional feature. It goes without saying that residual risks resulting from the architecture and operation of the IT facilities cannot, however, be eliminated completely. No significant risks are known at the present time, on the other hand.

Due to the ongoing development of new technologies and the expansion program, there is a latent fundamental risk potential for IT systems. Fraport AG takes account of this situation by applying a proactive IT security management policy. The requirements on IT security throughout the Group are specified in the IT security policy and security guidelines. Observance of them is checked regularly. Insurance coverage is obtained for any claims relating to residual risks.

Fraport AG's success depends to a large extent on the motivation, qualification and loyalty of its employees. It is vital to be an attractive employer that recruits good staff for the company, integrating them successfully and creating long-term staff loyalty when competing for highly qualified skilled and management staff. To make sure this is possible, we maintain close contact with selected universities and arrange for university graduates to go through intensive familiarization programs at the beginning of their careers. There is also an extensive qualification and advanced training program for Fraport AG employees at all levels. The human resources controlling function is being expanded steadily, so that the requirements of the employment market are satisfied. No specific management risks are apparent at the present time.

Overall risk evaluation

The overall evaluation of the risk situation revealed that survival of the Group as a going concern is not at risk as far as its assets and liquidity are concerned and that no risks which might endanger the company's survival as a going concern are apparent for the foreseeable future.

Failing to expand and writing off significant proportions of the capital expenditures that have already been made would, however, weaken the long-term market position of Frankfurt as an international air transport hub to a particularly serious extent.

Significant events after the balance sheet date

In January 2005, Fraport AG bought land with a total area of 155 hectares from sanofi aventis. Most of this land is adjacent to the Caltex site that was acquired in 2004. Buying this additional land makes it possible to develop and market the entire site internally.

Outlook

Airport expansion

On November 10, 2004, the Darmstadt District President ruled that the zoning procedure documents for expansion of the capacity of Frankfurt Airport are complete. Fraport AG had submitted the zoning procedure application on September 9, 2003 and had revised it in the course of the review of whether it was complete on the basis of subsequent requests made by the authorities. Copies of the application have been sent to 57 local governments and 327 public authorities, associations and other institutions for the next stage in the process, which is known as "public review". These copies of the application were available for the public to inspect for a period of one month from January 17, 2005 onwards. The objections – an extremely large number of which are likely to be made – will then be processed.

The public hearing of the zoning application is to begin in the second half of 2005 and will probably continue until the end of the first quarter of 2006. The Darmstadt District President will then compile its report about the discussions. We are expecting the Hessian Ministry of Economics, Transport and Regional Development to issue its zoning decision in 2007.

Parallel to the ongoing zoning procedure, we have started to create the necessary technical basis for the planned expansion. We have bought about 17 hectares of land that we need to build the runway from RWE AG. Relocation by RWE of the substation that is still installed there, which is necessary in connection with the expansion project, has already been initiated on the basis of these contracts. We have also acquired about 44 hectares of wooded land, on which the western end of the new runway would be located, from Aventis Real Estate GmbH & Co. KG. In October 2004, we started the competition for realization of Terminal 3 too, which is to be built on the site of the US Air Base that is being vacated at the end of 2005.

In the zoning procedure, we are committing ourselves to compensating for the disruptions to nature and the countryside by carrying out reforestation or renaturation at a different location. A total area of about 300 hectares is planned for this. By the end of 2004, we had already secured about 77 hectares for this purpose, partly by buying the land and partly by concluding grant agreements. The negotiations about contracts with the owners of a further approximately 100 hectares have almost been completed.

A380 maintenance

The zoning application made by Fraport AG for approval of a maintenance facility for the new wide-body aircraft Airbus A380 and further aircraft from the Lufthansa fleet (Boeing 747) in accordance with the relevant aviation legislation was accepted in a zoning decision issued on November 26, 2004 following completion of the changes that had become necessary in the meantime. Deutsche Lufthansa intends to base its A380 fleet, which is to total fifteen aircraft by 2015, in Frankfurt. Up to four of the huge Airbusses can be maintained in the planned hangar at the same time; workshops and a high-rise warehouse are to be built as well.

As had been expected, numerous law suits have been filed against the decision taken in the zoning procedure and urgent applications have been submitted to suspend immediate enforceability. We anticipate that the right to immediate enforcement will not be suspended, but we will not be taking any irreversible action by clearing the land until the Higher Administrative Court has had an opportunity to review the urgent applications adequately. The only activities that were already started in December 2004 were individual measures that cannot be postponed, such as surveying assignments, searching for any weapons that may still be on the land from the Second World War and drilling for specimens to analyse the soil. The Lufthansa maintenance facility will in all probability be completed in good time for when the A380 is supposed to be coming into service in 2007.

New computer center

We are planning to set up a joint venture with the aim of taking over and developing the assignments carried out up to now by the Fraport computer center, particularly operation of the network and the service desk function. A new computer center is to be built in a joint venture with a professional IT service provider, since the current center will no longer satisfy the security requirements in the medium term and cannot be renovated while operations continue to run normally. The plan is for the company to generate external business too. Fraport AG will hold an interest of 50%, while our partner will be responsible for managing the business. Operations are scheduled to start in mid-2005.

Prospects for 2005

Economic development and air traffic

The global economy is expected to grow by 4.3% in 2005. China and India as well as Central and Eastern Europe will probably be continuing to grow particularly dynamically. It is forecast that the gross domestic product will increase by 2.0% in the European Union and by 1.2% in Germany.

IATA is working on the assumption that passenger figures on international scheduled flights will be increasing by 5.8%, while a figure of 5.2% is expected for Europe.[1]

In view of this, we are expecting passenger traffic at Frankfurt Airport to grow by about 3% to approximately 52.5 million. The passenger figures for the Group as a whole are likely to be lower than in the previous year, if a competing terminal opens on schedule at Antalya Airport in the spring of 2005.

[1] Source: International Air Transport Association (IATA), November 2004.

Group revenues

We are expecting revenues to increase by more than 3% in 2005. Traffic volume growth, the average airport increase of 1.75% at the Frankfurt location that took effect on January 1, 2005 and larger revenues generated with security services will probably contribute to this. The revenues in the Aviation and Ground Handling segments will be benefitting particularly strongly from these developments. Revenues in the Retail & Properties segment are likely to grow less, because the development of this segment is less closely linked to the traffic figures and the factors on which the business also depends – utilization of the property capacities, availability of retail space and exchange rate developments – are not expected to change much compared with 2004.

We are anticipating lower revenues from military air traffic fees and revenue-based airport access fees. The revenues in Antalya will be decreasing too when the competing terminal at Antalya Airport opens. Our concession to operate the international terminal expires in July 2007.

EBITDA and Group profit

On the basis of continuation of the policy of strict cost management, we aim to achieve an increase in EBITDA that is slightly larger than the revenue growth, taking into account higher expenses for modernization projects and the remodelling of the terminal to make it suitable for the A380. The Group profit for the year should increase considerably.

Cost management

The air transport industry is going through a process of structural change, which is forcing the airlines and airport operators to tackle new challenges. Our competitive edge in this consolidation process is the close system partnership with the Star Alliance headed by Lufthansa. Both partners need to make contributions of their own on an ongoing basis to make sure this market position is maintained.

Our goal with the “WM 2005” program is a sustained contribution to EBITDA of more than € 30 million as a result of the activities planned for 2005. This would mean that we have improved earnings by about € 120 million since the project began; we aim to reach a sustained contribution of € 150 million by 2006.

We started the project “We are making Fraport fit” in Frankfurt in January 2005 as well. As a labour-intensive company, we can only safeguard the existing jobs if we improve our personnel cost ratio. The plans include more flexible working times based on actual requirements, longer weekly working times without additional payment, the deployment of more external personnel, no collectively agreed pay increases in the next few years and a review of the company fringe benefits. In return for this, Fraport is prepared to rule out redundancies as well as wage and salary reductions. Staff, managers and the Executive Board are holding joint interactive events to develop ideas about how the necessary cuts can be made in the most socially acceptable way and how further savings can be made in the non-staff costs.

Capital expenditures

Fraport’s medium- and long-term capital expenditure program is dominated by the planned expansion of the airport capacity. The total volume estimated for building a new runway as well as passenger handling and other operating facilities is about € 3.4 billion (adjusted for inflation; based on the price level in 2000).

Total capital expenditures in 2005 should be higher than in the previous year. Larger capital expenditures are planned, for example, for modernization of the terminals and aircraft movement areas at Frankfurt Airport. This includes the necessary remodelling exercises, as a result of which the terminals are being prepared to meet the requirements of the wide-body Airbus A380 jet. The A380 will probably be landing in Frankfurt from 2006 onwards. Another focal point will be the economic and technical development of the existing handling buildings. Capital expenditures of the order of about € 1.0 billion are planned for relevant activities in the coming years, including optimization of the fire protection systems as well as remodelling and expansion of the retail space.

The global trend towards the privatization of airports and the outsourcing of management services is continuing. Fraport will be actively involved in this process. The strategic focus is on the creation of value with limited capital input. In view of the particularly good growth prospects, we are interested – among other projects – in the expansion and operation of the Bulgarian airports Varna and Bourgas (Black Sea coast) as well as in management of the major Indian airports in Delhi and Mumbai. We will be applying for these projects, subject to the final tender arrangements. The financial investments would increase if we are successful.

We already received the commission to manage the international airport in Cairo in December 2004. The contract is to be for eight years and does not involve a capital interest in the Egyptian airport company or commitments to invest in the infrastructure there.

Asset and financial situation

Fraport will have an extremely sound balance sheet in 2005 too. The capital expenditures should be financed to a large extent out of the operating cash flow. The liquid funds and credit lines available also enable us to be very flexible in financial planning. We are expecting shareholders' equity to increase again due to a positive Group profit for 2005. Net financial debt will remain low. No capital increases are planned above and beyond the employee investment plan and the stock option plan.

In the medium term, we will be borrowing additional funds to finance the airport expansion project. At the present time, there are no plans to increase shareholders' equity in connection with the expansion program.

Dividend

We intend to make sure that the Fraport shareholders share in the success of the business operations in 2005 by distributing 45–50% of the Group profit for the year.

Where the statements made relate to the future rather than the past, these statements are based on a number of assumptions about future events and are subject to a number of uncertainties and other factors, many of which are outside the control of Fraport AG Frankfurt Airport Services Worldwide and could have the effect that the actual results differ materially from the statements. These factors include not only but among other things the competitive environment in liberalized markets, regulatory changes, the success of the business operations as well as considerably less favorable general economic conditions on the markets in which Fraport AG Frankfurt Airport Services Worldwide and its investments operate. Readers are cautioned not to rely to an inappropriately large extent on these statements about the future.

Consolidated income statement for the year 2004

€ million	Note	2004	2003
Revenues	(6)	**1,998.1**	**1,834.3**
Change in work-in-process	(7)	0.0	−0.1
Other internal costs capitalized	(8)	21.8	18.0
Other operating income	(9)	23.8	35.5
Total revenues		**2,043.7**	**1,887.7**
Cost of materials	(10)	−316.2	−284.4
Personnel expenses	(11)	−974.5	−933.9
Depreciation and amortization of tangible and intangible non-current assets	(12)	−235.1	−258.1
Other operating expenses	(13)	−236.8	−207.6
Operating profit		**281.1**	**203.7**
Interest results	(14)	−23.1	−31.4
Results from investments held at equity	(15)	1.8	0.6
Income from investments	(16)	13.7	30.9
Write-downs of financial assets	(17)	−5.9	0.0
Other financial results	(18)	−1.7	11.3
Financial result		**−15.2**	**11.4**
EBT (Result from ordinary operations)		**265.9**	**215.1**
Taxes on income	(19)	−120.9	−93.3
Other taxes	(20)	−6.6	−5.6
Minority interests' share of result		−2.0	−1.0
Group profit		**136.4**	**115.2**
Transfer to revenue reserves		−68.4	−75.5
Group retained earnings		**68.0**	**39.7**
Earnings per €10 share in €	(21)		
basic		**1.51**	**1.28**
diluted		**1.48**	**1.26**
EBITDA		**516.2**	**461.8**
EBIT		**281.1**	**203.7**

Consolidated balance sheet as at Dec. 31, 2004

Assets

€ million	Note	Balance at Dec. 31, 2004	Balance at Dec. 31, 2003
A. Non-current assets		**2,650.3**	**2,644.6**
I. Intangible assets	(22)	169.3	198.3
II. Property, plant and equipment	(23)	2,381.5	2,376.8
III. Investments held at equity	(24)	46.9	45.9
IV. Other financial assets	(25)	52.6	23.6
B. Current assets		**950.0**	**937.2**
I. Inventories	(26)	12.1	17.1
II. Trade accounts receivable	(27)	168.6	181.3
III. Other receivables and other assets	(28)	102.9	128.0
IV. Checks, cash and bank balances	(29)	666.4	610.8
C. Prepaid expenses	(30)	**36.5**	**40.1**
D. Deferred tax assets	(31)	**13.4**	**14.5**
		3,650.2	**3,636.4**

Liabilities and equity

€ million	Note	Balance at Dec. 31, 2004	Balance at Dec. 31, 2003
A. Shareholders' equity	(32)	**2,030.8**	**1,920.1**
I. Subscribed capital		905.1	902.2
II. Capital reserves		537.6	533.2
III. Revenue reserves		520.1	445.0
IV. Group retained earnings		68.0	39.7
B. Minority interests	(33)	**12.2**	**11.6**
C. Deferred investment grants on items in non-current assets	(34)	**22.1**	**22.8**
D. Provisions and accruals	(35)	**522.3**	**454.3**
E. Liabilities		**866.5**	**1.017.3**
I. Financial liabilities	(36)	660.7	838.0
II. Trade accounts payable	(37)	100.4	79.0
III. Other liabilities	(38)	105.4	100.3
F. Deferred income	(39)	**66.5**	**62.8**
G. Deferred tax liabilities	(40)	**129.8**	**147.5**
		3,650.2	**3,636.4**

Consolidated cash flow statement for the year 2004

€ million	Note	2004	2003
Group profit for the year		**136.4**	**115.2**
Taxes on income		120.9	93.3
Minority interests' share of results		2.0	1.0
Adjustments for:			
Depreciation/write-ups (non-current assets)		240.8	257.5
Interest results		23.1	31.4
Income from investments		–13.7	–30.9
Gains/losses from disposals of non-current assets		4.6	–10.1
Unrealized foreign currency results		0.3	–3.5
Changes in investments held at equity		–1.0	0.1
Changes in inventories		5.0	–4.0
Changes in receivables		38.7	–36.4
Changes in other current assets		4.0	–3.0
Changes in provisions and accruals		52.0	108.3
Changes in other third-party liabilities		20.6	–51.9
Operational activities		**633.7**	**467.0**
Financial activities			
Interest paid		–43.0	–50.5
Interest received		19.9	19.1
Dividends received		13.7	30.9
Taxes on income paid		–104.9	–19.3
Net cash flow from operating activities	(42)	**519.4**	**447.2**
Capital expenditures for intangible assets		–5.0	–7.9
Capital expenditures for property, plant and equipment		–232.1	–212.9
Capital expenditures for investments held at equity		–1.3	–31.2
Payments under the investment guarantee agreement in connection with the Manila project		–	–136.5
Other financial investments (balance)		–36.4	–1.3
Proceeds from disposals of non-current assets		14.0	29.1
Net cash flow used in investing activities	(42)	**–260.8**	**–360.7**
Distribution		–39.7	–1.0
Capital increase		6.6	2.6
Change in financial liabilities		–167.5	–60.3
Net cash flow used in financing activities	(42)	**–200.6**	**–58.7**
Foreign currency translation effect on cash and cash equivalents		–2.4	–2.1
Net increase in cash and cash equivalents		**55.6**	**25.7**
Cash and cash equivalents at January 1		610.8	585.1
Cash and cash equivalents at December 31	(42)	**666.4**	**610.8**

Movements in consolidated shareholders' equity

€ million	Note	Sub-scribed capital	Capital reserves	Legal reserves	Other revenue reserves	Group retained reserves	Total
Balance at January 1, 2003		**900.6**	**532.0**	**36.5**	**334.3**	**0.0**	**1,803.4**
Capital increase against deposits		1.5	1.1	–	–	–	2.6
Transfer of treasury shares		0.1	0.1	–	–	–	0.2
Group profit for the year		–	–	–	75.5	39.7	115.2
Share options		–	–	–	0.3	–	0.3
Foreign currency translation differences		–	–	–	–4.0	–	–4.0
Fair values changes for derivatives		–	–	–	1.3	–	1.3
Consolidation activity/other changes		–	–	–	1.1	–	1.1
Balance at December 31, 2003	(32)	**902.2**	**533.2**	**36.5**	**408.5**	**39.7**	**1,920.1**
Balance at January 1, 2004		**902.2**	**533.2**	**36.5**	**408.5**	**39.7**	**1,920.1**
Capital increase against deposits		2.8	3.8	–	–	–	6.6
Transfer of treasury shares		0.1	0.1	–	–	–	0.2
Distribution		–	–	–	–	–39.7	–39.7
Group profit for the year		–	–	–	68.4	68.0	136.4
Share options		–	0.5	–	2.9	–	3.4
Foreign currency translation differences		–	–	–	1.9	–	1.9
Fair values changes for financial assets available for sale		–	–	–	0.2	–	0.2
Fair values changes for derivatives		–	–	–	1.0	–	1.0
Consolidation activity/other changes		–	–	–	0.7	–	0.7
Balance at December 31, 2004	(32)	**905.1**	**537.6**	**36.5**	**483.6**	**68.0**	**2,030.8**

Consolidated statement of movements in non-current assets

€ million	Accumulated acquisition costs/production costs at Jan. 1, 2004	Changes due to foreign currency differences	Changes in consolidation	Additions	Disposals	Reclassifications	Accumulated acquis. costs/production costs at Dec. 31, 2004
Intangible assets							
Concessions, patents and similar rights	128.8	0.0	0.0	5.0	−3.8	3.2	133.2
Goodwill	211.4	0.0	0.0	0.0	0.0	0.0	211.4
Total	**340.2**	**0.0**	**0.0**	**5.0**	**−3.8**	**3.2**	**344.6**
Property, plant and equipment							
Land, land rights and buildings including buildings on leased land	3,226.4	0.0	0.0	30.6	−12.4	5.9	3,250.5
Technical equipment and machinery	1,574.7	0.0	0.0	27.9	−31.2	4.3	1,575.7
Other equipment, operating and office equipment	348.3	0.2	0.0	34.8	−30.5	1.4	354.2
On-account payments and construction in process	198.0	0.0	0.0	138.8	−19.9	−14.8	302.1
Total	**5,347.4**	**0.2**	**0.0**	**232.1**	**−94.0**	**−3.2**	**5,482.5**
Investments held at equity	**102.6**	**−1.3**	**0.0**	**5.9**	**−1.6**	**0.0**	**105.6**
Other financial assets							
Other investments	13.9	0.0	0.0	1.2	0.0	0.2	15.3
Loan to investments *	75.3	0.1	0.0	3.2	−0.2	−0.2	78.2
Securities in non-current assets	0.0	0.0	0.0	30.7	0.0	0.0	30.7
Other loans	14.6	0.0	0.0	1.3	−1.8	0.0	14.1
Total	**103.8**	**0.1**	**0.0**	**36.4**	**−2.0**	**0.0**	**138.3**
Non-current assets	**5,894.0**	**−1.0**	**0.0**	**279.4**	**−101.4**	**0.0**	**6,071.0**

* This relates to subsidiaries, joint ventures, associated companies and other investments.

Accumulated depreciation at Jan. 1, 2004	Changes in consolidation	Additions	Disposals	Reclassi-fications	Write-ups	Accumulated depre-ciation at Dec. 31, 2004	Net book values at Dec. 31, 2004	Net book values at Dec. 31, 2003
69.5	0.0	14.9	−3.7	0.0	0.0	80.7	52.5	59.3
72.4	0.0	22.2	0.0	0.0	0.0	94.6	116.8	139.0
141.9	**0.0**	**37.1**	**−3.7**	**0.0**	**0.0**	**175.3**	**169.3**	**198.3**
1,442.7	0.0	111.6	−9.0	−0.1	0.0	1,545.2	1,705.3	1,783.7
1,277.4	0.0	60.4	−29.5	0.1	0.0	1,308.4	267.3	297.3
250.5	0.0	26.0	−29.1	0.0	0.0	247.4	106.8	97.8
0.0	0.0	0.0	0.0	0.0	0.0	0.0	302.1	198.0
2,970.6	**0.0**	**198.0**	**−67.6**	**0.0**	**0.0**	**3,101.0**	**2,381.5**	**2,376.8**
56.7	**0.0**	**2.0**	**0.0**	**0.0**	**0.0**	**58.7**	**46.9**	**45.9**
12.9	0.0	0.9	0.0	0.2	0.0	14.0	1.3	1.0
66.0	0.0	3.6	0.0	−0.2	0.0	69.4	8.8	9.3
0.0	0.0	0.0	0.0	0.0	−0.2	−0.2	30.9	0.0
1.3	0.0	1.4	−0.2	0.0	0.0	2.5	11.6	13.3
80.2	**0.0**	**5.9**	**−0.2**	**0.0**	**−0.2**	**85.7**	**52.6**	**23.6**
3,249.4	**0.0**	**243.0**	**−71.5**	**0.0**	**−0.2**	**3,420.7**	**2,650.3**	**2,644.6**

Segment reporting

(Note 41)

Primary segment reporting

€ million		Aviation	Retail & Properties	Ground Handling	External Activities	Adjust-ments	Group
Revenues	2004	626.2	373.9	608.1	389.9	–	**1,998.1**
	2003	551.7	369.0	570.7	342.9	–	**1,834.3**
Other operating income	2004	18.6	9.5	7.7	9.8	–	**45.6**
	2003	12.5	22.6	8.6	9.7	–	**53.4**
Third-party revenues	2004	644.8	383.4	615.8	399.7	–	**2,043.7**
	2003	**564.2**	**391.6**	**579.3**	**352.6**	–	**1,887.7**
Inter-segment revenues	2004	30.4	343.5	15.9	75.7	–465.5	–
	2003	24.5	322.9	12.8	58.5	–418.7	–
Total revenues	2004	675.2	726.9	631.7	475.4	–465.5	**2,043.7**
	2003	588.7	714.5	592.1	411.1	–418.7	**1,887.7**
Segment profit (loss)/EBIT	2004	90.8	174.5	31.1	–15.3	0.0	**281.1**
	2003	59.1	186.4	–0.4	–41.4	0.0	**203.7**
Depreciation and amortization	2004	54.0	111.3	22.2	47.6	–	**235.1**
of segment assets	2003	56.5	115.9	24.0	61.7	–	**258.1**
EBITDA	2004	144.8	285.8	53.3	32.3	–	**516.2**
	2003	115.6	302.3	23.6	20.3	–	**461.8**
Share of results of investments	2004	0.0	0.0	1.5	0.3	–	**1.8**
held at equity	2003	0.0	0.0	1.0	–0.4	–	**0.6**
Income from investments	2004	0.0	0.0	0.0	13.7	–	**13.7**
	2003	0.0	0.0	0.0	30.9	–	**30.9**
Book values of	2004	1,449.0	1,368.2	326.3	493.3	13.4	**3,650.2**
segment assets	2003	1,357.7	1,438.7	331.0	494.5	14.5	**3,636.4**
Segment liabilities	2004	463.3	501.0	96.0	234.1	325.0	**1,619.4**
	2003	510.8	557.5	106.6	220.4	321.0	**1,716.3**
Acquisition cost of additions to	2004	115.0	71.9	18.6	31.6	–	**237.1**
property, plant and equipment and intangible assets	2003	83.4	77.5	16.1	43.8	–	**220.8**
Other significant	2004	27.4	42.0	33.2	17.3	–	**119.9**
non-cash expenses	2003	92.9	40.3	33.2	18.1	–	**184.5**
Acquisitions of investments	2004	0.0	0.1	2.0	44.8	–	**46.9**
held at equity	2003	0.0	0.0	1.3	44.6	–	**45.9**

Secondary segment reporting

€ million		Germany	Rest of Europe	Asia	Rest of world	Adjust-ments	Group
Revenues	2004	1,705.2	222.2	63.2	7.5	–	**1,998.1**
	2003	1,571.0	196.7	48.8	17.8	–	**1,834.3**
Other operating income	2004	43.2	2.0	0.3	0.1	–	**45.6**
	2003	52.9	0.4	0.1	0.0	–	**53.4**
Third-party revenues	**2004**	**1,748.4**	**224.2**	**63.5**	**7.6**	–	**2,043.7**
	2003	**1,623.9**	**197.1**	**48.9**	**17.8**	–	**1,887.7**
Book values of segment assets	2004	3,324.5	209.2	82.0	21.1	13.4	**3,650.2**
	2003	3,287.1	203.8	102.5	28.5	14.5	**3,636.4**
Acquisition costs of additions to property, plant and equipment and intangible assets	2004	224.7	11.2	1.2	0.0	–	**237.1**
	2003	202.6	18.0	0.1	0.1	–	**220.8**

Group notes
Notes on consolidation and accounting policies

1 Basic principles followed in preparation of the consolidated financial statements

The consolidated financial statements of Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (referred to hereinafter as Fraport AG), for the year that ended on December 31, 2004 have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB). The aims in preparing the consolidated financial statements on the basis of internationally recognized accounting standards are to improve international comparability and to increase the transparency of our company for external recipients.

We have applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements and the interpretations about them issued by the International Financial Reporting Interpretations Committee (IFRIC) binding on the balance sheet date completely and without any restrictions in recognition, measurement and disclosure in the 2004 consolidated financial statements.

The consolidated financial statements exempt Fraport AG as a company with a stock market listing from the requirement to prepare consolidated financial statements in accordance with German accounting rules on the basis of § 292a of the German Commercial Code (HGB).

As required by § 292a of the HGB, the accounting policies applied in connection with the preparation of the financial statements in accordance with IFRS are in line with the provisions of the 7th EC Directive issued by the European Union about corporate accounting (Directive 83/349/EEC).

The consolidated financial statements have been prepared in euros. All figures are in € million unless stated otherwise.

2 Main differences in the accounting policies between IFRS and German law

The accounting policies applied in these consolidated financial statements differ from German law in the following areas:

Different depreciation method (IAS 16)
For tax optimization purposes, property, plant and equipment are depreciated in the HGB financial statements as far as possible using the declining-balance method as well as by means of special depreciation charges in accordance with the tax regulations. The useful life is based on the tax depreciation tables. Depreciation in the IFRS consolidated financial statements is by the straight-line method according to the expected useful lives. The consequences are considerably higher non-current assets in IFRS accounts and, as contra items, higher revenue reserves and deferred tax liabilities.

Valuation of derivative financial instruments (IAS 39)
Derivative financial instruments are valued at fair value in accordance with IAS 39. Changes in the value of fair value hedges are included in income and changes in the value of cash flow hedges are included in shareholders' equity. Under HGB rules, on the other hand, all changes in the fair value of closed positions (fair value and cash flow hedges) are not taken into account and negative fair values of positions that are not closed are included in income.

Valuation of financial assets (IAS 39)
In IFRS accounts, financial assets in the "available for sale" category are stated at fair value. Changes in values are included directly in shareholders' equity. Valuation is at net book value under HGB rules.

Costs of equity transactions (SIC-17)
In accordance with SIC-17, the costs of the capital increase are charged to the capital reserves after deduction of the advantages relating to taxes on income.

Taxes on income (IAS 12)
IAS 12 stipulates that deferred tax items must be included for all temporary differences between items in the tax balance sheet and the IFRS balance sheet. In contrast to HGB, this rule applies to deferred tax assets as well. Corporation tax credits attributable to distributions are included in the fiscal year in which the resolution is passed. Deferred taxes on tax losses carried forward are capitalized when it is probable that taxable earnings will be available in future.

Finance leasing (IAS 17)
Capitalization of the asset and inclusion of the present value of the leasing payments as a liability according to the allocation criteria specified in IAS 17 in the case of finance leasing contracts.

Foreign currency translation (IAS 21)
IAS 21 specifies that monetary foreign currency receivables and payables are translated at the exchange rate on the balance sheet date. Translation differences are included in income.

Other provisions and accruals (IAS 37)
Long-term provisions and accruals are stated at their present value in accordance with IAS 37. IAS 37 does not allow provisions for expenses to be included as liabilities.

Treasury shares (SIC-16)
As stipulated by SIC-16, treasury shares are not capitalized; they are offset against shareholders' equity (proportionately to subscribed capital and capital reserves).

3 Companies included in consolidation and balance sheet date

The consolidated financial statements include Fraport AG as well as all the affiliated companies (in full) and joint ventures (on a proportionately basis) – with the exception of two companies that are in the process of being liquidated. Major associated companies are valued at equity in the consolidated financial statements.

The balance sheet date for the consolidated financial statements corresponds to the balance sheet date for the financial statements of the parent company. The balance sheet date for the financial statements of all the subsidiaries and joint ventures except the companies in the TCR sub-group is December 31.

The fiscal year of the companies in the TCR sub-group ends on June 30. TCR has been included on the basis of interim financial statements prepared as of December 31.

The at equity valuation of the shares in Hanover Airport has been carried out on the basis of the financial statements of the company for the previous year up to now. As of December 31, 2004, financial statements have been presented for Flughafen Hannover-Langenhagen GmbH for the first time too, so that the pro rata results of the years 2003 and 2004 have been taken into account in the fiscal year.

The consolidated financial statements of Fraport AG are dominated by the parent company. The companies included in the consolidated financial statements only changed insignificantly in fiscal 2004.

The companies included in the consolidated financial statements changed as follows:

	Germany	Other countries	Total
Fraport AG	1		1
Fully-consolidated subsidiaries			
December 31, 2003	16	27	43
Additions		4	4
Disposals	2	2	4
December 31, 2004	**14**	**29**	**43**
Joint ventures consolidated proportionately			
December 31, 2003	6	9	15
Additions		2	2
December 31, 2004	**6**	**11**	**17**
Companies consolidated at December 31, 2003	**23**	**36**	**59**
Companies consolidated at December 31, 2004	**21**	**40**	**61**
Associated companies valued at equity			
December 31, 2003	3	2	5
Additions	1		1
December 31, 2004	**4**	**2**	**6**
Group companies including associates at December 31, 2003	**26**	**38**	**64**
Group companies including associates at December 31, 2004	**25**	**42**	**67**

The additions to the fully-consolidated subsidiaries are the newly established companies Fraport Ground Services USA Inc., Jacksonville, ICTS Norway A/S, Ullensaker, CESG Protection SARL, Paris, and ICTS HBS Services Joint Venture, Athens. The disposals are Deutsche AeroConsult GmbH, Frankfurt am Main, proceedAir Aviation Services GmbH, Frankfurt am Main, Eden Services SARL, Paris, and Sweden Security Networks AB, Stockholm. The companies were deconsolidated because of their liquidation. Total losses on disposal of € 0.2 million were incurred in deconsolidation of the companies. The additions to the joint ventures are the companies Shanghai Frankfurt Airport Consulting Services Co. Ltd., Shanghai, and TCR International USA Ltd., Tallahassee/Florida. The addition to the associated companies valued at equity is the property company Gateway Gardens GmbH, Frankfurt am Main.

The share property (see pages 142 to 144) includes all the main subsidiaries, joint ventures and associated companies with information about the last annual financial statements according to the IFRS rules (revenues, shareholders' equity, profit/loss for the year and number of employees). The complete list of the Group's shareholdings in accordance with § 313 paragraph 2 and paragraph 3 of the HGB and § 285 no. 11 and no. 11a is filed at the commercial register kept by Frankfurt am Main Court (Department B, No. 7042) as an appendix to the notes about the annual financial statements of Fraport AG.

Two subsidiaries that are in the process of being liquidated and – as in the previous year – four associated companies that have an insignificant impact on the asset situation and profitability are included in the Fraport Group with their acquisition costs or realizable value.

Fraport AG holds interests of more than 20% of the capital of various companies. In view of the limited possibility of exercising rights, no significant influence can be exerted and the companies are not associated companies.

The **changes in the companies included in the consolidated financial statements** have the following impact on the consolidated balance sheet (before consolidation adjustments):

€ million	Dec. 31, 2004	Dec. 31, 2003
Non-current assets	0.0	0.0
Current assets excluding cash and cash equivalents	0.0	0.3
Cash and cash equivalents	0.4	–0.8
Provisions and accruals	–0.1	0.0
Liabilities	–0.5	0.4

The effect of the newly-consolidated companies on the profit for the year before consolidation adjustments was a loss of € 0.1 million (in the previous year: a loss of € 0.1 million).

The **joint ventures** have the following impact on the consolidated balance sheet and the consolidated income statement (before consolidation adjustments):

€ million	2004	2003
Non-current assets	54.5	53.4
Current assets	46.9	45.4
Other assets	1.9	2.0
Shareholders' equity	49.8	45.5
Third-party liabilities	53.5	53.5
Income	111.8	94.5
Expenses	93.9	75.7

Interests acquired and new companies established

Fraport Ground Services USA Inc.

Fraport Ground Services USA Inc., Jacksonville (USA), was established as a wholly-owned subsidiary of Fraport AG on September 28, 2004. The company was provided with shareholders' equity of USD 450,000 and was included in Fraport's consolidated financial statements as at September 30, 2004. The purpose of the company is to provide ground handling services.

ICTS Norway A/S

ICTS Norway A/S, Ullensaker (Norway), was established as a wholly-owned subsidiary of ICTS on June 14, 2004 and was included in the ICTS sub-group as at June 30, 2004. The acquisition costs of the company amounted to € 20,000. It operates in the security services field.

ICTS HBS Services Joint Venture

The other new company established in the ICTS sub-group (on June 23, 2004) was ICTS HBS Services Joint Venture, Athens (Greece), a wholly-owned subsidiary of ICTS. It was included in the ICTS sub-group for the first time as at September 30, 2004. The acquisition costs of the shareholders' equity, which was taken over in full, amounted to € 60,000. The company provides guard and security services.

CESG Protection SARL

CESG Protection SARL, Paris (France), was established on December 8, 2004 as a wholly-owned subsidiary of ICTS France and was included in the ICTS sub-group as at December 31, 2004. The acquisition costs amounted to € 30,000. The company provides security services.

Shanghai Frankfurt Airport Consulting Service Co. Ltd.
Fraport AG and Shanghai Airport Group completed the legal establishment of the joint venture Shanghai Frankfurt Airport Consulting Service Co. Ltd., Shanghai (People's Republic of China), on July 23, 2004. Both airport companies hold 50% of the shares. The acquisition costs of the investment amount to € 100,000. The company is involved in consulting operations for the Chinese aviation market. Shanghai Frankfurt Airport Consulting was included in the Fraport consolidated financial statements on a proportionately basis as at September 30, 2004.

TCR International USA
TCR International USA, Tallahassee/Florida (USA), was established as a wholly-owned subsidiary of the joint venture S.A. TCR International N.V. on December 20, 2004 and was included in the TCR sub-group as at December 31, 2004. The company provides ground handling services.

Grundstücksgesellschaft Gateway Gardens GmbH
Fraport AG took over 25% of the shares in the property company Grundstücksgesellschaft Gateway Gardens GmbH, Frankfurt am Main, on November 2, 2004 for the book value of € 75,000. The company was included in the consolidated financial statements at equity as an associated company of Fraport AG as at December 31, 2004. The purpose of the company is the development and commercialization of the "Gateway Gardens" area at Frankfurt Airport.

Further changes
Tradeport Frankfurt GmbH, Frankfurt am Main, the wholly-owned subsidiary of Fraport AG, changed its name to Fraport Cargo Services GmbH, Frankfurt am Main, effective July 1, 2004.

4 Consolidation policies

Consolidation of investments in the subsidiaries and joint ventures is carried out by the purchase method. The acquisition costs of shares in subsidiaries and joint ventures is offset against the book value – valued in accordance with IFRS – of the relevant proportion of the shareholders' equity of the subsidiary or joint venture in this context. Any differences are capitalized in assets of the companies included to the extent that they are valued lower than the fair value in relation to the Group interest. Any remaining differences are capitalized as goodwill and are amortized over their expected useful life as scheduled for the last time in fiscal 2004. If impairment has occurred, write-downs are made to the recoverable amount.

The assets, liabilities and shareholders' equity (after consolidation) and the income and expense items of joint ventures consolidated on a proportionately basis are included in the consolidated financial statements with our proportion of the shares.

Initial valuation of associated companies is carried out at the time of acquisition, similar to the consolidation of investments in subsidiaries and joint ventures. Later changes in the shareholders' equity of the associated companies and adjustment of the difference from the initial valuation change the at equity amount.

Intercompany profits and losses on deliveries between companies included in the consolidated financial statements are minimal. Elimination of them had only an insignificant impact on the asset situation and profitability of the Group.

Loans, receivables and liabilities, contingent liabilities and other financial commitments between companies included in the consolidated financial statements, internal expenses and income as well as income from Group investments are eliminated.

To the extent that there are temporary differences between the IFRS Group figure and the value indicated in the tax balance sheet due to values calculated in accordance with IFRS or due to consolidation methods used, deferred taxes are capitalized or included in liabilities according to the liability method (IAS 12).

There has been no fundamental change in the consolidation and accounting principles by comparison with the previous year.

Foreign currency translation

Annual financial statements of companies outside Germany denominated in foreign currencies are translated on the basis of the functional currency concept in accordance with IAS 21. A distinction has to be made in this context between economically independent and economically dependent companies.

The assets and liabilities of the companies consolidated are translated at the exchange rate on the balance sheet date, whereas the expenses and income are translated at average exchange rates for the year, since the companies are financially, economically and organizationally independent. Foreign currency translation differences are included directly in shareholders' equity.

The following exchange rates were used for currency translation purposes:

Unit/currency €	Exchange rate on the balance sheet date Dec. 31, 2004	Average exchange rate in 2004	Exchange rate on the balance sheet date Dec. 31, 2003	Average exchange rate in 2003
1,000,000 Turkish lire (TRL)	0.5467	–	0.5647	–
100 Philippine pesos (PHP)	1.3071	1.4342	1.4347	1.6289
1 US dollar (USD)	0.7342	0.8043	0.7959	0.8830
1 Swedish crown (SEK)	0.1109	0.1096	0.1101	0.1096
1 pound sterling (GBP)	1.4108	1.4738	1.4194	1.4444
1 Hong Kong dollar (HKD)	0.0944	0.1033	0.1020	0.1134
1 new sol (PEN)	0.2233	0.2357	0.2230	0.2539
1 Swiss franc (CHF)	0.6477	0.6477	0.6411	0.6576
1 Norwegian crown (NOK)	0.1213	0.1195	–	–
1 yuan renminbi (CNY)	0.0884	0.0970	–	–

Financial reporting in hyperinflationary economies

The principles for financial reporting in hyperinflationary economies (IAS 29) have been applied for our joint venture in Antalya, Turkey. The criteria for classification of Turkey as a hyperinflationary economy were fulfilled in the year under review. The Antalya financial statements have been revalued in accordance with the historical cost approach. The price index used as the basis (Turkish countrywide wholesale price index "WPI") amounted to 8,403.8 on December 31, 2004 (on December 31, 2003: 7,382.1) and the relevant conversion factor was 1.1384. The Antalya financial statements have been translated at the exchange rates on the balance sheet date in the consolidated balance sheet and the consolidated income statement. The profit or loss from the balance of the monetary items is included in the interest results.

5 Accounting policies

Consistent accounting and measurement policies

The financial statements of the Fraport Group are based on accounting and measurement policies that are applied consistently throughout the Group.

New basis for calculating the key figures EBITDA and EBIT and change in the classification of foreign currency effects

The basis for calculating the key figures EBITDA and EBIT and the classification of foreign currency effects were changed in the fiscal year. In contrast to the previous year, the income from investments and the results from investments held at equity are no longer included in EBITDA and EBIT. Foreign currency gains and losses are allocated to "Other financial results" rather than to "Other operating income" or "Other operating expenses".

These changes were made in connection with the restructuring of the segments and help to improve the presentation of the operating result considerably. The amounts for the previous year have been adjusted accordingly to facilitate comparison.

€ million	Consolidated income statement 2004	Consolidated income statement 2003
Total revenues	**2,043.7**	**1,887.7**
./. Personnel expenses	–974.5	–933.9
./. Cost of materials	–316.2	–284.4
./. Other operating expenses	–236.8	–207.6
= **EBITDA (new)**	**516.2**	**461.8**
+ Income from investments	13.7	30.9
+ Results from investments held at equity	1.8	0.6
+ Balance of foreign currency effects (see Other financial results, note 18)	–0.3	10.1
= **EBITDA (old)**	**531.4**	**503.4**

€ million	Consolidated income statement 2004	Consolidated income statement 2003
Total revenues	**2,043.7**	**1,887.7**
./. Personnel expenses	–974.5	–933.9
./. Cost of materials	–316.2	–284.4
./. Other operating expenses	–236.8	–207.6
./. Depreciation and amortization of tangible and intangible non-current assets	–235.1	–258.1
= **EBIT (new)**	**281.1**	**203.7**
+ Income from investments	13.7	30.9
+ Results from investments held at equity	1.8	0.6
+ Balance of foreign currency effects (see Other financial results, note 18)	–0.3	10.1
= **EBIT (old)**	**296.3**	**245.3**

Realization of income and expenses

Revenues and other income are included in accordance with IAS 18, when the service has been provided, when it is probable that an economic benefit will be received and when this benefit can be quantified reliably. Income and expenses from the same transactions and/or events are included in the same period according to the matching principle.

The conditions for the application of revenue and profit realization in long-term construction contracts (IAS 11) are not met in the Fraport Group.

Intangible assets
Intangible assets (IAS 38) including goodwill are capitalized at acquisition costs and are amortized over their probable useful life by the straight-line method. Borrowing costs are recognized directly as an expense (IAS 23).

The conditions for capitalization of development costs (IAS 38) are not met in the Fraport Group.

Property, plant and equipment
Property, plant and equipment (IAS 16) are valued at acquisition or production costs minus scheduled depreciation by the straight-line method. The production costs essentially include all costs that can be allocated directly. Borrowing costs are recognized directly as an expense (IAS 23).

Real estate is investigated to determine whether investment properties as defined by IAS 40 are involved. The volume of investment properties is insignificant, so IAS 40 is not applied.

Asset-based government grants are included in liabilities and are released by the straight-line method over the useful life of the asset for which the grant has been made. Success-based grants are included as other operating income (IAS 20).

Impairment write-downs
Impairment write-downs are made with respect to intangible assets and property, plant and equipment on the balance sheet date when the recoverable amount of the asset has decreased to below the book value. The recoverable amount is defined as the higher of the net selling price and the value in use. The value in use is the present value of the estimated future cash flows of funds from the use and subsequent disposal of the asset.

Since it is not generally possible at Fraport AG to allocate cash flows to individual assets, what are known as cash-generating units are formed. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash flows that can be separated. Formation of the cash-generating units is based fundamentally on the segment structure at Fraport AG. The Group companies and investments held at equity allocated to the segments each form an independent cash-generating unit.

Finance leasing
Economic ownership of leased assets is attributed to the lessee according to IAS 17 if the lessee has essentially all the risks and opportunities associated with ownership of the leased assets. If economic ownership can be attributed to the Fraport Group as lessee, capitalization is carried out at the time when the contract is concluded with the present value of the leasing payments plus any incidental costs that are paid. The depreciation methods and useful lives correspond to those of comparable, bought assets. If economic ownership cannot be attributed to the Fraport Group as lessor, a receivable equivalent to the present value of the leasing payments is included.

Investments held at equity
Investments held at equity are included in the accounts with the relevant proportion of the shareholders' equity plus goodwill.

Other financial assets
The other financial assets include securities in non-current assets, loans and other investments. Other financial assets are capitalized at acquisition costs on the date when the asset is created or transferred. Long-term low-interest or interest-free loans are included at their present value.

The loans are valued at amortized costs on the balance sheet date. Financial assets that are available for sale are valued at fair value. However, if the latter cannot be determined reliably, these assets are valued at their acquisition costs too. Changes in value are included in shareholders' equity for the first time in the fiscal year. The insignificant changes in value in the previous years were included in the other financial results (IAS 39).

Inventories
Inventories are valued at acquisition or production costs on the basis of the average method. The production costs include direct costs and appropriate overheads. If necessary, the inventories are valued at the lower net realizable value. If a write-down made in previous periods is no longer necessary, the write-down is reversed (IAS 2).

Receivables and other assets
Receivables and other assets are initially stated with their acquisition costs on the date when economic ownership starts or is transferred. Long-term low-interest or interest-free receivables are posted with their present value at the time when they are issued or acquired.

In subsequent measurement, the receivables and other assets are measured at amortized costs, provided they are not kept for trading purposes. Write-downs that are necessary in view of the probable risk of default are made. Receivables in foreign currencies are translated at the exchange rate on the balance sheet date.

Checks, cash and bank balances
This item is included at updated acquisition costs. Amounts in foreign currencies are translated at the exchange rate on the balance sheet date.

Shareholders' equity instruments
Treasury shares that are bought back are deducted from the subscribed capital and the capital reserves (SIC-16).

Deferred taxes
We determine deferred taxes by the liability method (IAS 12). According to this method, deferred tax items are formed for all accounting and valuation differences between the IFRS values and the tax values, provided they cancel each other out in the course of time (temporary differences). If asset items in IFRS accounts are valued more highly than in the tax balance sheet (non-current assets depreciated by the straight-line method, for example) and if temporary differences are involved, a deferred tax liability item is formed. Deferred tax assets from balance sheet differences and benefits from the future use of tax losses carried forward are capitalized under IFRS rules, provided it is probable that taxable earnings will be generated in future.

Deferred taxes are valued on the basis of the current and/or announced tax rate of the country in question. A combined income tax rate of 40% has been applied in Germany, which is made up of the corporation tax rate plus solidarity surcharge and trade income tax.

Claims to corporation tax credits due to the appropriation of profits are not recognized until the year in which the profits are distributed in accordance with IAS 12. In view of the current moratorium in Germany, no corporation tax credits due to distribution can be recognized up to and including 2005.

Provisions for pensions and similar obligations
The pension obligations are valued in accordance with IAS 19, applying actuarial methods (projected unit credit method) and an interest rate of 4.9% p.a. (in the previous year: 5.5% p.a.). The calculations are based on an assumption agreed with the Supervisory Board about future salary developments. At the current time, a rate of 2.0% p.a. has been specified for active members of the Executive Board. As far as former members of the Executive Board are concerned, pension increase assumptions are based on German legislation about the adjustment of salary and pension payments by the federal and state governments for 2003/2004 (BBVAnpG).

Tax liabilities
Tax liabilities are formed according to the risks anticipated.

Other provisions and accruals
Other provisions and accruals are formed according to the risks anticipated. They are included to the extent that there is a current commitment to third parties. It is also required that they are the result of a past event and that an outflow of funds is more likely than not to be needed to meet the commitment (IAS 37).

Provisions for internal costs are not recognized.

Long-term provisions with a remaining term of more than one year are discounted to their present value at a capital market interest rate that is adequate in view of the term involved, taking future cost increases into account, provided that the interest effect is material.

Liabilities
Liabilities are included with the amount of the payment goods or service received. Subsequent valuation is at amortized costs. Liabilities in foreign currencies are translated at the exchange rate on the balance sheet date.

Finance leasing liabilities are stated at the present value of the leasing payments.

Derivative financial instruments, hedging transactions
Fraport AG only uses derivative financial instruments to hedge existing and future interest and exchange rate risks. Derivative financial instruments are valued at fair value in accordance with IAS 39. Whereas changes in the value of fair value hedges are included in income, the changes in the value of cash flow hedges are included directly in a separate shareholders' equity item. Corresponding to this, deferred taxes on the fair values of cash flow hedges are also included directly in shareholders' equity.

Stock options
There are currently no specific accounting requirements requiring application in IFRS for options issued on Fraport AG's shares in connection with the restricted authorized capital.

Hence, consistent with the previous year and in accordance with IAS 1.22 c), Fraport AG has made recourse to existing standards issued by other standard setters. APP 25 of US GAAP permits stock options to be recorded at their intrinsic value. IFRS 2, which was approved in 2004, covers the accounting of stock options and has to be applied from January 1, 2005 onwards.

New standards
Standards that were issued in the context of the "Improvements to International Accounting Standards" in December 2003 and standards and interpretations that were published in 2004 and only have to be applied from January 1, 2005 onwards have not yet been applied in these annual financial statements.

IFRS 3 "Business Combinations" in connection with IAS 36 "Impairment of Assets" (revised in 2004) and IAS 38 "Intangible Assets" (revised in 2004) now have to be applied to corporate mergers with a contract date after March 31, 2004. IFRS 3 is only being applied to goodwill acquired in earlier corporate mergers from fiscal 2005 onwards.

Explanatory notes about the consolidated income statement

6 Revenues

€ million	2004	2003
Aviation		
Airport fees	491.1	448.5
Security services	115.2	82.5
Other revenues	19.9	20.7
	626.2	**551.7**
Retail & Properties		
Real estate	173.4	175.3
Retailing	113.3	107.5
Parking	49.0	48.6
Other revenues	38.2	37.6
	373.9	**369.0**
Ground Handling		
Ground handling services	414.5	395.2
Infrastructure fees	183.8	166.6
Other revenues	9.8	8.9
	608.1	**570.7**
External Activities	**389.9**	**342.9**
	1,998.1	**1,834.3**

Further explanatory notes can be found in the segment reporting (note 41).

7 Change in finished goods and work-in-process

€ million	2004	2003
Change in finished goods and work-in-process	0.0	–0.1

8 Other internal work capitalized

€ million	2004	2003
Other internal work capitalized	21.8	18.0

The other internal work capitalized relate primarily to engineering, planning, construction and associated services. The other internal work capitalized at Fraport AG were incurred essentially in connection with the extension, remodelling and modernization of the terminal buildings and their fire protection systems. Other internal work also related to the expansion program, the expansion of the airport infrastructure and the optimization of the aircraft movement operations.

9 Other operating income

€ million	2004	2003
Release of provisions and accruals	5.0	8.0
Gains from disposals of items in non-current assets (excluding financial assets)	3.0	10.3
Release of special items for investment grants	2.0	1.6
Release of write-downs	0.2	1.3
Write-ups of current assets	0.0	0.9
Gains from disposals of financial assets	0.0	0.8
Other income relating to previous years	2.6	0.1
Other items	11.0	12.5
	23.8	**35.5**

From fiscal 2004 onwards, foreign currency gains are being allocated to other financial results rather than to other operating income.

10 Cost of materials

€ million	2004	2003
Cost of raw materials, consumables, supplies and purchased merchandise	–72.2	–69.0
Cost of services	–244.0	–215.4
	–316.2	**–284.4**

11 Personnel expenses and number of employees

€ million	2004	2003
Wages and salaries	–787.9	–748.5
Social security and welfare expenses	–152.9	–153.3
Pension expenses	–33.7	–32.1
	–974.5	**–933.9**

€ 38.3 million of the increase in personnel expenses relate to ICTS, which expanded its business in the security services field. On a yearly average basis, the companies in the ICTS Group deployed 995 more employees. The personnel expenses at Fraport AG were € 7.6 million lower than in the previous year. The decrease was attributable essentially to the reduction in the number of employees (–240). The transfers to the provisions for the part-time early retirement and for early retirement were also lower. These positive factors were offset by the collectively agreed pay increases (BAT), which took effect in January and May 2004, and by the expenses in connection with the employee investment plan.

The transfers to pension provisions are included in the pension expenses. The proportion of the transfers to pension provisions accounted for by interest is included in the personnel expenses.

Average number of employees	2004	2003
Salaried staff	7,319	7,394
Wage-earning staff	16,185	15,177
Temporary staff (interns, students, school pupils)	678	782
	24,182	**23,353**

The average number of staff employed during the fiscal year (excluding apprentices) was 23,819 at the fully-consolidated companies (in the previous year: 22,989) and 363 (in the previous year: 364) at the companies consolidated on a proportionate basis.

The basis for calculating the average number of employees changed on January 1, 2004. The calculations are now based on monthly averages instead of quarterly averages.

12 Depreciation and amortization of tangible and intangible non-current assets

€ million	2004	2003
Depreciation and amortization of tangible and intangible non-current assets	–235.1	–258.1

Scheduled depreciation

Scheduled depreciation is determined by the straight-line method on the basis of the following useful lives, which apply throughout the Group:

	Years
Buildings etc.	5–40 years
Technical equipment and machinery	3–33 years
Operating and office equipment	4–25 years
Goodwill	The amortization period is the best estimate of the period of time during which the future economic benefits will be received. The useful lives are between 8 and 15 years.
Other intangible assets	3–25 years

Impairment write-downs

The total depreciation charge includes impairment write-downs of € 5.9 million for goodwill (previous year: € 3.2 million) and of € 14.6 million for property, plant and equipment (previous year: € 37.9 million) in accordance with IAS 36.

Asset valuations reflect future income expectations. The recoverable amount corresponds to the value in use or the net selling price. Only the value in use was applied in the year under review. Determination of the future cash flow is based on the medium-term planning figures. It is a fundamental rule that the planning period covers six years; perpetual annuities are generally calculated using the unchanged planning figures for the sixth period. A growth rate based on the planning assumptions is taken into account in the perpetual annuities. The discounting factor includes the weighted average cost of capital (WACC). Discounting rates after tax of 6.4% to 12.3% were used in the fiscal year.

The write-downs for property, plant and equipment relate to buildings and infrastructure allocated to them in the Retail & Properties segment. Further information about goodwill amortization can be found in note 22.

13 Other operating expenses

€ million	2004	2003
Rental and leasing expenses	–42.1	–50.7
Consulting, legal and auditing expenses	–24.9	–19.2
Insurance premiums	–23.9	–22.0
Advertising costs	–17.2	–18.6
Demolition costs	–4.5	–4.0
Losses from disposals of items in non-current assets	–5.3	–1.0
Write-downs for trade accounts receivable	–3.3	–9.6
Other items	–115.6	–82.5
(of which relating to different periods)	(–1.5)	(–1.3)
	–236.8	**–207.6**

From fiscal 2004 onwards, foreign currency losses are being classified to other financial results rather than to other operating expenses.

14 Interest results

€ million	2004	2003
Other interest and similar income	19.9	19.1
Interest and similar expenses	–43.0	–50.5
	–23.1	**–31.4**

The interest expenses include a loss of € 3.7 million in the net monetary position of the monetary items in hyperinflationary economies (previous year: € 2.4 million).

15 Results of investments held at equity

The results from investments held at equity can be broken down as follows:

€ million	2004	2003
Hanover Airport	1.0	–1.3
LAP	1.8	2.7
Portway	–2.5	–1.8
ACF	0.2	0.2
ASG	1.3	0.8
	1.8	**0.6**

The at equity valuation of the shares in Hanover Airport has been carried out on the basis of the financial statements of the company for the previous year up to now. As of December 31, 2004, financial statements have been presented for Flughafen Hannover-Langenhagen GmbH for the first time too, so that the pro rata results of the years 2003 and 2004 have been taken into account in the fiscal year.

In the at equity valuation of Portway, account has been taken not only of the proportionate loss for the year of € 0.5 million but also of further impairment write-downs of € 2.0 million.

16 Income from investments

The income from investments can be broken down as follows:

€ million	2004	2003
30% dividend rights/Antalya	8.0	17.6
Ineuropa Handling UTE	5.7	6.9
BBIP Berlin-Brandenburg International Partner GmbH & Co. KG	–	4.8
SITA S. C.	–	1.6
	13.7	**30.9**

With respect to the income from Fraport AG's rights to 30% additional dividends in Antalya, dividend payments of € 9.1 million for 2003 and € 8.5 million for 2002 were received in the previous year. The 30% of the dividend rights are recognized at the same time as consolidation of the 50% share interest in Antalya.

17 Write-downs of financial assets

The impairment write-downs of financial assets relate to the following companies:

€ million	2004	2003
Tradeport Hongkong Ltd. (loans)	–3.3	–
Hessische Flugplatz GmbH, Egelsbach (loans)	–1.4	–
ZIV-Zentrum für integrierte Verkehrssysteme GmbH (shares and loans)	–1.2	–
	–5.9	**0.0**

18 Other financial results

The other financial results can be broken down as follows:

€ million	2004	2003
Income from securities and loans	1.5	1.2
Foreign currency gains, unrealized	2.8	11.9
Foreign currency gains, realized	0.7	9.7
Foreign currency losses, unrealized	–3.1	–8.4
Foreign currency losses, realized	–0.7	–3.1
Gains and losses from derivative trading transactions	–0.4	0.0
Risks associated with the investments (Air-Transport IT)	–2.5	0.0
	–1.7	**11.3**

From fiscal 2004 onwards, foreign currency gains and losses are being classified to other financial results rather than to other operating income and expenses.

19 Taxes on income

The expenses incurred due to taxes on income can be broken down as follows:

€ million	2004	2003
Current taxes on income	–139.3	–111.8
Deferred taxes on income	18.4	18.5
	–120.9	**–93.3**

The tax expenses include the corporation and trade income taxes of the companies in Germany as well as comparable taxes on income at the companies outside Germany.

The deferred taxes result from temporary differences between assets and liabilities in the tax balance sheets of the companies and their values in the consolidated balance sheet, based on the liability method.

Deferred taxes are set up on all temporary differences between amounts recorded in the tax balance sheet and the IFRS balance sheet as well as on tax losses carried forward which will probably be used to offset against future taxable profits.

Deferred tax items result from consolidation adjustments too. In accordance with IAS 12, however, no deferred taxes are calculated on goodwill and it's amortization.

The deferred taxes in the balance sheet relate to the following items:

	2004		2003	
€ million	Assets	Liabilities & equity	Assets	Liabilities & equity
Property, plant and equipment	1.3	–146.1	3.7	–156.6
Financial assets	0.5	–0.1	0.6	–
Inventories	–	–	–	–0.7
Receivables and other assets	–	–0.1	1.2	–3.0
Prepaid expenses	0.4	–	0.5	–
Pension provisions	2.3	–	1.7	–
Other provisions and accruals	26.5	–	20.5	–
Liabilities	4.7	–10.0	3.8	–11.3
Other balance sheet items	2.0	–7.3	0.1	–3.5
Losses carried forward	1.8	–	4.5	–
Total in individual financial statements	**39.5**	**–163.6**	**36.6**	**–175.1**
Balancing	–34.0	34.0	–30.7	30.7
Consolidation adjustments	7.9	–0.2	8.6	–3.1
Consolidated balance sheet	**13.4**	**–129.8**	**14.5**	**–147.5**

There are no deferred tax items from tax losses carried forward that can be used (in the previous year: € 4.5 million). The deferred tax items include deferred tax assets of € 1.7 million (in the previous year: € 3.0 million) relating to negative fair values of derivative financial instruments. The change of € 1.3 million from the previous year's figure has been treated with no effect on income, corresponding to the change in the fair values.

The following reconciliation calculation shows the relationship between expected tax expenses and tax expenses in the income statement:

€ million	2004	2003
Result before taxes on income	259.3	209.5
Trade tax on income in Germany	–54.9	–41.2
Result after trade tax on income	204.4	168.3
Expected tax on income/expenses*	**–54.0**	**–47.2**
Tax effects of differences in tax rates outside Germany	–2.8	–2.8
Taxes on non-deductible expenses	–1.1	–0.8
Permanent differences, including non-deductible tax audit provisions	–13.7	–15.5
Tax effect of consolidation adjustments that affect earnings	–6.3	–7.0
Tax effect of tax-free income and taxable income of previous years	12.2	16.0
Tax effect of changes in tax rates	0.0	2.4
Other items	–0.3	2.8
Trade tax on income in Germany	–54.9	–41.2
Taxes on income according to the income statement	**–120.9**	**–93.3**

* Expected corporation tax on income/expenses with corporation tax of 25.0% (in the previous year: 26.5%) plus solidarity surcharge of 5.5%.

20 Other taxes

€ million	2004	2003
Other taxes	–6.6	–5.6

The other taxes consist mainly of property taxes.

21 Earnings per share

	2004		2003	
	Basic	Diluted	Basic	Diluted
Group profit for the year in € million	136.4	136.4	115.2	115.2
Weighted average number of shares	90,333,347	92,030,263	90,177,344	91,148,836
Basic earnings per 10 euro share in €	1.51	1.48	1.28	1.26

The basic earnings per share for fiscal 2004 are calculated using the weighted average number of issued shares with a share of capital of € 10 each. Due to the capital increases on May 5, 2004 in connection with the employee investment plan and in December 2004 in connection with the management stock option plan and due to the acquisition and transfer of treasury shares, the number of floating shares changed from 90,231,488 to 90,515,040 on December 31, 2004. With a weighted average number of 90,333,347 floating shares, the basic earnings per € 10 share amounted to € 1.51.

As a result of the rights granted to staff to buy shares (authorized capital) within the framework of a company agreement (employee investment plan) and of the issue of subscription rights in connection with the 2004 stock option plan (restricted authorized capital), the diluted number of shares is 92,030,263 and the diluted earnings per 10 euro share are therefore € 1.48.

Explanatory notes about the balance sheet

A breakdown and the development of the individual non-current asset items can be found in the consolidated statement of movements in non-current assets.

22 Intangible assets

€ million	Dec. 31, 2004	Dec. 31, 2003
Concessions, patents, licenses and similar assets	52.5	59.3
Goodwill	116.8	139.0
	169.3	**198.3**

Acquired intangible assets are included at acquisition costs. These values are reduced by scheduled depreciation using the straight-line method according to the useful lives of the assets concerned. The useful life of concessions, property rights, licenses, patents and software is between 3 and 25 years. The figure indicated includes 30% of the Antalya dividend rights (book value of € 12.7 million on the balance sheet date). They are subject to scheduled depreciation charges over the duration of the commitment until June 2007.

Goodwill arising from consolidation is as follows:

€ million	Book value Jan. 1, 2004	Amortization	Impairment write-downs	Book value Dec. 31, 2004
Goodwill				
ICTS	100.7	–8.1		92.6
Antalya	25.7	–7.2		18.5
Saarbrücken Airport	0.8	–0.1	–0.7	0.0
Media	0.4	–0.1		0.3
ICTS sub-group	4.6	–0.3		4.3
TCR sub-group	1.3	–0.2		1.1
Air-Transport IT sub-group	5.5	–0.3	–5.2	0.0
	139.0	**–16.3**	**–5.9**	**116.8**

23 Property, plant and equipment

€ million	Dec. 31, 2004	Dec. 31, 2003
Land, land rights and buildings, including buildings on leased property	1,705.3	1,783.7
Technical equipment and machinery	267.3	297.3
Other equipment, operating and office equipment	106.8	97.8
On-account payments and construction in process	302.1	198.0
	2,381.5	**2,376.8**

Property, plant and equipment are included in the accounts with the acquisition or production costs less scheduled depreciation by the straight-line method and less any impairment write-downs that are necessary in accordance with IAS 36. Subsequent acquisition costs are capitalized. In the case of internally produced property, plant and equipment, the production costs are determined on the basis of the costs that can be allocated directly and appropriate overheads. Financing costs are not capitalized.

The airport terminal of the Antalya joint venture is included in the buildings. The terminal has to be handed over to the Turkish government at the end of the term of the concession agreement (July 2007), so that the terminal will no longer be at the company's disposal. In view of the uncertain situation because of the drop in the value of the Turkish lira, the terminal is subject to scheduled depreciation of the euro value used as the basis in initial consolidation over the remaining term.

Economic ownership of leased assets is attributed to the lessee according to IAS 17 if the lessee has the main risks and opportunities. Assets from finance leasing contracts totalling € 17.7 million are included in the other equipment, operating and office equipment in the year under review:

€ million	
Capitalized leasing payments at the time of acquisition	23.1
Accumulated depreciation	–5.4
Book value at December 31, 2004	**17.7**

What are involved here are leasing contracts with a term from 2004 to 2011. There is a purchase option at the end of each term.

The total gross capital expenditures made by the Fraport Group as finance lessor for a building at Frankfurt Airport amount to € 9.9 million. The leasing payments for this capital expenditure have already been received completely.

24 Investments held at equity

€ million	Dec. 31, 2004	Dec. 31, 2003
Hanover Airport	29.3	28.3
LAP	15.5	15.0
Portway	0.0	1.3
ACF	0.5	0.3
ASG	1.5	1.0
Gateway Gardens	0.1	–
	46.9	**45.9**

The additions include not only shareholdings acquired but also positive earnings, whereas the disposals include dividends and negative earnings.

The additions consist of 25% of the shares in the property company Gateway Gardens GmbH (€ 0.1 million), the capital increase at Portway (€ 1.2 million) and the regular at equity updates.

The disposals consist essentially of the ASG dividend payment (€ 0.8 million) and the negative earnings at Portway (€ 0.5 million).

Impairment write-downs of € 2.0 million have been made at Portway.

The final scheduled amortization charge of € 0.3 million was made in the fiscal year with respect to goodwill in the at equity valuation of Hanover Airport.

The annual financial statements of the investments valued at equity have in general been valued in accordance with IFRS. In cases of minor importance, we have not adjusted the national valuation to valuation in accordance with IFRS.

25 Other financial assets

€ million	Dec. 31, 2004	Dec. 31, 2003
Financial assets that are available for sale		
Securities in non-current assets	30.9	0.0
Other investments	1.3	1.0
Loans		
Loans to investments	8.8	9.3
Other loans	11.6	13.3
	52.6	**23.6**

The additions to the securities in non-current assets involve a foreign currency fund (€ 10.0 million) as well as credit balances in time deposits and/or funds open to the general public that have been acquired within the framework of a bankruptcy protection concept (€ 20.7 million).

Fraport AG acquired a foreign currency fund amounting to € 10.0 million in November 2004. This fund is designed with an investment period of 5 years in mind. The association Fraport Vermögenstreuhand e.V., that was established on November 15, 2004, acquired shares worth € 20.7 million in various funds with an unlimited term in November 2004 too.

These shares have been acquired exclusively to provide bankruptcy protection for credit balances relating to time account models of Fraport employees. Economic ownership of the fund shares is attributable to Fraport AG.

€ 1.0 million of the additions to the other investments relate to the capital increase at ZIV-Zentrum für integrierte Verkehrssysteme GmbH. In view of the poor profit expectations of the company, the capital payments have been written off completely.

The additions to the loans to investments include the loans to Gateway Gardens (€ 3.0 million) and TCR (€ 0.2 million). € 3.3 million of the write-downs of the loans to investments relate to loans given to Tradeport Hong Kong Ltd. by Pantares Tradeport Asia Ltd.

€ 1.1 million of the additions to the other loans relate to Hessische Flugplatz GmbH Egelsbach. The complete loan of € 1.4 million was written off in the fiscal year.

26 Inventories

€ million	Dec. 31, 2004	Dec. 31, 2003
Raw materials, consumables and supplies	10.0	14.2
Work-in-process	0.0	0.1
Finished goods	1.7	1.6
Purchased merchandise	0.2	0.2
On-account payments	0.2	1.0
	12.1	**17.1**

Inventories are valued at acquisition or production costs on the basis of the average method. The production costs include costs that can be allocated directly and appropriate shares of overheads in accordance with IAS 2. The raw materials, consumables and supplies were written down by € 2.0 million in the year under review.

27 Trade accounts receivable

€ million	Remaining term up to 1 year	Remaining term more than 1 year	Total Dec. 31, 2004	Remaining term up to 1 year	Remaining term more than 1 year	Total Dec. 31, 2003
From third parties	168.5	0.1	168.6	181.3	0.0	181.3

Trade accounts receivable are stated at their nominal value. Adequate specific allowances have been made for potential bad debts.

28 Other receivables and other assets

€ million	Remaining term up to 1 year	Remaining term more than 1 year	Total Dec. 31, 2004	Remaining term up to 1 year	Remaining term more than 1 year	Total Dec. 31, 2003
From joint ventures	0.2	–	0.2	0.2	–	0.2
From associated companies	1.8	–	1.8	1.8	–	1.8
From other investments	1.1	–	1.1	1.1	–	1.1
Other assets	51.1	48.7	99.8	50.3	74.6	124.9
	54.2	48.7	102.9	53.4	74.6	128.0

The main item in the other assets relates to the account receivable totalling € 39.6 million in connection with the passive noise abatement program. The account receivable is based on the promise made by the airlines to assume responsibility for refinancing the passive noise abatement program. The measures that have to be carried out basically involve transitory items that do not affect Fraport AG's earnings. Appropriate accounts receivable and provisions are included in the Fraport AG balance sheet for this purpose.

Another major item in the other assets is an account receivable from the State of Hesse based on a contract concluded in 2001 in connection with the restoration of what used to be an ammunition disposal site covering an amount of € 14.6 million that Fraport AG has paid initially (the original amount according to the contract was € 23.0 million in 2002). The State of Hesse is making the repayments in annual instalments until 2007.

The item also includes € 15.2 million for payments Fraport AG has made in advance in the context of the project to build on the roof of the long-distance railway station at Frankfurt Airport. Fraport AG and DB Station & Service AG disagree about the amount of the building costs Fraport AG is required to pay. The conciliation procedure arranged with the railway company to settle the overall accounts for the long-distance railway station ended without reaching agreement in 2004 and both sides have taken legal action.

Positive fair values of derivative financial instruments amounting to € 2.1 million are included in the other assets.

The other assets also include accounts receivable relating to current taxes that amount to € 6.3 million.

29 Checks, cash and bank balances

€ million	Dec. 31, 2004	Dec. 31, 2003
Checks, cash and bank balances	666.4	610.8

The bank balances mainly include short-term deposits. Most of this money came originally from the proceeds of the IPO. The other credit balances are essentially overnight deposits.

There are restrictions on the availability of bank balances totalling € 4.0 million at Antalya.

30 Prepaid expenses

€ million	Dec. 31, 2004	Dec. 31, 2003
Prepaid expenses	36.5	40.1

The prepaid expenses essentially involve grants towards building costs of € 28.2 million. Prepaid expenses of € 26.5 million have a term of more than one year.

31 Deferred tax assets

€ million	Dec. 31, 2004	Dec. 31, 2003
Deferred tax assets	13.4	14.5

Deferred tax assets are included in accordance with IAS 12. Further explanations are given in the “Taxes on income” section (note 19). Most of the deferred tax assets are long-term in nature.

32 Shareholders' equity

€ million	Dec. 31, 2004	Dec. 31, 2003
Subscribed capital	905.1	902.2
Capital reserves	537.6	533.2
Revenue reserves	520.1	445.0
Group retained earnings	68.0	39.7
	2,030.8	**1,920.1**

Subscribed capital

The subscribed capital increased by € 1,464,500 in 2004 due to the use of some of the authorized capital after the capital increase in return for the injection of cash to issue shares in connection with the employee investment plan.

Shares have been created for the first time in the current fiscal year to satisfy the stock options within the framework of the conditional capital of € 1,306,000. The conditions for exercising the subscription rights for the 2nd tranche were met in fiscal 2004.

The subscribed capital increased by a further € 0.1 million as a result of the transfer of treasury shares.

Number of shares issued

The subscribed capital consists of 90,638,708 bearer shares with no par value (in the previous year: 90,361,658), each of which accounts for € 10.00 of the capital stock.

Authorized capital

€ 1,464,500 of the authorized capital of € 12.4 million available on December 31, 2003 (original amount: € 15.0 million) were used to issue new shares in return for the injection of cash for the purpose of issuing shares to employees of Fraport AG and companies controlled by it. The company's existing shareholders are not allowed to subscribe.

Authorized capital of € 11.0 million remained on December 31, 2004.

Restricted authorized capital

The restricted authorized capital amounted to € 12.6 million on December 31, 2004 (original amount: € 13.9 million). € 1.3 million of the subscription rights already granted (130,600 options) were exercised in 2004. The capital increase to satisfy subscription rights within the framework of the 2001 stock option plan is only being made to the extent that the holders of subscription rights (members of the Executive Board and managers of Fraport AG deployed in Germany as well as the directors and managers of Fraport AG's affiliated companies) exercise their subscription rights. 521,950 subscription rights had not yet been issued on the balance sheet date. See note 45 in this context.

Treasury shares

Fraport AG had a portfolio of 123,668 treasury shares on the balance sheet date.

Floating and treasury share movements in accordance with § 160 of the German Stock Corporation Law (AktG):

	Subscribed capital	Floating shares	Treasury shares		
				Amount of capital stock	Share of capital stock
	Number	Number	Number	in €	in %
On January 1, 2004	**90,361,658**	**90,231,488**	**130,170**	**1,301,700**	**0.144**
Employee investment plan:					
Capital increase (May 5, 2004)	146,450	146,450			
Management stock option plan (MSOP):					
Capital increases (Dec. 2004)	130,600	130,600			
Executive Board compensation:					
Transfer of shares to members of the Executive Board		6,502	–6,502	–65,020	0.007
On December 31, 2004	**90,638,708**	**90,515,040**	**123,668**	**1,236,680**	**0.136**

The shares relating to the employee investment plan were acquired at a price of € 22.22 on May 7, 2004 and were transferred to the employees for the same price.

The shares that formed part of the compensation paid to the Executive Board were calculated on the basis of a value of € 22.75.

Capital reserves

The change in the capital reserves is the result of an increase of € 1.8 million consisting of the excess issue amount (€ 12.22 per share) of the total of 146,450 new shares issued in the context of the employee investment plan and the excess issue amount of € 2.0 million (€ 15.64 per share) of the total of 130,600 shares issued within the framework of the restricted authorized capital to satisfy the stock options. The capital reserves have increased by a further € 0.1 million by the acquisition and transfer of treasury shares.

€ 0.5 million have been transferred from the other revenue reserves to the capital reserves on the basis of the stock options exercised (see note 45).

Revenue reserves

The revenue reserves consist not only of the reserves of Fraport AG (including the statutory reserves of € 36.5 million) but also the revenue reserves and retained earnings of the subsidiaries incorporated in the consolidated financial statements as well as effects of consolidation measures. The currency translation differences amount in total to € –14.6 million (in the previous year: € –16.5 million). This figure includes currency translation differences of € –9.2 million from the at equity valuation of the Philippine companies, which are not charged to Group earnings until the companies are disposed of in accordance with IAS 21. The reserves for derivative valuation amount to € –3.2 million (in the previous year: € –4.4 million). The substantially higher value disclosed for the other revenue reserves by comparison with the financial statements of Fraport AG is due mainly to the higher valuation of property, plant and equipment.

Group retained earnings

The Group retained earnings correspond to the retained earnings of Fraport AG. The proposed dividend amounts to € 0.75 per share (previous year: € 0.44).

According to the company statutes, the Executive Board and the Supervisory Board are entitled to transfer more than 50% of the profit for the year to the other revenue reserves of Fraport AG, until half of the subscribed capital has been reached.

33 Minority interests

€ million	Dec. 31, 2004	Dec. 31, 2003
Minority interests in shareholders' equity (excluding the Group profit for the year)	10.2	10.6
Minority interests in the Group profit for the year	2.0	1.0
	12.2	**11.6**

The minority interests related to the interests in the shareholders' equity and earnings of Media, Saarbrücken Airport, GCS, Frankfurt-Hahn Airport, Hahn Campus, ARS and Fraport Peru as well as in the companies of the ICTS sub-group.

34 Deferred investment grants on items in non-current assets

€ million	Dec. 31, 2004	Dec. 31, 2003
Deferred investment grants on items in non-current assets	22.1	22.8

Involved are grants for capital expenditures from public authorities of € 12.2 million (previous year: € 12.5 million) and from other sources of € 9.9 million (previous year: € 10.3 million). The grants from public authorities relate in particular to capital expenditures at Frankfurt-Hahn Airport. The deferred investment grants are released in accordance with the straight-line method on the basis of the useful life of the assets for which the grants are made. The deferred investment grants include a short-term amount of € 2.0 million.

35 Provisions and accruals

Provisions for pensions and similar obligations

€ million	Jan. 1, 2004	Amount used	Service costs	Interest	Actuarial gains and losses	Dec. 31, 2004
Pension obligations	21.8	–1.1	1.5	1.1	1.3	24.6
Employee-financed pension benefits	0.2	–	0.1	–	0.6	0.9
	22.0	**–1.1**	**1.6**	**1.1**	**1.9**	**25.5**
Of which long-term:	20.9					24.3

€ million	Jan. 1, 2003	Amount used	Service costs	Interest	Actuarial gains and losses	Dec. 31, 2003
Pension obligations	20.1	–1.0	1.0	1.0	0.7	21.8
Employee-financed pension benefits	0.2	–0.1	0.2	–	–0.1	0.2
	20.3	**–1.1**	**1.2**	**1.0**	**0.6**	**22.0**

The pension obligations essentially include 17 vested rights relating to pension benefits promised in individual contracts to the members of the Fraport AG Executive Board and their dependants. 121 further pension rights (50 of them non-vested) are held by senior executives and employees not covered by collective agreements in connection with the Fraport AG company pension scheme.

The rules specified in IAS 19 are applied for valuation purposes. The pension commitments on December 31, 2004 have been calculated on the basis of actuarial reports of February 8, 2005 and November 24, 2004. The calculations are based on Professor Dr Klaus Heubeck's fundamental biometric data (RT 98).

There are commitments to employee-financed pension benefits of € 0.9 million for senior executives (12 vested rights) of Fraport AG. The calculation is based on an actuarial report of November 24, 2004.

Fraport AG is governed by civil service collective agreement law as a member of the Hessian association of local authority and municipal employers and is also a member of Zusatzversorgungskasse Wiesbaden (ZVK Wiesbaden) for local authorities and local authority associations, which is financed via contributions. Fraport AG therefore pays annual premiums to ZVK Wiesbaden for the old-age pensions of its employees.

The movements in the **tax liabilities** are as follows:

€ million	Jan. 1, 2004	Amount used	Amount released	Amount added	Dec. 31, 2004
Tax liabilities	173.5	–9.5	–1.1	32.3	195.2
Of which long-term:	136.7				151.7

The movements in the **other provisions and accruals** are shown in the following table.

€ million	Jan. 1, 2004	Amount used	Amount released	Amount added	Changes due to currency translation differences	Dec. 31, 2004
Personnel	111.4	–31.5	–3.0	42.4	0.0	119.3
Environment	17.1	–2.3	0.0	5.7	0.0	20.5
Others	130.3	–33.1	–2.6	67.4	–0.2	161.8
	258.8	**–66.9**	**–5.6**	**115.5**	**–0.2**	**301.6**
Of which long-term:	136.2					110.4

The personnel provisions and accruals contain obligations from the performance- and success-based compensation program LEA (which is the German abbreviation for "Performance – Success – Recognition"), arrangements for part-time early retirement and early retirement in connection with premature termination of the employment contracts, time credit balances in lifetime working time accounts and holiday entitlements still held by employees on the balance sheet date.

The environmental provisions and accruals have been formed essentially for probable restoration costs for the elimination of groundwater nitrate contamination on the Frankfurt Airport site as well as for environmental pollution in the southern section of the airport.

The other provisions and accruals include the provision of € 59.0 million formed in 2003 for the refinancing of the passive noise abatement program at Fraport AG (see note 28). Commitments for unpaid invoices, discounts and reimbursements, consultancy services and legal affairs are shown here too. The transfer to the other miscellaneous provisions and accruals includes interest of € 2.4 million.

36 Financial liabilities

€ million	Remaining term Up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2004	Remaining term Up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2003
Liabilities to banks	86.6	288.5	280.4	655.5	241.5	294.4	297.0	832.9
Others	–	–	5.2	5.2	5.1	–	–	5.1
	86.6	**288.5**	**285.6**	**660.7**	**246.6**	**294.4**	**297.0**	**838.0**

There are the following **main individual loans**:

Loans with a fixed interest rate

Term from–to	Currency	Interest rate %	On Dec. 31, 2004	On Dec. 31, 2003
1999–2011	€	4.72	25.6	25.6
1998–2010	€	4.83	35.8	35.8
1999–2009	€	4.61	25.6	25.6
1999–2028	€	4.15	31.7	33.0
1999–2028	€	5.10	31.7	33.0
1996–2006	€	6.80	25.6	25.6
1998–2008	€	4.60	25.6	25.6
1998–2008	€	4.57	25.6	25.6
1999–2009	€	4.56	25.6	25.6
1998–2008	€	4.60	38.3	38.3
1998–2008	€	4.60	25.6	25.6
2000–2007	US-$	7.11	23.1	29.7

The main loans with variable interest rates are at Fraport AG and had interest rates of between 2.750% and 2.815% on the balance sheet date.

The financial liabilities include **leasing liabilities** of € 12.9 million (see note 23). The following leasing payments are due on the basis of the leasing contracts:

€ million	Remaining term Up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2004
Leasing payments	3.1	9.7	1.8	14.6
Discounting amounts	0.1	1.2	0.4	1.7
Present values	3.0	8.5	1.4	12.9

The discounting rates are about 4.0%. The term of the contracts ends in 2011.

37 Trade accounts payable

€ million	Remaining term Up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2004	Remaining term Up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2003
To third parties	91.6	8.8	–	100.4	70.4	8.6	–	79.0

38 Other liabilities

€ million	Remaining term Up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2004	Remaining term Up to 1 year	1–5 years	> 5 years	Total Dec. 31, 2003
On-account payments for orders	0.3	–	–	0.3	0.1	–	–	0.1
To joint ventures	1.1	–	–	1.1	1.4	–	–	1.4
To associated companies	1.1	–	–	1.1	0.6	–	–	0.6
To investments	0.3	0.2	–	0.5	0.3	0.3	–	0.6
Other liabilities	88.6	13.8	–	102.4	82.7	14.9	–	97.6
	91.4	**14.0**	–	**105.4**	**85.1**	**15.2**	–	**100.3**

The other liabilities consist essentially of wage and church tax, social security contributions that have not been transferred yet, liabilities from deferred interest in connection with interest rate caps, negative fair values of derivatives and liabilities to company employees.

The liabilities from current taxes amount to € 28.2 million.

39 Deferred income

What is involved here is income attributable to future periods.

€ million	Dec. 31, 2004	Dec. 31, 2003
Advance payments of rent	13.8	15.4
Advance payments of ground rent/rental charges	21.7	23.9
Infrastructure contributions	15.0	10.6
Others	16.0	12.9
	66.5	**62.8**

Deferred income of € 57.6 million has a remaining term of more than one year.

40 Deferred tax liabilities

€ million	Dec. 31, 2004	Dec. 31, 2003
Deferred tax liabilities	129.8	147.5

Deferred tax liability items are included in accordance with the temporary concept stipulated in IAS 12. The tax rates that apply and/or have been decided and are known on the balance sheet date are applied. Further explanations about the deferred tax liabilities can be found in note 19 “Taxes on income”.

Most of the deferred tax liabilities have a remaining term of more than one year.

Explanatory notes about segment reporting

41 Explanatory notes about segment reporting

Segment reporting in accordance with IAS 14 is based on the internal reporting to the Executive Board of the parent company.

Following the decision taken by the Executive Board to continue development of the organizational structure of Fraport AG, the business divisions were reorganized at the beginning of 2004. The segment structure of the Group was adapted to the changes as well. Reports have been presented about the segments Aviation, Retail & Properties, Ground Handling and External Activities since January 1, 2004.

Corporate data at Fraport AG are divided up on the one hand into market-oriented business and service areas and on the other hand into central areas. All the business and service areas are allocated clearly to one segment each. An appropriate key is used for the central areas.

The data about the investments that are not integrated in the processes at the Frankfurt location and investments that carry out their business operations outside the Frankfurt location are allocated to the External Activities segment in primary reporting. The investments that are integrated in the processes at the Frankfurt location are allocated to the relevant segment according to their business operations.

Inter-segment income is generated essentially by Fraport AG's internal charging of rent for land, buildings and space as well as of maintenance services, information technology and energy/associated services. These assets are allocated to the Retail & Properties segment. The relevant units are charged on the basis of the costs incurred, including imputed interest.

Inter-segment income also states income that has been generated between the companies included from different segments.

The goodwill from consolidation of investments in subsidiaries and the appropriate depreciation and amortization charges have been allocated clearly to the segments on the basis of the new structure.

The reconciliation of the segment assets/segment liabilities column includes the income tax assets/liabilities (including the deferred tax assets/liabilities) of the Group.

Allocation in the secondary reporting format by regions is according to the current main areas of operation: Germany, the rest of Europe, Asia and the rest of the world. The figures shown under Asia relate mainly to Turkey and Hong Kong.

The figures shown under the rest of the world relate essentially to the USA and Peru.

The depreciation and amortization charges made in relation to the segment assets include impairment write-downs of goodwill and property, plant and equipment totalling € 20.5 million in accordance with IAS 36.

The goodwill write-downs of € 5.9 million were made in the External Activities segment. The write-downs of the property, plant and equipment of € 14.6 million were made in the Retail & Properties segment.

Calculation of EBITDA and the inclusion of foreign currency effects have been changed in the fiscal year (cf. also notes 5 and 18). The relevant data for 2003 have been adjusted to the new structure and the changes outlined. Further explanations about segment reporting can be found in the management report.

Explanatory notes about the consolidated cash flow statement

42 Explanatory notes about the consolidated cash flow statement

Net cash flow from operating activities

The net cash flow from operating activities (€ 519.4 million) is the balance of cash inflows of € 633.7 million (in the previous year: € 467.0 million) from operations and cash outflows of € 9.4 million (in the previous year: € 0.5 million) in financing activities and of € 104.9 million (in the previous year: € 19.3 million) for taxes on income. The net cash flow is therefore € 72.2 million higher in total.

Net cash flow used in investing activities/net cash flow used in financing activities

Capital expenditures on intangible assets and property, plant and equipment is € 16.3 million higher than in the previous year. The other financial investments relate essentially to a foreign currency fund (€ 10.0 million) as well as to several funds designed to provide bankruptcy protection for credit balances relating to time account models at Fraport AG (€ 20.7 million).

The net cash flow used in financing activities amounts to € 200.6 million, which is attributable primarily to the distribution of the dividend and the repayment of financial liabilities.

Long-term loans of about € 96.0 million and short-term money amounting to € 154.5 million were repaid in fiscal 2004. The inflow from the obtainment of new loans totals about € 83.4 million in the same period.

Cash and cash equivalents

The cash and cash equivalents consist of the cash, bank balances and checks items on the balance sheet. These funds come originally from the proceeds of the IPO. There are restrictions on the availability of € 4.0 million of the bank balances.

Miscellaneous notes

43 Contingent liabilities

There were contingent liabilities from guarantees of € 7.6 million (€ 6.1 million of which accounted for by joint ventures) and from warranty contracts of € 69.7 million on December 31, 2004. The latter consist essentially of contract fulfilment guarantees of € 47.9 million. The contract fulfilment guarantees include joint and several liability to the Hong Kong airport authority in connection with the Tradeport Hong Kong Limited investment project amounting to € 29.4 million, for which there is a recourse claim on the other guarantors of € 13.9 million. The original guarantee was reduced by € 49.8 million on March 17, 2004.

Antalya has issued a guarantee to DHMI (Turkish concession authority) about surrendering the terminal facilities when the concession expires in 2007 that amounts to 1% of the anticipated receipts plus the depreciation charges.

44 Other financial commitments

Order commitments

€ million	Dec. 31, 2004	Dec. 31, 2003
Orders for capital expenditures on property, plant and equipment, intangible assets and investment properties	402.5	243.7
Orders for energy supply	462.2	484.0
	864.7	**727.7**

Operating leases

€ million	Dec. 31, 2004	Dec. 31, 2003
Rental and leasing contracts > 1 year		
Due in the 1st subsequent year	39.4	71.0
Due in the 2nd subsequent year	37.9	43.3
Due in the 3rd subsequent year	36.8	42.2
Due in the 4th subsequent year	35.8	41.5
Due in the 5th subsequent year	34.5	40.8
Due from the 6th subsequent year onwards (total)	34.9	41.0
	219.3	**279.8**

In view of their economic content, the rental and leasing contracts concluded can be described essentially as operating lease contracts, so that the leased asset must be attributed to the lessor. What are mainly involved here are building rental contracts as well as the renting and leasing of software and hardware. The basic rental period in the rental contracts for building ends in 2007.

Miscellaneous commitments

There are further financial commitments at Frankfurt-Hahn Airport attributable to a possible subsequent purchase price payment of € 3.8 million to the Federal Republic of Germany in connection with a property purchase. The valuation on the balance sheet date in accordance with the contract led to the calculation of a subsequent purchase price payment of € 1.1 million, which is included in the trade accounts payable, so that the remaining potential financial commitments in this context now amount to only € 2.7 million. Further financial commitments relate to a possible contractual penalty of € 5.1 million due to the State of Rhineland-Palatinate if capital expenditures of at least € 61.0 million are not made and 1,000 permanent new jobs are not created by the end of 2005. It currently looks as though the conditions will probably be met.

In connection with the Manila project:

€ million	Dec. 31, 2004	Dec. 31, 2003
Capital contribution commitment/PIATCO (USD 40 million)	29.3	31.7
Conditional remaining purchase price payment/PAGS (USD 2.0 million)	1.5	1.6
	30.8	**33.3**

The above-mentioned capital contribution commitment of USD 40.0 million, which was promised in connection with the original long-term financing of July 27, 2001, could be demanded by PIATCO under certain conditions that Fraport cannot influence.

If this commitment has to be met, Fraport is working on the assumption that this payment commitment can be offset against existing claims from loans and accounts receivable if certain conditions are taken into account, so that no additional outflow of funds would be necessary.

45 Stock options

Resolution passed by the Annual General Meeting

The Fraport AG Annual General Meeting passed a resolution about the main points of a stock option plan on March 14, 2001. Members of the Executive Board of Fraport AG, directors of affiliated companies and further Fraport AG managers employed in Germany are granted stock options on the basis of this plan.

The authorization to issue a total volume of 1,395,000 subscription rights covers the period until August 31, 2005 and the rights are issued in annual tranches of no more than 25% of the total volume. The approval of the Supervisory Board is required before rights are issued. Every subscription right entitles the holder to subscribe one share representing € 10.00 of the capital stock.

Movements in the subscription rights issued:

	Total	Executive Board	Directors of affiliated companies	Fraport AG managers
Subscription rights already issued on January 1, 2004	654,400	246,000	51,250	357,150
Issued in 2004	218,650	82,000	22,750	113,900
Exercised in 2004	–130,600	–57,950	–15,000	–57,650
Expired in 2004	–86,350	–30,000	–4,250	–52,100
Subscription rights issued on December 31, 2004	**656,100**	**240,050**	**54,750**	**361,300**

In accordance with the above-mentioned resolution, the subscription rights can be satisfied either with shares issued on the basis of the restricted authorized capital from 2001 or with treasury shares or with shares bought from third parties.

New shares issued on the basis of the restricted authorized capital participate in the profits generated by the company from the beginning of the fiscal year for which the Annual General Meeting has not yet passed a resolution about the appropriation of retained earnings at the time when the subscription right is exercised.

The subscription rights can be exercised for the first time after a two-year vesting period has ended. The above-mentioned subscription rights were issued in fiscal 2004 effective April 17, 2004.

The condition for exercising the rights is that the final price of the Fraport share has exceeded the exercise price by at least 15.0% on at least five trading days after the end of the vesting period. The stock options can be exercised during a period of three years after the end of the vesting period.

The conditions for exercising the subscription rights from the 2nd tranche were met for the first time in the fiscal year when the vesting period ended on May 15, 2004 and the exercise price of € 29.49 was exceeded. 130,600 shares were issued for the exercise price of € 25.64 on the basis of the subscription rights exercised. 55,150 stock options from the 2nd tranche have not been exercised yet.

Personnel expenses of € 3.4 million (in the previous year: € 0.3 million) were incurred in connection with the stock option plan in the year under review (on the basis of APB 25). The subscription rights were valued with their intrinsic value.

The main general conditions for the tranches issued in the years 2001 to 2004 are summarized in the following table:

	Grant date	End of vesting period	End of exercise period	Exercise threshold in €	Exercise price in €
2001 tranche	June 11, 2001	June 11, 2003	June 11, 2006	36.28	31.54
2002 tranche	May 15, 2002	May 15, 2004	May 15, 2007	29.49	25.64
2003 tranche	May 16, 2003	May 16, 2005	May 16, 2008	21.49	18.69
2004 tranche	April 16, 2004	April 16, 2006	April 16, 2009	26.57	23.10

46 Notes about the existence of investments in accordance with German securities trading legislation

The total voting rights held by the State of Hesse, the Federal Republic of Germany and Stadtwerke Frankfurt am Main Holding GmbH in Fraport AG Frankfurt Airport Services Worldwide calculated in accordance with § 22 paragraph 2 of German securities trading legislation (WpHG) amount to 70.61%. The breakdown is as follows: State of Hesse 31.94%, the Federal Republic of Germany 18.27% and Stadtwerke Frankfurt am Main Holding GmbH 20.40%.

The voting rights in Fraport AG owned by Stadt Frankfurt am Main are held indirectly via the subsidiary Stadtwerke Frankfurt am Main Holding GmbH.

47 Derivative financial instruments

The derivative financial positions were as follows on the balance sheet date:

€ million	Nominal volume Dec. 31, 2004	Nominal volume Dec. 31, 2003	Fair value Dec. 31, 2004	Fair value Dec. 31, 2003	Credit risk Dec. 31, 2004	Credit risk Dec. 31, 2003
Interest rate swaps	296.4	165.4	–8.1	–5.9	–	0.4
CMS floors	50.0	0.0	2.1	0.0	2.1	–
Interest rate caps (beneficiary)	102.2	102.2	0.0	0.1	–	0.1
Interest rate caps (obligor)	102.2	102.2	0.0	–0.1	–	–

The fair values of the derivative financial instruments are shown as follows in the balance sheet:

€ million	Other assets Dec. 31, 2004	Other assets Dec. 31, 2003	Other liabilities Dec. 31, 2004	Other liabilities Dec. 31, 2003
Interest rate swaps – cash flow hedges	0.0	0.4	–5.7	–6.3
Interest rate swaps – trading	0.0	0.0	–2.4	0.0
CMS floor – trading	2.1	0.0	0.0	0.0
Interest rate caps (beneficiary) – trading	0.0	0.1	0.0	0.0
Interest rate caps (obligor) – trading	0.0	0.0	0.0	–0.1

Transactions with derivative financial instruments are carried out essentially by Fraport AG. They are not used for speculative purposes in accordance with the interest rate and foreign currency risk management rules.

There were fourteen interest rate swaps on the balance sheet date. Twelve of these contracts were concluded in 2004, one in 1996 and one in 2000. There are also two CMS floor contracts, which were also concluded in 2004.

The two interest rate swap contracts concluded in the previous years relate to existing loans. Eight of the twelve interest swap contracts signed in 2004 were concluded to hedge the current low interest rate for future capital requirements and thus to minimise the risk of changes in the interest rates in this area. The purpose of the other four interest rate swaps is to hedge existing loans.

A total of twelve interest rate swaps and forward interest rate swaps are treated as cash flow hedges in accordance with the rules of IAS 39. The changes in the fair values of these instruments are included in a sub-account of the shareholders' equity. Two forward interest rate swaps and two CMS floors also relate to capital requirements planned in future. They do not represent a valuation unit as defined by IAS 39 and are classified as "held for trading". All the changes in value relating to contracts classified in this way are included in income. The fair values of the interest rate swaps and CMS floors are included as other assets or other liabilities.

The fixed interest rates of the interest rate swaps that existed on December 31, 2004 vary between 3.8% and 6.7%. EURIBOR and LIBOR are the basis for the variable interest rates.

The interest rate swaps have a remaining term of between two and ten years. Interest rate swaps with a nominal value of € 56.4 million have a remaining term of less than five years, while the rest have a term of more than five years.

Regular reviews are made to check whether the interest rate swap contracts concluded are effective, which is the case.

Two interest rate caps from 1996 and 2001 were liquidated by buying two further interest rate caps (countertrades), because a funding requirement that was originally expected no longer exists. These derivative instruments neutralize each other completely in their effect on conclusion of the countertrade transactions.

A credit risk (contractor risk) arises from positive fair values of derivative transactions that have been concluded. The total of all the positive fair values of the derivatives also corresponds at the same time to the maximum default risk of these business transactions. In accordance with the interest rate and foreign currency risk management rules, derivative contracts are only concluded with banks that have an excellent credit standing, however, so that the default and contractor risk is minimized.

Hedging strategy and risk management

We cover interest rate and foreign currency risks by establishing naturally hedged positions, in which the values or flows of funds of original financial instruments offset each other in their timing and amount, and/or by hedging the business transactions via derivative financial instruments. The scope, responsibilities and controls for the use of derivatives are specified in binding internal guidelines. The existence of a risk that needs to be hedged is the precondition for the use of derivatives. There can only be open derivative positions in connection with hedging transactions in which the relevant basic business transaction is cancelled or is not carried out contrary to planning. Interest rate derivatives are used exclusively to optimize loan conditions and to restrict risks of changes in interest rates in the context of financing strategies with the same deadlines. Derivatives are not used for trading or speculation purposes. Within the framework of our interest rate and foreign currency policy, we used derivatives at the end of 2004 to hedge interest rate positions, in order to take advantage of the historically low level of interest rates on the market at the present time with respect to the capital requirement that is becoming apparent in the medium term. Following the commitment to these interest rate hedging positions, there is now the risk that the market interest rate level will continue to decrease and that the negative fair value of the interest rate hedging instruments will increase as a result. We consider this risk to be low, on the basis of the assumption of the majority of market players that interest rates will be increasing in the medium term. The potential losses accumulated in the meantime will be realized if the derivatives are closed and/or if the planned funding requirements do not materialize. Fraport does not think that there are any further interest rate and foreign currency risks that are worth mentioning at the present time.

48 Related party disclosures

According to IAS 24 (Related Party Disclosures), relationships to related companies and persons, which or who control the Fraport Group or are controlled by it, must be disclosed, unless they are already included in the consolidated financial statements of Fraport AG as consolidated companies. Control is exercised in this context if one stockholder owns more than half of the Fraport AG voting rights or is in a position to control the financial and business policy of the management of the Fraport Group thanks to provisions in the company statutes or contractual agreements. IAS 24 does not, however, stipulate disclosure in the financial statements of state-controlled enterprises about business transactions with other state-controlled enterprises.

The disclosure commitments made by IAS 24 also extend to include business transactions with associated companies as well as business transactions with persons who exercise a material influence on the financial and business policy of Fraport AG, including close relatives or intermediate companies. In fiscal 2004, the Fraport Group is affected by the disclosure commitments of IAS 24 with respect to the business relationships to joint ventures and associated companies, to the members of the Executive Board and Supervisory Board of Fraport AG and to the other members of the management in key positions.

All of the transactions between the Group companies and joint ventures and associated companies are attributable to the normal business operations of the companies involved in each case and were carried out under standard market conditions. The volume of the business relationships to joint ventures and associated companies is shown in the following table:

	Joint ventures		Associated companies	
€ million	2004	2003	2004	2003
Revenues	2.6	1.8	3.0	3.2
Purchased goods and services	5.4	5.2	30.0	29.4
Accounts receivable	0.2	0.2	1.8	1.8
Accounts payable	1.1	1.4	1.1	0.6

Information about relationships to members of the Executive Board and the Supervisory Board can be found in note 51.

49 Service concessions

The following companies in the Fraport Group have been granted service concessions or similar permits which give the public access to important economic and social facilities:

Fraport AG

In agreement with the German Minister of Transport, the Hessian Minister of Labour, Economics and Transport approved passenger transport operations at Frankfurt Airport in accordance with § 7 of the version of August 21, 1936 of the German Air Transport Law on December 20, 1957 and charged a non-recurring fee for this. The permit does not expire at any specific time.

The right to operate the airport is linked to various obligations that are specified in the permit. Fraport AG is required, among other things, to keep the airport in good operating condition at all times, to provide and maintain the equipment and signs needed to monitor and control air traffic at the airport and to guarantee the availability of fire protection systems that take account of the special operating conditions. In a supplement added on July 16, 1999, the restrictions on night flights that were made for the first time in 1971 as a supplement to the airport permit were increased and restrictions on the operation of “chapter 2 aircraft” at Frankfurt Airport for civil aviation purposes during the daytime were introduced. The operating permit was restricted and specified even more in a communication of April 26, 2001 to the effect that Fraport AG is required to take not only active but also passive noise abatement measures.

The company charges the airlines that fly to Frankfurt Airport what are known as “traffic fees” for provision of the transport infrastructure. These traffic fees are divided up into airport fees that require approval and other fees that do not require approval.

- A distinction has to be made in the airport fees that require approval in accordance with § 43 paragraph 1 of the German air transport authorization regulations (LuftVZO) between landing and takeoff fees, passenger and slot fees and (since November 1, 2002) fees to finance noise abatement measures. The size of the fees is specified in an appropriate fee table.

  The fee table applicable in 2004 and approved by the Hessian Ministry of Economics, Transport and Regional Development (HMWVL) was published in the Air Transport Bulletin (NfL) on November 13, 2003 and came into force on January 1, 2004. Fraport AG and the airlines concluded a “general agreement about airport fees” on April 30, 2002, in which the airport fees are for the first time specified on a longer-term basis until December 31, 2006. There is also a “public contract about the specification and adaptation of regulated airport fees” between the State of Hesse – represented by the HMWVL – and Fraport AG of October 29, 2002 that also applies until December 31, 2006. On the basis of economic developments and forecasts for the air transport industry, the airlines and Fraport AG concluded agreements on October 09 and 31, 2003 about the temporary reduction in the airport fees for 2004 and the temporary suspension of fees for refinancing the passive noise abatement program for 2003, both of which were approved by the HMWVL. The airport fees accounted for 30.8% of Fraport AG’s revenues in the year under review.

- A distinction has to be made in the other fees that do not require approval between fees for central ground handling service infrastructure facilities and fees for ground handling services. In accordance with EU regulations, ground services on the apron were opened up to competition on November 1, 1999 (opened up in practise on April 15, 2000) by issuing a permit to another external ground handling company alongside Fraport AG. There continues to be no competition (monopoly) where the services in the area of the central ground handling service infrastructure facilities are concerned. 35.7% of the revenues generated by Fraport AG in 2004 were accounted for by ground handling service and infrastructure fees.

Above and beyond the traffic fees, Fraport AG generates revenues essentially via revenue-based payments, renting, parking and security services. The proceeds of these operations – which do not require approval – accounted for 33.5% of Fraport AG’s total revenues in the year under review.

Flughafen Frankfurt-Hahn GmbH
Flughafen Frankfurt-Hahn GmbH received approval to share use of the Hahn military airfield for civil aviation purposes in accordance with the relevant German aviation legislation on July 14, 1993 (with subsequent amendments). The permit was issued by the Ministry of Economics and Transport of the State of Rhineland-Palatinate. The permit does not expire at any specific time. The company was in particular required to take passive noise abatement measures.

The fee table on which the business operations at Frankfurt-Hahn Airport are based came into force on November 1, 2001. Approval to charge landing, takeoff, passenger and slot fees (airport fees) was issued by the Rhineland-Palatinate state road and transport authorities/air transport department in accordance with § 43 paragraph 1 of the German air transport authorization regulations (LuftVZO).

The airport fees accounted for 24.9% of the revenues generated in the fiscal year.

Revenues from ground handling services and provision of the infrastructure (13.7%) represented another part of the traffic fees for which no approval is required.

Apart from the traffic fees, other revenues are generated – mainly in rent and for security services – that make up 61.4% of the revenues.

Antalya Havalimanı Uluslararası Terminal işletmeciliği A.Ş.

The international terminal at Antalya Airport is a BOT project (build, operate, transfer) that is based on a concession contract with the Turkish concession authorities DHMI. According to this contract, Antalya has the right to use all the assets listed in the concession contract in order to be able to operate the terminal up to July 31, 2007.

Antalya is obliged in this context to provide the terminal services in compliance with the international standards as well as the procedures and principles specified in the concession contract. With respect to the assets provided for use, Antalya is committed to carrying out maintenance and (major) repair work and to replace the assets by new ones when their useful life is over.

The company generates revenues not only from passenger fees but also in connection with retail outlets. The size of the passenger fees is specified by DHMI. Depending on the number of passengers, up to two thirds of the passenger fees have to passed on to DHMI as regular concession charges. A charge of about one third is made on a certain part of the proceeds of the retail operations too. If the passenger figures do not reach a guaranteed minimum level of about 2 million per year, DHMI reimburses the company appropriate compensation on the basis of the current passenger fee in USD.

When the term of the contract ends, Antalya is required to return all the assets specified in the concession contract to DHMI in a proper, fully operative condition.

The concession contract specifies that Antalya has to issue an annual guarantee to DHMI for 1% of the revenues anticipated in the year in question, with reimbursement to Antalya one month after the complete surrender of the terminal facilities. Antalya is also obliged to give DHMI a guarantee covering the annual depreciation charge every year. Antalya is required to make payments to DHMI equivalent to the non-renewed production costs when the terminal is surrendered.

50 Statement issued by the Executive Board and the Supervisory Board of Fraport AG in accordance with § 161 of the AktG

On December 13, 2004, the Executive Board and the Supervisory Board of Fraport AG issued the conformity statement about the Corporate Governance Code that is specified in accordance with § 161 of the AktG and made it available to the public on a permanent basis on the company website.

51 Notes about the Executive Board and the Supervisory Board

The compensation paid to the members of the Executive Board consists not only of a fixed salary component but also of a variable performance-based component (bonus). The criteria for payment of the bonus are the achievement of the Group revenue target and the EBITDA (earnings before interest, tax, depreciation and amortization). Stock options that act as a long-term incentive are granted in addition to the bonus within the framework of the stock option plan (MSOP, cf. the information provided in note 45).

The expenses for the active members of the Executive Board in fiscal 2004 amounted to € 2,855,000. The fixed salary component accounted for € 1,330,000 of this, while the bonus (payments and changes in provisions and accruals) totalled € 1,387,100. The bonus payments include remaining payments for fiscal 2003, which were made in the form of Fraport shares, as well as downpayments for fiscal 2004. Amounts from the provision formed for fiscal 2003, which have been released because they were not paid, are included in the change in the provision. The Supervisory Board decides about the final size of the bonus for 2004 in fiscal 2005. Stock options were issued to the Executive Board as well. This led to expenses of € 1.3 million according to valuation on the basis of APB 25.

The individual members of the Executive Board received the following amounts and/or the following number of stock options in the year under review:

Compensation paid to the Executive Board 2004	Fixed payment (€ '000)	Bonus payment (€ '000)	Change in the bonus provision (€ '000)	Total (€ '000)	Stock options (number)
Dr Wilhelm Bender Chairman	350.0	181.8	163.5	695.3	20,000
Professor Manfred Schölch Vice Chairman	300.0	153.9	146.1	600.0	17,000
Professor Barbara Jakubeit	195.0	104.2	85.5	384.7	15,000
Herbert Mai	185.0	98.8	81.3	365.1	15,000
Dr Stefan Schulte	300.0	200.0	172.0	672.0	15,000
Total	**1,330.0**	**738.7**	**648.4**	**2,717.1**	**82,000**

The members of the Executive Board received benefits in kind and other contractually agreed fringe benefits totalling € 137,900 in addition to this compensation.

There are future pension obligations of € 8,441,600 too. A total provision of € 13,957,800 has been formed to cover pension obligations to former members of the Executive Board and their dependants. Pension payments amounted to € 1,414,400 in 2004.

The transactions carried out by the members of the Executive Board, their spouses and their first-degree relatives in 2004 with Fraport AG shares and options were published in accordance with § 15a of the WpHG.

The compensation paid to the Supervisory Board was specified by the Annual General Meeting on the basis of § 12 of the Fraport AG company statutes. Every member of the Supervisory Board receives € 15,000 per complete meeting year and the Chairman receives twice this amount, while the Vice Chairman and the Committee Chairmen receive one-and-a-half times this amount. € 200 are also paid to each member per meeting and any expenses incurred are reimbursed (note 53).

52 Executive Board

Members of the Executive Board	Membership of mandatory supervisory boards and comparable control bodies
Dr Wilhelm Bender Chairman	Chairman of the Supervisory Board: – Flughafen Hannover-Langenhagen GmbH Member of the Supervisory Board: – Lufthansa CityLine GmbH – NOVA Allgemeine Versicherung AG – Thyssen Krupp Services AG – Techem AG
Professor Manfred Schölch Vice Chairman *Infrastructure and legal affairs*	Chairman of the Supervisory Board: – Flughafen Frankfurt-Hahn GmbH Vice Chairman of the Supervisory Board: – Deutsche VerkehrsBank AG
Professor Barbara Jakubeit *Real estate development*	
Herbert Mai *Labor relations*	Chairman of the Supervisory Board: – Fraport Cargo Services GmbH (FCS) Member of the Supervisory Board: – FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH
Dr Stefan Schulte *Finance*	Chairman of the Supervisory Board: – FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH – ICTS Europe Holdings B.V. Member of the Supervisory Board: – DELVAG Luftfahrtversicherungs AG – DELVAG Rückversicherungs AG – Flughafen Frankfurt-Hahn GmbH Vice member of the Administrative Board: – Landesbank Hessen-Thüringen Girozentrale Member of corporate control bodies: – Shanghai Frankfurt Airport Consulting Services Co., Ltd. (Vice Chairman of the Board of Directors)

53 Supervisory Board

Members of the Supervisory Board	Membership of mandatory supervisory boards and comparable control bodies
Chairman **Karlheinz Weimar** Minister of Finance of the State of Hesse (Compensation in 2004: € 32,200)	Chairman of the Supervisory Board: – Flughafen Kassel GmbH – Freilichtmuseum Hessenpark GmbH (until May 31, 2004) – Lotterie-Treuhandgesellschaft mbH Hessen Vice Chairman of the Administrative Board: – Landesbank Hessen-Thüringen Girozentrale Member of the Supervisory Board: – FIZ Frankfurter Innovationszentrum Biotechnologie GmbH – Future Capital AG – Investitionsbank Hessen AG – Messe Frankfurt GmbH – Fraport Cargo Services GmbH (FCS) – GWH Gem. Wohnungsges. Hessen mbH Advisory Board with the assignments of a Supervisory Board: – Höchster Porzellan-Manufaktur GmbH
Vice Chairman **Gerold Schaub** Vice Chairman ver.di Hesse (Compensation in 2004: € 25,900)	Member of the Supervisory Board: – Lufthansa Systems Group GmbH, Kelsterbach
Dr Manfred Bischoff Chairman of the Board EADS N.V. aerospace delegate of DaimlerChrysler AG (Compensation in 2004: € 16,400)	Chairman of the Supervisory Board: – DaimlerChrysler Aerospace AG (Group position) – DaimlerChrysler Luft- und Raumfahrt Holding AG (Group position) Member of the Supervisory Board: – Gerling Konzern Versicherungs-Beteiligungs-AG – J. M. Voith AG – Bayerische Hypo- und Vereinsbank AG Member of corporate control bodies: – Royal KPN N. V. – Lagardère-Sociétés S. A. – EADS Participations B. V. (Group position) – European Aeronautic Defence and Space Company EADS N. V. (Chairman of the Board) – Nortel Networks Corporation and Nortel Networks Limited
Jörg-Uwe Hahn FDP floor leader in the Hessian State Parliament Member of the State Parliament (Compensation in 2004: € 26,100)	Member of the Supervisory Board: – Flughafen Frankfurt-Hahn GmbH – TaunusFilm GmbH Member of the Broadcasting Corporation Board: – Hessischer Rundfunk
Dr Joachim von Harbou President of the Chamber of Commerce and Industry, Frankfurt am Main (from November 4, 2004) (Compensation in 2004: € 2,900)	Chairman of the Supervisory Board: – Eurohypo AG, Eschborn – equinet Corporate Finance AG, Frankfurt Member of the Supervisory Board: – Nestlé Deutschland AG – RÜTGERS AG, Essen – Giessen University Hospital – FIZ Frankfurter Innovationszentrum Biotechnologie GmbH – TechnologieStiftung Hessen GmbH – Städtische Bühnen Frankfurt am Main GmbH Chairman of the Advisory Board: – Hebel Projektbau GmbH & Co. KG, Alzenau – Viessmann Werke, Allendorf (Eder) Member of the Advisory Board: – Corpus Immobiliengruppe GmbH & Co. KG, Cologne Member of the Broadcasting Corporation Board: – Hessischer Rundfunk

Lothar Herbst Chairman of the ver.di District/ Frankfurt and Region (Compensation in 2004: € 17,200)	Vice Chairman of the Supervisory Board: – Stadtwerke Frankfurt am Main Holding GmbH Member of the Supervisory Board: – Mainova AG – Stadtwerke Verkehrsgesellschaft Frankfurt am Main mbH
Helmut Hofmann Member of the Works council (Compensation in 2004: € 18,000)	
Lothar Klemm Former Hessian Government Minister Member of the State Parliament (Compensation in 2004: € 16,800)	Chairman of the Supervisory Board: – MANIA Technologie AG – Zentrum für integrierte Verkehrssysteme ZIV GmbH
Zafer Memisoglu Member of the Works council (Compensation in 2004: € 17,800)	Member of the Supervisory Board: – Gesellschaft für Cleaning Service mbH & Co Airport Frankfurt/Main KG
Professor Karel Van Miert Former President Nyenrode University Former Vice President of the European Commission (until August 3, 2004) (Compensation in 2004: € 9,150)	Member of the Supervisory Board: – RWE AG – Münchener Rückversicherungs-Gesellschaft Member of corporate control bodies: – De Persgroep (Belgium) – Royal Philips Electronics N.V. (Netherlands) – Agfa-Gevaert N.V. (Belgium) – Anglo American plc (Great Britain) – Vivendi Universal Member of the Advisory Board: – Guidant Europe N.V. (Belgium) – Eli Lilly Holdings Ltd. (USA) – Goldmann Sachs International (Great Britain)
Ralf Nagel State secretary at the German Ministry of Transport, Building and Housing (Compensation in 2004: € 17,800)	Member of the Supervisory Board: – Deutsche Bahn AG – Chairman of the Advisory Board of DFS, Deutsche Flugsicherung GmbH (from January 2004)
Gabriele Rieken Member of the Works council (from March 5, 2004) (Compensation in 2004: € 15,100)	
Harald Rose Representative of the ver.di union (Compensation in 2004: € 17,800)	Vice Chairman of the Supervisory Board: – FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH
Petra Rossbrey IFM Senior Vice President (Compensation in 2004: € 17,400)	

Petra Roth Lord Mayor of Frankfurt am Main (Compensation in 2004: € 18,000)	Chairwoman of the Supervisory Board: – Frankfurter Aufbau AG – Mainova AG – ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH – Messe Frankfurt GmbH – Stadtwerke Frankfurt am Main Holding GmbH – Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH Member of corporate control bodies: – Alte Oper Frankfurt Konzert- und Kongresszentrum GmbH – Gas-Union GmbH – Rhein-Main-Verkehrsverbund GmbH – Wirtschaftsförderung Frankfurt – Frankfurt Economic Development-GmbH – FIZ Frankfurter Innovationszentrum Biotechnologie GmbH – Städtische Bühnen Frankfurt am Main GmbH (from June 30, 2004) – Frankfurter Sparkasse (until June 1, 2004) – Landesbank Hessen-Thüringen Girozentrale – Nassauische Sparkasse – Ruhrgas AG – THÜGA AG – Advisory Council of ING Group (Netherlands)
Werner Schmidt Project Manager (Compensation in 2004: € 17,600)	Member of the Supervisory Board: – SMW Abwasser GmbH – Member of the Association Council Riedwerke Kreis Groß-Gerau
Dr Jürgen Siewert Assistant State Secretary (Compensation in 2004: € 18,000)	Member of the Supervisory Board: – T-Systems International GmbH – Flughafen Berlin-Schönefeld GmbH Member of the Administrative Board: – Federal German Post and Telecommunications Agency/Deutsche Bundespost
Edgar Stejskal Chairman of the Group works council (Compensation in 2004: € 17,800)	Member of the Supervisory Board: – Airmail Center Frankfurt GmbH
Christian Strenger (Compensation in 2004: € 20,950)	Chairman of the Supervisory Board: – The Germany Funds (USA) Member of the Supervisory Board: – DWS Investment GmbH – Incepta plc (Great Britain)
Achim Vandreike Mayor of Frankfurt am Main (Compensation in 2004: € 18,200)	Member of the Supervisory Board: – ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH – Messe Frankfurt GmbH – Frankfurter Aufbau AG – Eintracht Frankfurt Fußball AG Member of corporate control bodies: – Bäder-Betriebe Frankfurt GmbH – Waldstadion Frankfurt am Main Gesellschaft für Projektentwicklungen mbH – Stadion GmbH – Wirtschaftsförderung Frankfurt – Frankfurt Economic Development-GmbH – Nassauische Heimstätte Wohnungsbau- und Entwicklungsgesellschaft mbH (shareholders to pass the resolution in December 2004)
Peter Wichtel Chairman of the Works council (Compensation in 2004: € 25,500)	

Significant subsidiary companies, joint ventures and associated companies

		Place of Incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenues € '000	Average number of employees
Subsidiary companies								
Germany								
Airport Assekuranz Vermittlungs-GmbH	AAV	Frankfurt a. M.	2004	100.00	365	313	1,918	8
			2003	100.00	310	258	1,725	8
Airport Cater Service GmbH	ACS	Frankfurt a. M.	2004	100.00	26	0	16,778	124
			2003	100.00	26	0	16,935	128
Airport Retail Solutions GmbH	ARS	Frankfurt a. M.	2004 [1]	51.00	–8	0	0	0
			2003	51.00	–8	–459	786	9
AirIT Airport IT Services Hahn AG	AirIT Hahn	Lautzenhausen	2004	100.00	717	127	1,616	9
			2003	100.00	590	45	1,373	9
APS Airport Personal Services GmbH	APS	Frankfurt a. M.	2004	100.00	944	399	15,358	519
			2003	100.00	550	0	0	0
Energy Air GmbH	Energy Air	Frankfurt a. M.	2004	100.00	2,035	1,983	73,365	0
			2003	100.00	1,583	1,531	71,475	0
Flughafen Frankfurt-Hahn GmbH	Flughafen Frankfurt-Hahn	Lautzenhausen	2004 [2]	73.07	31,823	–16,589	29,564	275
			2003 [2]	73.07	31,614	–18,161	22,574	265
Flughafen Saarbrücken Betriebsgesellschaft mbH	Flughafen Saarbrücken	Saarbrücken	2004	51.00	937	208	9,653	147
			2003	51.00	729	6	9,611	157
Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG	GCS	Frankfurt a. M.	2004	40.00	2,431	1,406	23,633	611
			2003	40.00	2,401	1,376	23,427	631
Hahn Campus Management GmbH	Hahn Campus	Lautzenhausen	2004	73.07	25	0	460	7
			2003	73.07	26	0	462	7
Media Frankfurt GmbH	Media	Frankfurt a. M.	2004	51.00	1,565	940	20,874	24
			2003	51.00	1,391	765	18,182	24
Verwaltungsgesellschaft für Cleaning Service mbH	VCS	Frankfurt a. M.	2004	100.00	31	–2	234	1
			2003	100.00	33	–2	199	1
Fraport Cargo Services GmbH (formerly Tradeport Frankfurt GmbH)	FCS	Frankfurt a. M.	2004	100.00	7,441	6,265	26,480	98
			2003	100.00	–5,046	643	15,641	474

[1] Inactive.
[2] IFRS-results before consolidation.

		Place of Incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenues € '000	Average number of employees
Subsidiary companies								
Rest of Europe								
ICTS Europe Holdings B.V.,	ICTS	The Netherlands	2004	100.00	34,798	12,664	301,426	9,578
Amstelveen (sub-group)			2003	100.00	21,947	9,494	251,321	8,583
22 subsidiaries and 1 joint venture, in which Fraport AG has an indirect interest, are included in the ICTS sub-group financial statements, including but not limited to:								
FIS Flug- und Industriesicherheit Services- und Beratungs-GmbH, Kelsterbach	*FIS*	*Germany*						
ICTS (UK) Limited, London	*ICTS UK*	*Great Britain*						
ICTS France S. A., Paris	*ICTS France*	*France*						
VAS Flughafen Bodenverkehrs-	VAS	Austria	2004 [3]	100.00	1,369	259	10,297	169
dienste GmbH, Wien			2003	100.00	1,111	–277	10,165	169
Flughafen Frankfurt Main (Greece)	Hellas	Greece	2004	100.00	134	–26	357	0
Monoprosopi EPE, Athen			2003	100.00	270	111	600	0
America								
Air-Transport IT Services, Inc.,	Air-Transport IT	USA	2004 [4]	100.00	–2,026	–4,713	5,377	41
Delaware			2003 [4]	100.00	2,520	–2,476	14,337	41
Decision Support Technologies,	DST	USA	2004 [4]	100.00	–	–	–	–
Inc., Florida			2003 [4]	100.00	–	–	–	–
Fraport Peru S. A. C., Lima	Fraport Peru	Peru	2004	99.99	198	208	1,625	5
			2003	99.99	175	182	1,926	5
Fraport Ground Services USA Inc., Jacksonville	Jacksonville	USA	2004	100.00	285	–49	0	0
Asia								
Fraport (Philippines)	Fraport	Philippines	2004	99.99	–2,471	n. a.	0	0
Services Inc., Manila	Philippines		2003	99.99	–2,712	–3,061	0	2
Joint ventures								
Germany								
AirIT International GmbH	AirIT	Frankfurt a. M.	2004	50.00	413	–208	2,112	2
	International		2003	50.00	981	450	4,049	2
AirITSystems Hannover GmbH	AirIT Hannover	Hanover	2004	50.00	2,660	612	10,462	53
			2003	50.00	2,397	349	9,257	47
FSG Flughafen-Service GmbH	FSG	Frankfurt a. M.	2004	33.33	229	65	3,902	0
			2003	33.33	164	89	3,940	0
Medical Airport Service GmbH	MAS	Kelsterbach	2004	50.00	1,078	356	4,497	52
			2003	50.00	812	317	4,221	94
NICE Aircraft Services & Support GmbH	NICE	Frankfurt a. M.	2004	52.00	7,585	2,047	13,274	10
			2003	52.00	5,791	1,251	10,178	11

n. a. = not available

[3] Company name changed to Fraport Ground Services Austria GmbH on January 1, 2005.

[4] Consolidated financial statement Air-Transport and DST. [5] Established in 2004.

		Place of Incorporation		Share of capital %	Shareholders' equity € '000	Profit after tax € '000	Revenues € '000	Average number of employees
Joint ventures								
Rest of Europe								
S. A. TCR International N.V.,	TCR	Belgium	2004	50.00	7,821	1,183	39,704	219
Brüssel (sub-group)			2003	50.00	6,770	289	33,020	202
7 wholly-owned subsidiaries of TCR are included in the TCR sub-group, in which Fraport AG indirectly holds 50%.								
Asia								
Antalya Havalimanı Uluslararası Terminal	Antalya	Turkey	2004	50.00	71,645	31,684	124,039	389
işletmeciliği Anonim Şirketi, Istanbul			2003	50.00	68,071	37,823	94,478	373
Pantares Tradeport Asia Ltd., Hong Kong	Pantares	China	2004	50.00	6,646	–240	0	0
	Tradeport		2003	50.00	5,987	–190	0	0
Shanghai Frankfurt Airport Consulting Service Co. Ltd., Sanghai	Shanghai	China	2004 [5]	50.00	91	–7	0	0
Associated companies								
Germany								
Airmail Center Frankfurt GmbH	ACF	Frankfurt a. M.	2004	40.00	1,284	460	15,665	25
			2003	40.00	824	426	15,749	26
ASG Airport Service Gesellschaft mbH	ASG	Frankfurt a. M.	2004	49.00	3,182	2,668	31,140	775
			2003	49.00	2,099	1,585	28,271	764
Flughafen Hannover-	Flughafen	Hanover	2004	30.00	84,493	2,692	128,967	673
Langenhagen GmbH	Hannover		2003	30.00	81,801	1,530	126,860	686
Grundstücksgesellschaft Gateway Gardens GmbH	Gateway Gardens	Frankfurt a. M.	2004 [5]	25.00	75	0	0	0
Rest of Europe								
Portway-Handling de Portugal, S.A.,	Portway	Portugal	2004	40.00	5,001	–1,332	18,542	589
Lissabon			2003	40.00	3,304	–4,502	18,704	630
America								
Lima Airport Partners S.R.L., Lima	LAP	Peru	2004	42.75	36,236	4,314	60,753	262
			2003	42.75	35,072	7,044	61,619	270

[5] Established in 2004.

Frankfurt am Main, February 28, 2005

Fraport AG
Frankfurt Airport Services Worldwide
The Executive Board

Dr Bender **Professor Schölch** **Professor Jakubeit** **Mai** **Dr Schulte**

Independent auditor's report
(Translation of the original German version)

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the consolidated financial statements, prepared by Fraport AG Frankfurt Airport Service Worldwide, Frankfurt am Main, for the business year from January 1, 2004, to December 31, 2004. The preparation and the content of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on whether the consolidated financial statements are in accordance with IFRS based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing requirements and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of our audit. The audit also includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IFRS.

Our audit, which also extends to the group management report prepared by the Board of Managing Directors for the business year from January 1, 2004, to December 31, 2004, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1, 2004, to December 31, 2004, satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

Frankfurt am Main, February 28, 2005

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wagner	p.p. Resch
German Public Auditor	German Public Auditor

Report of the Supervisory Board

During fiscal 2004, the Supervisory Board carried out the functions assigned to it in accordance with the law and company statutes. It supervised the Executive Board's conduct of business and regularly advised the Executive Board on its management of the company. The Supervisory Board was directly involved with all decisions of fundamental importance for the company. The Supervisory Board regularly received prompt and comprehensive reports from the Executive Board, both written and oral, keeping it informed of developments relevant to the company in terms of planning, business development, risk situation and risk management. The Executive Board agreed the strategic alignment of the company with the Supervisory Board. Any deviations to the course of business detailed in the plans and objectives were explained to the Supervisory Board and the reasons indicated. In addition, the chairman of the Executive Board was in regular contact with the chairman of the Supervisory Board and kept him informed of current developments in the financial position and relating to important transactions. Where required by law, the statutes or terms of reference, the Supervisory Board approved relevant proposals from the Executive Board after a thorough examination and consultation process.

In fiscal 2004, the Supervisory Board met for a total of eight meetings. All members of the Supervisory Board took part in at least half of the Supervisory Board's meetings.

Principle focus of attention of the Supervisory Board

The discussion relating to the development of Frankfurt Airport was dominated by the various construction and expansion projects and by the situation of the company in a changing market environment. In addition to discussion at six meetings of the Supervisory Board on these issues, the Supervisory Board also held a strategy seminar in June and December of 2004.

The discussion initially focused on the projected timeframe for the planned expansion of the runway system in Frankfurt. According to the new schedule, the zoning decision is expected for the year 2007. This permits a completion of the northwest runway at the earliest in 2009. The new schedule was necessary in order to pursue the procedure with maximum due care. The Supervisory Board and all the other parties involved agreed that thoroughness and legal certainty should take precedence over speed. Given the background to the situation, the Supervisory Board welcomed the decision by the Darmstadt regional district confirming the completeness of the zoning application in November 2004. It was then possible to forward appropriate numbers of these documents to the conducting authority for disclosure in 57 municipalities and a total of 327 authorities at the start of 2005.

The zoning decision for the construction of Lufthansa's A380 hangar, issued on 26 November 2004, was also positively received. The Supervisory Board devoted intensive discussions to the construction issues and economic challenges facing the company in conjunction with positioning of the Airbus A380 at the existing terminals in Frankfurt.

Acquisition of the so-called Caltex and Aventis sites was expressly welcomed by the Supervisory Board, since this offers Fraport the opportunity to also market attractive sites in the north of the airport area for developments in airport related businesses.

Against the backdrop of these planning ventures and other challenges in the areas of security, modernizing retail areas and fire protection, the Supervisory Board also gathered information on optimizing the workflows associated with the construction program.

The Supervisory Board was also involved in intensive discussions on the best approach Fraport could take to meet the general challenges of the aviation industry. It is becoming increasingly obvious that competition at Frankfurt Airport is also becoming fiercer. In the light of these developments, strong downward pressure on prices is anticipated in some segments. The main priority here is to develop an appropriate response and improve the cost situation. The Supervisory Board noticed that this would also involve action to bring about improvements in the staff cost ratio.

The current business mission pursued by Fraport has a time horizon until 2005 only. There was a general acceptance that the mission statement would have to be revised in light of the challenges referred to above, the enhanced status of security and the ongoing adaptation of the company to changing market circumstances. The Executive and Supervisory Boards discussed a new vision for the future direction of the company and adapted the group goals to these changed requirements. Details of the vision and strategy are outlined on pages 56/57 or in the Internet on www.fraport.com.

The Supervisory Board also devoted time to discussion of the demands of the capital market relating to the dividend performance of Fraport. The Supervisory Board discussed the intention now implemented of facilitating a dividend payout ratio for the 2004 annual statement within the range of 45 to 50 percent with reference to the Group profit.

With regard to the current Management Stock Option Plan 2001, the Supervisory Board resolved at its December meeting to remunerate the claims of the participants in the now exercisable 2002 tranche from restricted authorized capital.

In the area of shareholdings, the Supervisory Board agreed at the beginning of the year to accept the state of Hesse as a shareholder of Flughafen Frankfurt-Hahn GmbH. This consent paved the way for approval by the Annual General Meeting on June 2, 2004 to change the relevant company contract.

On the issue of the project in Manila, the Supervisory Board continued to provide support for the efforts being made both in court and out of court to persuade the government of the Philippines to make proper arrangements to provide compensation for the investments made in connection with construction of Terminal 3 at Manila Airport. The Manila exposure was also discussed at all the regular meetings of the Supervisory Board. In relation to the ICSID[1] arbitration proceedings at the World Bank in Washington, the Supervisory Board received a report during the September meeting from the American legal advisers commissioned by Fraport. The report communicated the ongoing procedural stages and provided information on the prospects for success.

Following in-depth discussion, the Supervisory Board resolved at the December meeting to establish a joint-venture company with an external partner for purposes of operating the Fraport computer center and hence outsource the corresponding services.

Work of the committees

In fiscal 2004, the Supervisory Board formed five committees to increase the efficiency of the work of the Supervisory Board and to prepare for Supervisory Board meetings. The scope of the competencies for the committees changed compared with previous years because the responsibility for capital expenditures was transferred from the former Finance, Capital Expenditure and Audit Committee to the former Investments Committee. In individual cases, the decision-making power of the Supervisory Board has been transferred to the committees. The chairs of the committees reported regularly on the work of the committees at the subsequent Supervisory Board meeting.

The presidential committee met twice during the reporting period and addressed a number of issues including the matters relating to the Executive Board that had arisen during the course of the past year, in particular, matters relating to the performance-related elements of the remuneration and the issue of successors or contractual extension when contracts held by members of the Executive Board expired. Against the background of increasing pressure on costs, a number of decisions were taken in this context, including the decision to reduce the size of the Executive Board to four members and not to renew the contract of Professor Jakubeit which is due to expire by fall 2005.

The finance and audit committee met four times during the reporting period and concerned itself with the annual and consolidated financial statements, the proposal for appropriation of profit and level of dividend, risk management and – as required by the German Corporate Governance Code – the necessary independence of the auditor. In addition, this committee also discussed the definition of the focuses

[1] International Centre for Settlement of Investment Disputes.

to be adopted in the audit. It further commented on the 2005 business plan of Fraport AG (drawn up in accordance with HGB) and the 2005 Group plan (drawn up in accordance with IFRS).

The investments and capital expenditure committee met five times and discussed the business performance of existing affiliates and reviewed the continuation and composition of the investment portfolio of Fraport AG. In this connection, it approved a shareholding by the company in the AlRail consortium pursuing construction on top of the long-distance railway station. The committee also commented on the capital expenditure plan in the context of the business plan for 2005.

The human resources committee met four times in the period under review. In order to prepare resolutions in the area of human resources, the committee considered the development of staffing levels, fundamental questions relating to legislation on collective pay agreements, payment systems and the employee investment plan as well as questions relating to health provision and company pensions.

In fiscal 2004, it was not necessary to convene the mediation committee formed in line with the regulations of the co-determination act.

Corporate Governance and statement of compliance

At the meeting on 22 September 2004, the Supervisory Board resolved largely to harmonize the content, language and structure of the Fraport Corporate Governance Code to conform with the German Corporate Governance Code in the version valid from May 21, 2003, with the aim of enhancing transparency and ease of comparison.

The Statement of Compliance relating to the German Corporate Governance Code required pursuant to § 161 AktG were submitted by the Executive Board and Supervisory Board.

In this connection, the Supervisory Board expressly welcomed the readiness of the Executive Board to replace the current Management Stock Options Plan 2001 as early as 2005 with a more ambitious plan that would meet the requirements of the German Corporate Governance Code in full. This will be submitted to the Annual General Meeting for approval in 2005.

Further details on corporate governance at Fraport and the wording of the latest Statement of Compliance may be found on page 51. The Fraport Corporate Governance Code and the Statement of Compliance for 2005 can also be accessed on the Internet on www.fraport.com.

Annual and consolidated financial statements

PwC Deutsche Revision Aktiengesellschaft - Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Fraport AG, the consolidated annual financial statements, the management report and the Group management report, for the year ended December 31, 2004, and issued the statutory unqualified auditors' certificate.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and were examined by the auditor. The auditor has confirmed that the consolidated financial statements and Group management report meet the necessary requirements for being exempt from making annual financial statements according to German law. The auditor has also confirmed that the Executive Board has introduced an efficient risk management system in accordance with the statutory regulations.

The Executive Board promptly dispatched to the Supervisory Board these documents and the Executive Board's proposal for appropriation of the profits. The finance and audit committee of the Supervisory Board studied these documents intensively; the Supervisory Board itself also examined these documents. The audit reports from PwC were made available to all members of the Supervisory Board and were discussed in detail at the audit meeting of the Supervisory Board in the presence of the auditor, who reported on the key findings of his audit. The Supervisory Board agreed with the findings of the audit. No objections were raised at the subsequent review of the audit by the finance and audit committee and the Supervisory

Board's own assessment. The Supervisory Board approved the resolutions made by the Executive Board, and the annual financial statements have thus been approved.

The Supervisory Board agreed with the proposal of the Executive Board to use the retained earnings to pay a dividend of € 0.75 for each ordinary share entitled to a dividend payment.

The report prepared by the Executive Board in accordance with § 312 AktG with regard to the relationships of the company with other Group companies was also made available to the Supervisory Board. The conclusion of the report contains the following declaration of the Executive Board, which was also included in the management report:

"The Executive Board declares that, in accordance with the circumstances known at the time of the respective legal transaction, we have received an appropriate payment for each legal transaction. During the year under review, measures were neither taken nor omitted at the request of or in the interest of the Federal Republic of Germany, the state of Hesse and the Stadtwerke Frankfurt am Main Holding GmbH and companies affiliated with these bodies."

The auditor carefully examined the report regarding relationships with other Group companies and awarded it the following audit certificate:

"Based on an audit and assessment performed in accordance with professional standards, we hereby confirm that
1. the factual information in the report is correct,
2. the legal transactions listed in the report involved no unreasonably high expenses by the company and that disadvantages were compensated."

The auditor took part in the discussions of the Supervisory Board about the report regarding relationships with Group companies and reported on the material findings of his audit. After its own examination, the Supervisory Board is in agreement with the opinion of the auditor and has no objections to the Executive Board's declaration at the end of the report with regard to relationships with Group companies and its inclusion in the management report.

Composition of the Supervisory Board and the committees

The legal appointment of Minister of State Karlheinz Weimar to the Supervisory Board as the successor to Prime Minister Roland Koch, who stepped down in December 2003, was confirmed in a vote at the Annual General Meeting held on June 2, 2004.

At the beginning of August 2004, Professor Karel Van Miert also stepped down from the Supervisory Board of Fraport AG at his own request. Dr Joachim von Harbou was appointed as his successor with the resolution of the municipal court at Frankfurt am Main on November 4, 2004. He was elected as the new Chairman of the Finance and audit committee on December 13, 2004. This was possible as a result of the previous Chairman of this Committee, Mr Christian Strenger, moving to the chair of the investments and capital expenditure committee vacated by the retirement of Mr Karel Van Miert.

Against the background of the successful fiscal year 2004, the Supervisory Board would like to express its particular thanks to the Executive Board and the employees of the company for their strong personal commitment during the course of the year.

Frankfurt am Main, March 2005

Karlheinz Weimar
(Chairman of the Supervisory Board)

Economic Advisory Board

The Economic Advisory Board provides the Executive Board with assistance about important issues relating to the economy and air traffic. The members are appointed by the Executive Board for regular periods of three years. The Executive Board attends the meetings of the Economic Advisory Board, while the Chairman of the Supervisory Board is invited to participate as a permanent guest.

Hilmar Kopper, Chairman
Chairman of the Supervisory Board
DaimlerChrysler AG

Dr Clemens Börsig
Member of the Executive Board
Deutsche Bank AG

Dr Manfred Bodin

Dr Werner Brandt
Member of the Executive Board
SAP AG

Dr Reiner Maria Gohlke
Member of the Shareholder Committee
Bitburger Getränke-Verwaltungs GmbH

Klaus Herms
Chief Executive Officer
Kühne & Nagel International AG

Dieter Kaden
Chairman & Chief Executive Officer
DFS Deutsche Flugsicherung GmbH

Hemjö Klein

Dr Peter E. Kruse
Member of the Executive Board
Deutsche Post AG

Professor Dr Rolf-Dieter Leister
Infra Beratung AG

Dr Bernd Malmström
Chairman of the Executive Board
Stinnes AG

Wolfgang Mayrhuber
Chairman of the Executive Board
Deutsche Lufthansa AG

Dr Günther Merl
Chairman of the Executive Board
Landesbank Hessen-Thüringen

Friedrich von Metzler
Bankhaus B. Metzler seel. Sohn & Co. KGaA

Dr Frank Niethammer
Honorary President IHK Frankfurt

Dr Lutz Raettig
Chairman of the Executive Board
Morgan Stanley Bank AG

Hans W. Reich
Speaker of the Executive Board
KfW Bankengruppe

Dr h. c. Nikolaus Schweickart
Chairman of the Executive Board
ALTANA AG

Holger Steltzner
Publisher
Frankfurter Allgemeine Zeitung

Dr Bernd Thiemann
Member of the Advisory Board
Rothschild GmbH

Dr Gert Vogt
Asia Pacific Committee (APA) of German Industry
ASEM Speaker of German Industry

Ernst Welteke
Retired President of Deutsche Bundesbank
Former Chairman of the Supervisory Board of
Flughafen Frankfurt/Main AG

Permanent Guest:
Karlheinz Weimar
Minister of Finance for the State of Hesse
Chairman of the Supervisory Board of Fraport AG

Seven-year overview
Fraport AG Frankfurt Airport Services Worldwide

€ million	Balance at Dec. 31. 1998	Balance at Dec. 31. 1999	Balance at Dec. 31. 2000	Balance at Dec. 31. 2001	Balance at Dec. 31. 2002	Balance at Dec. 31. 2003	Balance at Dec. 31. 2004
A. Non-current assets	**2,394.6**	**2,609.0**	**2,729.2**	**3,222.8**	**2,698.6**	**2,644.6**	**2,650.3**
I. Intangible assets	19.6	80.8	110.7	99.8	225.1	198.3	169.3
II. Property, plant and equipment	2,294.9	2,434.2	2,447.7	2,435.1	2,403.9	2,376.8	2,381.5
III. Investments held at equity	54.8	59.3	71.0	126.1	37.3	45.9	46.9
IV. Other financial assets	25.3	34.7	99.8	561.8	32.3	23.6	52.6
B. Current assets	**164.0**	**194.3**	**264.1**	**401.5**	**870.5**	**937.2**	**950.0**
I. Inventories	23.2	13.0	10.3	11.9	13.1	17.1	12.1
II. Trade accounts receivable	91.6	106.8	135.5	141.3	195.9	181.3	168.6
III. Other receivables and other assets (including deferred tax assets)	38.9	55.9	65.1	179.8	84.9	142.5	116.3
IV. Checks, cash and bank balances	13.4	23.1	59.2	74.7	585.1	610.8	666.4
A. Shareholders' equity	**860.6**	**920.7**	**1,019.3**	**1,964.3**	**1,803.4**	**1,920.1**	**2,030.8**
I. Subscribed capital	511.3	511.3	640.0	900.9	900.6	902.2	905.1
II. Capital reserves	–	–	–	662.4	532.0	533.2	537.6
III. Revenue reserves	328.8	383.8	302.6	365.0	370.8	445.0	520.1
IV. Group retained earnings	20.5	25.6	76.7	36.0	0.0	39.7	68.0
B. Minority interests	**1.9**	**3.0**	**4.8**	**5.5**	**12.9**	**11.6**	**12.2**
C. Provisions and accruals	**247.6**	**264.8**	**286.4**	**284.6**	**425.2**	**454.3**	**522.3**
D. Liabilities	**1,225.6**	**1,383.5**	**1,452.4**	**1,189.2**	**1,129.9**	**1,017.3**	**866.5**
I. Financial liabilities	1,007.7	1,170.6	1,267.9	970.1	909.7	838.0	660.7
II. Trade accounts payable	102.3	98.7	113.8	99.0	94.8	79.0	100.4
III. Other liabilities	115.6	114.2	70.7	120.1	125.4	100.3	105.4
Balance sheet total	**2,607.8**	**2,854.2**	**3,042.7**	**3,672.0**	**3,620.7**	**3,636.4**	**3,650.2**

		Balance at Dec. 31. 1998	Balance at Dec. 31. 1999	Balance at Dec. 31. 2000	Balance at Dec. 31. 2001	Balance at Dec. 31. 2002	Balance at Dec. 31. 2003	Balance at Dec. 31. 2004
Equity ratio[1]	%	32.2	31.4	31.0	52.5	49.8	51.7	53.8
Net financial debt (Financial debt – liquid funds)	€ million	994.3	1,147.5	1,208.8	895.4	324.6	227.2	–5.7
Gearing (Net financial debt/shareholders' equity[1])	%	118.4	128.2	128.2	46.4	18.0	12.1	–0.3
Dynamic debt ratio (Net financial debt/cash flow[2])	%	335.2	426.4	441.5	245.5	82.1	50.8	–1.1
Working capital (Current assets – current liabilities)	€ million	–189.5	–207.6	–149.1	–112.3	422.0	535.1	680.4
Non-current asset coverage (Shareholders' equity[1]/non-current assets less deferred investment grants)	%	35.4	34.5	34.8	60.3	67.4	71.7	74.7
Cash ratio (Liquid funds/current liabilities)	%	3.8	5.7	14.3	14.5	130.5	151.9	247.2

[1] W/o proposed dividend.

[2] Cash flow from operating activities.

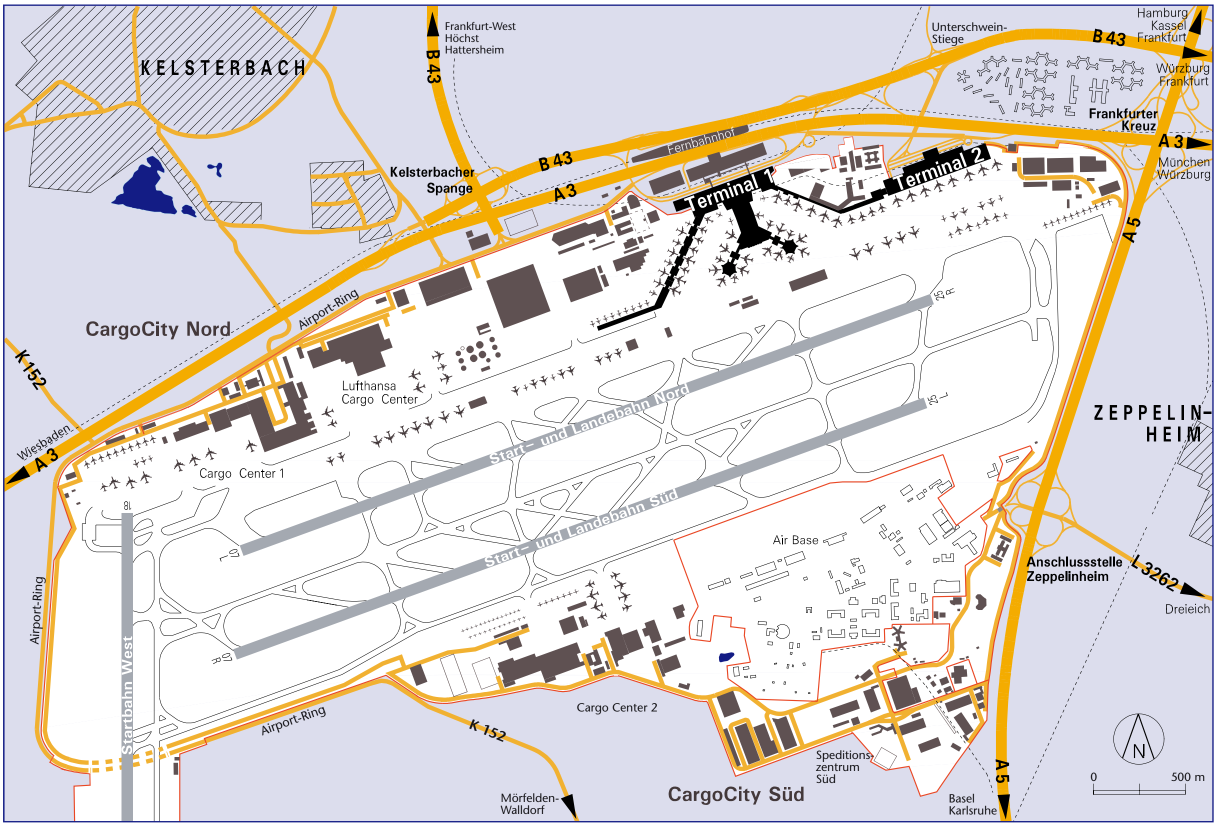
€ million	1998	1999	2000	2001	2002	2003	2004
Revenues	**1,281.4**	**1,374.9**	**1,536.2**	**1,580.6**	**1,803.6**	**1,834.3**	**1,998.1**
Total revenues	**1,365.2**	**1,415.2**	**1,607.5**	**1,692.2**	**1,851.8**	**1,887.7**	**2,043.7**
Cost of materials	–212.9	–226.9	–264.4	–281.7	–275.3	–284.4	–316.2
Personnel expenses	–571.9	–596.7	–633.4	–689.2	–860.1	–933.9	–974.5
Other operating expenses	–120.4	–145.0	–178.0	–189.3	–456.1	–207.6	–236.8
EBITDA	**460.0**	**446.6**	**531.7**	**532.0**	**260.3**	**461.8**	**516.2**
Depreciation and amortization of tangible and intangible non-current assets	–200.9	–179.5	–194.9	–209.3	–214.1	–258.1	–235.1
EBIT (Operating profit)	**259.1**	**267.1**	**336.8**	**322.7**	**46.2**	**203.7**	**281.1**
Interest results	–83.7	–63.3	–66.2	–72.9	–34.0	–31.4	–23.1
Results from investments held at equity	–0.2	–7.0	–4.3	–25.8	–17.0	0.6	1.8
Income from investments	0.0	4.0	8.5	15.1	4.3	30.9	13.7
Write-downs of financial assets	–0.5	0.0	–8.7	–62.7	–51.6	0.0	–5.9
Other financial results	1.2	–2.0	–0.2	–6.2	17.0	11.3	–1.7
Financial result	**–83.2**	**–68.3**	**–70.9**	**–152.5**	**–81.3**	**11.4**	**–15.2**
EBT (Result from ordinary operations)	**176.0**	**198.8**	**265.9**	**170.2**	**–35.1**	**215.1**	**265.9**
Taxes on income	–96.0	–108.3	–125.2	–60.7	–79.4	–93.3	–120.9
Other taxes	–5.1	–9.9	–10.9	–7.0	–5.0	–5.6	–6.6
Minority interests' share of results	–0.8	–0.9	–0.8	–1.4	–1.3	–1.0	–2.0
Group loss/profit for the year	**74.0**	**79.7**	**129.0**	**101.1**	**–120.8**	**115.2**	**136.4**
Earnings per €10 share in € (basic)	**1.45**	**1.56**	**2.16**	**1.28**	**–1.34**	**1.28**	**1.51**

		1998	1999	2000	2001	2002	2003	2004
EBITDA margin (EBITDA/revenues)	%	35.9	32.5	34.6	33.7	14.4	25.2	25.8
EBIT margin (EBIT/revenues)	%	20.2	19.4	21.9	20.4	2.6	11.1	14.1
Return on revenues (Group profit/loss for the year before income taxes and minority interests/revenues)	%	13.3	13.7	16.6	10.3	–2.2	11.4	13.0
Capital employed (Net financial debt + shareholders' equity[1] + minority interests)	€ million	1,836.3	2,045.6	2,156.2	2,829.2	2,140.9	2,119.2	1,969.3
ROCE (EBIT/Capital employed)	%	14.1	13.1	15.6	11.4	2.2	9.6	14.3
Net assets[2]	€ million	2,168.1	2,391.5	2,508.0	2,470.6	2,589.7	2,473.8	2,299.0
RONA (EBIT/Net assets)	%	12.0	11.2	13.4	13.1	1.8	8.2	12.2
Fraport assets[2]	€ million	2,280.1	2,389.4	2,526.8	2,612.1	2,800.4	2,841.5	2,812.8
ROFRA (EBIT/Fraport assets)	%	11.4	11.2	13.3	12.4	1.6	7.2	10.0
Average number of employees		13,225	13,336	14,271	15,526	21,395	23,353	24,182

[1] W/o proposed dividend.

[2] Definition on page 58/59.

Airport Frankfurt Main



Annual Report

Publisher
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Concept, text and layout
Kirchhoff Consult AG, Hamburg

Photography
Oliver Rossi Photography, Wiesbaden

Printing
Mediahaus Biering GmbH, Munich
Printed in Germany

Publication date
March 22, 2005

Financial calendar

May 10, 2005 .... Interim report on the 1st quarter of 2005
June 1, 2005 .... Annual General Meeting
June 2, 2005 .... Dividend payment
August 9, 2005 .... Interim report on the 2nd quarter of 2005
November 9, 2005 .... Interim report on the 3rd quarter of 2005


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