Annual Report 2008

Fraport

Key Group figures of the Fraport AG

Financial figures

€ million	2006	2007	2008
Revenue	2,143.9	2,329.0	2,101.6
Total revenue	2,250.3	2,425.8	2,201.9
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	578.4	580.5	600.7
Earnings before interest and taxes (EBIT)	330.4	335.4	360.7
Result from ordinary operations (EBT)	340.2	297.6	273.3
Group profit for the year	228.9	213.7	180.2
Profit attributable to equity holders of Fraport AG	229.3	208.7	173.0
Year-end closing price of the Fraport Share (€)	54.02	53.87	30.91
Earnings per share (basic) (€)	2.51	2.28	1.89
Dividend per share (€)	1.15	1.15	1.15
Dividend yield (%)	2.1	2.1	3.7
Operating cash flow	484.9	478.6	468.0
Free cash flow	33.8	–248.6	–370.7
Capital expenditure	591.4	1,577.3	735.2
Total assets	4,294.5	5,704.7	6,494.1
Shareholders’ equity	2,346.1	2,493.3	2,510.0
Shareholders’ equity without minority interests and dividends ermarked for payout	2,218.8	2,355.0	2,344.2
Capital employed	2,154.1	2,636.2	3,201.4
Fraport assets	2,802.9	3,073.8	3,411.9
Return on revenue (%)	15.9	12.8	13.0
Return on shareholders’ equity (%)	10.3	8.9	7.4
EBITDA margin (%)	27.0	24.9	28.6
EBIT margin (%)	15.4	14.4	17.2
ROCE (%)	15.3	12.7	11.3
ROFRA (%)	11.8	10.9	10.6
Gearing (%)	–2.9	11.9	36.6

Traffic figures

	2006	2007	2008
Passengers of the Fraport Group[1] (million)	88.6	117.3	133.3
in Frankfurt (million)	52.8	54.2	53.5
Cargo volume of the Fraport Group[1] (thousand metric tons)	2,703.3	3,231.4	3,326.3
in Frankfurt (thousand metric tons)	2,127.8	2,169.0	2,111.1
Aircraft movements in the Fraport Group [1] (thousand)	855.4	1,141.0	1,307.1
in Frankfurt (thousand)	489.4	492.6	485.8

Employees

	2006	2007	2008
Average number of employees	28,246	30,437	23,079
in Frankfurt	17,528	17,796	17,996
Personnel expenses (€ million)	1,076.9	1,143.3	925.6

[1] Fraport Group including majority- and minority-owned airports and airports under mangement contracts

Key segment figures of the Fraport AG

Aviation

Success down to intermodality

The Aviation segment is responsible for flight and terminal operations at Frankfurt. Its services also encompass the airport and aviation security and the planned expansion of the airport. The main factors contributing to the success of the segment are not only plans to expand capacities, but also its ability to develop innovative concepts ensuring smooth land and airside processes.

€ million	2007	2008	Change	Change in %
Revenue	698.7	698.4	–0.3	0.0
EBITDA	139.6	124.9	–14.7	–10.5
EBIT	44.8	58.0	13.2	29.5
Employees	6,331	6,663	332	5.2

Retail & Properties

Airport as real estate

The expertise and activities dedicated to the commercial development and marketing of Frankfurt Airport are combined in our Retail & Properties segment. Our portfolio covers real estate development, real estate management, planning and managing of supply and disposal services, as well as our parking facility management, ensuring a future-oriented retail experience and a wide range of other services, and organizing publicity for the airport.

€ million	2007	2008	Change	Change in %
Revenue	471.4	433.5	–37.9	–8.0
EBITDA	333.0	367.9	34.9	10.5
EBIT	244.6	285.9	41.3	16.9
Employees	2,914	2,733	–181	–6.2

Ground Handling

The professional touch is our hallmark

As one of the leading international providers of ground-handling services, we have almost 50 years of experience in providing passenger, baggage, and aircraft-related services. And we are a success story: with a guaranteed transfer time of only 45 minutes, Frankfurt Airport is one of the best performing major airports in the world.

€ million	2007	2008	Change	Change in %
Revenue	620.5	642.7	22.2	3.6
EBITDA	37.4	52.0	14.6	39.0
EBIT	12.6	19.0	6.4	50.8
Employees	8,062	8,443	381	4.7

External Activities

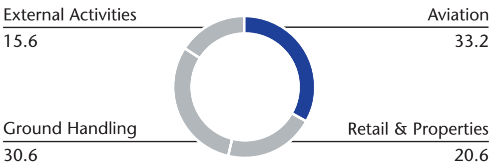
International demand for our expertise

As an experienced airport operator, we are involved in several airports throughout the world, contributing our knowledge and the experience we have gained from developing, operating, and managing one of the largest passenger and cargo airports in the world. We are also actively involved in a wide range of airport services in Germany and abroad via our investments and subsidiaries.

€ million	2007	2008	Change	Change in %
Revenue	538.4	327.0	–211.4	–39.3
EBITDA	70.5	55.9	–14.6	–20.7
EBIT	33.4	–2.2	–35.6	–
Employees	13,130	5,240	–7,890	–60.1

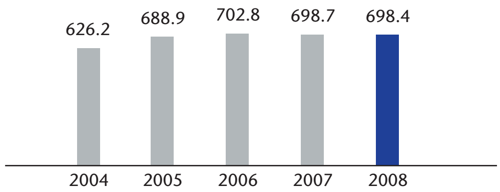
Segment contributions to Group revenue

%



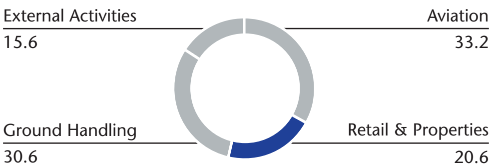
Revenue development Aviation

€ million



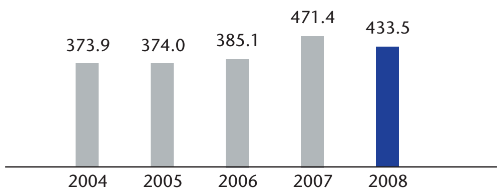
Segment contributions to Group revenue

%



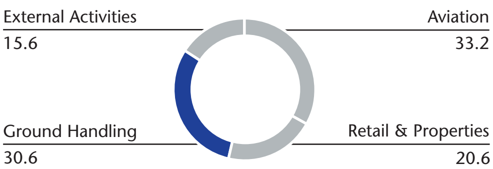
Revenue development Retail & Properties

€ million



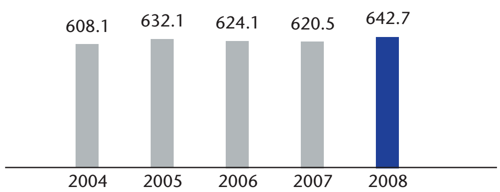
Segment contributions to Group revenue

%



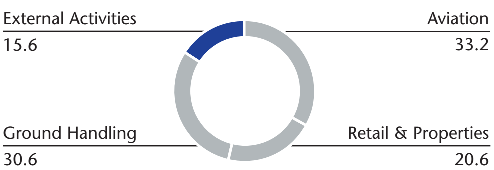
Revenue development Ground Handling

€ million



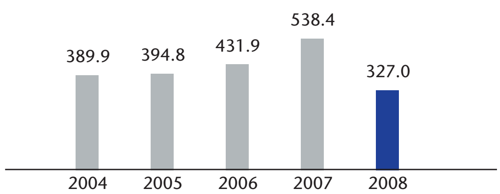
Segment contributions to Group revenue

%



Revenue development External Activities

€ million



133.3 m

passengers used the Fraport Group airports

€2.84

retail revenue per passenger were generated in our Retail & Properties segment at Frankfurt Airport

No. 1

Frankfurt Airport is the no. 1 Star Alliance Hub in Europe

€7 bn

will be invested between 2007 and 2015 at our Frankfurt Airport site

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Operational activities of the Fraport AG
Imprint

Please find a fold-out version of the contents in the backside of this report.

Dear Shareholders,
Dear Friends of our Company,

We seem to have been confronted with one negative headline after another over the last weeks and months. We keep hearing about the ongoing financial crisis, companies going bankrupt and companies becoming partially state-owned, and the like. This makes me even more proud to be able to start my review of the past fiscal year and beyond with some thoroughly good news regarding our Company. In the past fiscal year, Fraport AG was not only one of the few German companies which were able to keep forecasts for revenue and earnings development stable, allowing us to fully achieve and in some cases even exceed our goals, but was also able to set a positive new record in passenger volumes, welcoming a total of 133.3 million passengers throughout the Group. And that is not all: after the Hessian Administrative Court gave its approval at the beginning of 2009 for the zoning decision to be implemented immediately, we were able to commence work on extending Frankfurt Airport, a measure which is not only vital for our Company but which will also boost the future prospects of the region.

Nevertheless, we were faced with several less positive events during the past fiscal year. At our Frankfurt site, passenger figures fell by –1.3 percent in 2008 for the first time since levels slumped following the SARS epidemic and the Gulf War in the fiscal year 2003. Similar to the declines we have seen in past years, this slight downward trend was once again caused solely by external factors. Passenger demand fell in the middle of the year after the staff of our main customer went on strike in July 2008. Temporarily escalating crude oil prices reinforced this trend. Ultimately, however, it was the global economic downturn caused by the financial crisis which pulled passenger volumes down into negative figures. Nevertheless, in the particularly lucrative area of intercontinental flights, we were able to hold our own in spite of the difficult situation on the market, not only holding our position throughout the whole of 2008, but expanding it by recording a slight increase in passenger numbers and flight movements.

I do not want to raise false hopes for the fiscal year 2009: we will not be able to escape the economic downturn entirely. However, our position as an infrastructure provider does mean that we will not be affected as drastically as other sectors. To prevent the drop in passenger figures we forecast for the coming year being included in full in the Group's result, we are taking action to combat the negative trend with our "Crisis Prevention Measures", examining our cost structure in detail.

If we, however, look beyond the year 2009, I am convinced that the experience I have had in the past will be confirmed and that the air traffic industry – one of the central infrastructural pillars in the move towards internationalization – will remain one of the industries experiencing the most growth and value creation throughout the world. The past has shown us that every crisis in the air traffic industry is not only followed rapidly by a period of recovery, but that losses are regularly made up for, and are often even over-compensated. This has been proven not only by the disproportionate growth phases we experienced after the cutbacks suffered following the oil and global economic crisis in the mid 70's, the Gulf War in 1991/1992 and the terrorist attacks of September 11, 2001. With growth rates of 5 percent and more, Frankfurt Airport and the entire global air traffic market experienced above-average growth in the wake of each of these crises.

Accordingly, there ought to be no question of contesting the need for Frankfurt Airport to expand in view of the current crisis. Indeed quite the opposite: we recorded excess demand of between 10 and 15 percent for slots at Frankfurt Airport in the summer flight schedule 2008. The construction of the new Northwest Landing Runway is still our most important project for the future, aimed at allowing us to benefit fully from the growth of air traffic in the years following the current crisis. We now want to start operating the new landing runway in time for the winter flight plan 2011/2012.

Our most significant investment in the past year – after the expansion of Frankfurt Airport – was modernizing the existing terminals. We will give you further details on this, our second most important project in Frankfurt, later on in the annual report, discussing the main challenges and measures entailed.

Further progress was once again made in expanding our Group worldwide. Last year, Fraport AG enjoyed successes in both the growth market China and in the Middle East, Saudi Arabia to be exact. After in-depth negotiations, we were the first foreign airport operator to succeed in gaining an investment in an unlisted Chinese airport, the airport of the city Xi'an. The reputation we gained with the Chinese authorities assisted us in submitting further declarations of intent to the airports in Qingdao and Kunming, where we intend to intensify our negotiations in the course of the coming year. In Saudi Arabia we succeeded in concluding management contracts for two of the three of the country's most important airports, in Riyadh and Jeddah. Both contracts are the most comprehensive agreements of this nature which we have drawn up to date and are set to make a noticeable contribution to the EBITDA of our External Activities segment in years to come. Since these negotiations have come to a successful conclusion, we see ourselves in the best possible position for exploiting any further privatization processes in global growth regions.

In spite of the uncertainties of the past weeks and months, I would recommend you to remain faithful to our share and our Company. Fraport is and will remain a crisis-proof company. True, the economic downturn will affect us initially, but it will impact us less than others. We – the management – assure you that we will scrutinize every measure and make any necessary decisions to ensure that Fraport continues to be in a position to deal with difficult times and benefit from future economic upturns more than others. I am counting especially on our staff, whose flexibility and commitment was one of the main keys to our success last year and will continue to be so in the future. I would like to take this opportunity to thank them sincerely!

I look forward to our promising and successful future,

Sincerely yours

Prof. Dr. Wilhelm Bender
Chairman of the Executive Board of Fraport AG

The Fraport Executive Board

Prof. Dr. Wilhelm Bender
Chairman of the Executive Board

Born in Kirberg, Hesse, Germany, in 1944

Studied law and economic sciences in Frankfurt and holds a doctorate in law at the University of Giessen, Germany; later appointed honorary professor in the department of economics and business administration of Johann Wolfgang Goethe University in Frankfurt am Main

Since 1993 Chairman of the Executive Board of Fraport AG. Prof. Dr. Bender's areas of responsibility include the "Ground Services" strategic business unit, the staff departments "Corporate Strategy", "Special Projects" and "Internal Auditing", as well as the central units "Marketing, Sales Support, Boards and Committees" and "Corporate Communications"

1990–1993 Managing Director of Schenker & Co GmbH; later Chairman of the Executive Board of Schenker Waggon- und Beteiligungs AG

1984–1990 Managing Director and foundation member of "Verkehrsforum Bahn" (the Rail Transport Forum Industry Association)

1974–1984 Held various staff positions at Deutsche Bundesbahn AG

Prof. Dr. Bender's term will expire August 31, 2009

Dr. Stefan Schulte
Vice Chairman of the Executive Board, responsible for Traffic and Terminal Management, Airport Expansion

Born in Wuppertal, North Rhine-Westphalia, Germany, in 1960

Studied business administration at the University of Cologne, earning his doctorate degree in business and social sciences

Since 2007 Vice Chairman of the Executive Board of Fraport AG, responsible for Traffic and Terminal Management and Airport Expansion. Dr. Schulte's areas of responsibility include the "Traffic and Terminal Management, Airport Expansion" and the "Airport Security Management" strategic business units, the "Special Legal Assignments" staff department, the service unit "Real Estate and Facility Management" and the central unit "Legal Affairs"

2003–2007 Executive Board Member of Fraport AG responsible for Controlling and Finance

2001–2003 Executive Board Member of Deutz AG, responsible for Finance and Human Resources

1996–2001 Area Director of Controlling at Mannesmann Arcor; later Board Member for Finance (CFO) at Mannesmann/Vodafone's subsidiary Infostrada S. p. A.

1991–1996 Departmental Director in the Group Development department at Deutsche Bank AG

Dr. Schulte's term will expire March 31, 2012

Herbert Mai
Member of the Executive Board and Executive Director Labor Relations

Born in Dalheim-Rödgen, North Rhine-Westphalia, Germany, in 1947

Trained in higher public administrative service in the State of North Rhine-Westphalia, degree in public administration

Since 2001 Executive Board Member of Fraport AG and Executive Director Labor Relations. Mr. Mai's areas of responsibility include the "Retail and Properties" strategic business unit, the "Data Protection", "Management Systems", "Confidential Affairs" and "Environmental Management" staff departments, as well as the "Human Resources" central unit

1996–2001 President of the European Association of Public Service Unions

1995–2000 National Chairman of the ÖTV union

1982–1995 Regional Chairman of ÖTV Hesse

1971–1982 Employed by ÖTV Hesse, part time: Higher Technical College for Social Service in Frankfurt am Main, completed qualification as a social worker

1969–1971 Administrative inspector for the President of the Düsseldorf administrative district

Mr. Mai's term will expire on March 31, 2011

Dr. Matthias Zieschang
Member of the Executive Board responsible for Controlling and Finance

Born in Höxter, North Rhine-Westphalia, Germany, in 1961

Studied economics and business administration, gaining his doctorate degree in business and social sciences at the Technical University of Darmstadt

Since 2007 Executive Board Member of Fraport AG responsible for Controlling and Finance. Dr. Zieschang's areas of responsibility include the "Investor Relations" and "Investment Management" staff departments, the "Information and Telecommunication" service unit, and the central units "Global Investments and Management", "Controlling, Finance, Accounting" and "Central Purchasing, Construction Contracts"

2001–2007 Executive Board Member for Finance and Controlling at Deutsche Bahn Netz AG

1999–2000 Executive Board Member for Finance, Controlling, and Information Technology (IT) at Scandlines AG

1994–1999 Department Head of Financial Strategy and Planning, and Department Head of Project and Investment Financing at Deutsche Bahn AG

1990–1994 Specialist in Finance central division, Capital Market Financing department at BASF AG

Dr. Zieschang's term will expire on March 31, 2012

Frankfurt Airport – Past, Present, and Future

One of the top ten airports in the world enters the 21st century – the FRA North investment projects.

What does "FRA North" actually mean?

The aviation industry is both multi-faceted and fast moving, and the unrelenting pace of its development has made a wide-ranging modernization program a necessity for the existing parts of Frankfurt Airport: The investment projects "FRA North".

By the year 2015, Fraport AG will have invested up to €7 billion in the modernization and expansion of its Frankfurt Airport site. With €5 billion to €6 billion still to come, the overall investment project remains one of the biggest privately financed investment project in Europe. To allow for a better overview, the various construction projects have been divided into two overriding construction measures:

- Expanding the airport, financed to the tune of €4 billion, which includes the new landing runway, Terminal 3, as well as additional structural building projects and flight operation facilities
- Measures for modernizing and extending existing infrastructure, particularly terminal buildings, which are included in the "FRA North" projects and financed with around €3 billion.

The Challenges Facing FRA North

FRA North provides the solution to five key challenges facing Frankfurt Airport and has a crucial role to play in preparing the site for the future.

Passenger Capacity Demands

The existing terminals only have a little buffer left when it comes to passenger capacity. On top of that, the planned new landing runway is due to enter service for the Winter Schedule 2011/2012. In addition to Terminal 3 we will increase our terminal capacity within the existing terminals through the FRA North projects. Important elements of these projects include developing the Pier A-West, the already completed extension of Hall C, as well as the connection between Terminal 1 and Terminal 2, the C/D Link.

EU Aviation Security Regulations

European directive (EG) 2320/2002 stipulates that arriving passengers should be separated from departing passengers who have already passed through security. The only exceptions allowed are passengers traveling from an airport within the EU, or Switzerland, Norway, and Iceland. These countries comply with security standards according to the EU directive, which means that the level of security is not compromised if these passengers are allowed to mix. Passengers from all other countries have to undergo a security check according to EU standards before taking their connecting flights. To bring the airport in line with the regulations, a number of changes to buildings have become essential as part of FRA North in recent years. Separating passenger flows requires additional space, therefore one solution is adding extra floors on top of the existing buildings.

Strict Fire Safety Regulations

Next Generation of Aircraft: A380

High Demand for Retail Space

Fire safety regulations for public buildings in Germany have been substantially tightened in the past few years, and are now the strictest worldwide. Ensuring that Terminal 1, opened in 1972, complies with these requirements means extensive construction measures are required, much more far-reaching than just conforming from a technical point of view. Terminal 1 therefore has to be stripped down to its shell construction piece by piece and completely renovated. We are also using these necessary measures as an opportunity to give the buildings a more modern appearance and realign them functionally to fit passengers' requirements in the 21st century.

Deutsche Lufthansa AG will be putting its first A380 airplanes, which belong to the new generation of wide-body aircraft, into service from the start of 2010. Lufthansa has underlined its intention to station this type of airplane at Frankfurt Airport by constructing a special A380 maintenance base on this site.

Large areas and gates near the terminals are required to allow two-level boarding via three passenger bridges. The airplane's 600-passenger capacity also poses challenges when it comes to waiting areas, bathroom facilities, and lounges within the terminal. When the right infrastructure is in place, the A380 will be turned around just as quickly as other wide-body aircraft like the Boeing B 747 and the Airbus A340-600.

High margins have made retailing into an important source of income for airports. Frankfurt Airport has a great deal of potential for successfully renting out additional space for retailing as well as bars and restaurants thanks, in no small part, to its attractive passenger base. To realize this potential, the required space has to be created, as Frankfurt Airport currently has extremely limited retail space compared to other European hubs. Numerous projects are to be carried out in almost all terminal areas with the aim of optimizing and doubling the amount of retail outlets available by 2012 compared to 2006 levels. The ultimate goal is to have two thirds of all retail space "airside", i. e., behind passport control, to allow our customers as much time as possible to enjoy stress-free shopping and in doing so maximize revenues. Around half of all retail space is currently still in front of passport control.

On the following pages we will show you how Fraport AG will face the challenges at Frankfurt Airport.

Modernizing Fire Safety Systems in Terminal 1 and Redeveloping Pier B

Fire safety improvements in Terminal 1 began in 1995, with work on the new design for Pier B getting underway in January 2008. The building is located right at the heart of Frankfurt Airport and Frankfurt Airport Shopping. No other area can boast a comparable international clientele with such high purchasing power.

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Extending Hall C, Remodeling the Connecting Alley and the C/D Link

Extending Hall C and constructing the C/D Link created additional terminal capacity and convenience for our passengers in Terminal 1. The connecting alley located in between forms the initial section of the future Pier C. The newly developed C/D Link will offer space for three wide-body aircraft from the A380 generation and the world's first two-level boarding system for up to 600 passengers per flight.

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Developing A-West

Pier A-West is to be constructed as part of the project for extending Terminal 1 westwards, and is due to enter service by the Summer Timetable 2012. This will extend the terminal space used by Lufthansa and at the same time fulfill the requirements of the new wide-body airplanes A380 and B 747-800. The needs of our passengers were also at the forefront of our thoughts when designing the pier. Together with the generously sized lounge areas, new shopping concepts and exceptional bars and restaurants will provide passengers with an attractive atmosphere before they take their flight.

>> pages 12/13

Redesigning Terminal 2

Terminal 2 will be even more attractive for our customers and passengers in the future thanks to the redevelopment, refurbishment, and extension measures planned. New concepts for shopping as well as bars and restaurants will be available, enticing visitors to shop, spend time in the terminal, and enjoy the experience. The redevelopment project also provides the opportunity to modernize the buildings, bringing them in line with the new EU security directive for separating arriving and departing passengers and fitting the gates and the positions to the dimensions required for the A380.

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Refurbishing Runway System

The runway system at Frankfurt Airport is currently operating at almost full capacity and is no longer sufficient to cater for the demand from airlines. Anyway this part of the airport infrastructure also requires regular technical maintenance. As it is impossible to temporarily close a runway due to the reduction in capacity this entails, a cutting edge procedure had to be developed specifically for this purpose. The runways are being completely refurbished section by section during the night to allow unrestricted flight traffic by the next morning.

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Developing A-West

After the planned launch of the new Northwest Landing Runway by the Winter Timetable 2011/2012, the new Pier A-West including Root A will be completed by the Summer Timetable 2012, which should, in combination with the other FRA North projects, go a long way towards catering to the anticipated rapid rise in passenger volumes. Up to six million additional passengers can be checked in using the new pier's roughly 185,400 square meters of floor space. The new pier, due to measure around 790 meters in length, will provide enough space for seven wide-body airplane positions next to the buildings, four of which are earmarked for the A380 or the B 747-800.


1

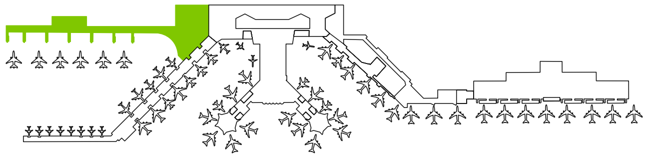
Forward Looking Construction

Pier A-West is an important step for the development of Frankfurt Airport, especially considering the looming bottleneck in terminal capacity. To ensure that our customers' needs are placed center stage, an international architecture competition was held in fall 2006 with the aim of finding a concept that was both flexible in its functionality as well as architecturally attractive, and that at the same time made business sense. The future building also has to be right up to date when it comes to energy efficiency. After all competition

Developing A-West Key Data

- Investment: Approx. €560 million
- Construction period: 2008 to 2012 (preconstruction measures from 2007)
- Terminal space for six million more passengers per year
- Total space in the region of 185,400 square meters
- Creating 12,000 square meters additional retail space and 11,000 square meters for lounge areas
- Extending the existing Terminal 1 by 790 m westwards
- Seven additional positions for wide-body airplanes, four of which are earmarked for the A380 or B 747-800


2



1 Preconstruction measures, demolition of the "Butterfly Hall"
2 Designing the new marketplace in Root A
3 External appearance of the future pier

3

entries were assessed, the world renowned Gerkan, Marg und Partner architect office came out on top.

Modern Pier Concept with Airside Shopping Mall

The pier concept consists of two elements: The so-called "Root A" connects the pier to the existing Terminal 1. We are using this as an opportunity to establish airside space for retailing, generating additional revenue potential. A central, glass atrium in the middle of the marketplace area will form a distinctive, bright space where passengers will enjoy spending time. Aside from bars, restaurants, and retail areas, the pier will also feature high-quality Lufthansa lounges.

The gates and positions connect to Root A and encompass the Schengen and Non-Schengen areas on the second and third levels, respectively. The fourth level will house an arrivals corridor for Non-Schengen passengers as well as a transfer point. The lowest level (Level 1) will be used for various types of work on the apron. The well thought-out design of auxiliary areas, like having the stairways along the northern exterior wall, allows generously sized glass facades to be placed on the south-facing side, giving the space a bright, open atmosphere with an unobstructed view over the gates and apron.

Preconstruction Measures Required

In addition to the terminal buildings, all apron areas, technical maintenance, baggage conveyer technology, and other systems required for delivering the building also have to be installed.

Before the project's structural engineering measures are carried out, a wide range of different preconstruction measures are required. Aside from the structurally complex installation of supply and sanitation pipes under the existing apron, a parking garage as well as parts of the Lufthansa base – the LSG Sky Chefs building and the Lufthansa's maintenance hangar known as the "Butterfly Hall" had to give way for the pier.

Modernizing Fire Safety Systems in Terminal 1 and Redeveloping Pier B

Passenger area B in Terminal 1 is the oldest and at the same time the best-known part of Frankfurt Airport. Around 21 million passengers use this area every year. The area is regularly brought up to the cutting edge of technology to ensure that passengers from all over the world can enjoy a more attractive and safer marketplace in the future.

Modernizing Fire Safety Systems in Terminal 1

We have been carrying out fundamental modernization work on various areas of Terminal 1 since 1995 with the aim of conforming to both current and future fire safety legislation. The project is already at an advanced stage and is due to be completed in 2009/2010. The measure was planned in close cooperation with the responsible authorities, external experts, and fire rescue services. When the project is completed, Frankfurt Airport will belong to the world's elite when it comes to safety standards.

To ensure the impact on the terminal's daily operations is as minimal as possible, construction measures have been divided into a number of subprojects. In addition to passenger areas, baggage handling systems and central systems (water, sewage, air conditioning, and emergency power) are also affected by the modernization project.

At the same time, we are using these measures as an opportunity to modernize the heavily used passenger areas and redesign the existing retail space. The existing space will become even more attractive for our customers thanks to this modernization, making the terminal the starting point for a journey of discovery, no matter where passengers are flying to. This construction work also allows us to extend the shopping options at Frankfurt Airport and add to the wide range of bars and restaurants on offer.

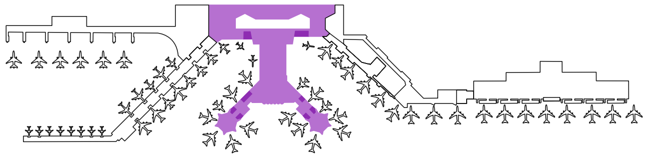
High-Tech Solutions

Modernizing and refurbishing parts of the airport requires us and our partners to find solutions to highly technical problems. One example is the baggage reclaim hall, where smoke could potentially quickly form in the case of a fire due to the low ceiling. To allow the area in the immediate vicinity of the fire to remain smoke-free for evacuation we have installed a highly efficient smoke extraction system above every second baggage reclaim carousel. In the case that a fire breaks out, the source automatically triggers the nearest ventilation system and the smoke is sucked out by high-performance ventilators. At the same time, neighboring systems feed the area with fresh air to limit the formation of smoke in the rest of the space, which in turn improves visibility and air supply, allowing people to evacuate the area quickly and safely.

An additional 72 new high-performance ventilators and a new vacuum ceiling have been installed on the roof of the check-in halls to allow the swift removal of any

Modernizing Fire Safety Systems in Terminal 1 Key Data

- Investment: Approx. €480 million
- Construction period: 1995 to 2009
- Modernizing Terminal 1 during daily operations
- Reinforcing fire safety systems in the baggage reclaim areas in Terminal 1
- Renewing the sprinkler and fire alarm system, automatic smoke removal system
- Associated redesigning of the terminal



Redeveloping Pier B Key Data

- Investment: Approx. €250 million
- Construction period: 2008 to 2011
- Implementing the EU safety regulation for separating arriving and departing passengers
- Modernizing and extending retail space
- Constructing the first airplane positions in Terminal 1 suitable for the A380, bridge structure with two or three passenger bridges for A380 boarding
- Extending the gate and check-in areas
- Value adding measures for optimizing and extending the lounge areas

smoke from terminal buildings, with the roof, which is over 30 years old, also undergoing a refurbishment. To ensure that check-in operations could proceed as normal, eight meter tall dust-tight work platforms had to be used. Thanks to the modernization of the fire safety systems, it is now possible to remove any smoke from the terminal within four to five minutes.

Redeveloping Pier B

Terminal 1's Pier B with both its "stars" has always formed the heart of Frankfurt Airport, both historically as well as for the Star Alliance hub. Its redevelopment has been underway since 2008 and is due to be completed by 2011. Construction measures were split into five parts so that the impact on air traffic was kept to a minimum.

The structure is around 30 years old with about 21 million passengers passing through it every year, and as a result it is starting to show its age. The facades and building technology in particular are no longer at the cutting edge of technology, with the upshot that there is room for improvement when it comes to energy costs and comfort. Due to the new EU safety regulations, arriving and departing passengers also have to remain separated, something to be achieved by extending the top floor. Another step is to establish three positions for the A380 (B 26, B 28 and B 46) and five positions for B 747-800 airplanes.

Building under Busy Conditions

The construction project is among the most complex in Germany, both technically and logistically.

Space is extremely short, all construction cranes are located on the apron, with larger building elements also only able to be delivered to the apron. The building's statics need to be strengthened before extra floors can be built. Due to the lack of space, these stabilizing measures have to be carried out in part by hand.

1 View over the roof of Terminal 1: In the front the already modernized part, on the right-hand side in the background working platforms used for the modernization

2 Redeveloping arrivals level B

3 Redesigning arrivals level B

Extending Hall C, Remodeling the Connecting Alley and the C/D Link

From the Summer Timetable for 2008 onwards, the newly designed terminal section between Terminal 1 and 2, the so-called C/D Link, is due to gradually enter service. Passengers can now reach the new Pier C/D via a connecting alley from the extended Hall C, allowing two-level boarding on an A380 or other wide-body aircraft from there.

C/D Link Key Data

- Investment: Approx. €145 million
- Construction period: 2006 to 2008
- Two-level boarding for 600 passengers per flight
- Three of the four new building positions are tailored for the A380
- The new terminal section gradually entered service from March 2008

Connecting Alley Key Data

- Investment: Approx. €55 million
- Construction period: 2006 to 2008
- 320 m long
- Connects the extended Hall C with Pier C/D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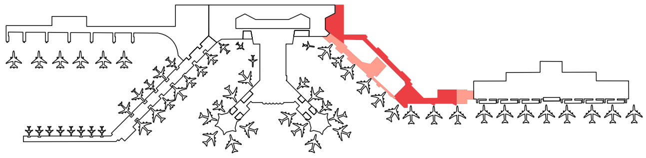


Hall C Key Data

- Investment: Approx. €155 million
- Construction period: 2005 to 2008
- Terminal space for an extra four million passengers per year
- 25,000 square meters, of which 500 square meters is earmarked for retailing
- 40 check-in desks
- Four baggage reclaim conveyer belts, two of them 90 m long

1 A shot of the bridge structure at C/D Link
2 Extended Hall C
3 Constructing the C/D Link

Extending Hall C: A Functional and Architectural Highlight

After a three-year construction period in Terminal 1, Hall C has been extended, creating additional capacity and providing more comfort for our passengers. The extension is equipped with state-of-the-art infrastructure and offers 25,000 square meters of space for checking in an additional four million passengers every year.

The new hall is also a real highlight from an architectural point of view. The departure level is dominated by an imposing shed roof, whose glass facades flood the hall with generous amounts of daylight. New airline offices have also been built behind the check-in desks and on the third floor. Arriving passengers are now led into a modern baggage reclaim hall which features 90-meter-long carousels.

New Connecting Alley: 320 Meters to the Gate

In addition to extending Hall C, the new 320-meter-long connecting alley has also been built, allowing passengers access to the new gates at Pier C/D. The purpose-built facility was only constructed with one facade side with an eye on possibly integrating the new Pier C construction at a later date. Passengers are able to enjoy a clear view to the Taunus mountain range northwards thanks to an energy-saving glass facade, while the other side is closed off with a temporary wall solution. This allows Pier C to be extended airside in the future without disrupting air traffic.

The building's structural data is just as impressive as the building itself: The connecting alley is supported by 170 drilled piles, with around 1,000 tons of construction steel, 1,500 tons of structural steel and 10,000 cubic meters of concrete also used in the building's construction.

New Pier C/D: Coupling Top-notch Looks with All Mod Cons

The redevelopment of Pier C/D was completed in just 20 months and designed according to current passenger requirements. Three of the four new building positions are tailor-made for the A380. The open-plan gates, which offer room for expansion, as well as the corresponding lounges are on two levels. The lower level, level 2, houses the waiting and boarding area for economy passengers, with the upper (third) level home to the Senator Lounge and Lufthansa's business gates for priority passengers. This allows easy boarding for passengers, direct from their lounge area and without having to change levels. The spacious bridge structure allows passenger flows to reach the airplane without queues forming.

Redeveloping Terminal 2

Terminal 2 has been in a constant state of flux since its launch in 1994. In the face of the rapid development and new demands of air traffic, significant remodeling, refurbishing, and extension work has become necessary. Attractive shopping space, new open-plan gates, and optimized security checks will give the terminal a new face in the future.

Rapid Changes in Air Traffic Forcing Redevelopment

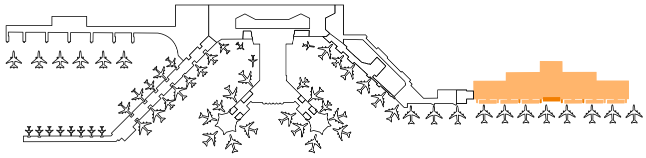
The new generation of airplanes and the EU air safety regulations require Terminal 2 to have larger gate and check-in areas for increased passenger volumes as well as a new decentralized safety concept. Aside from tackling these challenges, the redevelopment of the Terminal is also aimed at extending and optimizing retail space and improving the range of services on offer to passengers with restricted mobility. Due to the interlocking nature of these requirements, numerous measures were developed for Terminal 2, which had to be completed quickly. Terminal redevelopment will be completed mid 2009 after a construction period of around three years.

Modern Retailing Concept

In the future, customers and passengers in Terminal 2 will have more shops, bars, and restaurants to choose from. One example of this is the large new shopping plaza located on the third level, in the space that previously housed car rental companies. These companies have moved down a floor to the level that now handles arriving passengers. In future, passengers will also be able to shop to their heart's content after passing through the passport control. The central marketplace will have twice as much floor space, providing passengers with a substantially larger product range than before. The food plaza area on the fourth level has also been redesigned to optimize the range of food and drink on offer in Terminal 2. Overall, 4,000 square meters of new sales floor will be created. The wide range of options is rounded off by well thought-out floor space designs, which accommodate small magazine and newspaper kiosks or coffee bars.

Decentralized Security Checks Improve Passenger Convenience

Passenger areas already have a new structure and a modern design. Arriving and departing passengers have been separated in Terminal 2 since 2008. The central security check point on the third level was closed and replaced by four decentralized security check areas for a total of 16 departure gates. We



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Redeveloping Terminal 2 Key Data

- Investment: Approx. €120 million
- Construction period: 2006 to 2009
- Extended space for shopping, bars, and restaurants
- Redesigned central marketplace with a total of 17 new shops and cafes
- EU regulations on passenger segregation implemented
- Bridge structures at positions D 4, E 2, and E 5 newly constructed as A380 positions with corresponding A380 gates
- Decentralized security checks

3

anticipate that this measure will provide significant improvements to passenger flows. The new free space behind the old departure security check points, originally the location of detectors and X-ray machines, is now home to a generously sized marketplace, which will entice guests with its wide range of shopping and a wellness spa.

Ready for the A380

Three gates and positions in Terminal 2 have already been prepared for the dimensions of the new wide-body A380 airplane. Both the gate areas and bridge structures have been adjusted to cater for the aircraft's larger dimensions. Frankfurt Airport is therefore perfectly prepared to deal with the new wide-body airplanes. The redesigned gate space at position E 2 can now accommodate up to 800 passengers, with boarding and disembarking optimized thanks to the new passenger bridges. The A380 already docked at Terminal 2 several times in 2007 before its longer test flights.

1 Boarding an A380 via three passenger bridges
2 Decentralized security check in front of the gates
3 Extended Duty Free in Terminal 2

Refurbishing Runway System

Frankfurt Airport's runways are the scene of over 480,000 takeoffs and landings every year, and this amount of traffic inevitably "leaves its mark". This part of the infrastructure also requires checking and refurbishing at regular intervals to ensure smooth operations for all aircraft using the airport in the years to come.

Refurbishing Parallel Runways

Frankfurt Airport's South Runway has been operating for over 30 years. Some 150,000 takeoffs and landings are made here every year, while Frankfurt's North Runway is used for around 200,000 aircraft movements per year. In 2001 and 2002, a survey of the runways' surface quality was carried out, revealing that damage due to wear was so extensive that repairs were no longer sufficient. Therefore a concept was developed for radically refurbishing the parallel runways section by section, without the capacity of Germany's largest airport being impacted.

Frankfurt: International Pioneer

Frankfurt Airport is the only airport worldwide to have refurbished its runway system exclusively through night work without any impact on airport capacity during the day.

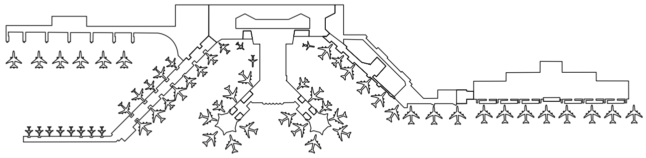
After two years of refurbishing work, the South Runway was completed in October 2007. Fraport AG invested around €40 million in the project. The same process was used to completely refurbish the North Runway between 2003 and 2005.

This way of working has caused quite a stir in the aviation industry. Both experts


1

Refurbishing the Parallel Runways Key Data

- Investment for South Runway: Approx. €40 million
- Investment for North Runway: Approx. €38 million
- Investment for West Runway: Approx. €4.5 million
- Construction period South Runway: 2005 to 2007
- Construction period North Runway: 2003 to 2005
- Construction period West Runway: 2008 to 2011
- Length x width: South Runway: 4,000 m x 45 m, North Runway: 4,000 m x 60 m, West Runway: 4,000 m x 45 m
- Takeoffs and landings per year: South Runway: Approx. 150,000, North Runway: Approx. 200,000, West Runway: Approx. 140,000



from other airports with similar plans and delegations from various universities have shown great interest in the construction work.

Highly Complex Construction Logistics

The construction work had to be split into 600 individual sections as the work could only be carried out at night – every night a 15-meter section was refurbished. The old coating had to be broken up and four different layers of new asphalt laid down. After intensive testing, Fraport construction experts opted for a high-tech asphalt mix with synthetic additives, which offered the advantage that it could be installed at relatively low temperatures and soon after be ready for regular flight traffic.

Construction was suspended in the height of summer and winter, with heavy rain also hampering work at times. The construction work was meticulously planned down to the minute and required the runway to be closed from 10 p.m. to 6 a.m. The runways then had to be available for unrestricted flight traffic the next morning.

The team working on the project consisted of 25 truck drivers and 40 well coordinated civil engineering experts, with 25 trucks, six large and two small diggers, two asphalt finishers, and four rollers and bulldozers also involved.

A Resounding Success

The night refurbishment of the parallel North and South Runways was completed on time thanks to planning with military precision; the project also came in on budget. Despite the constant battle against the clock, the project was completed without a hitch. The inspection report has also turned up fantastic measurements for the refurbished areas. The unevenness of the new surface is in the millimeter range and therefore far below the stipulated regulations.

Refurbishing the West Runway

Frankfurt Airport's West Runway has been in use for almost 25 years. The number of aircraft movements and the resultant demands placed on the runway have grown constantly in this time. The high load has had its impact, with the runway's surface showing signs of wear. Damage that required repair was remedied during maintenance work up to now. However, this maintenance work is no longer sufficient, particularly at the well-worn head of the runway.

That's why a comprehensive overhaul of the first 300 meters of the northern end of the 4,000-meter runway was launched in July 2008, with construction work completed in September 2008. Further sections are due to follow in the next years. Similar to the refurbishment of both the parallel runways, the overhaul of the West Runway was also carried out at night to ensure flight traffic could continue as usual the next morning. The construction work was also used as an opportunity to carry out work on the markings as well as on the runway lights' electrical systems.

In contrast to the North and South Runways, the West Runway did not have to be completely closed during night work. Small and medium-sized aircraft up to Boeing B 757 size were still able to use around 2,800 meters of the runway during construction. Larger aircraft had to use the parallel runways.

1 Airbus A340-600 takes off from the refurbished parallel runways

2, 3 Night work on the parallel runways

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3

Group management report

Business development and highlights of 2008

On January 4, 2008, the zoning decision on the expansion of Frankfurt Airport, issued on December 18, 2007, was submitted to Fraport AG. This decision authorizes the construction of a new landing runway, additional flight operation facilities and gives the approval under the German Building Regulations Law for the construction of Terminal 3 and additional structural buildings. After the decision was delivered, there was the possibility to appeal against it before a court. Building work on the new landing runway got underway on January 20, 2009. Work was able to begin after the Hessian Administrative Court rejected urgent applications on January 2 and January 15, 2009, and the Darmstadt regional administrative authority ruled effective January 12, 2009, that Fraport AG was to be assigned ownership of the required plots of land belonging to Kelsterbach municipal authority ahead of time. Construction work on the new runway is planned to last until 2011. At the same time, further expansion measures on the site of the existing airport are also being launched in 2009.

After a 20-month construction period, a new terminal area at Frankfurt Airport entered service on March 17, 2008. At the heart of the new terminal section was the extended Hall C as well as the remodeled connection between Terminal 1 and Terminal 2, the so-called C/D Link. In Hall C, which has been extended by 25,000 square meters, can now check in up to four million extra passengers every year. The C/D Link provides four reconstructed airplane positions – three of which are for the Airbus A380 – as well as a unique two-level boarding system: The first of its kind in the world. While economy class passengers board the aircraft on the lower level, business and first class passengers enjoy direct access to the airplane from the Lufthansa lounges.

1

On April 1, Fraport AG sold its subsidiary ICTS, which provides security services for airports, for €100 million.

In mid April, the German federal government committed itself to pay €41.9 million in connection with our claim for damages against the Philippine Government for our terminal project in Manila. This commitment relates to the German federal government's investment guarantee for capital investments outside Germany (GKA), in connection with Fraport's engagement in Manila. Fraport concluded such a guarantee contract in 2001 to insulate itself from the political risks its equity investment made in the Manila project is subject to. The payment was received at the beginning of August and had a positive impact on the financial result and Group profit in full.

At our seventh Annual General Meeting on May 28, the actions of our Executive Board and Supervisory Board were approved. Fraport shareholders received a dividend amounting to €1.15 per share.

On May 30, 2008, our wholly owned Alterra Lima Holdings Ltd. subsidiary sold its share in Lima Airport Partners S.R.L. to Fraport as the proprietary company, a Peruvian investor, and the World Bank's investment fund (IFC). Since then, Fraport AG has held 70.01 percent of shares in Lima Airport Partners S.R.L., which holds the operating concession for Lima Airport for the next 30 years. The shareholding was one of the most important profit drivers in our external business last year.

Based on two management contracts, we have been operating the Saudi Arabian airports in Riyadh and Jeddah since June 2008. Fraport employees will hold some management and other leading positions as part of the contracts. We came out on top in the bidding process despite a large number of offers. The contracts both have a duration of six years.

2

During the night of July 28–29, refurbishing work began on the 4,000-meter long Runway West. The Runway West, which entered service in 1984, is to be refurbished section by section.

On August 20, Fraport AG became the first airport operator to join the IATA's Cargo 2000 quality system. Cargo 2000 involves approximately 60 airlines, forwarders, ground handling, and IT providers, and is dedicated to optimizing processes along the cargo-handling chain, especially at interfaces linking the partners. The goal of this quality system is to continuously improve service and optimize costs.

With the Chairman of the Fraport AG Executive Board in attendance, an official celebration was held on September 9 to present the German-Chinese joint venture for the operation of Xi'an Xianyang International Airport to the public. Holding a 24.5 percent share in the airport, Fraport is the first foreign airport operator to invest in a non-listed airport in China. As part of this partnership agreement Fraport provides the COO for the new company.

3

On November 3, we opened a generously sized, attractive marketplace directly behind passport control outside the Schengen area in Terminal 2. It is aimed at international passengers, and aside from being Frankfurt Airport's largest duty-free shop, with over 1,800 square meters of floor space, the area also provides passengers with wellness, fashion, and consumer electronics options.

After numerous demolition and preconstruction measures, construction work on Pier A-West got underway on December 10. The 790-meter-long pier will create additional terminal capacity for around six million extra passengers every year after its completion in 2012. The future connection between the existing Concourse A and Pier A-West, the so-called "Root A", will also boost our high-margin retailing business thanks to its wide range of retail spaces. In the future, both the additional six million passengers for Pier A-West and the 17 million passengers from the existing Concourse A area will have the opportunity to enjoy these great shopping facilities on the way to their gates.

Shortly before the end of the year, on December 19, Fraport successfully reached an agreement on loans with the European Investment Bank (EIB) and LTH – Bank for infrastructure. By concluding negotiations, Fraport is securing long-term loans totaling €980 million for modernizing and expanding the existing terminals. The funds will be used successively in four installments and received in full by June 30, 2010 at the latest. The first installment was received on January 15, 2009. The average maturity of the loans is over eight years. Together with the promissory note loan of €720 million issued in June 2008 as well as other loans, Fraport AG was able to secure funding amounting to €1.9 billion in 2008 alone. Including Fraport AG's financing activities in the previous years, €3 billion of the anticipated maximum of more than €4 billion in financial liabilities for the expansion and modernization measures at Frankfurt Airport were already secured by the end of 2008.

4

The Fraport Group

Business activities and organization

Fraport is one of the world's leading airport operators and, in Frankfurt Airport, we operate one of the most important air traffic hubs worldwide. Together with its partners, Fraport is developing Frankfurt Airport into "Frankfurt Airport City" – a site with outstanding mobility, leisure, and real estate options. The range of services offered by Fraport doesn't just include all services relating to flight operations, the Group is also an expert partner for retailing and real estate development. As a full service provider in the airport business, Fraport is represented on four continents with shareholdings and subsidiaries.

The business activities of the Fraport Group are divided into four segments: Aviation, Retail & Properties, Ground Handling, and External Activities. The strategic business units of Fraport in Frankfurt are clearly assigned to these segments and Executive Board members. The Aviation, Retail & Properties, and Ground Handling segments also include investments integrated in business processes at the Frankfurt site. One member of the Executive Board is directly responsible for each segment. Service units, central units, and staff departments are also attributed to an Executive Board member.

The strategic business unit "Traffic and Terminal Management, Airport Expansion" is part of the **Aviation** segment and comprises the flight and terminal operations at the Frankfurt site and airport expansion operations. The Aviation segment also encompasses the strategic business unit "Airport Security Management" combining airport and aviation security at Frankfurt.

The **Retail & Properties** segment consists of the strategic business unit "Retail & Properties" comprising our retailing activities, parking facility management, as well as the rental and marketing of real estate at the Frankfurt site. While the internal service units "Information and Telecommunication" (IUK) and "Real Estate and Facility Management" (IFM) used to be included in this segment, all activities that do not specifically concern the Retail & Properties segment will be reallocated as of January 1, 2009. As a result, the service units IUK and IFM along with their subsidiaries are to be assigned together to the newly

Organization of Fraport AG

	Prof. Dr. Wilhelm Bender Chairman of the Executive Board	**Dr. Stefan Schulte** Vice Chairman of the Executive Board and Executive Director Traffic and Terminal Management, Airport Expansion	**Dr. Matthias Zieschang** Executive Director Controlling and Finance	**Herbert Mai** Executive Director Labor Relations
Segment responsibility	**Ground Handling**	**Aviation**	**External Activities**	**Retail & Properties**
Staff Departments	Special Projects Internal Auditing Corporate Strategy	Special Legal Assignments	Investor Relations Investment Management	Data Protection Management Systems Confidential Affairs Environmental Management
Strategic Business Units	Ground Services	Traffic and Terminal Management, Airport Expansion Airport Security Management		Retail & Properties
Service Units		Real Estate and Facility Management	Information and Telecommunication	
Central Units	Marketing, Sales Support, Boards and Committees Corporate Communications	Legal Affairs	Global Investments and Management Controlling, Finance, Accounting Central Purchasing, Construction Contracts	Human Resources

named segment “External Activities & Services” as “Services”. At the same time, the profit center into which cost-related user fees are pooled, is to be assigned to the Aviation segment. The segment Retail & Properties will then be newly named “Retail & Real Estate”. Further information on this reorganization can be found in the Development in the Fraport Segments section of the Outlook on page 56.

The **Ground Handling** segment combines the strategic business unit “Ground Services” and the shareholdings involved in these operations at the Frankfurt site.

The **External Activities** segment includes the central unit “Global Investments and Management”, responsible for airport services and airport management at our shareholdings that are not integrated in business processes at our Frankfurt site. As mentioned before, the service units IUK and IFM along with their subsidiaries are to be assigned to this segment from 2009 onwards, and the segment will be renamed “External Activities & Services”.

A new Supervisory Board of Fraport AG was appointed at the seventh Annual General Meeting on May 28, 2008 after being elected in accordance with the rules of the German Co-Determination Act on May 14, 2008. The newly appointed Supervisory Board of Fraport is now as follows:

Shareholder Representatives	**Employee Representatives**
Karlheinz Weimar	Gerold Schaub
Dr. Manfred Bischoff	Ismail Aydin
Jörg-Uwe Hahn	Erdal Kina
Lothar Klemm	Arno Prangenberg
Wolfgang Mayrhuber	Gabriele Rieken
Klaus-Peter Müller	Petra Rossbrey
Matthias von Randow	Hans-Jürgen Schmidt
Dr. h.c. Petra Roth	Werner Schmidt
Lutz Sikorski	Edgar Stejskal
Christian Strenger	Peter Wichtel

State Minister Karlheinz Weimar remains in office as Chairman of the Supervisory Board and Gerold Schaub remains Vice Chairman. The newly appointed Supervisory Board is to remain in office until the conclusion of the Annual General Meeting after the fourth consecutive fiscal year, at which the actions of the Executive Board are to be approved.

Group strategy

General conditions for the strategic development of Fraport AG

Fraport operates in a very dynamic competitive environment. The company’s basic strategy may therefore be inferred from the market trends in global air traffic and the particular situation in Frankfurt, which we will discuss in the following.

Global economic slowdown affecting air traffic

The consequences of the global financial crisis and the resulting downturn in the global economy are also impacting global air traffic.

Success used to come easily to the “booming air traffic industry”, but global growth decreased dramatically in the second half of 2008. In the second six months of the year, all European hub airports reported significant falls in numbers of passengers compared to the previous year. According to Airports Council International (ACI), a decline of 0.6 percent was recorded worldwide for the full year 2008.

Long-term growth trend remains intact

In spite of the short-term decline in demand in global air traffic, facts indicate that there is no reason to doubt the industry’s continued growth in the long-term.

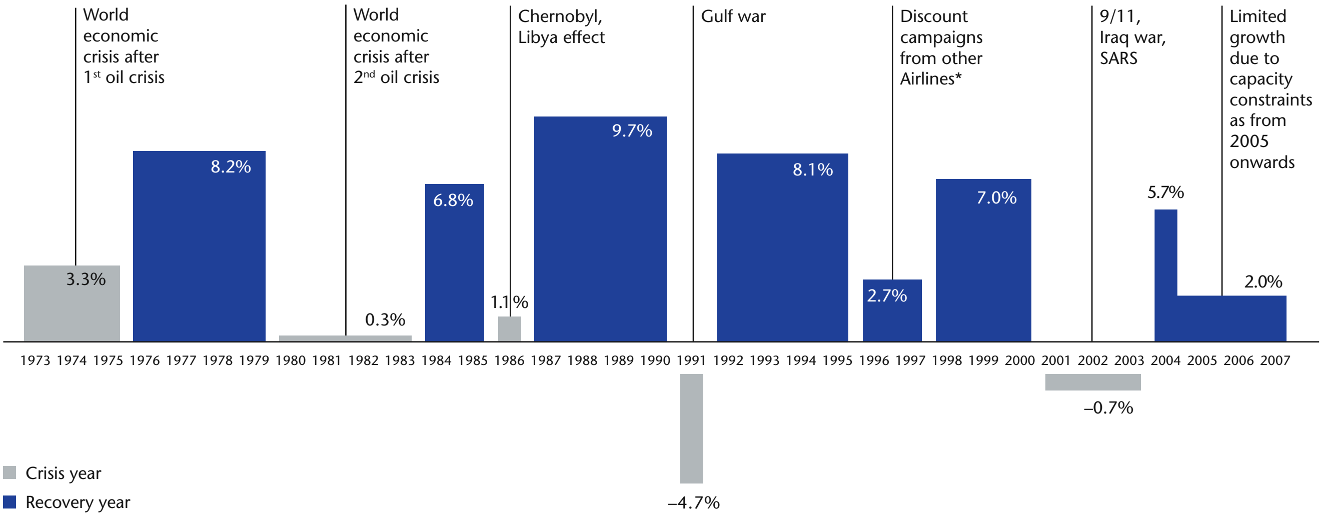
In a global economy, countries will continue to intensify cross-border relations, largely irrespective of the economic situation. One of the central pillars of this internationalization process is and will continue to be global air traffic. In addition, improving standards of living in numerous emerging markets (such as India and China) will create new markets with high growth potential in the coming years.

Result: The world economy is continuing to become more and more global. It is unlikely that trends that have been followed to date will be reversed in the long-term. Air traffic was one of the areas that benefited most from this development in the past and it will continue to do so in the future.

As previous crises have shown, turbulence on the markets only temporarily impacts the upward trend in global air traffic. This has to be taken into account when looking at the currently extremely critical situation faced by the airline industry, which is being placed under pressure on several fronts due to oil prices, the financial crisis, and falling demand. After a temporary period of reduced growth, the industry should find itself ready to return to its previous growth track once the economic situation improves.

Compensation effects in the passenger development after times of crisis at Frankfurt Airport

Average change to the previous period in %



* Losses from transfer passengers to other hub airports

International competition between hub airports

The major driving force behind changes in airports continues to be competition for passengers and freight, which particularly affects the hub airports. This competitive pressure is felt most keenly by Frankfurt, due to the current capacity bottlenecks. The Frankfurt site is currently not in a position to meet the demands of the airlines in line with the market. Each day that passes without the Northwest Landing Runway reduces Frankfurt's ability to keep up with the competition, making Frankfurt a less attractive location.

Competition faced by Frankfurt includes:

Level 1: Competition between airports

With approximately 53.5 million passengers, Frankfurt airport was once more by far the most significant air traffic hub in Germany, and continued to be the uncontested main intercontinental hub for the Star Alliance headed by Deutsche Lufthansa. The airline now has a number of alternative hubs in Germany and abroad, due in no small part to its successful expansion strategy. Frankfurt Airport is facing up to the resulting competition among these locations. We are confident that Frankfurt Airport will be able to consolidate its role as the main intercontinental hub for the Star Alliance in spite of the competition once expansion work is completed.

Level 2: Competition between system alliances

As a large percentage of their passengers pass through the international hubs, the three major airline alliances Star Alliance, Sky Team, and One World are very closely linked to the respective airport operators. The only way for the alliances and operators to be successful is to work together as system alliances. Customers – in particular intercontinental travelers – already have the choice as to which system alliance to fly with, in other words, which airline alliance and which major European hub they use.

Level 3: Global competition

In the global context, the European system alliances are going to increasingly come up against "new entrants" from the Middle East in the next few years. The additional capacity planned is gradually being built at hubs on the ground. Dubai International Airport, for instance, opened the new Terminal 3 in October 2008. Further capacity will be added gradually by Dubai World Central Al Maktoum International Airport (previously Jebel Ali International Airport) from 2009 onwards. After work has been completed, the airport should have a six-runway parallel system allowing 120 million passengers to be checked in and 12 million tonnes of airfreight processed each year.

Vision and goals of the Fraport Group

The vision adopted by the Fraport Group in 2004 and the goals derived from it are still valid:

› *We professionally develop mobility, making it an exciting experience for our customers.*
› *As an airport Group we are the most strongly performing player in all business segments of the industry.*
› *For Fraport, airports are a world of excitement and diversity as well as intermodal hubs.*
› *We systematically link different modes of transportation.*
› *At all our locations process efficiency and innovation is our hallmark. Our success is based on competitive integrated services, which flexibly meet our customers' requirements.*
› *Our top priority is safety and security. By carrying out our vision, we create sustained value in the interests of our shareholders, our employees, and the regions in which we operate.*

Three goals can be derived from this vision for the Fraport Group:

- Value added
- Performance
- Sustainability

Comprehensive information on our goals can be found on our website www.fraport.com and in further publications.

Three-pillar strategy

The three strategic challenges faced by the Fraport Group on the way to realizing our vision were highlighted in our market analysis in the Group strategy chapter and can be summarized in the so-called "three-pillar strategy" as follows:

- Securing the integrated business model
- Growth at the Frankfurt site
- External growth

Pillar 1: Securing the integrated business model

In its role as an intercontinental hub, Frankfurt Airport is a first-class provider of integrated services renowned worldwide. Nevertheless, the "integrated business model" has to be constantly adapted and developed to reflect changing general conditions. It is no end in itself, but instead we must continuously prove its particular benefits for the location.

Special attention needs to be given to ensuring the competitiveness of the Ground Handling segment. This segment is still faced with the challenge of creating cost structures that will remain competitive in the long-term, providing positive value added. Structural changes are also necessary as far as security is concerned according to the regulations stipulated in Section 5 of the Aviation Security Act (Luftsicherheitsgesetz) and shall be implemented as soon as possible.

Considerable investment will be made in the coming years into the Aviation, Ground Handling, and Retail & Properties segments in order to strengthen the business relationship with key customers. Particularly important here is the expansion and modernization measures for FRA North, as well as investments in the site's central infrastructure. This enables Fraport to strengthen its system alliance with its main customer Lufthansa in particular, paving the way for unique structures to be created and helping us stand out from the competition, i.e., other European intercontinental hubs.

Pillar 2: Growth at the Frankfurt site

In times like these when competition is tough, the company has no alternative but to ensure that planned expansion projects are realized as quickly as possible. Fraport still expects the Northwest Landing Runway to open in 2011 and the first stage of Terminal 3 to be completed in 2013. Growth in our Retail & Properties segment continues to be a key factor in the profitability of the Frankfurt site. We are still focusing on expanding and modernizing retail space in the terminals. In the Properties segment, the development projects for retail space and real estate detailed in Fraport's real estate strategy – aimed at creating an Airport City – are still on schedule. Further positive effects are to be expected from making best use of the existing areas and establishing a professional approach to facility management. Any significant delay to expansion work would greatly increase the risk of Frankfurt Airport losing its importance on the international market. The timescale we have already communicated to our customers would have to be revised once again, resulting not only in a loss of trust, but airlines would also probably turn to other sites on a permanent basis and would be extremely unlikely to return to Frankfurt. The consequences would be devastating not only for our company, but also for the economic prosperity of the entire Rhine-Main region.

Pillar 3: External growth

As far as the External Activities segment is concerned, the aim to widen our scope by putting Fraport expertise to use outside the Frankfurt site remains unchanged. The numerous activities of financial investors and construction companies has, however, resulted in new competition for takeovers in the airport sector. A key strategic challenge faced by the segment is to find a way of adjusting structures in external business, enabling Fraport to remain competitive in the future. At the same time, we have to be ready to seize any potential opportunities arising from the current financial market crisis. We can't emphasize enough in this context that Fraport strictly examines each bidding procedure for its profitability and its specific risks. Only if the forecasted profit of a project is able to exceed the anticipated minimum interest rate will we invest our knowledge and Fraport capital.

Value management

In the interest of our shareholders, achieving a sustained increase in our Company's value is one of the key elements of our Group strategy. To make the medium and long-term success of this strategy measurable, we introduced a value-oriented control system in 2001, which is based on the Fraport Value Added as the central target and control indicator.

In this context, Fraport Value Added reflects the additional value earned beyond the capital costs incurred and is seen as the difference between EBIT and capital costs before tax (weighted average cost of capital x Fraport assets):

$$\text{EBIT} - \underbrace{\text{Fraport assets} \times \text{WACC}}_{\text{Cost of capital}} = \text{Value added}$$

Elements of Fraport Value Added: Calculating the weighted average cost of capital

The weighted average cost of capital (WACC) relates to the minimum interest rate required by the capital market for the capital employed and is calculated by Fraport as the weighted average cost of equity and cost of debt. The cost of equity corresponds to the return on investment expected by our shareholders and is determined using the internationally recognized "Capital Asset Pricing Model" (CAPM). The cost of debt is the result of a risk-free interest rate plus a company-specific risk premium. Given the continuously changing economic environment, interest rate level, and/or our risk and financing structure, we regularly review the Fraport WACC and adjust it to the changing general environment.

Determination of Fraport assets

"Fraport assets" are defined as the average of the Company's interest-bearing capital employed for operations, which consists of the following:

Calculation of Fraport assets

	Goodwill
+	Other intangible assets at cost/2
+	Investments in airport operator projects at cost/2
+	Property, plant, and equipment at cost/2
–	Construction in progress at cost/2
+	Inventories
+	Trade accounts receivable
–	Trade accounts payable
=	Fraport assets

Depreciable assets are generally recognized at half of their historical cost (cost/2) and not at residual carrying amounts. We have chosen to adopt this approach because it excludes "value creation" when the asset basis alone decreases due to depreciation charges (residual carrying amount effect). We also avoid a misallocation of scarce funds with this approach which, for companies with high asset intensity such as airport operators, could occur if we applied value-oriented control on the basis of residual carrying amounts.

Contrary to the procedure outlined above, EBIT in the External Activities segment is adjusted by the earnings of the investments accounted for using the equity method and other investments assigned to this segment. This adjustment is also made for Fraport assets to which the appropriate asset portions of investments 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.

In contrast, goodwill is not recognized at cost/2; instead, it is recognized at current carrying amounts. Pursuant to IFRS accounting standards we determine these amounts on the ongoing basis of impairment testing.

Return on Fraport Assets (ROFRA)

We also use Return on Fraport Assets (ROFRA) in addition to Fraport Value Added as the central control indicator to compare divisions of different sizes. ROFRA is determined by relating EBIT to the Fraport assets and it shows us whether the division creates value (ROFRA > WACC) or destroys value (ROFRA < WACC).

Calculation of ROFRA

$$\frac{\text{EBIT}}{\text{Fraport assets}} = \text{ROFRA}$$

Development of value added

With **Group value added** amounting to €19.5 million, Fraport AG was again able to report positive value creation in the past fiscal year in spite of the economic downturn and a slight decrease in the number of passengers in Frankfurt. However, value creation decreased by €8.5 million year on year due to the slightly disproportionate increase in capital costs compared to EBIT. Increased value creation in the Retail & Properties segment had a particularly positive impact on the development of value added.

With value added of €–56.8 million, the **Aviation** segment continued to report negative value creation despite recording a rise in EBIT. The main reason for the slight decrease of €1.0 million compared to the previous year is the increase in segment capital costs amounting to €14.2 million resulting from the completion of various capital expenditures as part of the FRA North projects, among other things.

Our **Retail & Properties** segment reported unchanged positive development in value added. At €151.3 million, value added was €31.7 million higher than in the previous year. This positive development is primarily attributable to the disproportionate rise in EBIT, which mainly resulted from additional income in the retail and real estate business.

The **Ground Handling** segment recorded a slight increase in value added from €–26.5 million to €–25.6 million. The growth in segment EBIT was offset by an almost equivalent rise in capital costs. While the increase in segment EBIT was mainly accounted for by additional income from our infrastructure services, capital costs grew due to the expansion of the baggage handling system as well as the ongoing modernization of ground services equipment.

At €–75.4 million in the fiscal year 2008, value added in the **External Activities** segment was significantly lower than the value of €–6.1 million recorded in the previous year. This pronounced decline is mainly due to the drop in segment EBIT, which was largely caused by impairment losses on the disposal of Frankfurt-Hahn Airport and Hanover-Langenhagen Airport valued at equity. Provisions released from our expired terminal concession in Antalya as well as additional income from our expired Ineuropa Handling UTE and sold ICTS investments also had a positive impact on results for the previous year. In addition to ongoing investing activities by our shareholdings, capital costs for the segment mainly increased because of capital expenditures particularly at the Xi'an and Delhi shareholdings.

At 10.6 percent, **ROFRA** in the Fraport Group was slightly below the value for the previous year by 0.3 percentage points. Nevertheless, the cost of capital before tax of 10.0 percent relevant for the Group was exceeded again, therefore ensuring value added.

A detailed explanation of the individual segments' development can be found in the chapter on segment reporting beginning on page 34.

Business development in 2008

General economic environment

World economy

The global economy was defined by the financial market crisis and the resulting economic downturn during the past year. Following positive developments in the previous year (+5 percent), global economic growth was only at around 3 percent in 2008. Global trade fared somewhat better recording growth of 4 percent (previous year +7 percent).

A steady increase in crude oil prices through the middle of the year also had a negative impact on the world economy. However, prices in the crude oil markets began to moderate significantly with the start of the economic downturn. Nevertheless, at US$100, the annual average price per barrel of crude was much higher than the average price of US$73 in the previous year.

The economic downturn was felt in almost all regions around the world (see table next page). The highest rates of economic growth were sustained in fast-developing Asian countries at around 7 to 9 percent as well as in Central and Eastern Europe and Africa at 5 percent. At just under 1 percent and 1.3 percent growth, the gross domestic product of the Euro zone and the USA reflected much slower economic growth. The gross domestic product of Japan was even slightly negative at –0.3 percent.

The economy in Germany

The gross domestic product of Germany has also been negatively affected by the economic downturn since the second quarter of 2008, coming in at 1.3 percent for the year compared to 2.6 percent in the previous year. Economic development was mainly dampened by slow growth in demand from abroad during the period under review. Growth impulses were mainly domestic, including equipment and construction expenditures.

	Fraport Group		Aviation		Retail & Properties		Ground Handling		External Activities*	
€ million	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
EBIT	335.4	360.7	44.8	58.0	244.6	285.9	12.6	19.0	40.6	–17.2
Fraport assets	3,073.8	3,411.9	1,005.9	1,148.5	1,250.1	1,346.3	391.2	446.4	466.9	582.0
Capital costs before taxes	307.4	341.2	100.6	114.8	125.0	134.6	39.1	44.6	46.7	58.2
Value added before taxes	28.0	19.5	–55.8	–56.8	119.6	151.3	–26.5	–25.6	–6.1	–75.4
ROFRA	10.9%	10.6%	4.5%	5.1%	19.6%	21.2%	3.2%	4.3%	8.7%	–3.0%

* EBIT and Fraport assets are adjusted for investments accounted for using the equity method and financial investments

Gross Domestic Product (GDP) / world trade

Real changes compared to the previous year in %	2007	2008
Germany	2.6	1.3
Euro zone	2.6	0.9
Central and Eastern Europe, Africa	6.6	5.2
USA	2.0	1.3
Japan	2.0	–0.3
China	11.9	9.1
India	9.3	7.6
World	4.7	3.1
World trade	**7.2**	**4.1**

Source: Deutsche Bank, February 6, 2009; Federal Statistical Office, January 14, 2009; IMF, January 2009

Development of air traffic

Slowing economic growth is also reflected in the development of air traffic at airports. According to ACI estimates, passenger volumes at European airports fell by more than 0.3 percent over the course of 2008, while global passenger volumes decreased by 0.6 percent (previous year +6.1 percent in Europe and +5.6 percent globally). Airfreight also decreased by –3.5 percent in Europe and –4.3 percent globally (values for the previous year +4.1 percent and +3.0 percent, respectively). Initial preliminary figures from the German Airport Association (ADV, Arbeitsgemeinschaft Deutscher Verkehrsflughäfen) indicate that the number of passengers at German airports increased by approximately 1.2 percent and the cargo volume (airfreight and airmail) increased by 4.6 percent due to available growth capacity.

Development of Fraport Group airports

Passengers

During the past fiscal year, approximately 78.2 million passengers used the six airports of the **Fraport Group** (majority-owned shareholdings). Compared to the previous year, this new record value corresponds to absolute growth of 3.4 percent. When the value for the previous year is adjusted for the additional passenger terminal of our shareholding in Antalya, the number of passengers increased by 0.9 percent. The total number of passengers in the Fraport Group – including airports with minority interests and management contracts – also reached a record value of 133.3 million passengers (+2.2 percent compared to the adjusted value for the previous year). The airports in Cairo and Xi'an in particular reported disproportionate growth rates.

With 53.5 million passengers, the **Frankfurt** site reported approximately 0.7 million fewer passengers in 2008 compared to the previous year (–1.3 percent). While disproportionate growth compared to the previous year continued at the start of the fiscal year (passenger numbers were up by +3.6 percent in the first quarter), demand lost momentum in the second quarter (passenger numbers increased by +1.1 percent in the second quarter). The growth trend reversed at the start of the third quarter. Passenger numbers fell as a result of strikes from our main customer and the economic slowdown compounded by restrained vacation travel and visa restrictions on airline connections to China related to the Olympic Games. The financial market crisis continued to negatively affect the development of passenger numbers in the fall, leading to an overall drop in passenger numbers in the last three months after positive developments until September 2008.

Domestic air traffic was negatively affected by restrictions on business travel and reduced frequency as well as flight cancellations caused by weather and strikes. European traffic also declined by –1.9 percent. While an increase in flights and special fares from classical scheduled airlines initially stimulated demand, the business travel market in particular declined here as the economic downturn worsened. Destinations in Western Europe, especially international financial centers, suffered disproportionate decreases. On the other hand, Mediterranean tourist destinations were not affected as severely by the decline. In contrast, intercontinental air traffic exhibited a certain amount of resilience against decreasing demand. In spite of the overall decrease in passenger numbers of –1.3 percent, air traffic on intercontinental routes grew by nearly 1 percent. With the exception of the Far East (–4.7 percent) and the USA (–1.1 percent), all other markets developed positively. In particular, an increase in flights from and to South America, the Caribbean, and Canada helped revitalize intercontinental air traffic. Connections to North Africa and the growing Middle Eastern market also resulted in growth.

In 2008, Frankfurt remained the third-busiest European airport in terms of passenger figures after London-Heathrow and Paris-Charles de Gaulle.

Antalya experienced significant growth in the number of passengers, mainly thanks to tourists from Russia, Germany, and Great Britain in Terminal 1 at the beginning of the summer season. One million passengers were counted in the international Terminal 1 in the peak season during the months of July and August, respectively. Significant growth of 16.3 percent in the number of passengers was recorded in Terminal 1 during the last quarter of 2008, in spite of the economic and financial market crisis. The International Terminal therefore reported a total growth of 14.1 percent while the number of passengers in the Domestic Terminal fell by –4.3 percent.

The **Lima** site continued to develop into an important hub for South America. An increase in the number of transfer passengers, additional flights offered by carriers, and improved aircraft utilization resulted in double-digit growth of 10.4 percent in the number of passengers. With 8.3 million passengers, Lima Airport welcomed more passengers last year than in any other previous year.

In contrast to the previous year, **Frankfurt-Hahn** Airport was unable to break the four million barrier for passenger volumes in 2008. A reduction in flights at the start of the year and a fall in the number of connecting passengers were key reasons for the decrease. A drop of 1.9 percent was reported with a total of approximately 3.9 million passengers.

At –0.6 percent, passenger volumes at the airport in **Burgas** also decreased slightly. While the number of Russian tourists grew, this increase failed to fully offset the loss of passengers from Western Europe following the financial market crisis. The airport in **Varna** also reported a decrease in passenger volumes of –2.9 percent. Just as in Burgas, the decrease in the number of tourists from Western and Northern Europe was particularly significant.

Cargo

In the year under review, a decrease in cargo volume was reported at the **Frankfurt** site for the first time since 2001. Compared to the previous year, cargo throughput fell by 2.7 percent to 2,111,116 metric tons. Airfreight amounted to 2,021,368 metric tons (–2.6 percent) while airmail accounted for the remaining 89,748 metric tons (–5.0 percent). These negative developments were ultimately triggered by the economic downturn with falling German exports and order volumes following the financial market crisis. Crude oil prices – which were high during certain periods in 2008 – and the related fuel surcharges put an additional damper on the cargo tonnage. The volume markets worldwide, which were particularly severely affected by the economic crisis were in particular responsible for the decrease: Cargo throughput with North America fell by nearly 6 percent or 28,000 metric tons while Far East traffic also decreased by around 3 percent. On the other hand, connections to comparatively low-volume destinations in the Middle East, Latin America, Australia, and the domestic market reported growth. Frequency increases, new destinations, and route changes for individual freight connections had an especially positive impact here. The fall in airmail can be attributed to the reduction of overnight airmail flights.

In contrast to negative developments in terms of passenger volumes, the cargo business in **Frankfurt-Hahn** was extremely positive during the fiscal year 2008 (+10.9 percent). This is the result of additional flights by the freight carriers EgyptAir Cargo, Etihad, Emirates Skycargo, and Aeroflot. Both international (+2.8 percent) and domestic (+36.2 percent) cargo throughput in **Lima** increased.

		Passengers[1]		Cargo (airfreight and airmail in t)		Movements	
Fully and proportionately consolidated airports	**Share of the airport in %**	**2008**	**% change over 2007**	**2008**	**% change over 2007**	**2008**	**% change over 2007**
Frankfurt	100.00	53,467,450	–1.3	2,111,116	–2.7	485,783	–1.4
Antalya[2]	51.00 / 34.00	9,071,318	8.5	–	–	66,594	15.3
Lima[3]	70.01	8,288,506	10.4	239,112	6.1	98,733	6.3
Frankfurt-Hahn	65.00	3,939,232	–1.9	123,918	10.9	40,586	–1.0
Burgas	60.00	1,936,853	–0.6	1,465	–28.6	16,952	5.2
Varna	60.00	1,450,192	–2.9	–	–	15,129	1.1
Group		**78,153,551**	**0.9**	**2,475,611**	**–1.3**	**723,777**	**1.2**

[1] Commercial traffic only in + out + Transit
[2] Until September 13, 2007 old concession with 100% share in equity (only Terminal 1); since September 14, 2007 new concession including Domestic Terminal with 51% voting rights and 34% share in equity (basis 2007 adjusted)
[3] Internal data Lima

		Passengers[1]		Movements	
Minority-owned airports and management contracts	**Share of the airport in %**	**2008**	**% change over 2007**	**2008**	**% change over 2007**
Delhi	10.00	23,246,218	–0.4	237,780	5.4
Cairo	0.00	14,360,029	14.2	137,333	12.7
Xi'an	24.50	11,922,409	4.8	121,436	2.7
Hanover	30.00	5,637,965	–0.1	86,798	–1.8
Total		**55,166,621**	**4.2**	**583,347**	**5.3**

[1] Commercial traffic only in + out + Transit

Aircraft movements

In spite of the challenging market environment, **Frankfurt Airport** was able to maintain its market position on the key intercontinental routes and actually grew by a total of 2 percent. The overall reduction in aircraft movements by 1.4 percent to 485,783 was mainly limited to the comparatively less lucrative German domestic and European routes. Flight reductions for scheduled air traffic also caused the number of aircraft movements at **Frankfurt-Hahn** airport to fall (–1.0 percent). On the other hand, additional flights led to growth of 15.3 percent and 6.3 percent in **Antalya** and **Lima**, respectively. The airports in **Burgas** and **Varna** also developed positively growing by 5.2 percent and 1.1 percent.

Revenue and earnings

Adjusting revenue and earnings development

For a better comparison of the revenue and earnings development, figures for 2008 and 2007 were adjusted for the following extraordinary effects:

Additional special effects below the Group EBIT in 2008 and 2007 were:

- Positive tax effect of €25.4 million due to the adjustment of our deferred taxes in 2007
- Impairment of our Hanover-Langenhagen shareholding in the amount of €16.6 million in 2008 (financial result)
- Positive effect from a payment received in connection with our Manila engagement of €41.9 million in 2008 (financial result)
- Negative tax effect of €11.8 million due to the sale of our Frankfurt-Hahn shareholding

Revenue and earnings development 2008

In the year under review 2008, the Fraport Group generated **revenue** of €2,101.6 million, down €227.4 million on the previous year (–9.8 percent). This substantial decrease can be primarily attributed to adjusting the aforementioned effects from the sale of our subsidiary ICTS as well as one-off revenue from the Airrail Center finance lease. Adjusted for both these effects, revenue in the year under review increased Group-wide from €2,025.6 million by 3.8 percent, or €76 million, despite the economic downturn. €53.6 million of this increase can be attributed to the first-time full consolidation of our investment at the Lima site. At the

Revenue and earnings

2007	Segment	Revenue € million	EBITDA € million	EBIT € million
Reported revenue and earnings	**Group total**	**2,329.0**	**580.5**	**335.4**
Adjustments:				
Impairment of goodwill on FraSec GmbH	Aviation	0.0	0.0	20.0
Income and expenses from the Airrail Center finance lease	Retail & Properties	–57.6	0.0	0.0
Repayment of a loan purchased below par in connection with the Airrail Center	Retail & Properties	0.0	–2.1	–2.1
Income from the release of provisions for the expiry of claims	Retail & Properties	0.0	–11.5	–11.5
Income from the release of provisions for our expired Antalya concession	External Activities	0.0	–13.6	–13.6
Adjustment of the Q2, Q3, and Q4 figures from our sold subsidiary ICTS	External Activities	–245.8	–6.5	–4.5
High creation of provisions for partial retirement and compensation measurements	Group total	0.0	40.9	40.9
Adjusted revenue and earnings	**Group total**	**2,025.6**	**587.7**	**364.6**

2008	Segment	Revenue € million	EBITDA € million	EBIT € million
Reported revenue and earnings	**Group total**	**2,101.6**	**600.7**	**360.7**
Adjustments:				
Income from the settlement with the DB Station&Service AG	Retail & Properties	0.0	–10.0	–10.0
Impairment in connection with the sale of our Frankfurt-Hahn shareholding	External Activities	0.0	0.0	22.9
Adjusted revenue and earnings	**Group total**	**2,101.6**	**590.7**	**373.6**

Frankfurt site, our segments Ground Handling (€+22.2 million) and Retail & Properties (€+19.7 million adjusted for the effects of the Airrail Center in the previous year) made particularly significant contributions to the increase in revenue.

Other income rose by €3.5 million to €100.3 million despite the positive extraordinary effects in the previous year. Reasons for this increase were in particular higher income from internal work capitalized as well as the settlement reached with DB Station&Services AG in connection with the superstructure of the long-distance train station at Frankfurt Airport. The settlement calls for payments to be made by Fraport AG to DB Station&Services AG, which are lower than the liabilities recognized. The resulting balance of €10 million positively influenced other income.

In the year under review, **total revenue** therefore was at €2,201.9 million, falling 9.2 percent year on year. However, the adjusted figure recorded an increase of 4.8 percent.

Personnel expenses amounted to €925.6 million, falling €217.7 million from the previous year's total of €1,143.3 million (–19.0 percent). Among other things this decline was attributable to the considerable increase in provisions in the previous year and the fact that expenses are no longer being incurred after the sale of ICTS. On an adjusted basis, personnel expenses increased by €40.0 million in the period under review. The collective pay settlement for Fraport AG's permanent staff agreed at the beginning of the fiscal year and retroactively effective for the whole year made a major contribution to this increase (€+29.2 million). The term of the collective pay agreement lasts until the end of 2009 and contains an additional increase of 2.8 percent for the current year 2009. At 44.0 percent, **personnel expenses as a percentage of revenue** fell 5.1 percentage points year on year but came in 0.3 percentage points above the previous year's adjusted figure.

Non-staff costs (materials and other operating expenses) decreased from €702.0 million to €675.6 million due to the extraordinary effects from the previous year. Adjusted, this figure recorded an increase of 9.2 percent. Aside from increased expenses from our first-time fully consolidated investment in Lima, higher energy costs as well as start-up costs from our new subsidiary FraCareS GmbH played a major role in non-staff costs increasing. **Non-staff costs** as a percentage of revenue amounted to 32.1 percent, exceeding the previous year's level by 2.0 percentage points. The adjusted figure recorded an increase of 1.6 percentage points.

In the year under review, **operating expenses** totaled €1,601.2 million, falling 13.2 percent year on year. However, compared to the adjusted figure from the previous year of €1,504.0 million, an increase of 6.5 percent was posted.

EBITDA showed a new record high at €600.7 million, increasing 3.5 percent year-on-year. The **EBITDA margin** of 28.6 percent exceeded the previous year's already high figure by 3.7 percentage points, while the adjusted figure recorded an increase of 0.5 percent. **Depreciation and amortization** amounted to €240.0 million, falling €5.1 million year on year, due in part to the planned expiry of useful lives in the previous year. The impairment of goodwill on FraSec GmbH in the previous year amounting to €20 million almost offset the impairment in connection with the sale of Frankfurt-Hahn Airport in the period under review (€22.9 million). **EBIT** for the year under review totaled €360.7 million, up 7.5 percent on the previous year value of €335.4 million. Considering the special effects, an increase of 2.5 percent was realized.

The **financial result** deteriorated considerably from €–37.8 million in the previous year to €–87.4 million, despite the one-off payment of €41.9 million received under the German federal government's investment guarantee for capital investments outside Germany in connection with our investment in Manila. The main reason for this decrease was primarily the significant fall in the **interest result**. Increased interest expenses were recorded, with €23.5 million from our non-current liabilities for the concession in Antalya making a major contribution to this. Interest expenses from the framework agreement finalized with Celanese AG/Ticona GmbH has impacted the interest result, which came in at €25.4 million (previous year €13.2 million). The €17.6 million fall in **results for investments accounted for using the equity method** is almost exclusively attributable to the impairment of Hannover-Langenhagen Airport in the amount of €–16.6 million. In the period under review, the **tax rate** rose from 28.2 percent to 34.1 percent. The sale of Frankfurt-Hahn Airport as well as losses not effective for tax purposes from individual investments led to a rise in the tax rate in the year under review. The adjustment of deferred taxes carried out in the previous year, positively affected our tax result in 2007 to the tune of €25.4 million.

Group profit amounted to €180.2 million, 15.7 percent down on the previous year, primarily due to the substantial decline in the financial result. Basic **earnings per share** therefore slipped from €2.28 to €1.89. At the Annual General Meeting 2009, the Supervisory Board and Executive Board want to propose a **dividend per share** for the fiscal year 2008 at the same level as the previous year.

Revenue and earnings development

€ million	2007	2008	Change	% change over 2007
Revenue	2,329.0	2,101.6	–227.4	–9.8
EBITDA	580.5	600.7	20.2	3.5
EBIT	335.4	360.7	25.3	7.5
EBT	297.6	273.3	–24.3	–8.2
Group profit	213.7	180.2	–33.5	–15.7
Profit attributable to equity holders of Fraport AG	208.7	173.0	–35.7	–17.1

Segment reporting

Aviation

€ million	2007	2008	Change	Change in %
Revenue	698.7	698.4	–0.3	0.0
EBITDA	139.6	124.9	–14.7	–10.5
EBIT	44.8	58.0	13.2	29.5
Employees	6,331	6,663	332	5.2

Retail & Properties

€ million	2007	2008	Change	Change in %
Revenue	471.4	433.5	–37.9	–8.0
EBITDA	333.0	367.9	34.9	10.5
EBIT	244.6	285.9	41.3	16.9
Employees	2,914	2,733	–181	–6.2

Aviation

Despite falling traffic volumes, revenue for the Aviation segment totaled €698.4 million in the fiscal year 2008, almost equaling the figure from the previous year of €698.7 million. The rise in income from security services particularly helped in offsetting the decrease in income from airport fees. Other income in the segment increased by €11.5 million in part due to internal work capitalized. In contrast to the revenue development, operating expenses for the segment increased by around €21 million. This increase is primarily attributable to the need for more security personnel. The rise in personnel costs resulting from the new collective pay agreement finalized in 2008 could almost be offset by optimizing the permanent staff personnel mix. Non-capitalized expenses for our capital expenditure measures in Frankfurt led to a continuous decline in profit of €34.3 million in the period under review (previous year: €35.9 million).

Due to the increased expenses, segment EBITDA amounted to €124.9 million, falling €14.7 million from the previous year's total. Depreciation and amortization fell by €27.9 million in the period under review. This significant decline was due to the expiry of expected useful lives in the previous year and the impairment of goodwill on FraSec GmbH, which increased depreciation and amortization by €20 million in 2007. Due to the decreased depreciation and amortization, EBIT amounted to €58.0 million, €13.2 million up on the previous year's total, representing an increase of 29.5 percent.

Retail & Properties

At €433.5 million, revenue in the Retail & Properties segment fell €37.9 million short of the previous year's figure. This decline is mainly attributable to the extraordinary Airrail Center effect totaling €57.6 million, which was offset by costs in the same amount. Adjusted for this extraordinary effect recognized directly in equity, segment revenue climbed from €413.8 million to €433.5 million in the period under review, an increase of 4.8 percent. This rise was largely due to increased income from our retail and real estate business (€+5.8 million in retail respectively €+8.8million in real estate adjusted for the Airrail Center effect). The key figure "Net retail revenue per passenger'"increased from €2.69 to €2.84 due to the positive retail development. The segment's other income went up by €9.6 million despite the positive extraordinary effects from the previous year. The major reason for this increase was the settlement reached with DB Station&Service AG, which positively impacted figures by €10 million. The decrease in operating expenses mainly resulted from last year's recognition of the Airrail Center finance lease costs in the same amount as in revenue. Higher costs for utility services were the primary cause for increased expenses.

Overall, segment EBITDA climbed €34.9 million to €367.9 million. Falling depreciation and amortization in connection with the expiry of expected useful lives in 2007 and longer useful lives in the year under review caused EBIT to rise disproportionately by 16.9 percent to €285.9 million. The segment's EBITDA margin and EBIT margin remained at the high levels of 84.9 percent and 66.0 percent, respectively.

Ground Handling

€ million	2007	2008	Change	Change in %
Revenue	620.5	642.7	22.2	3.6
EBITDA	37.4	52.0	14.6	39.0
EBIT	12.6	19.0	6.4	50.8
Employees	8,062	8,443	381	4.7

External Activities

€ million	2007	2008	Change	Change in %
Revenue	538.4	327.0	–211.4	–39.3
EBITDA	70.5	55.9	–14.6	–20.7
EBIT	33.4	–2.2	–35.6	–
Employees	13,130	5,240	–7,890	–60.1

Ground Handling

Revenue in the Ground Handling segment reached €642.7 million, up €22.2 million on the comparable figure last year. This 3.6 percent increase was mainly due to new services offered for passengers with reduced mobility since July 1, 2008 (€+13.3 million) and enhanced baggage screening services to meet the 100 percent baggage screening and control system requirement (€+8.5 million). The segment's other income remained almost unchanged compared to 2007. Operating expenses were up 1.8 percent year on year, but showed below average development compared to revenue. The major reason for the slight increase was the new collective pay settlement effective from the beginning of the fiscal year, which burdened the segment with additional costs. The increase in segment staff was due to the new services for passengers with reduced mobility provided by Fraport's new FraCareS GmbH subsidiary as well as due to the reclassification of staff from the Retail & Properties segment. In the previous year, a recognized provision for partial retirement contributed to additional expenses of around €17.0 million.

Due to the positive revenue and below-average expenses development, segment EBITDA climbed from €37.4 million to €52.0 million in the period under review. Despite higher depreciation and amortization expenses – primarily from the expansion of the baggage handling system as well as the continued modernization of ground services equipment – a €6.4 million rise in segment EBIT to €19.0 million was recorded.

External Activities[1]

Compared to the previous year, the External Activities segment was strongly affected by the sale of our security subsidiary ICTS on April 1, 2008, resulting in missing income and expenditures as from Q2 2008.[2] Adjusted for the ICTS revenue, segment revenue climbed from €290.3 million to €327.0 million, an increase of 12.6 percent. This increase resulted primarily from the first time fully consolidated investment in Lima (€+53.6 million). Also our Antalya investment posted a rise in revenue before consolidation in line with the positive passenger development and the additionally operated terminal. Due to the – since September 2007 – only partial consolidation at 34 percent, the resulting contribution to segment revenue is lower than in the previous year (€–25.3 million). In our other investments there were no futher significant developments on the revenue side in comparison to last year. Due to the release of provisions in the amount of €13.6 million for the expired Antalya concession in 2007 and other income from the sold ICTS, other income dropped significantly in the reporting period. Operating expenses for the segment increased by around €28 million after being adjusted for the ICTS expenses from the previous year. As on the revenue side, the increase can mainly be attributed to the first-time full consolidation of our Lima investment (€+38.6 million). The proportionate consolidation of our investment in Antalya led to a €15.7 million decline in expenses.

Segment EBITDA totaled €55.9 million, representing a fall compared to the previous year. This drop of €14.6 million resulted primarily from the high release of provisions in the previous year, the loss in profit contributions from Fraport's former subsidiary ICTS, and from Antalya being consolidated only on a proportionate basis. Compared to the adjusted previous year figure of €48.9 million (adjusted for ICTS and the release of provisions), EBITDA was able to grow by €7.0 million (+14.3 percent) in the period under review. The segment's reported EBITDA margin improved from 13.1 percent to 17.1 percent in the period under review. Segment EBIT also fell from €33.4 million to €–2.2 million due to the impairment in connection with the sale of Frankfurt-Hahn Airport of €22.9 million.

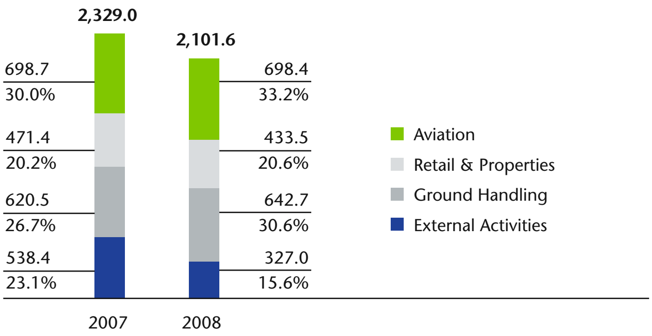
[1] The segment's result does not include the financial result from investments and the result of investments accounted for using the equity method
[2] In opposite to the adjustments on Group level; ICTS figures for the segment in Q2, Q3, and Q4 2007 were due to internal cost allocation as follows: Revenue: €248.1 million, EBITDA: €8.0 million, EBIT: €5.9 million

Segment contributions to Group revenue and EBITDA

With a revenue portion of 33.2 percent, the Aviation segment once again accounted for the largest share of Fraport Group's revenue in the fiscal year 2008. In contrast, with a share of 15.6 percent, the External Activities segment fell 7.5 percentage points in the share of Group revenue it generates. This significant fall is attributable to the sale of our ICTS subsidiary on April 1, 2008. With a 61.2 percent share of Group EBITDA, the Retail & Properties segment remained the Group's earnings driver in 2008.

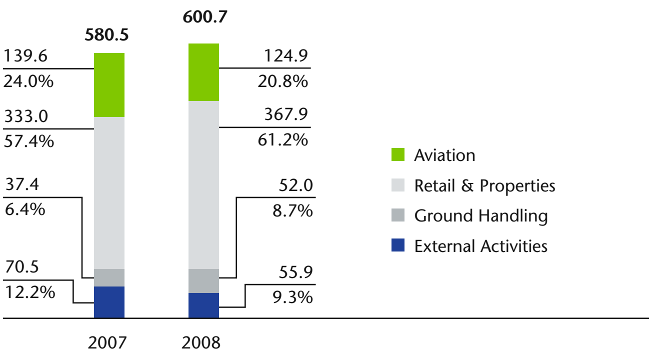
Segment contributions to Group revenue

€ million



Segment contributions to Group EBITDA

€ million



Investments

The business development of our key investments outside the Frankfurt site before consolidation is shown below.

The increase in revenue from €88.5 million to €93.2 million at our investment in **Lima** is primarily attributable to the upbeat traffic development at the site (passenger growth of 10.4 percent). Despite a slight rise in personnel expenses and expenses for concessions paid, EBITDA climbed by €1.1 million to €24.3 million in the period under review. EBIT of the investment amounted to €18.2 million, up €1.9 million on the previous year.

At our **Antalya** investment, revenue grew year on year from €64.8 million to €79.3 million, largely due to the first time full recognition of the Domestic Terminal, which we have been operating since September 2007. Aside from the additional terminal, revenue development was also driven by positive passenger numbers in the international Terminal 1, which we have operated since 1999. In total, EBITDA increased from €26.1 million to €57.9 million in the period under review. Despite writing off the concession amount, EBIT rose from €1.7 million in 2007 to €22.3 million in 2008.

Our investment in Bulgaria **Fraport Twin Star Airport Management AD** didn't record any significant change in revenue development in the fiscal year 2008. The €0.7 million fall in revenue is primarily due to the cautious passenger development at both sites in Varna and Burgas. Nevertheless, EBITDA recorded growth of €1.0 million. Optimized personnel policy was the main reason for the fall in expenses. EBIT amounted to €10.0 million, almost unchanged compared to the previous year (€–0.1 million).

Despite the slight decrease in passenger numbers at our **Frankfurt-Hahn** site (–1.9 percent), revenue was up in the fiscal year 2008 from €41.3 million to €45.4 million. This solid development was particularly attributable to the increase in freight business (+10.9 percent). At €0.9 million, EBITDA recorded a slight increase of €0.3 million year on year. Higher amortization and depreciation for buildings and machines meant, however, that EBIT fell by €0.5 million to €–10.5 million.

Our wholly owned subsidiary **ICTS** was sold on April 1, 2008 for €100 million. The 2008 figures for ICTS in the following table refer to the first quarter.

The business figures for the key investments are shown on the next page. The values disclosed have been computed in compliance with IFRS and are based on the single-entity financial statements.

€ million	Revenue 2007	Revenue 2008	Revenue Change in %	EBITDA 2007	EBITDA 2008	EBITDA Change in %	EBIT 2007	EBIT 2008	EBIT Change in %
Lima[1]	88.5	93.2	5.3	23.2	24.3	4.7	16.3	18.2	11.7
Antalya[2]	64.8	79.3	22.4	26.1	57.9	>100	1.7	22.3	>100
Twin Star	41.3	40.6	–1.7	12.9	13.9	7.8	10.1	10.0	–1.0
Frankfurt-Hahn	41.3	45.4	9.9	0.6	0.9	50.0	–10.0	–10.5	–
ICTS[3]	320.2	69.2	–78.4	10.9	1.5	–86.2	8.3	0.9	–89.2

[1] Up to and including July 31, 2007, consolidation at equity; since August 1, 2007, full consolidation
[2] Up to and including September 13, 2007, old concession with equity share of 100 percent (Terminal 1 only); since September, 14, 2007, new concession, including the Domestic Terminal, with a voting right of 51 percent and an equity share of 34 percent; values correspond to 100 percent of the values before the proportionate consolidation
[3] Investment sold effective April 1, 2008; figures for 2007 without the proceeds from the sale of FraSec

Asset and financial situation

Capital expenditures

The **Fraport Group** invested a total of €735.2 million in the fiscal year 2008, which is €842.1 million less than in the previous year. This significant decline in the amount of capital expenditures is attributable to the one-time financial commitment recognized on a discounted basis relating to the conclusion of the framework agreement with Celanese AG/Ticona GmbH totaling €513.5 million in the previous year, as well as the one-time proportionate concession recognized on a discounted basis for the terminal operation at Antalya Airport in the amount of €448.5 million. Adjusted for these two effects, the capital expenditures of the Fraport Group increased by €119.9 million year on year in 2008.

The largest amount of €505.2 million was invested at **Frankfurt Airport**, the main location of the Fraport Group. A significant amount of capital expenditures – around €87 million – was spent on upgrading facilities for the A380 in the two existing terminals. The second-highest share of the capital expenditure volume was used for extending Hall C and the adjacent C/D Link at around €78 million. Further significant capital expenditures for property, plant, and equipment included capital expenditures for upgrading fire protection facilities in Terminal 1 at €57 million as well as the preconstruction and construction measures for the new Pier A-West at nearly €34 million. More than €66 million were invested in planned expansion during the period under review.

Our **shareholdings** invested a total of €85.6 million during the fiscal year 2008. The significant decrease compared to the previous year's value of €530.6 million mainly resulted from recognizing the concession for terminal operation in Antalya in the amount of €448.5 million in the previous year mentioned before. Meanwhile capital expenditures increased at the sites in Lima, Bulgaria, and Antalya in 2008.

Some €144.4 million were spent on capital expenditures for **financial assets** in the period under review. Among other things, this amount includes the acquisition of shares in Xi'an Airport (€45.6 million) and the planned capital increase in our shareholding in Delhi to be used for financing additional capital expenditures at this site (€35.7 million).

This means the **investment ratio** of the Fraport Group was at 35.0 percent for the past fiscal year, or 32.7 percentage points below the ratio for 2007. Adjusted for the capital expenditures in Antalya and Ticona in the previous year, the ratio increased by 8.6 percentage points.

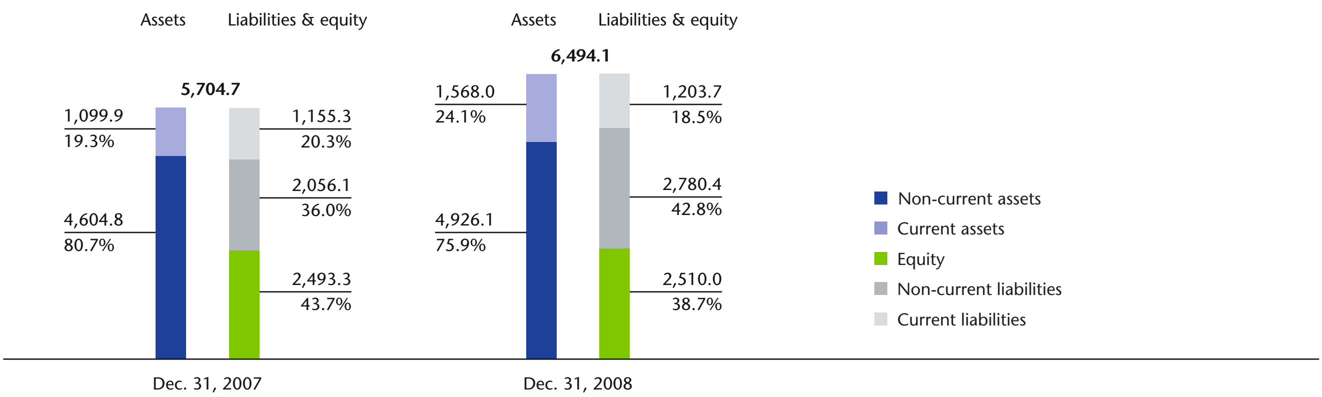
Balance sheet structure

Total assets of the Fraport Group rose by €789.4 million to €6,494.1 million (+13.8 percent) compared to the previous year. This increase was mainly due to the issue of a promissory note loan in the amount of €720 million for back-up funding of our future capital expenditures with non-current financial liabilities.

Non-current assets increased by €321.3 million to €4,926.1 million during the period under review (+7.0 percent). This increase is mainly due to our capital expenditures at the Frankfurt site as part of our FRA North projects as well as introductory measures for the airport expansion. **Current assets** increased by €468.1 million to €1,568.0 million (+42.6 percent), partly thanks to the investment of proceeds from the promissory note loan. The decrease in "non-current assets held for sale" is the result of selling our subsidiary ICTS, which is also evident in the fall in the corresponding item on the liabilities' side.

Balance sheet structure

€ million



Compared to the previous year, **equity** only increased slightly by €16.7 million to €2,510.0 million. After deducting retained earnings and minority interests, 47.6 percent of non-current assets were covered (previous year's ratio 51.1 percent). The **equity ratio** dropped from 41.3 percent to 36.1 percent, mainly due to the assumption of additional financial funds mentioned before.

Non-current and current liabilities increased by €772.7 million to €3,984.1 million, largely as a result of the capital requirements mentioned before. The downturn in trade accounts payable is primarily due to a partial payment related to the framework agreement with Celanese AG/Ticona GmbH totaling €200 million.

Net financial debt (see glossary for definition, page 139) of the Fraport Group amounted to €857.2 million on the balance sheet date; based on the new definition, the previous year's figure was €281.2 million. As a result the **gearing ratio** (see glossary for definition, page 139) was at 36.6 percent on the balance sheet date, an increase of 24.7 percentage points compared to the previous year.

Contingent liabilities do not currently reflect any major impact on future net assets.

Cash flow statement

Cash flow from operating activities amounted to €468.0 million and was slightly below the previous year's value of €478.6 million. This slight decrease is mainly attributable to the repayment of liabilities related to the settlement reached with DB Stations&Services AG during the period under review.

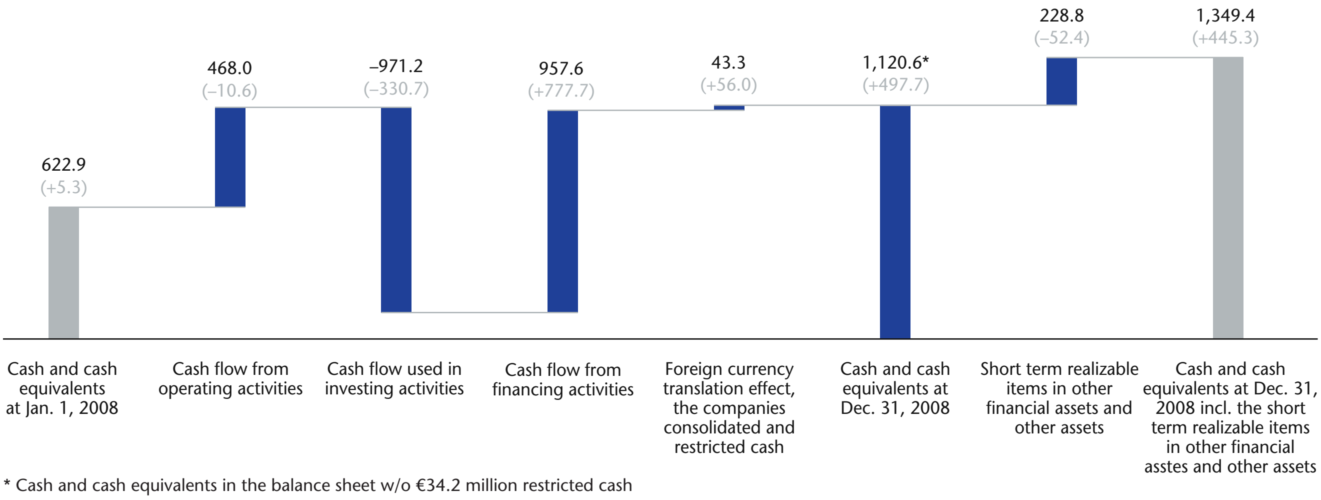
Cash flow used in investing activities in the amount of €971.2 million represents an increase of €330.7 million compared to the previous year (previous year value of €640.5 million). Several effects had a decisive impact on this significant increase: The partial payment to Celanese AG/Ticona GmbH amounting to €200 million increased our capital expenditures for property, plant, and equipment during the period under review, and investments in our external business also went up. In particular, the capital expenditures for our sites in Antalya, where we will increase our share in equity to 50 percent in 2009 (€+62.6 million advanced payments in future investments), Xi'an (€+45.6 million capital expenditures for shareholdings at equity), and Delhi (€+35.7 million other financial investments) contributed to increased cash outflow. The disposal of ICTS and proceeds from the sale of financial assets had the opposite effect. Prepaid rental income from the Airrail Center finance lease in the amount of €57.6 million was reported here in the previous year. The investments in airport operator projects relate to ongoing capital expenditures by our shareholdings.

Cash flow from financing activities increased significantly in the fiscal year 2008, from €179.9 million in the previous year to €957.6 million in the period under review. This increase resulted almost solely from issuing a promissory note loan to finance our future capital expenditures at the Frankfurt site of €720 million. New borrowing from banks led to the remaining increase.

In this context, the rise in **cash and cash equivalents** from €622.9 million to €1,120.6 million is attributable to the proceeds accrued from our financing activities. **Cash and cash equivalents including current items** under "Other financial assets" and "Other receivables and financial assets" amounted to €1,349.4 million in the period under review. Restricted cash totaling €34.2 million are subject to drawing restriction in relation to financing our concession in Antalya.

Change in cash and cash equivalents

€ million (changes compared to the previous year)



* Cash and cash equivalents in the balance sheet w/o €34.2 million restricted cash

As a result of the pronounced increase in our capital expenditures, the **free cash flow** available to the company in the period under review was €122.1 million below the previous year's value at €–370.7 million.

Finance management

The strategic objectives of Fraport's finance management encompass securing liquidity, limiting financial risk exposure, profitability, and remaining flexible. As these targets are essentially a contradiction in terms, priorities have to be set when putting them into practice.

Securing liquidity is the financial target with the highest priority. In addition to internal cash flow and funds, we have a number of credit lines extended by several banks in significant amounts. Agreements were also signed in December 2008 with two development banks, the European Investment Bank (EIB), and the Landestreuhandstelle Hessen (LTH) Bank for infrastructure, securing Fraport AG further long-term financing amounting to €980 million. The payments will be drawn on gradually in four tranches by June 30, 2010 at the latest. The first tranche was drawn on January 15, 2009. On average, the credits are due after a period of eight years.

The second priority in the target system is the **limitation of finance risk exposure**. In view of the capital market crisis, our focus has been on monitoring counterparty risks, while still limiting liquidity, interest rate and exchange rate risks.

As regards **profitability**, the third priority, we aim to optimize performance and to minimize interest expense including transaction costs. The principles governing finance management at Fraport AG such as dual control, segregation of functions between front and back office functions, and transparency are monitored on a regular basis. Since we do not aim to make profits, by making speculative transactions or holding open risk positions for instance, finance management is to be considered as a service function for our core business (service center).

Flexibility in finance management is guaranteed by ensuring that we have sufficient bilateral credit lines as well as liquid funds at our disposal at all times, which we once again expanded with considerable "back-up funding". In addition, all measures have been taken to ensure that we are able to react flexibly and meet any financing requirements we may have in the coming years, using various forms of external financing if necessary depending on the market environment. Fraport is currently not assessed by a rating agency as we have not yet been engaged in borrowing activities that would have required a rating. Whether or not this remains the case is primarily dependent on the market environment. Fraport will continue to monitor developments and be prepared to take swift action if required.

The Fraport Share and Investor Relations

The Fraport share reflected the situation on the stock market and was considerably more volatile during 2008 than in previous years, closing at a year-end price of €30.91. Compared to the previous year, the share price fell by –42.62 percent, showing slightly better development than the benchmark index MDAX. This index recorded –43.21 percent, developing also slightly worse than the DAX, which showed also a significant decline of –40.37 percent. The share prices of all Fraport's European competitors were at equally low levels, with Vienna Airport recording –59.81 percent, Unique, the operating company for Zurich Airport, falling –45.76 percent, and AdP, owner of the three airports in Paris Charles de Gaulle, Orly and Le Bourget, declining –30.87 percent.

The parallel performances of the DAX, MDAX, and Fraport indicate that the Fraport share was unable to defy the market trend. In the first six months of the year, Fraport performed below average compared to both these indexes, reflecting the general performance in the transport sector due to high oil prices, but it was able to catch up in the second half of the year. Concerns about a recession and financing bottlenecks as a result of the credit crunch in the economy as a whole highlighted the advantages of the Fraport share compared to the rest of the market. Not only the greater security in investments within the infrastructure segment, but also the above-average funding ability in the credit market, enabling us to secure more than €3 billion in financial backing by the end of the year were main reasons for the above-market development in these times. In the year, of the financial crisis, Fraport was able to take out loans amounting to approximately €1.9 billion, with conditions far below market average.

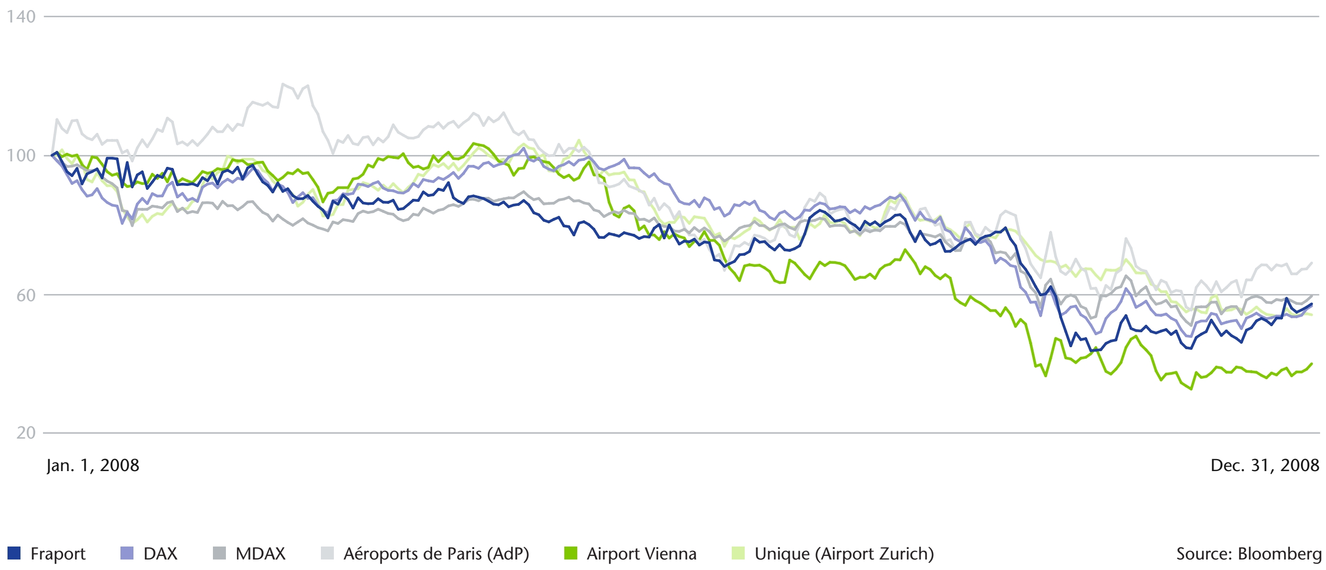
Nevertheless, the economic downturn forecast for 2009 and the effects it will have on the transport, airline, and airport industries put additional pressure on the share and the market as a whole in the final quarter of 2008. The trading volume of the Fraport share amounted to an average of 296,000 shares being traded each day and was 13 percent up on the previous year. Fraport AG's market capitalization at the end of the year amounted to €2,834.7 million.

In the fiscal year 2008, our share was once again listed on the leading sustainability indexes DJSI STOXX, DJSI World, and FTSE4Good-Index. These indexes only list companies that show exemplary corporate sustainability performance in terms of economy and ecology as well as social and cultural commitment.

The table on the next page gives you the most important information on our share in the past fiscal year:

Fraport Share price development in comparison to markets and competitors

Index base 100



Key figures about the Fraport share

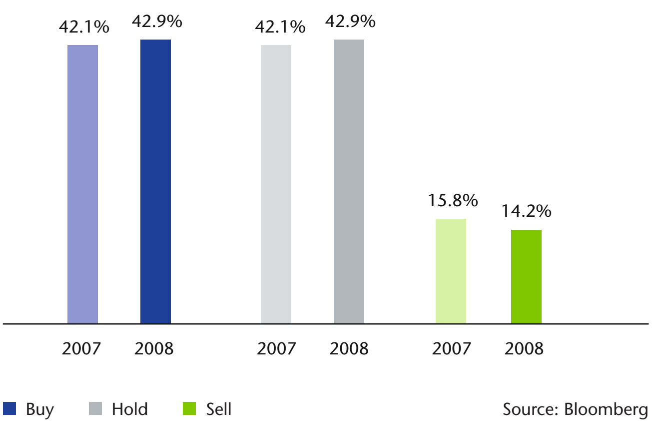
ISIN	DE 000 577 330 3			
Security identification number (WKN)	577330			
Reuters ticker code	FRAG.DE			
Bloomberg ticker code	FRA GR			
			2007	**2008**
Fraport capital stock (acc. to IFRS)		€ million	914.6	916.1
Total number of shares on Dec. 31		number	91,561,272	91,709,454
Number of floating shares[1] on Dec. 31		number	91,456,593	91,612,759
Number of floating shares (weighted average of period under review)		number	91,422,116	91,540,376
Absolute share of capital stock		per share, €	10.00	10.00
Year-end price		€	53.87	30.91
Highest price[2]		€	64.65	54.34
Lowest price[3]		€	45.53	23.67
Annual performance (including dividend)		%	1.9	–40.4
Beta relative to the MDAX			0.65	0.73
Market capitalization		€ million	4,932	2,835
Average trading volume per day		number	262,132	296,704
Earnings per share (diluted)		€	2.26	1.87
Earnings per share (basic)		€	2.28	1.89
Price-earnings ratio			23.6	16.4
Dividend per share[4]		€	1.15	1.15
Total dividend payment		€ million	105.3	105.6
Dividend yield on Dec. 31		%	2.1	3.7

[1] Total number of shares on the balance sheet date, minus treasury shares
[2] Closing price on February 26, 2007 and January 2, 2008
[3] Closing price on August 17, 2007 and October 23, 2008
[4] Proposed dividend 2008

For further definitions please see glossary on page 138

Analysts' recommendations

as at December 31



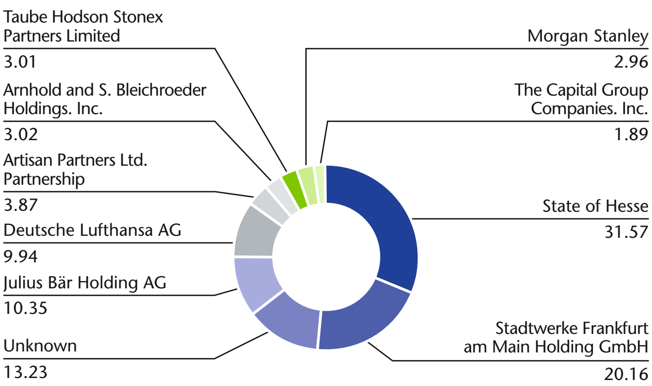
Shareholder structure

Morgan Stanley informed us on March 17, 2008 that it had fallen below the 3 percent threshold on March 12, 2008 and now held 2.90 percent in Fraport AG. Capital Research and Management Company, Los Angeles, USA, informed us on May 2, 2008 that it had fallen below the 3 percent threshold on April 28, 2008 and that its proportion of voting rights in Fraport was now 1.89 percent. Morgan Stanley informed us on June 9, 2008 that it had exceeded the threshold of 3 percent of voting rights in Fraport AG on May 28, 2008 but fallen below it again on June 4, 2008, and has since held 2.96 percent of the voting rights in Fraport AG. Julius Bär Holding AG informed us on June 9, 2008 that it had initially gone above the reporting threshold of 10 percent before falling below it again on May 30, 2008. Julius Bär informed us on June 12, 2008 that it had once again exceeded the 10 percent threshold and that it had held 10.03 percent of voting rights since June 6, 2008. Arnhold and S. Bleichroeder Advisers LLC informed us on July 3, 2008 that its parent company Arnhold and S. Bleichroeder Holdings Inc. had exceeded the 3 percent threshold on June 30, 2008 and has since held 3.02 percent of voting rights in Fraport AG. According to a further notification filed by Julius Bär on July 7, 2008, the holding has held 10.35 percent of voting shares in Fraport AG since June 27, 2008.

The shareholder structure as of the balance sheet date is as follows:

Shareholder structure as of December 31, 2008*

in %



* The relative ownership interest of the individual shareholders was adjusted to the current total number of shares as of December 31, 2008, and therefore may differ from the figures given at the time of reporting an excess/shortfall of the threshold or from the respective shareholders' own disclosures.

Dividend distribution

The Supervisory Board and Executive Board of Fraport AG will be proposing to the Annual General Meeting 2009 that a resolution be passed to pay a dividend of €1.15 per share, which is the same amount as in the previous year. The dividend payout ratio would then be 63.7 percent of Fraport AG's profit for the year totaling €165.7 million (parent company), and 61.0 percent of Group profit for the year totaling €173.0 million attributable to the shareholders of Fraport AG. The comparative figures for the previous year were 73.2 percent and 50.5 percent, respectively.

Investor Relations

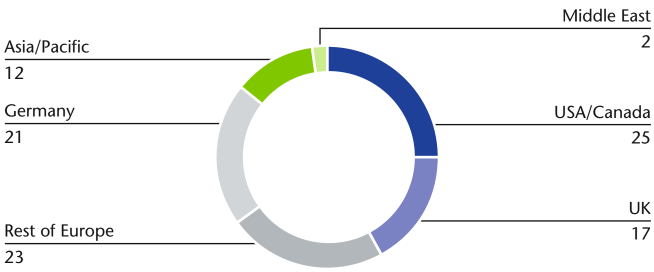
The Fraport Investor Relations Team supports our corporate strategy of sustainably increasing our value via comprehensive, open, and timely communication with all capital market participants.

In 2008, we held more one-on-one talks and participated in more roadshows and conferences than in the previous year. During the course of 29 roadshows and 16 conferences we conducted 326 one-on-one talks informing investors and analysts about the current situation and the future prospects of our company. A further 64 one-on-one talks were held on the premises of Fraport AG. In addition, Investor Relations in the past year also included conferences, guided tours for private investors, the Annual General Meeting, the Fraport Investor Day, and four conference calls on the occasion of our publishing our business results, as well as providing up-to-the-minute reporting on the Fraport website www.meet-ir.com. In recognition of its numerous activities, as well as the very good evaluation of the capital market communication, the financial publications and the overall IR quality our IR department received in 2008 awards in a number of categories from the Thomson Reuters Extel Survey and the German Investor Relations Association in cooperation with the "Wirtschaftswoche" magazine and from the "Institutional Investor" magazine. In the Thomson Reuters Extel Survey ranking for the best Chief Executive Officer, Prof. Dr. Wilhelm Bender came in third place in the European transport sector and CFO Dr. Matthias Zieschang was second in the Chief Financial Officer ranking in the European transport sector.

The IR department plans to further intensify open and up-to-the-minute communication with shareholders and others interested in our company, as well as improving quality, service, and communication during the course of 2009.

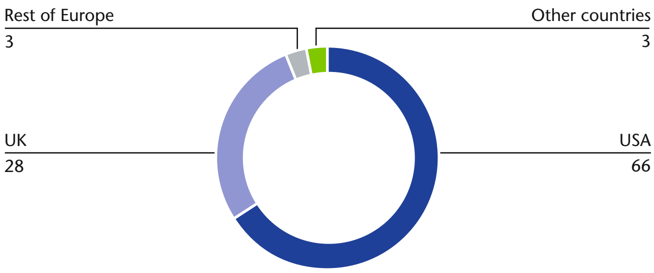
IR activities by regions and countries

in %



Free float by regions and countries*

in %



* Free float w/o State of Hesse, City of Frankfurt, and Deutsche Lufthansa AG

Notes pursuant to Section 315 (4) HGB

The Company's capital stock amounting to €917,094,540.00 (as of December 31, 2008) consists of 91,709,454 no par value bearer shares. There are no different share classes.

The total voting rights held by the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH in Fraport AG Frankfurt Airport Services Worldwide calculated in accordance with Section 22 (2) of German Securities Trading Act (WpHG) amount to 51.73 percent. They are attributed as follows: State of Hesse 31.57 percent and the Stadtwerke Frankfurt am Main Holding GmbH 20.16 percent. The voting rights in Fraport AG owned by the City of Frankfurt am Main are held indirectly via the Stadtwerke Frankfurt am Main Holding GmbH subsidiary.

The voting rights adjusted to the current total number of shares by the reporting date are to be allocated to the shareholders as follows: Julius Bär Holding AG 10.35 percent, Deutsche Lufthansa AG 9.94 percent, Artisan Partners Ltd. Partnership 3.87 percent, Arnhold and S. Bleichroeder Holdings, Inc. 3.02 percent, Taube Hodson Stonex Partners 3.01 percent, Morgan Stanley 2.96 percent, and The Capital Group Companies, Inc. 1.89 percent.

The appointment and dismissal of Executive Board members complies with the relevant provisions of the German Stock Corporation Act (AktG) (sections 84 and 85 AktG). Amendments to the Statutes are made in compliance with Section 179 AktG. Pursuant to Section 179 (1) sentence 2 AktG in conjunction with section 11 (3) of our Company Statutes, the Supervisory Board is entitled to amend the Statutes only insofar as the wording is concerned. Other amendments to the Statutes require the resolution of the Annual General Meeting, which, according to Section 18 (1) of the Statutes, must be passed by a simple majority of the votes cast and share capital represented upon resolution. If, by way of exception, the law requires a higher capital majority (e.g., when changing the statutory object of the company, Section 179 (2) sentence 2 AktG or when issuing contingent capital, Section 193 (1) sentence 1 AktG) the resolution of the Annual General Meeting will have to be passed by a three-quarter majority of the share capital represented upon resolution.

By resolution at the Annual General Meeting held on June 1, 2005 the Executive Board, pursuant to Sections 202 et seq. AktG, is authorized to increase the capital stock once or several times by up to €9.5 million by May 31, 2010 upon the approval of the Supervisory Board. The statutory subscription rights of the shareholders may be excluded. In 2008, €993,320 of the authorized capital was used for the issue of shares within the scope of the employee investment plan. As of December 31, 2008 authorized capital remains in the amount of €7.0 million, which was used to issue new shares in return for cash for the purpose of issuing shares to the employees of the company and the affiliated companies it has selected. For further details see the notes to the financial statements, note 33.

At the Annual General Meeting held on March 14, 2001 a contingent capital increase in the amount of €13.9 million was approved under Sections 192 et seq. AktG. The purpose of the restricted authorized capital was expanded at the Annual General Meeting held on June 1, 2005. In addition to satisfying subscription rights issued but not yet exercised under the Fraport Management Stock Option Plan (MSOP 2001) adopted at the Annual General Meeting on March 14, 2001, the contingent capital increase also serves to satisfy subscription rights under the adopted Fraport Management Stock Option Plan 2005 (MSOP 2005). The Executive Board and the Supervisory Board are authorized to issue up to 1,515,000 stock options to beneficiaries entitled to subscribe by August 31, 2009 in accordance with the conditions regulating the allocation of stock options. The authorization to grant subscription rights in accordance with MSOP 2001 was cancelled at the Annual General Meeting held on June 1, 2005. Some of the shares that were issued as part of the performance-related remuneration to members of the Executive Board were subject to a vesting period of twelve and/or 24 months.

Restricted authorized capital totaled €5.7 million as of December 31, 2008 (originally €13.9 million). In 2008, subscription rights according to MSOP 2001 totaling €95,865 (4,150 options) and MSOP 2005 totaling €1,604,403 (44,700 options) were exercised.

The Company is entitled upon resolution of the Annual General Meeting 2008 to purchase treasury shares of up to a total of 3 percent of capital stock available at the time the Annual General Meeting 2008 is held. The Executive Board may use the treasury shares only for servicing subscription rights under MSOP 2005; the Supervisory Board may use them as a share-based portion for the remuneration of the Executive Board. Based on these authorizations granted, no treasury shares were purchased in 2008.

The provisions set out under Section 315 (4) HGB are rules customarily applied by similar listed companies and are not intended to hamper any takeover attempts.

Non-financial performance indicators

Employees

The **Fraport Group** had an average number of 23,079 employees (excluding apprentices and staff exempted from normal duties) in the past fiscal year, 7,358 less than in the previous year. The total number of employees as of the reporting date was at 21,835 (–9,533 employees). This decline is almost exclusively due to the sale of Fraport's labor-intensive subsidiary ICTS, which accounted for approximately 10,200 employees and which was sold effective April 1, 2008.

Fraport AG (as the parent company) had a total of 12,363 permanent employees as of the reporting date, 170 down on the previous year. The number of female employees at Fraport AG decreased slightly from 2,367 in 2007 to 2,330 as of December 31, 2008, the **proportion of women** at Fraport AG (women's quota) remained stable at 18.9 percent. With a total of 9.3 percent, the **quota of disabled workers** was once again higher than the minimum statutory requirement of 5 percent. The **number of apprentices** dropped slightly from 302 to an average of 294. This decline is only attributable to different points of time apprentices were offered permanent employment; in 2008, as in 2007, 110 apprentices were hired. The **average age** of Fraport AG's workforce was at 42.3 years, some 0.4 years above the value from the previous year.

The following table lists employees according to which segment they work in and where they work:

Average number of employees	2007	2008	Difference	Difference in %
Aviation segment	6,331	6,663	332	5.2
Retail & Properties segment	2,914	2,733	–181	–6.2
Ground Handling segment	8,062	8,443	381	4.7
External Activities segment	13,130	5,240	–7,890	–60.1
Entire Group	**30,437**	**23,079**	**–7,358**	**–24.2**
in Frankfurt	17,796	17,996	200	1.1
in Investments	18,696	11,522	–7,174	–38.4

The increase in the number of employees in the Aviation segment is largely due to a need for more security personnel to meet increased security requirements. Staff numbers fell in the Retail & Properties segment on account of a reorganization, which led to responsibility for maintaining the baggage handling system being allocated to the Ground Handling segment. A further factor contributing to the increase in the number of employees in the Ground Handling Segment was the introduction of special services for passengers with reduced mobility, provided by our subsidiary FraCareS GmbH in July 2008. The decline in the number of employees in the External Activities segment is primarily due to the before-mentioned sale of the ICTS subsidiary.

Figures quoted do not include apprentices or employees of our Group exempted from normal duties.

Remuneration system and company pension scheme

As Fraport AG is bound to collective agreements, the civil service collective agreement (TVöD) has been in effect at Fraport AG since October 2005. Implementing a performance-related payment is a key element of the Law on Collective Bargaining. A performance-oriented compensation system was introduced at Fraport AG in 2001 with the "Performance, Success, Recognition (LEA)" company agreement. The Pact for the Future 2010 replaced the previous LEA system with a new performance-related payment system. This annual performance-related one-off payment is based on a systematic performance review of each employee, dependent in some instances on the employee also meeting agreed targets.

In accordance with collective bargaining laws, Fraport AG offers a company pension scheme. Fraport is insured with the Zusatzversorgungskasse Wiesbaden (ZVK), a pension fund that meets employees' pension claims directly. Employees may also opt for deferred compensation to supplement the ZVK company pension by taking out additional pension insurance with up to two separate insurance companies. Alongside the ZVK pension scheme, all those who are not paid in accordance with collective bargaining agreements are entitled to additional direct pension benefits.

Working conditions in the Fraport Group outside the parent company vary depending on the location and the type of industry. Most of these are also covered by collective bargaining agreements. Fraport AG advises the investments about issues relating to collective agreements and is involved in the development and negotiation of collective agreements.

Employee investment plan

Since the IPO of the Fraport Group in 2001, employees have had the option of subscribing for shares in the company as all or part of a one-off payment within the framework of an employee investment plan. Fraport AG buys back the shares for this program, making partial use of the authorized capital after a capital increase in return for cash contributions, and then passes them on to its employees.

In the fiscal year 2008, a total of 6,869 employees chose one of the offered share models and subscribed for 99,332 new shares. At around 55 percent, the level of participation among employees was the highest since the introduction of the program. This means that Fraport employees have purchased a total of 1,098,382 shares since the employee investment plan began. The issue price for the shares, which was calculated from the average Xetra closing price in the period from April 7 to April 18, 2008, minus an allowance of €1.50, amounted to €45.18 this year. Apart from Fraport AG, eleven subsidiaries participated in the employee investment plan and offered their employees Fraport shares at a preferential price.

Equal opportunities and work-life balance

A family-conscious working environment is crucial for a successful work-life balance. Therefore, Fraport commits itself in the company program “Erfolgsfaktor Familie” (family as a factor of success), brought into existence by the German family ministry together with economy key organizations and the German Trade Union Federation (DGB). This program wants to make family friendliness one of the labels of the German economy.

On May 29, 2008, Fraport AG was named the winner in the category “major enterprises” at the awarding ceremony of the company competition “success factor family 2008”. Germany’s minister for family affairs, Ursula von der Leyen, appreciated Fraport as a trendsetter in modern personnel policy and for an exemplary, family-orientated corporate policy.

The continuous development of our offers for childcare and the creation of additional models for the transition to flexible working hours, including the reinforcement of our programs for teleworking, build our main focus to improve the private work-life balance.

To realize equal opportunities for men and women, Fraport uses the Total-E-Quality method (TEQ). The purpose of this system is to create Group-wide basic conditions allowing the staff to boost performance in the long run and to attain a better work-life balance at the same time. To implement this TEQ system a Group-wide organization has been created to help sustain a positive corporate culture. To prove our progress, Fraport AG regularly applies for the Total E-Quality Award, assigned every three years. Since the introduction of the TEQ system in 1997, four awards have already been assigned in recognition of exemplary and forward-looking actions of a personnel policy focusing on equal opportunities.

Personnel management and development

The development of personnel and executives has high priority for Fraport. A differentiated staff development system fitting for all groups of employees helps us maintain and improve our skills and resources.

Every year, we offer 110 young people the opportunity of initial vocational training. Along with traditional qualified jobs, we secure our need for junior staff by offering attractive integrated Bachelor courses in the fields of air traffic management, real estate, computer science, administration and maintenance, and building services engineering. Fraport College is the educational and training platform offered to our employees. We train especially in the fields of management, airport operations, business management, IT, and languages in a way directed towards target groups and tailored to our needs. With our awarded Q-Card program we offer our employees the opportunity to participate in attractive training courses during their leisure time and therefore contribute to securing employability and learning aptitude.

The development of our executive managers plays a key role in securing the Group vision and goals and keeping with the Group strategy. We control the strategic development of our executives via our Fraport Academy by offering management development programs and a targeted development of potential. We identify candidates for various functions during our conference for management planning, promoting them specifically for new or extended functions. Next to this we expect high own initiative of our executives. According to the performances of the executives the potential list is reviewed every year. Measurements and programs for our executives are also reviewed and adjusted annually. We support our strategy of internationalization by promoting qualified short-term experts. Staff development pools, MBA and trainee programs, as well as mentoring and exchange programs complete our staff qualification portfolio, in which we invested more than €7 million in the fiscal year 2008.

Health promotion and job safety

With more than 69 percent of our employees working shifts, healthy, qualified, and motivated employees are a key to remaining competitive at an international level and to ensuring the highest possible level of service 24 hours a day, 365 days a year. Bearing this in mind, the physical, mental, and social well-being of our employees is the central goal pursued by our health and safety programs.

External influences such as demographic change or global economic crises have had a profound effect on health and safety matters. Forward-looking corporate strategies are called for. People are being expected to work until later on in life, but this is naturally dependent on them remaining healthy and being able to work until they are elderly. This faces those responsible for health and safety in the company with a number of new challenges.

Fraport is meeting the new health and safety-related challenges by going beyond traditional corporate measures and offering services such as psychological advice or occupational integration management. Occupational integration management serves to identify and implement as early as possible any measures necessary for preventing sickness, promoting health or encouraging rehabilitation and integration of employees.

Fraport believes that health management is an interdisciplinary task for all company divisions, with particular responsibility on executives. Furthermore, each employee contributes with his or her own health behavior to the success of the health management program and the company as a whole. Fraport has been supporting employees in this for many years now, introducing comprehensive measures for reducing absence and improving general health. This commitment was underlined with the campaign launched on January 1, 2008: "Keeping healthy pays-off: Fraport says thank you". Employees who took no or only minimal sick or accident-related leave were rewarded with health vouchers. Initial positive effects can already be seen in the sickness quota at Fraport AG. The annual average in 2008 was at 5.5 percent (previous year: 5.8 percent).

In 2008, Fraport AG was awarded a prize for "exemplary occupational health and safety measures" by the accident insurer Unfallkasse Hessen, in a competition held for the first time that year. The jury rewarded examples of an innovative approach being taken and sustainable preventative measures being put into practice. Fraport, for example, is involved in the project "Technological Innovation, Work Organization, Qualification, Prevention" (TAQP) together with the statutory accident insurance Deutsche Gesetzliche Unfallsicherung. The aim of the project is to develop a systematic concept for promoting productivity and health. By optimizing processes at the interface between man and machine and taking health considerations into account when designing technology, the idea is to make a long-term contribution to achieving the best possible health and safety standards at work. Our operational focus is on baggage handling and aviation security checks.

There has been a more than 15 percent drop in the number of reportable accidents at work: a clear indication that our policy of taking systematic action to reduce the number of accidents at work is successful.

Integrated management system, innovation, and idea management

In our Group vision, we made no doubt about the performance and innovation we expect the Group to deliver:

"At all our locations process efficiency and innovation is our hallmark. Our success is based on competitive integrated services, which flexibly meet our customers' requirements".

Structural measures became necessary for us to live up to these standards. In 2003, the Executive Board decided to help targets be reached by rolling out the Integrated Management System (IMS) throughout the Group as a whole. The separate and diverse systems in place throughout the Group for managing issues relating to the environment, health and safety, quality, and value management were all brought together under the umbrella of the IMS, as well as the areas of innovation and idea management.

Expansion and development of IMS

The Fraport Executive Board placed the IMS on a more modern footing as long ago as the fiscal year 2006. In recognition of its standing as an important management tool, the IMS was tailored to meet Group requirements even better. The focus was predominantly on improving processes and taking a common approach to manage complex processes. These new stipulations were the foundation of further activities carried out in 2007 and 2008. As part of the IMS, the framework of which is based on quality management in line with DIN EN ISO 9001:2000, further Group companies and investments were able to be included in the Group certificate and successfully audited and recertified.

Innovation and idea management

Innovation and ideas are managed centrally, providing Fraport with a further effective tool for ensuring the company's continued competitiveness. An increasing number of industrial property rights have been applied for and approved, reflecting the efforts made in this respect. In addition to the measures taken in the past, we intend to focus increasingly on marketing our innovations and ideas outside the Fraport Group.

Sustainability

Our day-to-day business is governed not by short-term economic profit but instead by the aim of securing our long-term position as one of the leading airport operators worldwide. Sustainable business practice is crucial if we are to continue to be one of the major players in the global world of mobility during the now uncontested era of climate threats. The increase in carbon dioxide emissions is to be stopped entirely worldwide by 2050, and EU states plan to cut rising levels of carbon dioxide by 20 percent by 2020 (based on 2000). European and international air traffic is also covered by these targets. Fraport is developing its sustainability strategy parallel to these targets and policies.

The Executive Board introduced a Sustainability Board at management level last year to consolidate existing activities and increase the stringency of long-term thinking, planning, and actions. This board was given the task of establishing uniform sustainability management throughout the Group. In early November, the Executive Board passed a resolution making the sustainability strategy drawn up by the Sustainability Board a binding framework for the future. Taking our Group vision as the starting point, strategic sustainability guidelines were drawn up for the pillars of economy, ecology, and social commitment, and sustainability targets were set. In the next step, these targets were taken and operational sustainability targets specified for each individual division throughout the Group. The extent to which these targets have been met is reviewed on a regular basis.

The criteria for our actions were worded as follows in the preamble to the sustainability strategy:

"For us, sustainability means taking a responsible approach to shaping the future. We want to use our sustained economic success to ensure and increase the opportunities of future generations as well as conserving nature. We are aware that as an airport operator our management carries particular responsibility for ecological, economic, and social issues. For us, the corporate goals of added value, performance, and sustainability each have equal priority."

With investments running to billions of euros, "sustainable building" is one of the main focuses in our efforts to find future-oriented solutions. The development of the Gateway Gardens site, the Airrail-Center, the Mönchhof site, and the Business Park between Terminals 1 and 2 to the Airport City is our sustainable contribution towards the long-term development of the Frankfurt location, acting as a successful reference project for activities on a global scale.

Sustainability for our customers

Our customers deserve our undivided attention, as they ensure our success and the profitability of jobs at the largest local workplace throughout the whole of Germany. They expect our air traffic services to be of the highest quality, reliable, and safe and expect us to be innovative. We can only expect to be successful in the long term if we live up to these expectations. In this context, Fraport has been working together with Deutsche Lufthansa since 2003 on a logistics project aimed at significantly improving efficiency by integrating logistic processes for passengers, luggage and aircraft. In 2007 alone, our ground handling services were able to make up for 500,000 minutes caused by the late arrival of flights (equivalent to approximately 8,300 flight hours). We were also able to reduce the number of lost bags (misconnex rate) from 2.0 percent in 2006 to 1.2 percent in 2008. This successful logistics project not only allowed the Frankfurt site to become more efficient, it meant that together with Deutsche Lufthansa, Fraport AG was awarded the German Logistics Prize 2008 in recognition of our efforts and progress.

We intend building on the excellent position Frankfurt has in the global logistics industry by concentrating more on supporting science and exporting our expertise: Fraport is working in this context with several local colleges of further education and the Hessian government to establish a "House of Logistics and Mobility". The House of Logistics and Mobility is a lighthouse project for the entire region and will be located on the Gateway Gardens site, in the direct vicinity of the airport.

Sustainability for our stakeholders: the region and our employees

Our company's extensive activities in the areas of art and culture, sport, regional development, and environmental funds can be found on the Internet at www.aktivfuerdieregion.fraport.de. Information can also be accessed either on the Internet or in print in our Sustainability Report on the work done by our foundations in promoting education and colleges, as well as further diverse activities we are involved as part of our social commitment (corporate citizenship).The report also covers sustainability guidelines, diversity programs, values management, and flexible service schedules, to name but a few. The activities of Fraport's environmental management department, climate protection targets, and information concerning energy consumption by Fraport are described in detail in our Environmental Declaration published in 2008.

Dependency report

Due to the interest of 31.57 percent (2007: 31.62 percent) held by the State of Hesse and 20.16 percent (2007: 20.19 percent) held by Stadtwerke Frankfurt am Main Holding GmbH as well as the consortium agreement concluded between these shareholders on April 18/23, 2001, Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (FRAPORT AG), is a dependent public enterprise. No control or profit transfer agreements exist.

The Executive Board of Fraport AG therefore compiles a report on the relationships to affiliated companies in accordance with Section 312 of the German Stock Corporation Act (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 and other transactions conducted. No action was taken or not taken at the request or in the interests of the State of Hesse and the municipal authority of Frankfurt and companies affiliated with them in the year under review."

Remuneration of the Executive Board and the Supervisory Board

The remuneration report is included in the notes beginning on page 115 and is an integral part of the Group management report.

Risk and opportunity report

Fraport has a comprehensive risk management system. It ensures that significant risks are identified, continually monitored, and, as far as possible, limited to an acceptable level.

Risk policy principles

Fraport actively looks for opportunities and seizes them whenever the potential benefits of doing so are in an acceptable relationship 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 coordinated with the corporate strategy and has 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 processes.
- Risks are managed primarily by the organizational units, which operate locally.
- The aim of the risk management process is to make sure that significant risks are identified, continually monitored, and limited to an acceptable level.
- Active and open communication of the risks is a major success factor in the risk management system.
- All of the employees of Fraport AG are expected to participate actively in risk management in their area of responsibility.

The risk management system

The Executive Board has approved the risk management system of Fraport AG, its risk policy principles, and the risk strategy for the entire company. The Executive Board appoints the members of the Risk Management Committee (RMC), approves the rules of procedure for the RMC and is the addressee for the quarterly reporting and ad-hoc reports in the risk management system of relevance to the company as a whole.

The RMC is the top body in the risk management system below the Executive Board and its members are senior executives from the company divisions. It is responsible for implementing the central risk management system, develops it with reference to the business processes and reports to the Executive Board. For support executing its tasks, the RMC set up a committee office.

Risks are managed primarily by the organizational units, which operate locally. The division managers are responsible for the accuracy of the information received from their divisions, which is processed in the risk management system. They have to constantly monitor and control risk areas and submit a report to the RMC about all risks in their particular area of responsibility on a quarterly basis. Significant new risks have to be reported on an ad-hoc basis outside regular reporting. This ensures early risk recognition.

The risk management system is documented in writing in a separate guideline. It conforms to the requirements of Section 91 (2) of the German Stock Corporation Act. The proper operation of the risk management system is verified regularly by the internal auditing department.

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

Evaluation of risks

Risk evaluation determines the scope of the risks which have been identified, i.e., it makes an assessment of the extent to which the individual risks may jeopardize the achievement of Fraport AG's corporate objectives. The magnitude of the risk and the probability of its occurrence are determined in this context. The risk evaluation is always conservative, i.e., the greatest possible damage is ascertained (worst-case scenario).

The RMC collects the 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 are classified as material according to systematic evaluation standards used throughout the Group. Risks that jeopardize the company as a going concern and exceed defined thresholds in the potential damage they may cause and in the probability of their occurrence are considered to be "material". A distinction is made here between gross assessment and net assessment – after appropriate countermeasures have been taken into account.

Risk management at investments

The guideline for the Fraport AG risk management system also includes rules for the Fraport AG investments, which are incorporated in the risk management system to a varying extent depending on their importance. The separate guideline used for investments specifies the organizational structure and process of the risk management system and commits the investments to ongoing reporting about material risks.

Business risks

An explanation of the risks that might have a material impact on the business operations of the Fraport Group are as follows:

General economic risks

Economic fluctuations can have a considerable impact on the economic development of air traffic and the development of Fraport. According to calculations made by a variety of economic institutes, the world economy grew by some 3 percent in 2008. According to initial estimates by the ACI, passenger volumes at European airports fell by around 0.3 percent in the full year 2008, while global passenger development was down 0.6 percent. Airfreight also fell, –3.5 percent in Europe and –4.3 percent worldwide. Preliminary figures from the German Airports Association (ADV) therefore indicated a rise of approximately 1.2 percent in the number of passengers at German airports due to the free growth capacities and 4.6 percent in cargo volumes.

The increase in oil and kerosene prices has led to ticket price surcharges since 2004, which will not necessarily be reduced even if energy prices go down. With the onset of the economic downturn, a significant moderation of the price development was recorded on the crude oil markets. In times of crisis and war, we face the direct threat of flight cancellations and route shutdowns. Limitation of the demand risk is only possible to a limited extent. As an international air traffic hub, Frankfurt Airport benefited 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, which influence passengers' shopping behavior as well as changes in the passengers' shopping behavior in general, can impact our earnings development particularly in the retail business.

The buildings and space we currently let 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 therefore not directly dependent on general property developments. If we develop and market commercial areas more intensively in the future, as is planned, the management of these areas will be based more closely on the general market conditions.

Fraport has taken the effects of the recession into account in its current medium-term planning figures. The current recession could be sustained over the first half of 2009. Route shutdowns and the reduced frequency of flights may have a stronger than anticipated impact on net assets, financial positions, and results of operations of the Fraport Group. In response to the economic crisis, a so-called "Crisis Prevention Team" was formed. Its job is to permanently track the development of demand and introduce the appropriate countermeasures to ease the impact of the crisis.

Market risks

The business relationship with our main customer Lufthansa and its Star Alliance partners provides a substantial contribution to revenue development. A deterioration of this business relationship would have significant adverse impact on Fraport AG.

The low-cost segment continues to increase the competitive and cost pressure on the traditional carriers and their hub systems with its above-average growth rates achieved in continental traffic. On the other hand, Lufthansa, with its inexpensive "betterFly tickets" successfully stimulated European traffic in Frankfurt; if these special fares would be limited or cancelled, however, passenger traffic could be reduced.

Domestic traffic in Frankfurt may continue to suffer from the increasing number of intercontinental direct flights from other airports with the result that connecting flights via Frankfurt being lost. The creation of new hub systems in the Middle East may also lead to a shift in the global flows of transfer passengers. There is the risk that the airlines will use alternative locations and routes outside Frankfurt. This risk would even increase, if the airport expansion was further delayed. The capacity bottleneck in Frankfurt is a major reason why Frankfurt is unable to participate in air traffic growth to the maximum possible extent.

The economic situation of some airlines remains difficult. Acute weaknesses could force individual airlines to partly or completely discontinue their flight operations or to merge with others, thereby having to realign their flight offers to other airports. The slots that would then become free at the Frankfurt site could however be made available to other potential customers, for whom no capacities are free at the present time.

On December 14, 2006 the German Parliament adopted the amendments to the Aircraft Noise Act. The implementation of these amendments in Frankfurt may result in major financial expenses for Fraport.

The EU adheres to its planned liberalization of ground handling services, which it had already announced in 2002. It declared in October 2006, however, that it would first request a report on the current state of realization of the planned liberalization projects in the single member states. It is not foreseeable when the next step in the liberalization process will be made. Currently a spin-off of the competitive part of the ground handling services is in preparation. The aim of this spin-off is ensuring sustained positive earnings development in ground handling services. Statements about the actual effects are only possible after negotiations with the works council and parties involved in the collective pay settlement.

The risk of complete losses of contracts in the case of tendering for services at the Frankfurt site via the BMI according to section 5 of the Aviation Security Act, as reported in the previous years, no longer exists in this form. On February 26, 2009, representatives of the BMI, Fraport AG and Deutsche Lufthansa AG signed a basic agreement on aviation security checks at Frankfurt Airport in the future. This paves the way for competition to be gradually established in aviation security checks from 2010 onwards. FraSec will be involved in the tendering process. The market will be opened up gradually, offering a socially responsible solution for the areas that will not be covered by current Fraport AG and FraSec aviation security personnel in the future. A loss of contracts as part of the planned tendering would make significant effects on Fraport AG and FraSec likely.

Due to the increasing market and competitive pressures future capital costs from the investment programs may only be partially covered by recoverable fees.

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 the future with the planned construction of another landing runway and a third passenger terminal. The expansion of the airport is one of the main prerequisites for Fraport's participation in the long-term growth of global air traffic. Failure to expand or further delays will mean that air traffic will bypass Frankfurt in future. It is possible that airlines will then transfer some of their flights to other airports, which would jeopardize our hub function. The relocation of Lufthansa flights or operations to different airports would have a particularly negative impact on Fraport.

The expansion plans are meeting with significant opposition from various pressure groups in the region. Local authorities, action groups, and other groups have submitted appeals to the Hessian Administrative Court within the legal period applying for a withdrawal of the immediate enforceability of the planning approval notice. Fraport voluntarily agreed not to create a fait accompli for the duration of the expedited decision proceedings being held by the Hessian Administrative Court and in particular not to clear the forest. After the Hessian Administrative Court rejected all urgent applications with the decisions of January 2, 2009 and January 15, 2009, work was started on clearing the area in the Kelsterbach Forest required for the Northwest Landing Runway on January 20, 2009. The intended agreement reached with the town authorities of Kelsterbach concerning the sale of the necessary land will lead to one of the petitions filed against the expansion being withdrawn.

While granting permission for the expansion in the urgent applications, the Hessian Administrative Court aired legal reservations regarding the night flight regulations stipulated in the planning approval notice. It stated in particular that the authorization for an average of 17 flights in the so-called mediation night (between the hours of 11 p. m. and 5 a. m.) may not stand up to a legal examination in the main proceedings. However, these comments made by the Administrative Court are as yet simply the result of a summary examination during expedited proceedings.

Given the framework agreement signed with Celanese AG/Ticona GmbH in June 2007, in which Celanese AG/Ticona GmbH undertook irrevocably to close the Ticona production plant in Kelsterbach by June 30, 2011 or by December 31, 2011 at the latest, Celanese AG/Ticona GmbH withdrew any complaints and action against the existence and expansion of Frankfurt Airport in summer 2007. This eliminated the major risk that the planned start of operation of the Northwest Landing Runway could be delayed.

The total amount of capital expenditures already capitalized in connection with the airport expansion rose to €1,029.4 million as of December 31, 2008. If for the remaining legal risks the airport expansion was not feasible, most of the capital expenditure already capitalized would be significantly impaired.

Financial risks

With regard to its balance sheet accounts and planned transactions, Fraport is subject in particular to credit risks and interest rate and foreign exchange risks as well as other price risks. We cover interest and foreign exchange rate risks by establishing naturally hedged positions, in which the values or cash flows of primary financial instruments offset each other in their timing and amount, and/or by using derivative financial instruments to hedge the business transactions. 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 prerequisite for the use of derivatives. To check the risk situation, simulations are regularly carried out by Risk Controlling using various worst-case and market scenarios. The Executive Board is regularly informed about the results. The Treasury is responsible for efficient market risk management. Only risks that affect the company's cash flows are controlled. There can only be open derivative positions in connection with hedging transactions in which the hedged items are cancelled or have not been carried out contrary to planning. Interest rate derivatives are used exclusively to optimize loan terms and to limit risks of changes in interest rates in the context of the financing strategy. Derivatives are not used for trading or speculative purposes.

Interest rate risks arise in particular from the capital requirements for the planned capacity expansion and from variable-interest rate financial liabilities. Within the scope of our interest rate risk management policy, we used and continue to use interest rate derivatives to hedge the interest rate risk in view of the medium-term capital requirements and to take advantage of the interest rates prevailing on the market by the closing dates. Following the commitment to these interest rate hedging positions, there is the risk that the market interest rate level will decrease with a negative fair value of the interest rate hedging instruments as a result.

Foreign currency risks arise in particular from sales planned in foreign currency, which are not covered by expenses in matching currencies. We hedge such risk exposure by entering into currency forward transactions.

Credit risks arise mainly from primary financial assets and the positive fair values of derivative financial instruments. We respond to this risk exposure by contracting investments and derivative transactions only with credit institutions in the European Union or a country within the OECD with an irreproachable credit standing (at least A- of Standard & Poor's or A3 of Moody's/Investment grade). The issuers' and issuers' credit ratings of banks and investments are regularly monitored.

Other price risks result from the fair value measurement of financial assets. Most of the financial assets are assumed to be subject to temporary market fluctuations reversing automatically by the end of the products' maturities, since a repayment in the full nominal amount invested is expected.

Risks for Fraport AG's net assets, financial positions, and results of operations may arise from the current situation in the financial markets as well as their impact on the overall economic situation and, particularly, on liquidity and future bank lending practices. As a countermeasure, Fraport already secured a major portion of the planned loans for future capital expenditures in 2008.

As part of the banking crisis, there is also a deferred default risk from commercial banks where it stores its deposits. These risks have been reduced by the packages introduced by the EU dedicated to stabilizing the capital markets. At the same time, Fraport has initiated various additional measures to curb risks. One measure introduced was a monitoring process for keeping track of the current situation on the capital markets. On top of that, financial assets were regrouped under risk considerations.

The difficult economic situation of some airlines might lead to bad debt losses. We deal with this risk as far as possible by means of active receivables management and by recognizing allowances.

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 major ongoing risks and legal disputes in connection with the project are outlined as follows:

As we already reported in the previous year, Fraport AG applied with the International Centre for Settlement of Investment Disputes (ICSID) to revoke the arbitral award from August 16, 2007, which the ICSID arbitration court expressed by majority vote was not within its jurisdiction. The award focused on Fraport AG's right to damages or compensation from the Republic of the Philippines on the basis of the German-Philippine investment protection treaty. The ICSID convention provides for such an option in a few very limited cases. The annulment proceedings went through as planned in 2008. If Fraport succeeded with this petition, it could again claim damages and compensation before a reconstituted ICSID arbitration court. The duration and outcome of these annulment proceedings are open.

The suit brought by the Philippine Government against PIATCO in 2004 for expropriating the terminal also made no significant progress in 2008.

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. So far, PIATCO has not further pursued these claims asserted.

As already reported, a Philippine law firm as well as a former minister have brought legal action for damages amounting in each case to PHP 100 million (about €1.6 million) against Fraport AG, one acting and one former board member, and two Philippine lawyers of Fraport AG because of alleged defamation. Motions to seize Fraport AG assets on the Philippines were initially granted. To avoid the seizure, Fraport AG deposited guarantees as collateral, upon which the responsible court avoided the seizure. For the same reason, the plaintiffs filed a complaint leading to public charges in three proceedings. In two of these suits, the court has already dismissed the complaints. These decisions were challenged by the plaintiffs. A decision is yet to be made on the appeals concerned. Fraport AG rejects these accusations.

As we had already reported in the previous year, various 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, in most of the cases, is not a directly involved or affected party. There has also not yet been any decision made on a possible arraignment in the suit against a number of individuals from the Fraport AG organization due to a suspected violation of the so-called "Anti-Dummy Law". The outcome of these proceedings and investigations could 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 the Fraport AG assets on the Philippines. With reference to the accusations made in the proceedings, that the company is aware of, Fraport AG is of the opinion that these accusations are false.

On April 16, 2008, the German federal government committed itself to make a one-off payment of €41.9 million relating to the investment guarantee for capital investments outside Germany, in connection with Fraport's investment in Manila. The payment was received on August 7, 2008, and recognized as capital repayment.

Other civil law disputes

In addition, there are several other civil law disputes in connection with the Manila project with various parties before German and Philippine courts.

Further legal risks
In August 2004, DB Station&Services AG filed an action for payment of around €52 million plus interest based on claims to Fraport AG arising from advances in relation to the superstructure of the long-distance train station at Frankfurt Airport. The settlement negotiations were completed in 2008 and an out-of-court settlement was agreed.

Risks from capital expenditure projects
Fraport AG's investment program is subject to a range of risks. Increases in construction costs, supplier breakdowns, or changes to planning figures could all lead to extra costs.

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.

At the airports in Varna and Burgas operated by Fraport Twin Star Airport Management AD, Varna, Bulgaria, there was a risk of environmental pollution arising from kerosene tanks, which were not up to industrial standards. The appropriate measures dedicated to meeting industrial standards were completed in 2008.

On February 2, 2009, Fraport AG retroactively transferred all shares in Flughafen Frankfurt-Hahn GmbH to the State of Rhineland-Palatinate effective January 1, 2009. This transaction marks the end of all existing substantial commercial obligations Fraport AG has with Flughafen Frankfurt-Hahn GmbH.

Other risks
Our business operations in Frankfurt could be adversely affected by events such as accidents, terrorist attacks, fire, or technical problems. Fraport AG's insurance coverage covers the normal risks airport companies face. It especially includes occurrences of damage that lead to the loss or damage of property, including any consequential business interruption costs. Claims for damages by third parties arising from Fraport AG's corporate liability risks are covered, as well. 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 US$1 billion. This also applies to Fraport AG's majority-owned investments in Germany and abroad, which are covered by the Fraport corporate liability insurance policy.

All of the IT systems of critical importance to the company are always installed on a redundant basis and are optionally housed at separate locations. It goes without saying that residual risks resulting from the architecture and operation of the IT facilities cannot be completely eliminated.

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 an active IT security management policy. The requirements for IT security are specified in the IT security policy and security guidelines, which must be followed Group-wide. Compliance with these guidelines is verified regularly. Insurance coverage is obtained for damage claims relating to residual risks to the extent that this is possible and appropriate.

Overall risk evaluation

The overall evaluation of the risk situation revealed that the continued existence of Fraport AG as a going concern is not at risk as far as its assets and liquidity are concerned and that no risks that might jeopardize the company's existence as a going concern are apparent for the foreseeable future. Failing to expand the airport would lead however to writing off significant portions of the capital expenditures made to date, and weaken the long-term market position of Frankfurt as an international air traffic hub.

Business opportunities

Opportunities from the development of the general economic situation
Overall economic developments and their impact on air traffic development, on the one hand, and exploitation of growth potential in connection with the airport expansion program and the development of the non-aviation businesses, on the other hand, are major opportunities available to the company. The hub role of Frankfurt Airport allows a considerable recovery effect after periods of crisis, like the ongoing global financial crisis.

We will participate in the air traffic development forecast by IATA via the planned expansion of the airport. A total of 126 coordinated aircraft movements per hour can be reached with the planned addition of a landing runway and a passenger terminal. Experts' reports confirm that about 100,000 additional direct and indirect jobs will be created by the airport expansion program, 80 percent of them in the region. This is the largest privately financed investment project in Germany, with a volume of over €4 billion.

We aim in particular to participate in the growth of the strongly expanding Asian market. Asia is by far the strongest-growing market not only for Frankfurt Airport. According to ACI this trend of having the highest growth rates in the world will continue beyond 2020. By then, Asia will be the busiest air traffic market. The dynamic economic development of this region is accompanied by an inexorable growth of prosperity. The large share of world population, which will continue to grow, is commensurate with-above average economic growth, leading to a continuously increasing market potential for Frankfurt Airport.

Opportunities in corporate strategy

In Frankfurt, we operate one of the most important air traffic hubs in Europe and the largest airport in Germany. To be able to maintain this position in future as well, we are constantly working on improving our competitive edges: Intermodality, efficiency, reliability, and punctuality. We aim to expand our hub expertise and strengthen business relationships, particularly with key customers. A strong competitive position in our product quality and prices has top priority for all business and service areas.

We are currently expanding the real estate business to become another core business area of Fraport AG. The objective is to manage real estate in our portfolio more efficiently, to develop additional real estate projects, and to strengthen the overall attractiveness of the Frankfurt Airport location. We will focus on creating a professional asset management system to improve operating, utilization, and marketing concepts. Fraport believes that this will contribute additional earnings by optimizing costs and revenue. The establishment of a commercial project development system is planned to generate additional revenue through the realization of marketable real estate projects within and outside the airport grounds.

In addition to this, retailing is a fast-growing market for future-oriented airports. The company will make considerable investments in the expansion and redesign of its retail facilities at Frankfurt Airport in the next few years. Attractive new shops, restaurants, and service outlets should therefore be created, so that passengers will have an even larger selection of interesting products to choose from.

We continue to be interested in expanding our international investment business, particularly in our core business of the management and operation of airports. We will continue to bid for projects that are in line with our strategy and which we consider will provide us with added value.

Significant events after the balance sheet date

The Hessian Administrative Court rejected all urgent applications against the immediate enforceability of the planning approval notice for expanding Frankfurt Airport with the decisions of January 2, 2009 and January 15, 2009. After Darmstadt regional administrative authority ruled on December 22, 2008, effective January 12, 2009, that Fraport AG was to be assigned ownership of the required plots of land belonging to Kelsterbach municipal authority, construction work on the new runway could commence on January 20, 2009 with construction work planned to last until 2011.

By purchasing a 50 percent stake in the Turkish IC Ictas, Fraport AG increased its share in equity of the Antalya concession operating company from 34 percent to 50 percent, effective January 5, 2009. The payments in the amount of €62.6 million made in 2008 are displayed in the current report under “advanced payments in future investments”.

On February 2, 2009, Fraport AG sold all its shares in Flughafen Frankfurt-Hahn GmbH to the State of Rhineland-Palatinate for the price of €1, effective January 1, 2009. This transaction marked the end of all existing substantial commercial obligations Fraport AG has to Flughafen Frankfurt-Hahn GmbH, particularly those relating to offsetting losses. The profit transfer agreement was cancelled as of February 28, 2009.

On February 26, 2009, representatives of the BMI, Fraport AG, and Deutsche Lufthansa AG signed a basic agreement on aviation security checks at Frankfurt Airport in the future. This paves the way for competition to be gradually established in aviation security checks from 2010 onwards. FraSec will be involved in the tendering process. The market will be opened up gradually, offering a socially responsible solution for the areas that will not be covered by current Fraport AG and FraSec aviation security personnel in the future.

Outlook

Our forecast of the future developments is based on the assumption that international air traffic will not be adversely affected by external shocks such as terrorist attacks, wars, or epidemics. Our statements referring to future anticipated revenue and earnings development comply with the current accounting standards, valid from January 1, 2009.

Outlook 2009

Development of general economic situation

The current situation in the economy as a whole together with the ongoing effects of the financial crisis makes it particularly problematic for any forecasts for the future to be made at the present time. Under these circumstances, it is very difficult to judge how long the financial crisis will last and what further effects it might bring in its wake. Economic forecasts for 2009 have been adjusted downward repeatedly since early spring 2008. Leading national and international economic institutes and banks are predicting stagnation or a slight decrease of 0.2 percent for the global economy in 2009. The emerging Asian markets, Central and Eastern Europe, and Latin America are expected to continue to grow, although less rapidly than in previous years. As for the strongly export-dependent Japanese economy, experts are forecasting a drop of anything up to 4 percent. A decline of some 3 percent is forecasted for the USA. Economists expect the German gross domestic product to fall by roughly 2.5 percent. World trade is expected to drop by approximately 3 percent. It is expected that crude oil prices will continue to ease (annual average price of approximately US$50 per barrel of crude oil).[1]

In addition to the economic crisis, raw materials prices, exchange rate fluctuations and possible strikes, the latent risks for the global economy and travel patterns such as terrorism, epidemics, or natural catastrophes will remain.

General legal environment for German aviation

Several changes to the Group's legal environment are in the pipeline. If these are realized, they are likely to have a significant effect on the German air traffic industry as a whole, and also on Fraport AG, in the future.

At the beginning of 2007 the European Commission launched a legislative initiative to create a uniform legal framework for airport fees in European air traffic. The law is currently expected to come into effect as of February 2011. We will have to wait and see to what extent this initiative will impact the fees in the medium term.

The new Air Traffic Noise Act adopted by the German Parliament took effect in June 2007. We expect the regulations on the actual implementation of the Act to be enforced in 2009. The direct effects of enforcement on Fraport cannot yet be appropriately assessed at the moment.

Although the European Commission has currently put back a further liberalization of Ground Handling services, this issue will continue to be discussed in the medium term. Since we do not see where the trend will go, the effects this will have cannot be fully assessed.

The European Commission suggested at the end of 2006 to include air traffic in the European emissions trading system. The EU Parliament passed a compromise proposal in July 2008 aimed at including air traffic in the European emissions trading system. According to this proposal, all flights starting from or landing at an EU airport are to be included in the European emissions trading system as of 2012. The total number of certificates to be allocated in 2012 is to account for 97 percent of average emissions from 2004 to 2006. A further reduction to 95 percent is aimed at the period 2013 to 2020. In addition, 15 percent of the allocated emissions permits are to be auctioned. The decision to include air traffic in greenhouse gas emissions trading affects airlines first and foremost. Airports only play a minor role in the emission of greenhouse gases. Nevertheless, these measures will entail an added burden for the entire air traffic industry from 2012 onwards.

Another objective the European Commission has set itself for 2012 is to increase the competencies of the European Aviation Safety Agency (EASA). The plan is to replace all regional legislation and regulations governing the operation and authorization of airports, air traffic management, and air traffic control with uniform legislation and regulations applicable across the whole of Europe. The effects this will have cannot be fully assessed until the legislative proceedings are completed.

Development of air traffic

The global economic downturn also dictates the outlook for air traffic in 2009. The ACI forecasts a global decrease in passenger volumes of approximately 4.2 percent. European airports are expected to experience a drop of 3.7 percent. The ACI anticipates the number of passengers increasing again in 2010 (+3.2 percent worldwide and +3.0 percent in Europe).

[1] Source: February 6, 2009

Even **Frankfurt Airport** will not be able to avoid the effects felt throughout the global aviation industry. Further reductions in passenger and cargo volumes are to be expected in 2009. As traffic developments cannot be fully assessed, we expect a weak development within the first quarter, with no significant change on that in the second quarter. Traffic levels are expected to experience a more dynamic development during the third and fourth quarters. It is however not predictable at present how traffic levels will develop throughout the whole of 2009. Despite the expected downturn, we are optimistic about the period following the current crisis. Starting work on constructing the new landing runway is a positive sign, allowing airlines to make concrete plans. These measures ensure that Frankfurt Airport will continue to be a major player in the future, and once the new landing runway is completed in 2011, we will be able to benefit more than others from post-crisis catch-up effects.

The predominantly tourist-oriented airports in **Antalya**, **Varna** and **Burgas** are expected to be affected by the economic crisis to less extents. The anticipated global drop in demand will not affect private tourist travel to the same extent as business travel. The fact that the three tourist airports operated by the Fraport Group are located in the more reasonably priced travel destinations in Europe means that we do not expect significant declines at these airports.

Traffic volumes at **Lima** are expected to stagnate rather than drop. Moderate economic growth is still being forecasted for South America in view of the economic crisis. This will ensure that regional air traffic demand will continue to grow, albeit slightly. North American traffic, which is important for the Peruvian tourism, however, will slump in the coming year due to the effects of the financial crisis.

World trade is suffering as a result of the weak global economic situation, which in turn has a knock-on effect on **cargo volumes**. A drop in loaded volume of goods is to be expected in **Frankfurt** and **all airports belonging to our Group**.

Revenue and earnings development

Passenger development within the Fraport Group will be negatively impacted in the current fiscal year 2009 by the global economic downturn that began in 2008, and by the effects of the financial market crisis. Along with the loss in revenue from the sale of our subsidiary ICTS and from Frankfurt-Hahn Airport, we anticipate **Group revenue** dropping below the 2008 level. Positive impetus however should come from our investments in Lima and Antalya. Favorable effects on Group revenue can be expected from our investment in Antalya due to the takeover of the second international terminal in September 2009, as well as an increase in the proportion of equity to 50 percent. Declining traffic levels in our Aviation segment are likely to be cushioned by an airport fee price adjustment averaging 2.3 percent. Despite the negative traffic development, the Retail & Properties segment may receive positive impetus from opening new floor space, but this will only partially compensate the decline in passenger volumes.

As with revenue, we are expecting a decrease in the **Group's EBITDA** for the coming fiscal year, compared to the previous year. Traffic development at the Frankfurt site cannot be precisely predicted at the beginning of fiscal year 2009, making precise quantification of EBITDA development impossible as of the reporting date for the annual report. The greatest impact on profit comes from the inability to compensate traffic at the Frankfurt site, due to limited capacity, the decline in other income compared to the fiscal year 2008, and price effects in the Ground Handling segment. An additional increase in personnel expenses for the permanent staff of the Fraport AG results from the 2008 collective pay settlement. Within the framework of our "Crisis Prevention Measures", we will try to offset the potential decline in profit by consistently controlling total costs.

The aforementioned developments lead us to expect a decline in **Group profit** for the fiscal year 2009.

The Executive Board aims to keep the **dividend per share** on the previous year's level.

Development in the Fraport segments

A new segment structure has come into effect as of January 1, 2009. The Retail & Properties segment will be adjusted for all activities that objectively are no longer attributable to the segment and will be newly named as "Retail & Real Estate". The internal service units Real Estate and Facility Management (IFM) and Information and Telecommunication (IUK), including their subsidiaries, will be organized as "Services" within the newly named segment "External Activities & Services". At the same time, the profit center in which the cost-related user fees are pooled will be transferred to the Aviation segment. This step means that Fraport AG will continue to pool activities that are subject to regulations in the Aviation segment.

The diagram below offers a simplified illustration of relevant changes:

Segment structure

Status quo (until Dec. 31, 2008)	**Aviation** • Traffic and Terminal Management, Airport Expansion • Airport Security Management	**Retail & Properties** • Retail & Real Estate Management • Cost-related User Fees • Real Estate and Facility Management • Information and Telecommunication	**Ground Handling** • Ground Handling Central Infrastructure • Ground Handling Services	**External Activities** • Global Investments and Management
New segment structure (from Jan. 1, 2009)	**Aviation** • Traffic and Terminal Management, Airport Expansion • Airport Security Management • Cost-related User Fees	**Retail & Real Estate** • Retail & Real Estate Management	**Ground Handling** • Ground Handling Central Infrastructure • Ground Handling Services	**External Activities & Services** • Global Investments and Management • Real Estate and Facility Management • Information and Telecommunication

The Outlook 2009 and Preview 2010 included in this annual report refer to the segment structure still in effect through to the end of 2008.

We expect a decline in revenue in the **Aviation** segment in fiscal year 2009. This decrease is primarily attributable to negative effects on air traffic development resulting from the economic slowdown. Positive effects should come from an airport fee price adjustment averaging 2.3 percent. We anticipate an increase in operating expenses caused by the 2008 collective pay settlement and by increased personnel requirements from our security subsidiary FraSec GmbH for securing construction activities. As a result, segment EBITDA is expected to be below the previous year's level. Rising depreciation and amortization expense from our investment activities will further impact segment result.

Revenue development in our **Retail & Properties** segment is only partially predictable, due to the negative forecasts for air traffic at the Frankfurt site. A gradual rollout of new retail spaces will provide positive impetus, assuming consistent consumer behavior. The loss of other income from the settlement with DB Stations&Services AG, and rising personnel expenses from the collective pay settlement, are expected to result in a decline in segment EBITDA. Rising depreciation and amortization expenses also have a negative effect on segment result. In contrast, the negative air traffic development should have practically no impact within the Properties unit, due to stable rental income.

Sustained market and cost pressure particularly effects the labor-intensive **Ground Handling** segment. The predicted decline in air traffic volumes and a further price reduction in the framework of the five-year agreement with Deutsche Lufthansa AG, is expected to cause a considerable decrease in revenue from ground handling services. As a result, we expect segment revenue to be below the value of 2008, despite additional income based on a full-year perspective of our subsidiary FraCareS GmbH, founded on July 1, 2008. Segment EBITDA is expected to fall significantly below the previous year's value, due to negative revenue development and sustained cost pressure from rising personnel expenses related to the 2008 collective pay settlement. The Ground Handling segment will also be impacted by rising depreciation and amortization expense.

The comparison of the **External Activities** segment with the previous year will be affected by the sale of our subsidiary ICTS and of Frankfurt-Hahn Airport. Adjusted for these effects, we anticipate increased revenue and earnings in the segment. Our investments in Lima and Antalya should be the main drivers behind this development. The investment in Antalya is likely to have a positive impact on segment revenue, with the takeover of the second international terminal in September 2009, as well as an increase in the proportion of equity to 50 percent. Depreciation and amortization expenses should decline significantly in the coming fiscal year 2009, due to the impairment of Frankfurt-Hahn Airport in 2008.

Asset and financial situation

Total assets of the Fraport Group will continue to increase in 2009. The primary reasons for this increase are our investing activities at the Frankfurt site, which will lead to a rise in our long-term assets. These investing activities are mainly funded by long-term loans. **Net financial debt** and **gearing** will continue to rise accordingly in 2009. The planned balance sheet structure for 2009 ensures the relevant key figures providing the basis for an investment-grade rating.

The decrease in **cash and cash equivalents** results from declining Group profit, as well as increased cash flow used in our investing activities. The higher cash outflow is particularly related to rising capital expenditures in non-current assets for the airport expansion and FRA North projects. As in the previous year, the decrease in cash and cash equivalents reflects the payments to be made under the framework agreement with Celanese AG/ Ticona GmbH. Cash inflow from financing activities should remain at the previous year's level.

Major capital expenditure projects

The **capital expenditures** of the Fraport Group are expected to rise in 2009.

This year, investing activities will be driven primarily by the increase in costs for refurbishing and modernizing the infrastructure at the Frankfurt site as part of the FRA North projects and the planned airport expansion. In 2009 and 2010, a volume of approximately €1 billion each year will be incurred from the expected cash flow of €5 billion to €6 billion through to 2015 for the airport expansion and FRA North investing projects.

Airport expansion

On January 4, 2008, Fraport AG received the zoning approval issued on December 18, 2007, for the expansion of Frankfurt Airport. This decision authorizes construction of a new landing runway, additional flight operation facilities and gives the approval under the German Building Regulations Law for the construction of Terminal 3 and additional structural buildings. After delivery of the decision there was the possibility to appeal against it before a court. In decisions on January 2, 2009 and January 15, 2009, the Hessian administrative court rejected all urgent applications; in addition the Darmstadt regional administrative authority ruled, effective January 12, 2009, that Fraport AG was to be assigned ownership of the required plots of land belonging to Kelsterbach municipal authority ahead of time. With these measures completed, construction of the new landing runway began on January 20, 2009. Work on the new landing runway is expected to continue until 2011. Further expansion projects on the ground of the existing airport will also begin in 2009.

FRA North

To improve control, we combined the construction measures with which the existing terminals are being optimized not only for the A380 but also to satisfy the increasing security requirements and product requirements of our customers within the "FRA North" project. FRA North also aims to optimize the retail areas and existing terminal capacities.

The remodeling and extension of the new Hall C, the connecting alley, and the C/D Link with three new positions for the Airbus A380 were already completed in the previous fiscal year. The new Pier C/D went in inauguration in spring 2008. The work and planning to expand and reshape the existing Terminal 1 was continued in 2008. Construction will focus on modifying concourse B to adjust it to the new EU security standards. For this purpose, parts of the concourse were gradually shut down and modified at the beginning of January 2008. The first construction phase for implementing the new EU security directive for separating arriving and departing passengers was successfully completed in October 2008. Further phases are to follow, with individual completion dates in 2009. The new Pier A West will be a significant addition to the terminal with new passenger check-in and retail facilities. The first steps toward realizing construction of the new pier were initiated in 2008 and the working site was prepared. Construction of the pier began on December 10, 2008. We will also gradually implement measures in Terminal 2 to extend the retail facilities, adjust security controls to the new standards, and upgrade facilities to the A380 requirements.

Acquisition projects

The global trend towards the privatization of airports and outsourcing of management services is also continuing in 2009. Based on value creation, Fraport will also participate in selected tenders this year. There are concrete plans to bid for the concession of Pulkovo Airport in St. Petersburg, Russia. The bid is due at the end of the second quarter, at the earliest, the decision is not expected to be taken before the end of the year. In view of the two Memorandums of Understanding that were concluded in Kunming and Qingdao in 2008, we will try to further intensify our business relationships in 2009.

Preview 2010

We expect **Group revenue** and **Group EBITDA** to increase in 2010 compared to the previous year, in the context of a recovering economic climate. **Group profit** will remain at approximately the level of 2009, due to the rising depreciation and amortization expense, as well as a declining financial result from increasing financing costs. The **dividend per share** in 2010 should remain at least at the level of the previous year.

We expect the predicted recovery in the global economy to result in catch-up effects in passenger development in 2010, causing revenue to rise in our **Aviation** segment. The ongoing capacity limitations on growth at the Frankfurt site are continuing to have a dampening effect on revenue. Rising depreciation and amortization expense from our investing activities will continue to impact segment result in 2010.

The **Retail & Properties** segment should see an increase in revenue and EBITDA in 2010, due to rising passenger volumes, expanded retail activities, and continuing demand for additional space at the Frankfurt site. Rising depreciation and amortization expenses from our ongoing investing activities will continue to burden segment result in 2010.

Revenue in the **Ground Handling** segment is also likely to be positively impacted by recovering air traffic volume. The possible spin-off of certain units would lead to below average expense development in the segment, and should, together with the positive traffic development, cause EBITDA to increase. Rising depreciation and amortization expenses from our investing activities will continue to impact segment result negatively.

Positive development is currently expected in the **External Activities** segment. In particular, a positive impact on revenue and earnings development should result from the first-time full-year operation of all three terminals at Antalya Airport. Despite rising depreciation and amortization expenses, we anticipate a positive segment result in 2010. New investments or the increase or decrease in shares of existing investments could have a major impact on the segments' results.

General statement on the outlook report

The general prospects of the Fraport Group remain positive for the coming years. We currently anticipate the economic downturn having a negative impact on the revenue and earnings development of the Fraport Group, particularly in the first half of 2009, but also possibly for the entire year. This will also affect traffic development within the Group. For the period after the crisis, we continue to expect catch-up effects in the global economy and in the air traffic market. This recovery should then also positively affect the Fraport Group. With the expansion of the Frankfurt site, one of the most important foundations is laid for the future success of the Fraport Group. After the planned inauguration of the New Northwest Landing Runway in 2011, the Frankfurt site, and the entire Fraport Group, will benefit more than others from the growth in the air traffic market.

We see no further risks to the financing of our long-term investing requirements at the Frankfurt site or in our external business.

Growth beyond the Frankfurt site should ensure our participation in further growth markets worldwide.

Frankfurt am Main, February 27, 2009

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Prof. Dr. Bender	Dr. Schulte	Mai	Dr. Zieschang

Where the statements made in this document 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 beyond the control of Fraport AG Frankfurt Airport Services Worldwide and which could have the effect that the actual results will differ materially from these statements. These factors include not only but among other things the competitive environment in liberalized markets, regulatory changes, the success of business operations, as well as considerably adverse general economic conditions in 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 statements made about the future.

Consolidated income statement

€ million	Notes	2007	2008
Revenue	(5)	**2,329.0**	**2,101.6**
Change in work-in-process	(6)	0.5	0.4
Other internal work capitalized	(7)	24.6	33.8
Other operating income	(8)	71.7	66.1
Totel revenue		**2,425.8**	**2,201.9**
Cost of materials	(9)	–461.4	–471.1
Personnel expenses	(10)	–1,143.3	–925.6
Depreciation and amortization	(11)	–245.1	–240.0
Other operating expenses	(12)	–240.6	–204.5
Operating profit		**335.4**	**360.7**
Interest income	(13)	30.2	49.2
Interest expenses	(13)	–76.7	–145.8
Share of profit or loss of investments accounted for using the equity method	(14)	2.5	–15.1
Income from investments	(15)	5.3	0.1
Other financial results	(16)	0.9	24.2
Financial result		**–37.8**	**–87.4**
Result from ordinary operations		**297.6**	**273.3**
Taxes on income	(17)	–83.9	–93.1
Group profit		**213.7**	**180.2**
Profit attributable to minority interests		5.0	7.2
Profit attributable to equity holders of Fraport AG		**208.7**	**173.0**
Earnings per €10 share in €	(18)		
basic		2.28	1.89
diluted		2.26	1.87
EBIT (= Operating profit)		**335.4**	**360.7**
EBITDA (= EBIT + amortization)		**580.5**	**600.7**

Consolidated balance sheet *as of December 31, 2008*

Assets

€ million	Notes	Dec. 31, 2007	Dec. 31, 2008
Non-current assets			
Goodwill	(19)	22.7	22.7
Other intangible assets	(20)	43.9	33.3
Investments in airport operator projects	(21)	570.3	597.6
Property, plant, and equipment	(22)	3,569.3	3,886.3
Investment property	(23)	10.1	9.0
Investments accounted for using the equity method	(24)	37.1	72.4
Other financial assets	(25)	252.2	205.4
Other receivables and other assets	(26)	58.5	42.4
Income tax receivable	(27)	33.5	26.6
Deferred tax assets	(28)	7.2	30.4
		4,604.8	**4,926.1**
Current assets			
Inventories	(29)	38.6	45.4
Trade accounts receivable	(30)	154.6	154.9
Other receivables and other assets	(26)	76.6	205.1
Income tax receivable	(27)	13.2	7.8
Cash and cash equivalents	(31)	651.3	1,154.8
		934.3	**1,568.0**
Non-current assets held for sale	(32)	165.6	0.0
		1,099.9	**1,568.0**
		5,704.7	**6,494.1**

Liabilities & equity

€ million	Notes	Dec. 31, 2007	Dec. 31, 2008
Shareholders' equity			
Issued capital	(33)	914.6	916.1
Capital reserves	(33)	565.2	573.1
Revenue reserves	(33)	875.2	855.0
Group retained earnings	(33)	105.3	105.6
Issued capital and reserves attributable to equity holders of Fraport AG	(33)	2,460.3	2,449.8
Minority interests, presented within equity	(34)	33.0	60.2
		2,493.3	**2,510.0**
Non-current liabilities			
Financial liabilities	(35)	830.6	1,685.3
Trade accounts payable	(36)	365.6	192.9
Other liabilities	(37)	451.7	514.8
Deferred tax liabilities	(38)	89.6	97.4
Provisions for pensions and similar obligations	(39)	19.4	19.0
Provisions for income taxes	(40)	163.0	170.0
Other provisions and accruals	(41)	136.2	101.0
		2,056.1	**2,780.4**
Current liabilities			
Financial liabilities	(35)	367.8	555.5
Trade accounts payable	(36)	441.5	393.8
Other liabilities	(37)	75.7	63.6
Provisions for income taxes	(40)	14.2	1.9
Other provisions and accruals	(41)	185.3	188.9
		1,084.5	**1,203.7**
Liabilities in connection with assets held for sale	(42)	70.8	0.0
		1,155.3	**1,203.7**
		5,704.7	**6,494.1**

Consolidated cash flow statement

€ million	Notes	2007	2008
Profit attributable to equity holders of Fraport AG	(33)	**208.7**	**173.0**
Profit attributable to minority interests		5.0	7.2
Adjustments for:			
Taxes on income	(17)	83.9	93.1
Depreciation	(11)	245.1	240.0
Interest results	(13)	46.5	96.6
Income from investments	(15)	–5.3	–0.1
Gain/losses from disposals of non-current assets		11.4	35.1
Other		8.1	–8.2
Changes in investments accounted for using the equity method		–2.5	15.1
Changes in inventories		–5.7	–6.8
Changes in receivables and other assets		36.8	20.1
Changes in provisions		–12.2	–15.5
Changes in liabilities (w/o financial liabilities and provisions)		38.1	–45.9
Reclassification in assets/liabilities held for sale		–33.8	–
Operational activities		**624.1**	**603.7**
Financial activities			
Interest paid		–63.5	–91.7
Interest received		30.2	47.7
Dividends received		5.3	0.1
Taxes on income paid		–117.5	–91.8
Cash flow from operating activities	(45)	**478.6**	**468.0**
Capital expenditures for other intangible assets		–8.0	–6.2
Investments in airport operator projects		–134.3	–90.6
Capital expenditures for property, plant, and equipment		–583.8	–741.8
Capital expenditures for investments accounted for using the equity method		–	–45.6
Investment property		–1.1	–0.1
Other financial investments (long-term)		–	–95.7
Other financial investments (short-term)		–	–80.1
Advanced payments in future investments		–	–62.6
Acquisition of consolidated companies		–16.6	–
Disposal of consolidated companies		–	61.7
Proceeds from disposal of non-current assets		74.4	2.7
Proceeds from disposal of other financial investments		28.9	87.1
Cash flow used in investing activities	(45)	**–640.5**	**–971.2**
Dividends paid to shareholders of Fraport AG (parent company)		–105.1	–105.2
Dividends paid to minority shareholders		–1.3	–1.1
Capital increase		11.8	13.0
Proceeds from issuance of long-term debt		234.6	922.7
Repayment of long-term debt		–19.6	–146.7
Change in short-term debt		59.5	274.9
Cash flow from financing activities	(45)	**179.9**	**957.6**
Consolidation effects on cash and cash equivalents		7.8	38.4
Restricted cash		–28.4	–34.2
Change in cash and cash equivalents		**–2.6**	**458.6**
Cash and cash equivalents at January 1		617.6	622.9
Foreign currency translation effect on cash and cash equivalents		–7.0	10.7
Restricted cash previous year		14.9	28.4
Cash and cash equivalents at December 31	(45), (31)	**622.9**	**1,120.6**

Changes in consolidated shareholders' equity

€ million	Notes	Issued capital	Capital reserves	Revenue reserves				Group retained earnings	Equity attributable to shareholders of Fraport AG	Equity attributable to minority interests	Total equity
				Legal reserves	Revenue reserves	Foreign currency reserves	Revaluation reserves				
Balance at Jan. 1, 2007		**913.7**	**558.8**	**36.5**	**702.3**	**–5.5**	**13.0**	**105.2**	**2,324.0**	**22.1**	**2,346.1**
Foreign currency translation differences		–	–	–	–	–0.1	–	–	–0.1	–	–0.1
Fair value of financial assets held for sale		–	–	–	–	–	10.9	–	10.9	–	10.9
Fair value changes of derivatives		–	–	–	–	–	8.3	–	8.3	–	8.3
Purchase price allocation LAP		–	–	–	–	–	2.0	–	2.0	–	2.0
Net gain (+)/Net costs (–) directly included in equity		0.0	0.0	0.0	0.0	–0.1	21.2	0.0	21.1	0.0	21.1
Capital increase Frankfurt-Hahn Airport/Twin Star		–	–	–	–	–	–	–	0.0	7.4	7.4
Issue of shares for employee investment plan		0.7	3.5	–	–	–	–	–	4.2	–	4.2
Transfer of treasury shares		0.1	0.1	–	–	–	–	–	0.2	–	0.2
Management stock option plan		–	–	–	–	–	–	–	0.0	–	0.0
Capital increase for exercise of options		0.1	0.1	–	–	–	–	–	0.2	–	0.2
Value of performed services		–	2.7	–	–	–	–	–	2.7	–	2.7
Distribution		–	–	–	–	–	–	–105.1	–105.1	–1.3	–106.4
Group profit for the year		–	–	–	103.4	–	–	105.3	208.7	5.0	213.7
Consolidation activity/ other changes		–	–	–	4.4	–	–	–0.1	4.3	–0.2	4.1
Balance at Dec. 31, 2007	(33), (34)	**914.6**	**565.2**	**36.5**	**810.1**	**–5.6**	**34.2**	**105.3**	**2,460.3**	**33.0**	**2,493.3**
Balance at Jan. 1, 2008		**914.6**	**565.2**	**36.5**	**810.1**	**–5.6**	**34.2**	**105.3**	**2,460.3**	**33.0**	**2,493.3**
Foreign currency translation differences		–	–	–	–	4.3		–	4.3	–1.0	3.3
Fair value of financial assets held for sale		–	–	–	–	–	–25.0	–	–25.0	–	–25.0
Fair value changes of derivatives		–	–	–	–	–	–61.3	–	–61.3	–	–61.3
Net gain (+)/Net costs (–) directly included in equity		0.0	0.0	0.0	0.0	4.3	–86.3	0.0	–82.0	–1.0	–83.0
Capital increase Frankfurt-Hahn Airport/FraCareS		–	–	–	–	–	–	–	0.0	6.9	6.9
Disposal of interet in LAP		–	–	–	–	–	–	–	0.0	12.3	12.3
Issue of shares for employee investment plan		1.0	3.5	–	–	–	–	–	4.5	–	4.5
Transfer of treasury shares		0.1	0.1	–	–	–	–	–	0.2	–	0.2
Management stock option plan				–	–	–	–	–	0.0	–	0.0
Capital increase for exercise of options		0.4	1.2	–	–	–	–	–	1.6	–	1.6
Value of performed services		–	3.1	–	–	–	–	–	3.1	–	3.1
Distribution		–	–	–	–	–	–	–105.2	–105.2	–1.1	–106.3
Group profit for the year		–	–	–	67.4	–	–	105.6	173.0	7.2	180.2
Consolidation activity/ other changes		–	–	–	–5.6	–	–	–0.1	–5.7	2.9	–2.8
Balance at Dec. 31, 2008	(33), (34)	**916.1**	**573.1**	**36.5**	**871.9**	**–1.3**	**–52.1**	**105.6**	**2,449.8**	**60.2**	**2,510.0**

Consolidated statement of movements in non-current assets

€ million	Goodwill	Other intangible assets	Investment in airport operator projects	Land, land rights, and buildings including buildings on leased land	Technical equip-ment and machinery	Other equipment, operating and office equipment	Construction in process
Acquisition/production costs							
Balance at Jan. 1, 2008	**128.2**	**128.0**	**589.4**	**3,526.4**	**1,604.3**	**358.9**	**1,290.0**
Changes due to foreign currency differences	0.0	–0.1	7.7	0.0	0.0	0.2	0.0
Additions	0.0	6.2	42.8	223.2	74.8	46.1	197.7
Disposals	0.0	–17.6	0.0	–76.5	–18.1	–21.8	–8.2
Reclassifications	0.0	0.4	2.2	230.9	57.1	5.5	–303.8
Balance at Dec. 31, 2008	**128.2**	**116.9**	**642.1**	**3,904.0**	**1,718.1**	**388.9**	**1,175.7**
Accumulated depreciation							
Balance at Jan. 1, 2008	**105.5**	**84.1**	**19.1**	**1,700.8**	**1,278.1**	**230.3**	**1.1**
Changes due to foreign currency differences	0.0	–0.1	6.7	0.0	0.0	0.0	0.0
Impairment losses in acc. with IAS 36	0.0	0.0	0.0	14.6	6.2	2.1	0.0
Additions	0.0	9.7	18.7	99.7	54.5	28.9	0.0
Disposals	0.0	–10.1	0.0	–74.0	–18.1	–20.5	0.0
Reclassifications	0.0	0.0	0.0	–3.3	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance at Dec. 31, 2008	**105.5**	**83.6**	**44.5**	**1,737.8**	**1,320.7**	**240.8**	**1.1**
Net book values							
Balance at Dec. 31, 2008	**22.7**	**33.3**	**597.6**	**2,166.2**	**397.4**	**148.1**	**1,174.6**
Acquisition/production costs							
Balance at Jan. 1, 2007	**211.3**	**109.8**	**3.2**	**3,414.6**	**1,558.7**	**346.5**	**599.1**
Changes due to foreign currency differences	0.0	–0.2	–10.0	2.9	0.0	–0.4	0.0
Changes in consolidation	0.0	0.0	129.5	0.0	0.0	5.9	0.0
Additions	0.3	8.0	466.7	133.9	62.1	48.9	852.4
Disposals	–3.6	–6.5	0.0	–115.2	–40.0	–33.8	–23.7
Regroupings IFRS 5	–79.8	–1.8	0.0	0.0	0.0	–13.0	0.0
Reclassifications	0.0	18.7	0.0	90.2	23.5	4.8	–137.8
Balance at Dec. 31, 2007	**128.2**	**128.0**	**589.4**	**3,526.4**	**1,604.3**	**358.9**	**1,290.0**
Accumulated depreciation							
Balance at Jan. 1, 2007	**114.2**	**70.7**	**0.0**	**1,679.8**	**1,270.7**	**239.2**	**0.0**
Changes due to foreign currency differences	0.0	–0.2	–1.1	2.2	0.0	–0.2	0.0
Changes in consolidation	0.0	0.0	14.0	0.0	0.0	0.0	0.0
Additions	20.3	13.8	6.2	124.0	50.0	28.7	1.1
Disposals	–3.6	–3.8	0.0	–106.2	–36.6	–29.9	0.0
Regroupings IFRS 5	–25.4	–0.9	0.0	0.0	0.0	–8.0	0.0
Reclassifications	0.0	4.5	0.0	1.0	–6.0	0.5	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance at Dec. 31, 2007	**105.5**	**84.1**	**19.1**	**1,700.8**	**1,278.1**	**230.3**	**1.1**
Net book values							
Balance at Dec. 31, 2007	**22.7**	**43.9**	**570.3**	**1,825.6**	**326.2**	**128.6**	**1,288.9**

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

Property, plant, and equipment (total)	Investment property	Investments accounted for using the equity method	Other investments	Available-for-sale securities	At-fair-value securities	Loan to investments*	Other loans	Other financial assets (total)
6,779.6	**11.1**	**91.2**	**17.5**	**61.9**	**150.9**	**67.6**	**13.0**	**310.9**
0.2	0.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
541.8	0.1	48.6	35.7	55.0	0.0	0.5	4.5	95.7
–124.6	0.0	–2.7	0.0	–15.0	–100.0	–1.6	–1.1	–117.7
–10.3	7.7	0.0	0.0	0.0	0.0	3.0	0.0	3.0
7,186.7	**18.9**	**143.1**	**53.2**	**101.9**	**50.9**	**69.5**	**16.4**	**291.9**
3,210.3	**1.0**	**54.1**	**12.5**	**–30.4**	**5.5**	**67.5**	**3.6**	**58.7**
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22.9	5.1	16.6	0.0	0.0	0.0	0.0	0.0	0.0
183.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
–112.6	0.0	0.0	0.0	0.9	–25.8	0.0	0.0	–24.9
–3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	30.1	22.7	0.0	–0.1	52.7
3,300.4	**9.9**	**70.7**	**12.5**	**0.6**	**2.4**	**67.5**	**3.5**	**86.5**
3,886.3	**9.0**	**72.4**	**40.7**	**101.3**	**48.5**	**2.0**	**12.9**	**205.4**
5,918.9	**125.4**	**111.2**	**18.3**	**61.9**	**200.9**	**70.6**	**19.7**	**371.4**
2.5	0.0	–0.8	0.0	0.0	0.0	0.0	0.0	0.0
5.9	0.0	–18.7	0.0	0.0	0.0	0.0	0.0	0.0
1,097.3	1.1	3.9	0.0	0.0	0.0	0.0	0.0	0.0
–212.7	–116.0	–4.0	0.0	0.0	–20.0	0.0	–6.7	–26.7
–13.0	0.0	–0.4	–0.8	0.0	0.0	0.0	0.0	–0.8
–19.3	0.6	0.0	0.0	0.0	–30.0	–3.0	0.0	–33.0
6,779.6	**11.1**	**91.2**	**17.5**	**61.9**	**150.9**	**67.6**	**13.0**	**310.9**
3,189.7	**58.5**	**55.0**	**12.5**	**–19.2**	**4.8**	**67.5**	**3.7**	**69.3**
2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	–0.9	0.0	0.0	0.0	0.0	0.0	0.0
203.8	1.0	0.0	0.0	0.2	4.8	0.0	0.0	5.0
–172.7	–58.5	0.0	0.0	0.0	–0.3	0.0	–0.1	–0.4
–8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
–4.5	0.0	0.0	0.0	0.0	–0.7	0.0	0.0	–0.7
0.0	0.0	0.0	0.0	–11.4	–3.1	0.0	0.0	–14.5
3,210.3	**1.0**	**54.1**	**12.5**	**–30.4**	**5.5**	**67.5**	**3.6**	**58.7**
3,569.3	**10.1**	**37.1**	**5.0**	**92.3**	**145.4**	**0.1**	**9.4**	**252.2**

Segment reporting

(Note 44)

Primary segment reporting

€ million		Aviation	Retail & Properties	Ground Handling	External Activities	Adjust-ments	Group
Revenue	2008	698.4	433.5	642.7	327.0	–	2,101.6
	2007	698.7	471.4	620.5	538.4	–	2,329.0
Other income	2008	34.5	41.1	11.6	13.1	–	100.3
	2007	23.0	31.5	11.5	30.8	–	96.8
Third-party revenue	**2008**	**732.9**	**474.6**	**654.3**	**340.1**	**–**	**2,201.9**
	2007	**721.7**	**502.9**	**632.0**	**569.2**	**–**	**2,425.8**
Inter-segment revenue	2008	47.0	392.4	20.4	23.2	–483.0	–
	2007	52.3	394.3	17.0	24.5	–488.1	–
Total revenue	2008	779.9	867.0	674.7	363.3	–483.0	2,201.9
	2007	774.0	897.2	649.0	593.7	–488.1	2,425.8
Segment result (EBIT)	**2008**	**58.0**	**285.9**	**19.0**	**–2.2**	**0.0**	**360.7**
	2007	**44.8**	**244.6**	**12.6**	**33.4**	**0.0**	**335.4**
Depreciation and amortization of segment assets	2008	66.9	82.0	33.0	58.1	–	240.0
	2007	94.8	88.4	24.8	37.1	–	245.1
EBITDA	**2008**	**124.9**	**367.9**	**52.0**	**55.9**	**–**	**600.7**
	2007	**139.6**	**333.0**	**37.4**	**70.5**	**–**	**580.5**
Share of results of investments accounted for using the equity method	2008	0.0	–1.0	0.9	–15.0	–	–15.1
	2007	0.0	–0.2	0.8	1.9	–	2.5
Income from investments	2008	0.0	0.0	0.1	0.0	–	0.1
	2007	0.0	0.0	0.0	5.3	–	5.3
Book values of segment assets	2008	2,988.6	1,813.3	590.7	1,036.7	64.8	6,494.1
	2007	2,504.3	1,564.6	477.8	1,104.1	53.9	5,704.7
Segment liabilities	2008	1,540.3	1,058.0	310.0	806.5	269.3	3,984.1
	2007	1,153.7	760.2	194.7	836.0	266.8	3,211.4
Acquisition cost of additions to property, plant, and equipment, investments in airport operating projects, intangible assets, and investment property	2008	265.6	161.9	94.4	69.0	–	590.9
	2007	818.5	152.1	86.6	516.2	–	1,573.4
Other significant non-cash expenses	2008	51.0	47.7	12.4	8.1	–	119.2
	2007	62.6	67.4	16.3	12.9	–	159.2
Acquisitions of investments accounted for using the equity method	2008	0.0	0.0	1.8	70.6	–	72.4
	2007	0.0	0.0	1.7	35.4	–	37.1

Secondary segment reporting

€ million		Germany	Rest of Europe	Asia	Rest of world	Adjust-ments	Group
Revenue	2008	1,841.2	122.9	35.4	102.1	–	2,101.6
	2007	1,905.0	318.0	53.8	52.2	–	2,329.0
Other income	2008	95.5	1.7	2.4	0.7	–	100.3
	2007	76.1	3.7	16.1	0.9	–	96.8
Third-party revenue	**2008**	**1,936.7**	**124.6**	**37.8**	**102.8**	–	**2,201.9**
	2007	**1,981.1**	**321.7**	**69.9**	**53.1**	–	**2,425.8**
Book values of segment assets	2008	5,582.9	54.2	600.6	191.6	64.8	6,494.1
	2007	4,789.8	190.2	511.0	159.8	53.9	5,704.7
Acquisition cost of additions to property, plant, and equipment, investments in airport operating projects, intangible assets, and investment property	2008	533.6	13.7	5.9	37.7	–	590.9
	2007	1,093.8	19.1	444.6	15.9	–	1,573.4

Group notes

Notes to the consolidation and accounting policies

(1) Basic principles followed in preparation of the consolidated financial statements

Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (hereinafter referred to as Fraport AG) prepared its consolidated financial statements as of December 31, 2008 in accordance with the standards issued by the International Accounting Standards Board (IASB).

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) as adopted in the EU, in force on the balance sheet date completely and without any restrictions in recognition, measurement, and disclosure in the 2008 consolidated financial statements. Pursuant to Section 315a (1) of the German Commercial Code (HGB) the supplementary disclosures in the notes to the financial statements were provided applying sections 313, 314 HGB.

As the capital market-oriented parent company of the Fraport Group, Fraport AG must prepare its consolidated financial statements in accordance with IFRS pursuant to Directive (EC) No. 1606/2002 of the European Parliament and the Council dated July 19, 2002 (new version dated April 9, 2008) regarding the application of international financial reporting standards. The Accounting Law Reform Act (BilReG) incorporated the regulations of the EU directive in German commercial law within Section 315a of the German Commercial Code (HGB).

The consolidated income statement is prepared according to the nature of expense method.

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

The business activities and organization of the Fraport Group are presented in the management report.

The consolidated financial statements of Fraport AG for the fiscal year 2008 were approved for publication by the Executive Board on February 27, 2009.

Please refer to the Group management report for events after the balance sheet date.

(2) Companies included in consolidation and balance sheet date

Companies included in consolidation and balance sheet date
The consolidated financial statements include Fraport AG as well as all subsidiaries (in full) and joint ventures (on a proportionate basis). Investments in associates are accounted for using the equity method in the consolidated financial statements.

The fiscal year of Fraport AG and all consolidated companies is the calendar year.

The consolidated financial statements of Fraport AG are dominated by the parent company. The companies included in the consolidated financial statements changed as follows during the fiscal year 2008:

	Germany	Other countries	Total
Fraport AG	**1**	**0**	**1**
Fully consolidated subsidiaries			
Dec. 31, 2007	**21**	**50**	**71**
Additions	0	1	1
Reclassifications	1	0	1
Disposals	–1	–34	–35
Dec. 31, 2008	**21**	**17**	**38**
Joint ventures using proportionate consolidation			
Dec. 31, 2007	**6**	**5**	**11**
Additions	1	1	2
Reclassifications	–1	0	–1
Disposals	–1	–1	–2
Dec. 31, 2008	**5**	**5**	**10**
Companies consolidated excluding associates at Dec. 31, 2007	**28**	**55**	**83**
Companies consolidated excluding associates at Dec. 31, 2008	**27**	**22**	**49**
Investments in associates using the equity method of accounting			
Dec. 31, 2007	**6**	**2**	**8**
Additions	0	1	1
Disposals	0	–1	–1
Dec. 31, 2008	**6**	**2**	**8**
Group companies including associates at Dec. 31, 2007	**34**	**57**	**91**
Group companies including associates at Dec. 31, 2008	**33**	**24**	**57**

The addition of fully consolidated subsidiaries refers to the company Fraport Saudi Arabia Ltd., Riyadh. All disposals of subsidiaries refer to companies of the ICTS sub-group.

Effective April 1, 2008 Fraport AG sold the wholly owned subsidiary ICTS Europe Holdings B. V. to Deutsche Beteiligungs AG for a price of €100.0 million. Income from deconsolidation amounted to €0.9 million and has been recognized in other operating income. The basis for deconsolidation was the sub-group financial statements of ICTS, which included a total of 35 subsidiaries, one joint venture, and one associated company. Additional information on the sale of ICTS is found in the notes to the cash flow statement (note 45).

Additions to joint ventures refer to the companies FRAPORT IC IÇTAS HAVALIMANI YER HIZMETLERI ANONIM SIRKETI, Antalya/Turkey and Multi Park II Mönchhof GmbH, Walldorf (Baden). Disposals of joint ventures refer to the company ICTS Netherlands Airport Services VOF, Amsterdam/Netherlands, which was sold along with the ICTS Group as well as AirIT International GmbH, Frankfurt.

The 50 percent of capital shares in AirIT International GmbH, Frankfurt were sold by Fraport AG effective July 1, 2008 for a selling price of €82.0 thousand. Deconsolidation of the company yielded a loss on disposal of €31.6 thousand.

The reclassification of affiliated companies and joint ventures refers to the company FSG Flughafen-Service GmbH, Frankfurt am Main. A new company agreement was concluded for the company FSG on November 17, 2008. Although the proportion of capital held remained constant at 33.33 percent, for all shareholders, Fraport AG assumed actual control of the company by means of new contract provisions. Including the company in the Fraport Group as an affiliated company commenced on November 17, 2008. The effects on the consolidated financial statements were immaterial.

Additions to associated companies refer to the newly founded company Xi'an Xianyang International Airport Co. Ltd., Xi'an/China. Disposals of associated companies refer to Asia Security Management Ltd., Bangkok, Thailand, which was sold with the ICTS Group.

GCS is fully consolidated although Fraport AG only owns 40 percent, since due to the contractual stipulations, the company can be and is controlled. Although Fraport AG owns 52 percent of the capital shares in NICE, this company is consolidated on a proportionate basis of merely 52 percent due to the joint management and control, which were contractually agreed.

Fraport AG holds 51 percent of the share capital in each of the companies Fraport IC Ictas Havalimani Isletme AS and Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Isletmeciligi AS. Given the distribution of dividends and the total share capital, the companies are joint ventures included in the consolidated financial statements on a proportionate basis of 34 percent.

The complete list of the Group's shareholdings in accordance with Section 313 (2) and (3) HGB and section 285 No. 11 and No. 11a will be published in the electronic Federal Gazette as an appendix to the notes to the annual financial statements of Fraport AG.

Flughafen Frankfurt-Hahn GmbH made use of the exemption provision in Section 264 (3) of the German Commercial Code (HGB) regarding the publication of individual financial statements.

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

	Dec. 31, 2007		Dec. 31, 2008	
€ million	**Additions**	**Disposals**	**Additions**	**Disposals**
Non-current assets	134.0	–19.0	0.0	0.0
Current assets	6.6	–1.9	0.7	–165.6
thereof non-current assets held for sale	0.0	0.0	0.0	–165.4
Cash and cash equivalents	18.1	–0.3	0.6	–0.2
Non-current liabilities	102.2	–2.6	0.0	0.0
Current liabilities	10.0	–2.2	1.1	–66.5
thereof liabilities in connection with assets held for sale	0.0	0.0	0.0	–66.2

The changes in the companies included in consolidation during the fiscal year are mainly due to the disposal of ICTS and the full consolidation of LAP in the previous year. The changes in the companies included in the consolidation affected the result for the year before consolidation adjustments by generating a profit of €0.3 million (previous year: a profit of €4.7 million).

Due to the significant effect of the deconsolidation of ICTS effective April 1, 2008, the impacts on the consolidated income statement is shown in the following table:

ICTS Europe Holdings B. V. – subgroup

€ million	Jan. 1 – Dec. 31, 2007	Jan. 1 – March 31, 2008	Change
Revenue	314.6	67.3	–247.3
Other revenue	4.0	0.3	–3.7
Personnel expenses	279.0	60.9	–218.1
Other operating expenses	33.1	6.8	–26.3
EBITDA	6.5	–0.1	–6.6
Distribution to Group profit (after consolidation)	3.2	–1.3	–4.5
Average number of employees	10,213	2,336	–7,877

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

€ million	2007	2008
Non-current assets	471.0	462.3
Current assets	16.6	16.5
Shareholders' equity	14.6	–21.4
Non-current liabilities	464.6	494.2
Current liabilities	8.4	6.0
Income	50.7	50.7
Expenses	62.4	77.3

Interests acquired and new companies established

Fraport Saudi Arabia for Airport Management and Development Services Company Ltd.

On April 29, 2008, the Fraport Saudi Arabia for Airport Management and Development Services Company Ltd, Riyadh, was established in connection with the management contract signed to operate and develop the Saudi Arabian airports of Riyadh and Jeddah. Fraport AG has acquired 90 percent and Fraport Malta Ltd. 10 percent of the shares for nominally SAR2.0 million (approximately €335 thousand). The company was included for the first time in the Fraport consolidated financial statements at the time of its establishment.

Fraport Ic Içtas Havalimani Yer Hizmetleri Anonim Sirketi

On June 6, 2008, Fraport's subsidiary Antalya Havalimani Uluslararasi Terminal Işletmeciliği Anonim Sírketi, Istanbul/Turkey (formerly Antalya), together with Turkey's IC Group, founded Fraport IC Içtas Havalimani Yer Hizmetleri Anonim Sirketi (ICF Ground Handling). At the time of incorporation, Antalya took a 50 percent ownership interest in ICF amounting to YTL25,000 (approximately €12.7 thousand). The purpose of ICF is the provision of ground handling services. The companies were included for the first time in the Fraport Group at the time of their establishment.

Xi'an Xianyang International Airport Co., Ltd.

Effective August 1, 2008, Fraport AG acquired a 24.5 percent share amounting to €45.6 million in the newly established Xi'an Xianyang International Airport Co., Ltd. The company provides management and operational services for Xi'an Airport in central China. The company was first included in the Fraport Group as an associated company effective August 1, 2008.

Multi Park II Mönchhof GmbH

On December 19, 2008, Fraport Real Estate Mönchhof GmbH & Co. KG took over 50 percent of the capital shares valued at €12.5 thousand in the newly founded Multi Park II Mönchhof GmbH, Walldorf (Baden). This company was founded for the purpose of development, construction, administration, and marketing of property on the Mönchhof site in Kelsterbach/Raunheim. Initial inclusion in the Fraport Group as a joint venture took place on December 19, 2008.

Further changes

On May 30, 2008, Fraport's wholly owned subsidiary Alterra Lima Holdings Ltd. sold its 57.25 percent share in Lima Airport Partners S. R. L. to Fraport AG, a Peruvian investor, and the World Bank's investment fund (ICF). The purchase price for 27.26 percent of the shares in LAP sold to Fraport AG was US$17.5 million (approximately €11.3 million). Some 29.99 percent of these shares were sold to third parties for US$19.3 million (approximately €12.4 million). LAP continues to be fully consolidated as part of the Fraport Group; the minority interest in consolidated equity increased by €12.3 million as a result of the sale.

On February 2, 2009, Fraport AG disposed of all shares in Flughafen Frankfurt-Hahn GmbH to the State of Rhineland-Palatinate for a symbolic price of €1 with substantial effect from January 1, 2009. The conclusion of these transactions terminates the material economic obligations of Fraport AG in regards to Flughafen Frankfurt-Hahn GmbH, especially loss adjustment obligations and obligations arising from the existing credit agreements of the Frankfurt-Hahn airport management company.

(3) Consolidation principles

Acquisition accounting of all business combinations uses the purchase method. Under the provisions of IFRS 3, the identified assets, liabilities, and contingent liabilities of the company acquired are measured at fair value at the time of acquisition and compared with the purchase price of the acquirer including expenses of acquisition.

Goodwill is recognized for the excess of the cost of the investment over the identifiable assets and liabilities recognized at fair value. Any excess of fair value over cost is recognized in profit or loss. Goodwill is annually tested for impairment. If goodwill is impaired, write-downs are made to the recoverable amount.

We have included our share of the assets, liabilities, and shareholders' equity (after consolidation) and the income and expense items of joint ventures using proportionate consolidation in the consolidated financial statements.

Initial measurement of associated companies is carried out at fair value at the time of acquisition, similar to acquisition accounting for subsidiaries and joint ventures. Later changes in the shareholders' equity of the associates and adjustment of the difference from initial measurement change the amount accounted for at equity.

Intercompany profits and losses on deliveries between companies included in the consolidated financial statements were minimal. Elimination thereof only had an insignificant impact on the assets and earnings 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.

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 consolidated companies are translated at the exchange rate on the balance sheet date, and equity at the historical exchange rate, whereas the expenses and income are translated at annual average exchange rates, 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 in €	Exchange rate on Dec. 31, 2007	Average exchange rate 2007	Exchange rate on Dec. 31, 2008	Average exchange rate 2008
1 US dollar (US$)	0.6793	0.7297	0.7185	0.6799
1 Turkish New Lira (TRY)	0.5847	0.5628	0.4654	0.5245
1 Yuan renminbi (CNY)	0.0928	0.0958	0.1035	0.0976
1 Hong Kong dollar (HKD)	0.0871	0.9353	0.0927	0.0873
1 New Sol (PEN)	0.2287	0.2334	0.2286	0.2330
100 Philippine pesos (PHP)	1.6468	1.6659	1.5168	1.5344

Business transactions in foreign currencies are valued at the exchange rate on the date of the business transaction. Valuation on the balance sheet date takes place at the exchange rate on the balance sheet date. Translation differences are generally recorded through profit or loss.

(4) Accounting policies

Accounting policies

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

Recognition of income and expense

Revenue and other income is recognized in accordance with IAS 18, when the goods have been delivered or the services rendered, when it is probable that an economic benefit will be received, and when this benefit can be quantified reliably. In addition, the significant risks and rewards must have been transferred to the buyer.

Income and expenses from the same transactions and/or events are recognized in the same period.

Traffic fees for the provision of the airport infrastructure are divided into those subject to authorization (according to Section 43a (1) of the German Air Transport Authorization Regulations (LuftVZO)), which include landing and takeoff charges, parking charges, passenger and security charges, and other fees for ground handling services and ground handling service infrastructure.

In addition, the Fraport Group mainly generates revenue from revenue-based payments, renting, car parking, and security services.

Judgment and uncertainty of estimates

The presentation of net assets, financial position, and results of operations in the consolidated financial statements depends on accounting and valuation methods as well as assumptions and estimates. Actual amounts may deviate from the estimates.

The listed material estimates and corresponding assumptions as well as the uncertainties associated with the selected accounting and valuation methods are essential in order to understand the underlying financial reporting risks, as well as the impact these estimates, assumptions, and uncertainties may have on the consolidated financial statements.

Material estimates and assumptions are presented in relation to the accounting and valuation methods for specific end-of-year items listed below.

Goodwill

Goodwill is measured at its cost at the acquisition date (IFRS 3). After initial recognition, goodwill is measured at acquisition cost less any accumulated impairment losses. To this end, all goodwill items are therefore tested for impairment once a year in accordance with IAS 36.80-99.

Intangible assets

Acquired intangible assets (IAS 38) are recognized at cost. They are amortized over their useful lives using the straight-line method. Impairment losses are recognized in accordance with IAS 36 where necessary. Borrowing costs are recognized directly as an expense (IAS 23).

Investments in airport operating projects

To allow for better transparency, the investments in airport operating projects are recognized separately. These are mainly concession charges and capital expenditure for airport-related infrastructural measures taken on the occasion of the airport operating projects in Turkey, Bulgaria, and Peru.

Capital expenditure for infrastructure is generally recognized at cost. In the case of finance leases under IAS 17, the concession charges are recognized at their present value reduced by straight-line amortization over the duration of the concession agreements. Impairment losses are recognized in accordance with IAS 36 where necessary.

Property, plant, and equipment

Property, plant, and equipment (IAS 16) are recognized at cost less straight-line depreciation and any impairment losses under IAS 36 where applicable. Subsequent cost is capitalized. Costs of conversion essentially include all direct costs including appropriate overhead. Borrowing costs are recognized directly as an expense (IAS 23).

Within the scope of the acquisition of built-upon land, with the buildings used temporarily, the cost of the buildings is determined using the income capitalization approach and an annual interest rate of 5.0 percent.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is recognized and depreciated separately considering its useful life and the appropriate depreciation method.

Government grants and third-party grants related to assets are included in liabilities and are released straight-line over the useful life of the asset for which the grant has been given. Grants related to income are included as other operating income (IAS 20).

Investment property

Investment property (IAS 40) includes property held to earn rentals or held for long-term capital appreciation, which is not owner-occupied; it also consists of land held for a currently undetermined future use.

If land as yet held for an undetermined use is now defined as being held for sale and development has begun, it is transferred to inventories; if it is intended for owner-occupation it is transferred to property, plant, and equipment.

Investment property is measured initially at cost. Borrowing costs are not recognized as part of cost; they are recognized in the period in which they are incurred. Investment property is measured at cost less depreciation and impairment losses under IAS 36, where applicable.

Depreciation

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

	Years
Other intangible assets	3–25 years
Investments in airport operating projects	17–35 years
Buildings (structural parts)	30–80 years
Technical buildings	20–50 years
Building equipment	12–38 years
Ground equipment	5–50 years
Take-off / landing runways	20–50 years
Aprons	50 years
Taxiways	20 years
Other technical equipment and machinery	3–33 years
Vehicles	4–20 years
Other equipment, operating and office equipment	3–25 years

Impairment of assets pursuant to IAS 36

An impairment loss is recognized for assets on the balance sheet date when the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its 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.

Regardless of indicators for possible impairment losses, assets are subject to an annual impairment test pursuant to IAS 36.

Since it is not generally possible in the Fraport Group to allocate cash flows to individual assets, cash-generating units are recognized. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Formation of the cash-generating units in the Fraport Group is based fundamentally on the segment structure. Central Infrastructure and Controlling Ramp / Passenger Services each form a cash generating unit in the Ground Handling segment. The Group companies and investments accounted for using the equity method allocated to the segments each form an independent cash-generating unit.

Leasing

Agreements that transfer the right to use a specific asset for a specified period of time in exchange for compensation are deemed to be leases. Fraport is both a lessor and a lessee. A decision whether economic ownership is assigned to the lessor (operating lease) or the lessee (finance lease) is made based on which party bears the risks and opportunities associated with the respective leased asset.

Finance lease

If economic ownership can be attributed to the Fraport Group as lessee, the lease is recognized at the present value of the minimum lease payments at the inception of the lease plus any incidental costs that are paid, or at the fair value of the leased asset if this value is lower. The asset is depreciated on a linear basis over its useful life or the lease term, if this is shorter. Impairment losses are recorded against the carrying amount of the capitalized leased asset. If economic ownership cannot be attributed to the Fraport Group as the lessor, a receivable equivalent to the present value of the lease payments is recognized.

Operating lease

If economic ownership of the leased assets remains with the lessor and Fraport assumes this role, lease payments are considered on a linear basis over the lease term. If Fraport assumes the role of the lessor, leased assets are recognized at cost and amortized accordingly. Lease revenue is generally recognized on a linear basis over the lease term.

Investments accounted for using the equity method

Investments accounted for using the equity method are recognized at the pro-rata share of equity plus goodwill.

Other financial assets

Other financial assets include securities in non-current assets, loans, and other investments. Other financial assets are recognized at cost at the settlement date, i.e., at the time the asset is created or transferred. Long-term low-interest or interest-free loans are recognized at their present value.

The subsequent measurement of financial assets depends on the respective category pursuant to IAS 39 (see note 43).

Loans are assigned to the “loans and receivables” category. These financial instruments are measured according to the effective interest method.

Other investments are assigned to the “available-for-sale” category on the balance sheet date. Due to the lack of an active market, they are measured at amortized cost.

Hybrid instruments with inseparable embedded derivatives are designated as at fair value through profit or loss. They are recognized at fair value. Gains or losses are recorded through profit or loss.

Other securities are assigned to the “available-for-sale” category. Subsequent measurement is at fair value and gains or losses are included directly in equity without affecting profit or loss.

Inventories

In addition to finished goods and work in process, raw materials, and supplies, the inventories include the land held for sale within the normal operating cycle of some ten years.

Finished goods and work in process, raw materials, and supplies are measured at the lower of cost or net realizable value. Cost is generally calculated using the average cost method. Manufacturing cost includes direct costs and appropriate production overheads.

Property held for sale within the ordinary course of business is also measured at the lower of cost or net realizable value.

The subsequent cost required for land development is estimated for the entire marketable net building land on the basis of specific cost unit rates for individual development measures. Depending on the land sales recognized in the respective year under review, the development costs are offset pro rata temporis per square meter with the areas still to be sold. Net realizable value is the estimated selling price less the costs for completion and distribution incurred until the time of sale, discounted over the planned selling period.

The opinion of an external expert regarding the fair value of the land being sold, as well as information about prior land sales, forms the basis for the calculation of the estimated selling price.

Borrowing costs are not recognized as part of cost; they are recognized in the period in which they are incurred.

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 mainly consist of trade accounts receivable, receivables from banks, other receivables, derivatives, and marketable securities. Other financial assets are recognized at cost on the settlement date, i.e., at the time the asset is created or economic ownership is transferred. Long-term low-interest or non-interest-bearing receivables are recognized at their present value at the time of origination or acquisition.

Trade accounts receivable, receivables from banks, and all other receivables with fixed or ascertainable payments that are not listed in an active market are assigned to the “loans and receivables” category. Subsequent measurement is based on the effective interest method. Receivables in foreign currencies are translated at the exchange rate at the balance sheet date.

Securities are assigned to the “available-for-sale” category to the extent they are not structured financial instruments with embedded derivatives. They are measured at fair value. Gains or losses are included directly in equity without affecting profit or loss. Structured financial instruments are assigned to the “fair value option” category and measured at fair value through profit or loss.

Impairment of financial assets

On each balance sheet date, the carrying amounts of financial assets that are not measured at fair value through profit or loss are assessed to see whether there is any objective evidence (such as considerable financial difficulties of the debtor, highly probable insolvency proceedings against the debtor, a permanent decline of the fair value below amortized cost) that the asset may be impaired.

In general, impairment losses are recognized by reducing the value of the receivable or the financial asset.

The impairment of trade accounts receivable is recognized in an item-by-item allowance account with effect on profit or loss. If there is an indication in subsequent periods that the reasons for an impairment loss no longer exist, a reversal is recognized with effect on profit or loss. If a receivable already impaired is designated as non-recoverable, the asset is derecognized.

Cash and cash equivalents

Cash and cash equivalents include cash, cash accounts, and short term cash investments with banks maturing in three months or less. Cash and cash equivalents are recognized at amortized cost. Cash in foreign currencies is translated at the exchange rate at the balance sheet date.

Non-current assets held for sale

Non-current assets held for sale are stated at the lower value of their carrying amount and fair value less costs to sell.

Equity instruments

Repurchased treasury shares are deducted from the subscribed capital and the capital reserves (IAS 32).

Deferred taxes

Deferred taxes are accounted for under IAS 12 using the liability method based on temporary differences. Deferred taxes are recognized for temporary differences between the IFRS balance sheets of the single entities and their tax bases and differences arising from consolidation adjustments.

If the carrying amount of an asset in the IFRS balance sheet exceeds its tax base (e.g., non-current assets depreciated or amortized on a linear basis) and if the difference is temporary, a deferred tax liability is recognized. Under IFRSs, deferred tax assets are recognized for balance sheet differences and for the carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Any effects from changes in tax rates and tax law already decided at the balance sheet date, are generally taken to profit or loss. Deferred taxes not affecting profit or loss are recognized in the revaluation reserves to the extent the underlying transaction was recorded without affecting profit or loss.

Provisions for pensions and similar obligations

Provisions for pensions relate to performance-oriented plans and have been calculated in accordance with IAS 19 under the application of actuarial methods and an annual interest rate of 6.0 percent (previous year 5.5 percent p.a.). Actuarial gains or losses are recognized in profit or loss. The calculations did not include salary increases for the 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). The calculation of provisions for pensions was based on the 2005 mortality tables of Professor Heubeck. A description of the plan is found in note 54.

Tax provisions

Provisions for current tax are recognized for tax expected to be payable in the year under review and/or previous years, taking into account anticipated risks.

Other provisions and accruals

Other provisions and accruals are recognized in the amount required to settle the obligations. They are recognized 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 resources is more likely than not to be needed to settle the obligation (IAS 37).

Non-current provisions with terms of more than one year are discounted at a capital market interest rate with a matching maturity, taking future cost increases into account, provided that the effect of the time value of money is material.

Liabilities

Liabilities are recognized in the amount of the consideration received. Liabilities in foreign currencies are translated at the exchange rate at the balance sheet date. Non-current low-interest or non-interest-bearing liabilities are carried at their present value at the time of addition.

Finance lease liabilities are reported at the lower of the fair value of the minimum lease payments and the present value of the leased asset.

Subsequent measurement is based on the effective interest method at amortized cost.

Derivative financial instruments, hedging transactions

The Fraport Group uses derivative financial instruments to hedge existing and future interest and exchange rate risks. Derivative financial instruments with positive or negative market values are measured at fair value in accordance with IAS 39. Gains or losses on cash flow hedges are recorded in the revaluation reserves without affecting profit or loss. Corresponding to this, deferred taxes on the fair value of cash flow hedges are also included directly in shareholders' equity.

If the criteria for a cash flow hedge are not met, the derivative financial instruments are designated as held for trading. In this case, changes in the fair value and the related deferred taxes are recognized in profit or loss.

Derivative financial instruments are recognized at the trade date.

Share options

The options issued on shares of Fraport AG in connection with the contingent capital have been recognized and measured in accordance with IFRS 2. Performance takes place by issuing shares. The measurement of share-based payments is based on fair value on the date the option is granted. The cost of the payment is allocated over the period during which employees have an unrestricted claim to the instruments.

New standards, interpretations, and changes

The IASB published IFRS 8 “Operating Segments” on November 30, 2006. IFRS 8 replaces IAS 14 and adjusts the provisions to those of SFAS 131. IFRS 8 takes the management approach as a basis for segment reporting. The disclosures in the notes were extended. IFRS 8 applies to fiscal years beginning on or after January 1, 2009. An earlier application is permitted. IFRS 8 has not been applied yet. The future application of this standard will not have any major impact on the net assets, financial position, and results of operations of the Fraport Group.

The revised standard IAS 23 “Borrowing Costs” was published on March 29, 2007. The previously permitted option to immediately expense borrowing costs has been removed. Effective January 1, 2009, borrowing costs that relate to the acquisition, construction, or production of a qualifying asset are required to be capitalized as part of the cost of such assets. The revised IAS 23 is obligatory with effect from January 1, 2009 for qualifying assets, the production of which begins after January 1, 2009. Earlier application is permitted (IAS 23.29). Earlier production is possible (IAS 23.28). The Fraport Group will begin to capitalize borrowing costs effective January 1, 2009. Qualifying assets whose production began after January 1, 2000 will be included in the capitalization. The application of this revised standard will have considerable effects on our net assets, financial position, and results of operations.

On September 6, 2007, the IASB issued a revision to IAS 1 “Presentation of Financial Statements”. The revised standard defines the changes in the titles of financial statements. One of the main changes is the requirement that an entity must present all income and expense, including income and expense recognized in equity, in a statement of comprehensive income. A presentation together with owner-related changes in equity in a statement of changes in equity, is no longer permitted. The revision also requires additional information on income and expenses recognized in equity (other comprehensive income). The statement of changes in equity will focus on the presentation of all owner changes in equity. The revised IAS 1 applies to fiscal years beginning on or after January 1, 2009. An earlier application is permitted. Fraport AG did not utilize this option.

The IASB published changes to IFRS 2 “Share-based Payment” on January 17, 2008. The changes mainly relate to the definition of vesting conditions and rules for the cancellation of a covenant by a party other than the company. The changes apply retroactively to fiscal years beginning on or after January 1, 2009. Earlier application is permitted. The future application of IFRS 2 will have no major impact on the net assets, financial position, and results of operations of the Fraport Group.

On February 14, 2008, the IASB published changes to IAS 32 and IAS 1 in the document “Puttable Financial Instruments and Obligations Arising on Liquidation”. These changes mainly related to rules for the classification of equity and debt. The revised version of the standard allows callable instruments to be classified as equity under certain conditions. The amended rules apply to fiscal years beginning on or after January 1, 2009. The future application of the changes will have no major impact on the net assets, financial position, and results of operations of the Fraport Group.

On May 22, 2008, the IASB published changes to IFRS 1 and IAS 27 in the document “Cost of an Investment in a Subsidiary, Jointly Controlled Entity, or Associate”. Among other things, the changes relate to recording the acquisition cost of an investment upon the initial application of IFRS and the distribution of earnings prior to the acquisition of a subsidiary. The amended rules apply prospectively to fiscal years beginning on or after January 1, 2009. The future application of the changes will have no major impact on the net assets, financial position, and results of operations of the Fraport Group.

On May 22, 2008, the IASB approved a number of smaller changes to various standards as part of the first "annual improvement project". In addition to changes to the wording of standards, this document also contains amendments that affect financial reporting, recognition, and measurement. Most of the changes become mandatory for fiscal years beginning on or after January 1, 2009. The impact of the changes is currently still under review. From today's perspective, the future application of the changes will have no major impact on the net assets, financial position, and results of operations of the Fraport Group.

On October 13, 2008, the IASB approved changes to IAS 39 and IFRS 7. These changes are in response to the financial market crisis and allow companies to reclassify financial instruments under certain circumstances. The changes regarding reclassification may be applied retroactively to July 1, 2008. The Fraport Group has not reclassified any financial instruments.

On November 2, 2006, the IFRIC published the interpretation IFRIC 11 "Group and Treasury Share Transactions". IFRIC 11 provides guidance on applying IFRS 2 to share-based payments involving an entity's own equity instruments or the equity instruments of a subsidiary. IFRIC 11 applies to fiscal years beginning on or after January 1, 2008. Earlier application is recommended. The application of IFRIC 11 has no material impact on the net assets, financial position, and results of operations of the Fraport Group.

IFRIC 13 "Customer Loyalty Programes" was published on June 28, 2007. This interpretation deals with the reporting and valuation of customer loyalty programs. IFRIC 13 applies to fiscal years beginning on or after July 1, 2008. The application of IFRIC 13 has no impact on the net assets, financial position, and results of operations of the Fraport Group.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction" was published on July 4, 2007. In particular, the interpretation indicates how to establish the limit according to IAS 19 "Employee Benefits" for a surplus that can be recognized as a defined benefit asset. The interpretation applies to fiscal years beginning on or after January 1, 2008. The application of IFRIC 14 has no impact on the net assets, financial position, and results of operations of the Fraport Group.

Standards, interpretations, and amendments that have been published but have not yet been approved into the European law by the EU Commission

On January 11, 2008, the IASB published revised versions of IFRS 2008 "Business Combinations" and IAS 3 "Consolidated and Separate Financial Statements". Among other things, the comprehensive changes to these standards affect: The establishment of a choice in the valuation of minority interests (either at fair value including applicable goodwill or at the pro-rata share of identifiable net assets); in case of the step-by-step acquisition of shares, recording differences between the carrying amount and fair value of the shares already held through profit or loss; recognizing incidental acquisition costs as expenses.

IFRS 3 first applies prospectively to mergers for which the date of acquisition is on or after the beginning of fiscal years starting on or after July 1, 2009. Earlier application is permitted for fiscal years beginning on or after June 30, 2007. The changes to IFRS 27 apply to fiscal years beginning on or after July 1, 2009. Earlier application is permitted if the new IFRS 3 is applied simultaneously. Depending on the scope of mergers, the future application of the revised standards will have a corresponding impact on the net assets, financial position, and results of operations of the Fraport Group.

On July 31, 2008, the IASB published amendments to IAS 39 in the document "Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement". This document specifies the conditions under which hedging transactions can be used to hedge inflation risk as an underlying transaction as well as the use of options as hedging instruments to hedge one-sided risks. Application of the changes to IAS 39 is mandatory for fiscal years beginning on or after July 1, 2009. Earlier application is permitted. The future application of the changes will have no major impact on the net assets, financial position, and results of operations of the Fraport Group.

On November 27, 2008, the IASB published changes to IAS 39 regarding the application of the reclassification rules. This publication clarifies the application date of the changes published on October 13, 2008. The Fraport Group did not reclassify any of the applicable financial instruments.

On November 30, 2006, the IFRIC published the interpretation IFRIC 12 "Service Concession Arrangements". IFRIC 12 provides guidance on the accounting for service arrangements by companies rendering public services for government bodies. IFRIC 12 applies to fiscal years beginning on or after January 1, 2008. The effects of IFRIC 12 are still under review. From today's perspective, this interpretation will have a material impact on both the net assets and results of operations of the Fraport Group.

The interpretations IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" were published on July 3, 2008.

IFRIC 15 defines criteria for the application of IAS 11 "Construction Contracts" or IAS 18 "Revenue" by a company involved in the construction of real estate. The interpretation applies to fiscal years beginning on or after January 1, 2009. The future application of the interpretation will have no major impact on the net assets, financial position, and results of operations of the Fraport Group.

The objective of IFRIC 16 is to clarify circumstances in IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement" related to accounting for hedges of foreign currency risks within a company and its foreign subsidiaries. The interpretation is effective for fiscal years beginning after October 1, 2008. The future application of the interpretation will have no major impact on the net assets, financial position, and results of operations of the Fraport Group.

IFRIC 17 "Distributions of Non-cash Assets to Owners" was published on November 27, 2008. It deals with the valuation of non-cash assets distributed to owners as dividends. IFRIC 17 applies to fiscal years beginning on or after July 01, 2009. An earlier application is permitted. The future application of the interpretation will have no major impact on the net assets, financial position, and results of operations of the Fraport Group.

Notes to the consolidated income statement

(5) Revenue

€ million	**2007**	**2008**
Aviation		
Airport fees	544.7	538.5
Security services	127.8	132.6
Other revenue	26.2	27.3
	698.7	**698.4**
Retail & Properties		
Real Estate	211.2	162.4
Retail	145.8	151.6
Parking	58.4	57.7
Other revenue	56.0	61.8
	471.4	**433.5**
Ground Handling		
Ground handling services	414.0	410.9
Infrastructure fees	195.7	219.1
Other revenue	10.8	12.7
	620.5	**642.7**
External Activities	**538.4**	**327.0**
	2,329.0	**2,101.6**

For additional information on revenue, please refer to the management report under "Revenue and earnings development" as well as the segment reporting (see note 44).

In the previous year, revenue of €57.6 million from the finance lease contract between Fraport AG and AIRRAIL Center Verwaltungsgesellschaft mbH & Co. Vermietungs KG (AIRRAIL) was reported under real estate revenue.

For the effects of the deconsolidation of ICTS on revenue, please see note 2 and note 44.

The segment Retail & Properties includes proceeds from operating leases. The revenue-related surface rentals recognized in the fiscal year amount to €121.6 million (previous year €116.4 million).

The operating leases mainly relate to the leasing of buildings, land, terminal areas, and offices. The contract periods end in 2022 or earlier. No purchase option has been agreed. The residual term of hereditary building rights contracts is 47 years on average. No purchase options exist for them, either.

The gross carrying amount of the leased buildings and land amounts to €517.7 million. Accumulated depreciation amounting to €332.2 million was carried out and the depreciation charges amounted to €9.3 million for the fiscal year.

The total amount of future income from minimum lease payments arising from non-cancelable leases is as follows:

	Remaining term			Total
€ million	**≤ 1 year**	**1–5 years**	**> 5 years**	**2007**
Minimum lease payments	57.9	157.7	453.6	669.2

	Remaining term			Total
€ million	**≤ 1 year**	**1–5 years**	**> 5 years**	**2008**
Minimum lease payments	52.3	113.4	499.3	665.0

(6) Change in finished goods and work in process

€ million	**2007**	**2008**
Change in finished goods and work in process	0.5	0.4

(7) Other internal work capitalized

€ million	**2007**	**2008**
Other internal work capitalized	24.6	33.8

The other internal work capitalized primarily relates to engineering, planning and construction services, and, starting in 2008, procured services of employees and services of commercial project managers, as well as other associated services. The other internal work capitalized was incurred essentially in connection with the extension, remodeling, and modernization of the terminal buildings at Frankfurt Airport and their fire protection systems. Other internal work also related to the airport expansion program and the expansion of the airport infrastructure at Frankfurt Airport.

(8) Other operating income

€ million	**2007**	**2008**
Release of provisions	41.1	25.3
Charging of liabilities	0.0	10.0
Gains from disposal of non-current assets	3.2	1.5
Income from compensation payments	2.8	5.3
Release of special items for investment grants	1.7	1.0
Release of write-downs	1.1	5.1
Income from deconsolidation	0.4	1.1
Receipts from the Manila project	0.7	0.0
Other items	20.7	16.8
	71.7	**66.1**

The release of provisions mainly relates to current provisions for rebates and refunds as well as human resource provisions. In addition, a provision related to obligations from terminating the former concession agreement in Antalya was released in the previous year.

The derecognition of liabilities is the result of a settlement between Fraport AG and DB Station&Service AG reached in 2008, in regards to the claim for payments of advances in relation to the superstructure of the long-distance train station in Frankfurt Airport. The settlement calls for payments to be made by Fraport AG to DB Station&Service AG that are lower than the liabilities recognized. The resulting difference of €10.0 million was derecognized through profit and loss.

(9) Cost of materials

€ million	**2007**	**2008**
Cost of raw materials, consumables, supplies	–84.3	–90.3
Cost of purchased services	–319.5	–380.8
Finance lease expenditure	–57.6	0.0
	–461.4	**–471.1**

Finance lease expenditures in the previous year relate to the AIRRAIL finance lease (see note 5).

The cost of purchased services includes revenue-related concession charges in the amount of €59.4 million (previous year €29.8 million) related to the concession agreements for the operation of the Lima, Varna, and Burgas airports (see note 52).

(10) Personnel expenses and number of employees

€ million	2007	2008
Wages and salaries	–932.7	–754.3
Social security and welfare expenses	–176.8	–138.0
Pension expenses	–33.8	–33.3
	–1,143.3	**–925.6**

The reduction in personnel expenses is mainly due to the sale of ICTS on April 1, 2008. Material effects from the deconsolidation of ICTS are shown in the table in note 2.

At €631.7 million, personnel expenses for Fraport AG fell by €36.6 million compared to the previous year. This is mainly due to reduced additions to provisions and the reduction in permanent staff by an annual average of 193 employees. The TVöD civil service collective agreement has the opposite effect.

The transfers to pension provisions, partial retirement obligations, and transfers to obligations arising from time-account models are included in personnel expenses. The interest cost of the additions to pension provisions is included in the personnel expenses.

Employer's contribution to statutory pension insurance amounted to €47.0 million for Fraport AG in the fiscal year 2008.

Average number of employees	2007	2008
Permanent staff	28,831	21,719
Temporary staff (interns, students)	1,606	1,360
	30,437	**23,079**

The average number of staff employed during the fiscal year (excluding apprentices and employees exempted from normal duties) was 22,758 in the fully consolidated companies (previous year 30,275) and 321 (previous year 162) in the companies using the proportionate consolidation. The reduction in employees is mainly due to the sale of ICTS.

(11) Depreciation and amortization

€ million	2007	2008
Amortization of intangible assets, the depreciation of property, plant, and equipment, and impairment of investment property and investments in airport operating projects	–245.1	–240.0

Depreciation

The useful life of investment property is identical to the useful life of real estate in property, plant, and equipment.

Useful lives were re-estimated in the year under review resulting in reduced depreciation charges of €3.5 million.

Impairment of assets pursuant to IAS 36

Total depreciation and amortization includes impairment losses in accordance with IAS 36 of €22.9 million on property, plant, and equipment (previous year €1.1 million) and on investment property of €5.1 million (previous year €1.0 million). In addition, impairment losses on goodwill in the amount of €20.3 million were recorded in the previous year.

The measurement of assets reflects future earnings expectations. The recoverable amount is the higher of the value in use or the net selling price. Only the value in use was applied in the reporting year. The value in use is determined by the entity applying the discounted cash flow method.

Determination of the future cash flows of the cash-generating units is based on the planning figures. The value in use is generally determined on the future cash flows estimated on the basis of the planning figures for the years between 2009 and 2014, approved by the Executive Board and valid at the time the impairment tests are made, and on the basis of the current long-term plans until 2020 or over the respective contractual periods in the case of investments in airport operating projects. These forecasts are based on past experience and the market performance expected. A growth rate (of between 0.0 percent and 1.7 percent) based on the planning assumptions is taken into account in the perpetual annuity. The discount factor was a country-specific, weighted average capital cost (WACC) of between 6.2 percent and 8.95 percent (previous year 6.2 percent and 9.5 percent).

The impairment loss on property, plant, and equipment in the amount of €22.9 million relates to the External Activities segment of Flughafen Frankfurt-Hahn GmbH. This impairment loss was required because of the expectation of negative earnings.

The impairment write-down on investment property assigned to the Retail & Properties segment is the result of impairment losses on several properties on the Mönchhof site. For the impairment of investment property see note 23.

(12) Other operating expenses

€ million	2007	2008
Rental and lease expenses	–31.3	–24.6
Insurance premiums	–25.6	–22.7
Consulting, legal, and auditing expenses	–24.2	–19.7
Advertising costs	–18.8	–16.3
Losses from disposals of non-current assets	–14.7	–14.8
Other taxes	–9.1	–7.3
Write-downs of trade accounts receivable	–1.7	–3.7
Other items	–115.2	–95.4
	–240.6	**–204.5**

Rental and lease expenses include minimum lease payments in the amount of €20.8 million (previous year €26.3 million) as well as conditional lease payments in the amount of €2.5 million (previous year €2.1 million).

Among other things, other operating expenses include: Travel costs, office supplies, course and seminar fees, entertainment expenses, administration fees, postage, and costs for additions to various provisions.

The consulting, legal, and audit expenses include Group auditor fees (disclosed in accordance with Section 314 (1) no. 9 of the German Commercial Code (HGB)) amounting to €2.5 million (previous year €2.2 million). They are comprised as follows:

2008 € million	Fraport AG	Consolidated companies
Audit	1.0	0.4
Other certification or valuation services	0.3	
Tax fees	0.7	
Other services	0.1	
	2.1	**0.4**

In the Annual General Meeting on May 28, 2008, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was selected as the auditor for the fiscal year 2008. The audit for the previous fiscal year was completed by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

(13) Interest income and interest expenses

€ million	2007	2008
Other interest and similar income	30.2	49.2
Interest and similar expenses	–76.7	–145.8

of which relate to financial assets and liabilities:

€ million	2007	2008
Interest income from financial instruments	28.2	46.7
Interest expense from financial instruments	–69.5	–138.1

Interest income and expenses include interest paid on long-term loans and term money as well as interest expenses from interest cost added back on non-current liabilities. The net interest payments of derivative financial instruments are also recognized in interest income and expense.

(14) Share of results from investments accounted for using the equity method

The results from investments accounted for using the equity method can be broken down as follows:

€ million	2007	2008
Hanover Airport		
Proportionate result	3.2	2.1
Impairment losses in acc. with IAS 36	0.0	–16.6
ASG	0.8	0.8
ACF	0.0	0.1
Gateway Gardens	–0.2	–1.0
Tradeport Hong Kong	0.0	–0.5
LAP (previous year until July 31)	–1.3	0.0
	2.5	**–15.1**

The impairment loss for Hanover Airport in accordance with IAS 36 is based on the expected decrease in traffic. In regards to the completion of the impairment test, please see note 4 and note 11.

(15) Income from investments

The income from investments can be broken down as follows:

€ million	2007	2008
Perishable-Center GmbH & Co. KG	0.0	0.1
Ineuropa Handling UTE	5.3	0.0
	5.3	**0.1**

(16) Other financial results

The other financial results can be broken down as follows:

€ million	2007	2008
Income		
Payment received under the German federal government's investment guarantee for capital investments outside Germany (Manila project)	0.0	41.9
Income from Manila project	2.3	0.0
Income from securities and loans	6.5	7.3
Foreign currency gains, unrealized	4.4	14.9
Foreign currency gains, realized	1.3	2.6
Measurement of derivatives	4.2	0.4
Fair value measurement of securities in financial assets	4.3	0.8
	23.0	**67.9**
Expenses		
Foreign currency losses, unrealized	–12.5	–6.7
Foreign currency losses, realized	–1.7	–4.5
Other expenses in financial result	–1.0	–2.3
Measurement of derivatives	–1.5	–8.3
Fair value measurement of securities in financial assets	–5.4	–21.9
	–22.1	**–43.7**
Total other financial results	**0.9**	**24.2**

The payment from the federal guarantee for foreign capital investments related to the Manila project represents a one-time payment.

(17) Taxes on income

Income tax expense can be broken down as follows:

€ million	2007	2008
Current taxes on income	–121.9	–67.6
Deferred taxes on income	38.0	–25.5
	–83.9	**–93.1**

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 current taxes result from the taxable profits or losses of the fiscal year to which the local tax rates of the respective Group company are applied.

Deferred taxes are generally measured on the basis of the tax rate applicable in the country concerned. The Corporate Tax Reform Act was adopted in Germany introducing a reduction of tax rates with effect from January 1, 2008. To compute deferred tax of German companies a corporation tax rate of 15 percent was therefore taken as a basis as of December 31, 2007, plus a solidarity surcharge of 5.5 percent on the corporation tax payable. As a result, a combined income tax rate of some 31 percent including trade tax has been applied to German companies for the computation of deferred tax.

Deferred taxes are recognized for all temporary differences between the IFRS financial statements and their tax bases and for the carry forward of unused tax losses. The Fraport Group had tax losses carried forward in the amount of some €48.1 million (previous year €20.1 million) as of December 31, 2008, which from today's point of view could not be used. Taking into account minimum taxation under current law, losses may be carried forward in Germany for an unlimited period. The use of tax losses outside Germany is governed by the respective national laws. Of the losses carried forward that have not been applied, €38.3 million can be carried forward four to five years and €3.9 million can be carried forward 14 to 19 years. The other losses carried forward that have not been applied can be carried forward for an unlimited term. The recoverability of deferred tax assets depends essentially on the probability of the future use of the losses carried forward. This depends on whether future taxable profit will be available in the periods in which the carry forward of unused tax losses can be utilized.

In addition, deferred tax results from consolidation adjustments, too. No deferred tax is determined for goodwill recognized and any impairment of goodwill in accordance with IAS 12.

Deferred taxes resulting from temporary differences between tax bases and assets/liabilities reported according to IFRS are assigned to the following balance sheet items:

	2007		2008	
€ million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant, and equipment	1.6	–106.4	5.6	–199.7
Financial assets	20.2	–	10.7	–
Receivables and other assets	–	–6.7	3.1	–8.6
Prepaid expenses	–	–2.5	25.8	–0.2
Pension provisions	0.1	–1.1	0.1	–1.5
Other provisions	11.6	–0.2	6.4	–3.4
Liabilities	12.1	–3.9	92.6	–20.4
Other balance sheet items	0.0	–9.9	24.0	0.0
Losses carried forward	0.3	–	0.2	–
Total individual financial statements	**45.9**	**–130.7**	**168.5**	**–233.8**
Offsetting	–41.5	41.5	–136.7	136.7
Consolidation adjustments	2.8	–0.4	–1.4	–0.3
Consolidated balance sheet	**7.2**	**–89.6**	**30.4**	**–97.4**

The item "Other balance sheet items" in the amount of €24.0 million (previous year €–9.9 million) consists entirely of deferred taxes on financial derivatives.

In the fiscal year deferred taxes increasing equity in the amount of €36.8 million (previous year €6.3 million) from the change in the fair values of financial derivatives and securities were recognized in equity without affecting profit or loss. Deferred taxes were recognized on consolidation measures in the amount of €4.1 million. No deferred tax liabilities were recognized for future dividends that may be paid from retained earnings of subsidiaries and joint ventures. If these profits are paid out as dividends or if the Group disposes of its investment in these subsidiaries and joint ventures, an additional tax liability could be incurred in the future based on current tax laws. The unrecognized amount is immaterial.

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

€ million	2007	2008
Earnings before taxes on income	297.6	273.3
Expected tax income/expense[1]	**–119.0**	**–84.7**
Tax effects on differences in tax rates outside Germany	4.5	1.9
Taxes on non-deductible expenses	–2.2	–1.2
Permanent differences including non-deductible tax audit provisions	–17.8	–11.2
Tax effect on consolidation adjustments that affect earnings	–34.9	–1.8
Tax effect on tax-free and taxable income from other periods	68.5	12.4
Corporation tax credit and credit from tax reductions following the corporate tax reform	22.0	0.0
Losses carried forward not effective for tax purposes	0.0	–5.4
Trade tax and other effects from local taxes	–3.2	–2.6
Others	–1.8	–0.5
Taxes on income according to the income statement	**–83.9**	**–93.1**

[1] Expected tax income/expense around 31 % for corporation tax 15.0 % plus solidarity surcharge 5.5 % and trade tax of 15.5 %

The tax rate for the Group was 34.1 percent in the fiscal year (previous year 28.2 percent).

(18) Earnings per share

	2007		2008	
	Basic	**Diluted**	**Basic**	**Diluted**
Profit for the year attributable to shareholders of Fraport AG (€ million)	208.7	208.7	173.0	173.0
Weighted average number of shares	91,422,116	92,419,474	91,540,376	92,383,252
Earnings per €10 share in €	2.28	2.26	1.89	1.87

The undiluted earnings per share for the fiscal year 2008 are calculated using the weighted average number of issued shares corresponding to €10 of share capital each. Due to the capital increases as well as the transfer of treasury shares, the number of shares outstanding during the period rose from 91,456,593 to 91,612,759 on December 31, 2008. With a weighted average number of 91,540,376 outstanding shares, the basic earnings per €10 share amounted to €1.89.

As a result of the rights granted to employees to buy shares (authorized capital) within the scope of the employee investment plan and of the issue of subscription rights in connection with the share option plan (contingent capital), the diluted number of shares amounts to 92,383,252 (weighted average) and the diluted earnings per €10 share are therefore €1.87.

Notes to the consolidated 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.

(19) Goodwill

Goodwill arising on consolidation developed as follows in the fiscal year:

€ million	Carrying amount Dec. 31, 2007	Carrying amount Dec. 31, 2008
FraSec	22.4	22.4
Media	0.3	0.3
	22.7	**22.7**

(20) Other intangible assets

€ million	Dec. 31, 2007	Dec. 31, 2008
Other intangible assets	43.9	33.3

Other intangible assets essentially relate to IT programs.

(21) Investments in airport operating projects

€ million	Dec. 31, 2007	Dec. 31, 2008
Investments in airport operating projects	570.3	597.6

The investments in airport operating projects relate to recognized concessions paid for the airport and/or the terminal operation at Antalya Airport (€433.4 million) and capital expenditure incurred for the concession airports in Lima (€151.1 million) as well as Varna and Burgas (€13.1 million).

(22) Property, plant, and equipment

€ million	Dec. 31, 2007	Dec. 31, 2008
Land, land rights, and buildings, including buildings on leased property	1,825.6	2,166.2
Technical equipment and machinery	326.2	397.4
Other equipment, operating and office equipment	128.6	148.1
Construction in progress	1,288.9	1,174.6
	3,569.3	**3,886.3**

Finance lease assets amounting to €21.4 million (previous year €14.9 million) are recognized in property, plant, and equipment in the year under review.

€ million	Carrying amount Jan. 1, 2007	Additions	Disposals	Depreciation	Carrying amount Dec. 31, 2007
Land, land rights, and buildings, including buildings on leased property	0.0	9.1	0.0	0.0	9.1
Technical equipment and machinery	1.8	0.8	1.3	0.2	1.1
Other equipment, operating and office equipment	5.0	1.1	0.0	1.4	4.7
	6.8	**11.0**	**1.3**	**1.6**	**14.9**

€ million	Carrying amount Jan. 1, 2008	Additions	Disposals	Depreciation	Carrying amount Dec. 31, 2008
Land, land rights and buildings, including buildings on leased property	9.1	10.0	0.0	1.3	17.8
Technical equipment and machinery	1.1	0.0	0.0	0.2	0.9
Other equipment, operating and office equipment	4.7	0.0	0.7	1.3	2.7
	14.9	**10.0**	**0.7**	**2.8**	**21.4**

Land, land rights, and buildings, including buildings on third-party property, includes an energy plant located on the premises of Fraport AG. Given the exclusive use by Fraport AG and the existence of a special lease, Fraport AG is considered to be the beneficial owner of the plant. The underlying contract ends in 2015.

The addition relates to a cargo handling and office building leased from Fraport Cargo Services to the end of 2024. Since virtually all economic rights and obligations have been transferred and the contract term exceeds the material portion of the useful life, economic ownership of the building is assigned to the lessee.

Most of the other leases have been signed for special vehicles. The lease terms end in 2012 at the latest. At the end of the lease term there is the option to buy the asset at its residual value and/or an agreed fixed price (see note 37).

(23) Investment property

€ million	Dec. 31, 2007	Dec. 31, 2008
Investment property	10.1	9.0

Investment property relates to land and buildings held to earn rentals or for any other as yet unspecified purpose. This mainly consists of parts of the Mönchhof site, which are intended for sale and are not being used by the company, as well as real estate held by Frankfurt-Hahn Airport for the exclusive purpose of generating lease revenue.

The increase in investment property is mainly due to transfers of real estate previously used by the company in the amount of €7.7 million.

Due to restrictions on the use of some areas of the Mönchhof site, an impairment loss of €5.1 million was recorded in the fiscal year. The internal land value assessment was based on the indirect comparison value method at market prices and a discount due to legal conditions and actual characteristics.

Expected restrictions on the salability of the Mönchhof site continue to apply. The land will be exposed to a variety of risks after the construction of the landing runway due to airport operations.

There are no material risks in regards to the salability of other investment property.

The fair value of investment property corresponds to the carrying amount at the balance sheet date.

During the course of the fiscal year, only insignificant rental income and operating expenses were incurred from leased real estate. No costs were incurred for maintenance of unused real estate.

(24) Investments accounted for using the equity method

€ million	Dec. 31, 2007	Dec. 31, 2008
Hanover Airport	35.4	19.0
Xi'an	0.0	51.6
ASG	0.8	0.8
ACF	0.9	1.0
	37.1	**72.4**

The additions in the statement of changes in noncurrent assets include not only shareholdings acquired but also earnings; the disposals include dividends (this year: Hanover Airport with €1.9 million and ASG with €0.8 million).

Additional summarized information for associated companies is contained in the following table as well as the overview of significant subsidiary companies, joint ventures, and associated companies.

€ million	Dec. 31, 2007	Dec. 31, 2008
Assets	453.8	682.3
Shareholders' equity	142.5	341.4
Liabilities	311.2	340.9
Total income[1]	257.1	233.1
Result of the accounting period[1]	7.5	1.7

[1] Previous year including LAP until July 31

(25) Other financial assets

€ million	Dec. 31, 2007	Dec. 31, 2008
Financial assets available-for-sale		
Securities in non-current assets	92.3	101.3
Other investments	5.0	40.7
Fair value option		
Securities	145.4	48.5
Loans		
Loans to investments	0.1	2.0
Other loans	9.4	12.9
	252.2	**205.4**

An investment in securities from the "available-for-sale" category was sold on April 23, 2008. A gain of €0.9 million was realized on the sale. Other changes relate to financial investments in state treasury bills in the amount of €55.0 million and losses of €30.2 million recorded based on the fair value of securities.

The change in other investments was mainly due to capital contributions in the amount of €35.7 million.

In the reduction of financial assets in the "fair value option" category in the amount of €96.9 million, losses of €25.0 million were realized (of this amount, €–19.9 million was recorded through profit or loss in 2008 and €–4.8 million in 2007).

The remaining reductions in the amount of €2.0 million resulted in the market valuation of two loan notes. These include a contractually guaranteed repayment of capital. No effects arose from changes in credit ratings as the issuers' and issues' credit ratings did not change.

The maximum credit risk for all financial instruments to which the fair value option is applied amounts to €48.5 million on the balance sheet date (previous year €175.2 million).

Additions to other loans mainly consist of payouts to AIRRAIL resulting from a credit agreement.

Shareholder loans granted to at-equity subsidiaries were written down by €1.5 million based on at-equity valuation.

(26) Non-current and current other receivables and financial assets

	Remaining term		Total	Remaining term		Total
€ million	≤ 1 year	> 1 year	Dec. 31, 2007	≤ 1 year	> 1 year	Dec. 31, 2008
From associated companies	1.9	–	1.9	1.1	–	1.1
From other investments	5.8	–	5.8	1.7	–	1.7
Financial assets "fair value option"	29.2	–	29.2	–	–	0.0
Financial assets "available-for-sale"	–	–	–	80.1	–	80.1
Positive fair values of derivative financial instruments	–	13.9	13.9	–	–	0.0
Other assets	32.5	6.2	38.7	109.4	4.1	113.5
Prepaid expenses	7.2	38.4	45.6	12.8	38.3	51.1
	76.6	**58.5**	**135.1**	**205.1**	**42.4**	**247.5**

Prepaid expenses essentially relate to grants given for building costs.

At Fraport AG, grants for building costs are mainly awarded to suppliers installing equipment to meet specialized requirements of Fraport AG. The suppliers own the equipment.

The addition to financial assets in the "available-for-sale" category is the result of short-term financial investments in state treasury bills.

Other assets include advanced payments on investments in subsidiaries in the amount of €62.6 million. These payments concern the acquisition of 50 percent of the shares in IC ICTAS ULUSLARARASI INSAAT VE TICARET ANONIM SIRKETI (IC Ictas). According to the sale agreement as of December 16, 2008, transfer of the shares is subject to the fulfillment of further conditions. Consequently the payments made in 2008 in the amount of €62.6 million were recognized as advanced payments for investments. With the fulfillment of those conditions the shares were transferred effective January 5, 2009. IC Ictas holds 32 percent of the dividend rights in the financing company of Antalya. Through the acquisition of these shares, Fraport has increased its dividend rights in the Antalya financing company from 34 percent to 50 percent.

Where applicable, the appropriate allowance was recognized for other receivables and financial assets as of the reporting date. There are no other essential items past due.

(27) Income tax receivables

	Remaining term		Total	Remaining term		Total
€ million	≤ 1 year	> 1 year	Dec. 31, 2007	≤ 1 year	> 1 year	Dec. 31, 2008
Income tax receivables	13.2	33.5	46.7	7.8	26.6	34.4

The major item in income tax receivable relates to the corporation tax credit recognized in the fiscal year 2006.

On December 12, 2006, the revised Section 37 of the German Corporation Tax Act (KStG) became legally effective in connection with the amendments based upon the departmental draft of SE-Introductory Legislation (SEStEG).

According to Section 37 (4) of the Corporate Tax Act (KStG) (new version), the corporation tax credit of Fraport AG last had to be established on December 31, 2006. In accordance with Section 37 (5) of the Corporate Tax Act (KStG) (new version), Fraport AG is entitled to a refund of its corporation tax credit in ten equal annual installments during the payout period from 2008 to 2017. The refund claim generally accrues after the end of December 31, 2006 and is non-interest bearing. The first installment will be refunded in 2008 and is payable on September 30 of each year.

The corporation tax credit totaled some €36.2 million on December 31, 2008, discounted at an interest rate of 3.75 percent due to its long-term nature. The present value of the claim to tax refund amounts to about €30.5 million as of the balance sheet date (previous year €33.5 million). This refund claim is substantially an overpayment in the meaning of IAS 12.12.

(28) Deferred tax assets

€ million	Dec. 31, 2007	Dec. 31, 2008
Deferred tax assets	7.2	30.4

Deferred tax assets are recognized in accordance with IAS 12. Further explanations are given in the "Taxes on income" section (note 17).

(29) Inventories

€ million	Dec. 31, 2007	Dec. 31, 2008
Land and buildings for sale	24.9	27.7
Raw materials, consumables, and supplies	12.3	15.7
Work in process	1.3	1.7
Finished goods	0.1	0.1
On-account payments	0.0	0.2
	38.6	**45.4**

Based on the ongoing development of sections of the Mönchhof site held for sale, €5.7 million was capitalized in the fiscal year. Carrying amount reductions in the amount of €2.8 million are the result of five property sales transactions.

The net selling price was calculated on the basis of an external market value opinion using the DCF method over the remaining planned selling period of 8 years, with a discount factor adequate for the risk and related to the term.

The initial land value established by the external opinion corresponds to comparable commercial areas in Frankfurt am Main. Because of the location of the property held for sale, discounts for granting tolerance commitments, suspected past pollution, and oversize were established based on the initial land value. Information from property sales in the fiscal year was taken into account in the calculation of the net selling price.

Additional costs incurred up to the date of sale mainly relate to expenditures for the further development of the property held for sale. The net selling price exceeds the carrying amount. As a result, no impairment loss had to be recognized.

Some 10 percent of the carrying amount is planned for further sale within the next twelve months.

Expenditures for the maintenance of real estate inventories during the fiscal year were minor. Selling costs mainly consist of personnel expenses incurred by Fraport Immo.

Raw materials, consumables, and supplies mainly relate to consumables for the airport operation.

(30) Trade accounts receivable

€ million	Dec. 31, 2007	Dec. 31, 2008
Third parties	154.6	154.9

The maximum default risk equaled the carrying amount of €154.9 million as of the reporting date. The following table provides information on the extent of the credit risk.

€ million	Dec. 31, 2007	Dec. 31, 2008
Carrying amount	154.6	154.9
thereof not overdue or impaired	82.6	68.5
thereof in stated term overdue and not impaired		
< 30 days	49.3	52.6
30–180 days	12.1	11.9
> 180 days	2.8	1.3

As regards the trade accounts receivable, which are neither impaired nor in default, there is no indication as of the reporting date that the debtors will not meet their payment obligations. There is no risk concentration of open trade accounts receivable.

Cash security in the amount of €4.9 million (previous year €4.5 million) and non-cash security (mainly suretyships) in the amount of €13.0 million (previous year €11.1 million) was accepted as collateral for unsettled trade accounts receivable. The collateral received by the reporting date was neither sold nor passed on as security and will be returned to the respective debtor after termination of the business relationship. The collateral received will be used only in the event of the debtor's default.

Allowances for trade accounts receivable are composed as follows:

€ million	2007	2008
Balance at January 1	**19.0**	**21.4**
Net allocations	4.7	0.7
Availments	0.5	3.1
Regrouping following IFRS 5	–1.8	0.0
Balance at December 31	**21.4**	**19.0**

Net additions include expenses from allowances amounting to €3.7 million (previous year €1.7 million) recognized in other operating expenses as well as revenue-reducing individual allowances and reversals.

(31) Cash and cash equivalents

€ million	Dec. 31, 2007	Dec. 31, 2008
Cash and cash equivalents	651.3	1,154.8

The bank balances mainly include short-term deposits. The other credit balances are essentially overnight deposits. The increase in cash and cash equivalents is mainly the result of issuing a promissory note loan in the amount of approximately €720 million.

In connection with financing the concession to operate Antalya, some €34.2 million cash in banks is subject to drawing restriction.

(32) Non-current assets held for sale

€ million	Dec. 31, 2007	Dec. 31, 2008
Non-current assets held for sale	165.6	0.0

Non-current assets held for sale in the previous year are the assets of ICTS (€165.3 million) and AirIT International (€0.3 million), which are each attributable to the External Activities segment. For information on disposal, see note 2.

(33) Equity attributable to shareholders of Fraport AG

€ million	Dec. 31, 2007	Dec. 31, 2008
Issued capital	914.6	916.1
Capital reserves	565.2	573.1
Revenue reserves	875.2	855.0
Group retained earnings	105.3	105.6
	2,460.3	**2,449.8**

Issued capital

Issued capital increased by €1.5 million in the fiscal year and is fully paid up as of the balance sheet date.

Of this amount €1.0 million relates 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.

Furthermore, shares of €489 thousand were contingently issued to service the share options under the Fraport Management Stock Options Plan 2001 and 2005 (MSOP 2001 and 2005).

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

Number of floating shares and treasury shares

The issued capital consists of 91,709,454 (previous year 91,561,272) bearer shares with no par value, each of which accounts for €10.00 of the capital stock.

Floating and treasury share movements in accordance with Section 160 of the Stock Corporation Act (AktG):

	Subscribed capital Number	Floating shares Number	Treasury shares Number	Treasury shares Amount of capital stock in €	Treasury shares Share in capital stock in %
Balance at January 1, 2008	**91,561,272**	**91,456,593**	**104,679**	**1,046,790**	**0.114**
Employee investment plan: Capital increase (May 30, 2008)	99,332	99,332	–	–	–
Management Stock Options Plan (MSOP):					
Capital increases MSOP 2001	4,150	4,150	–	–	–
Capital increases MSOP 2005	44,700	44,700	–	–	–
Executive Board remuneration: Transfer of shares to Board members	–	7,984	–7,984	–79,840	–0.009
Balance at December 31, 2008	**91,709,454**	**91,612,759**	**96,695**	**966,950**	**0.105**

	Subscribed capital Number	Floating shares Number	Treasury shares Number	Treasury shares Amount of capital stock in €	Treasury shares Share in capital stock in %
Balance at January 1, 2007	**91,478,347**	**91,368,619**	**109,728**	**1,097,280**	**0.120**
Employee investment plan: Capital increase (May 29, 2007)	78,325	78,325	–	–	–
Management Stock Options Plan (MSOP): Capital increases in 2007	4,600	4,600	–	–	–
Executive Board remuneration: Transfer of shares to Board members	–	5,049	–5,049	–50,490	–0.006
Balance at December 31, 2007	**91,561,272**	**91,456,593**	**104,679**	**1,046,790**	**0.114**

The shares that form part of the contractual compensation paid to the Executive Board members were then calculated on the basis of a value of €46.00.

Authorized capital

By resolution at the Annual General Meeting held on June 1, 2005, the Executive Board, upon the approval of the Supervisory Board, is authorized to increase the capital stock by up to €9.5 million until May 31, 2010.

Of this authorized capital €993,320 was used for the issue of shares within the scope of the employee investment plan.

	Number of shares	Value per share in €
Authorized capital as at December 31, 2007	796,708	10.0
Use of authorized capital Employee investment plan	–99,332	10.0
Remaining authorized capital as at December 31, 2008	**697,376**	**10.0**

As of December 31, 2008, authorized capital remains in the amount of €7.0 million, which was used to issue new shares in return for cash for the purpose of issuing shares to the employees of the company and the affiliated companies it has selected. The subscription rights of the shareholders may be excluded.

Restricted authorized capital

At the Annual General Meeting held on March 14, 2001, a restricted authorized capital increase in the amount of €13.9 million was approved. The purpose of the restricted authorized capital was expanded at the Annual General Meeting held on June 1, 2005. In addition to satisfying subscription rights issued but not yet exercised under the MSOP 2001 adopted at the Annual General Meeting on March 14, 2001, the restricted authorized capital increase also serves to satisfy subscription rights under the adopted Fraport Management Stock Options Plan 2005 (MSOP 2005). The Executive Board and the Supervisory Board are authorized to issue up to 1,515,000 stock options to beneficiaries entitled to subscribe by August 31, 2009 in accordance with the conditions regulating the allocation of stock options. The authorization to grant subscription rights in accordance with MSOP 2001 was cancelled at the Annual General Meeting held on June 1, 2005.

Restricted authorized capital totaled €5.7 million as of December 31, 2008 (originally €13.9 million). Option rights for the MSOP 2001 in the amount of €0.1 million (4,150 options) and the MSOP 2005 in the amount of €1.6 million (44,700 options) were exercised in 2008.

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 and the company does not satisfy the share options with treasury shares or by transfer of shares by third parties.

The capital increase to satisfy subscription rights within the framework of the Management Stock Options Plan 2005 is only being carried to the extent that the holders of subscription rights exercised their subscription rights granted in the Management Stock Options Plan 2005 on the basis of the authorization referred to above, the company satisfied the stock options without using treasury shares, the transfer of shares by a third party or a cash payment, and the restricted authorized capital for the Management Stock Options Plan 2001 has not already been used up, or is necessary to satisfy the Management Stock Options Plan 2001.

A total of 1,757,650 stock options were issued from the MSOP 2001 and 2005 by the balance sheet date.

Capital reserves

The change in the capital reserve resulted from an increase of €3.5 million from the excess in the issue amount (€35.18 per share) of new shares issued under the employee investment plan (total 99,332). Furthermore, the change resulted from the excess in the issue amount of €0.1 million (4th tranche MSOP 2001) and €1.2 million (1st tranche MSOP 2005) of shares issued from conditional capital in exchange for stock options (a total of 4,150 and 44,700 shares, respectively).

The capital reserve increased by a further €0.1 million (€12.35 per share) as a result of the transfer of treasury shares.

Personnel expenses amounting to €3.1 million (previous year €2.8 million) were incurred in the year under review under the stock option program. This amount was recognized in the capital reserve.

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 adjustments. The consolidation measures and other changes during the fiscal year mainly consist of the deconsolidation of ICTS and the partial sale of LAP shares.

The currency translation differences total €–1.3 million (previous year €–5.6 million). This figure includes currency translation differences of €–9.2 million from accounting for the Philippine companies at equity, which are not charged to Group earnings until the companies are disposed of in accordance with IAS 21. The reserve for the measurement of derivatives amounts to €–48.6 million (previous year €12.7 million), the reserve for the fair value measurement of available-for-sale financial assets totals €–5.5 million (previous year €19.5 million). Due to the revaluation (purchase-price allocation) of the capital shares in LAP, €2.0 million was transferred to the revaluation reserve in the previous year. The substantially higher value recognized for the other revenue reserves compared to the financial statements of Fraport AG is due mainly to the higher measurement of property, plant, and equipment.

Group retained earnings

Group retained earnings correspond to the retained earnings of Fraport AG. The proposed dividend is €1.15 per share (previous year €1.15 per share).

(34) Minority interests, presented within equity

€ million	**Dec. 31, 2007**	**Dec. 31, 2008**
Equity attributable to minority interests (excluding the attributable profit for the year)	28.0	53.0
Profit for the year attributable to minority interests	5.0	7.2
	33.0	**60.2**

The minority interests relate to the interests in the shareholders' equity and earnings of Frankfurt-Hahn, Fraport Twin Star, FraCareS, Fraport Peru, FSG, Hahn Campus, Media, and LAP.

(35) Non-current and current financial liabilities

€ million	Remaining term ≤ 1 year	Remaining term > 1 year	Total Dec. 31, 2007	Remaining term ≤ 1 year	Remaining term > 1 year	Total Dec. 31, 2008
Liabilities to banks	367.8	830.6	1,198.4	555.5	1,685.3	2,240.8
	367.8	**830.6**	**1,198.4**	**555.5**	**1,685.3**	**2,240.8**

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

Term from–to	Currency	Interest rate in %	Balance at Dec. 31, 2007 € million	Balance at Dec. 31, 2008 € million
Fixed-interest loans				
1998–2010	€	4.83	35.8	35.8
1999–2028	€	5.10	27.7	26.4
1999–2028	€	4.15	27.7	26.4
1999–2011	€	4.72	26.5	26.5
1999–2009	€	4.61	25.6	25.6
1999–2009	€	4.56	25.6	25.6
2004–2014	€	4.21	50.0	50.0
2006–2016	€	4.54	25.0	25.0
2006–2016	€	4.59	25.0	25.0
2007–2019	€	4.67	86.6	120.7
2008–2018	€	4.52	–	30.0
2008–2018	€	5.05	–	50.0
2008–2018	€	4.50	–	30.0
2008–2015[1]	€	4.02	–	463.0
2008–2017[1]	€	4.09	–	257.0
Variable-interest loans				
2006–2016	CHF	3.26	44.0	49.1
2006–2016	€	5.17	30.0	30.0
2007–2019	€	5.64	23.6	33.6

[1] Loan note

There is a general interest rate risk for fixed-interest loans that are extended on expiry.

The fixed-rate loans include also those variable-interest rate loans whose interest rate was fixed by contracting an interest rate hedge.

(36) Trade accounts payable

€ million	Remaining term ≤ 1 year	Remaining term > 1 year	Total Dec. 31, 2007	Remaining term ≤ 1 year	Remaining term > 1 year	Total Dec. 31, 2008
To third parties	245.6	34.7	280.3	196.2	38.3	234.5
To Celanese/Ticona	195.9	330.9	526.8	197.6	154.6	352.2
	441.5	**365.6**	**807.1**	**393.8**	**192.9**	**586.7**

Third-party liabilities include a liability under a finance lease in the amount of €8.2 million.

(37) Non-current and current liabilities

€ million	Remaining term ≤ 1 year	> 1 year	Total Dec. 31, 2007	Remaining term ≤ 1 year	> 1 year	Total Dec. 31, 2008
Prepayments for orders	0.7	–	0.7	0.8	–	0.8
To joint ventures	2.0	0.1	2.1	2.5	–	2.5
To associated companies	0.8	–	0.8	0.2	–	0.2
To investments	5.1	–	5.1	4.8	–	4.8
Grants for assets	–	32.0	32.0	–	29.8	29.8
Other deferred income	7.7	68.4	76.1	9.6	65.8	75.4
Lease liabilities in connection with concession obligations in Antalya	–	332.0	332.0	–	307.2	307.2
Negative fair value of derivative financial instruments	–	0.6	0.6	1.6	80.2	81.8
Other liabilities	59.4	18.6	78.0	44.1	31.8	75.9
	75.7	**451.7**	**527.4**	**63.6**	**514.8**	**578.4**

The other liabilities consist essentially of lease liabilities, wage and church tax, unpaid social security contributions, liabilities from accrued interest, negative fair values of derivatives, and liabilities to company employees.

Grants for non-current assets include government grants in the amount of €22.8 million (previous year €24.6 million) and from other grantors in the amount of €7.0 million (previous year €7.3 million). The government grants relate in particular to capital expenditures incurred for baggage controls at Frankfurt Airport and the expansion at Frankfurt-Hahn Airport. Special items are released according to the useful life of the subsidized assets using linear amortization.

Prepaid expenses are income received and relating to future accounting periods.

The other liabilities include lease liabilities of €320.7 million (previous year €346.7 million) (notes 21 & 22). These mainly consist of lease liabilities related to our investments in airport operating projects in Antalya (see note 21). Another liability from a financing lease is reported under trade accounts payable (see note 36).

The following lease payments are due from the leases:

€ million	Remaining term < 1 year	1–5 years	> 5 years	Total Dec. 31, 2007
Lease payments	50.6	110.9	415.9	577.4
Discount amounts	2.7	20.5	207.5	230.7
Present value	**47.9**	**90.4**	**208.4**	**346.7**

€ million	Remaining term < 1 year	1–5 years	> 5 years	Total Dec. 31, 2008
Lease payments	3.8	148.0	398.7	550.5
Discount amounts	0.7	23.6	194.9	219.2
Present value	**3.1**	**124.4**	**203.7**	**331.2**

The discount rates are between 3.9 percent and 7.2 percent, which is the same as in the previous year. The longest leases end in 2024. The lease payments disclosed are minimum lease payments.

Finance lease liabilities are stated at the lower of the present value of the minimum lease payments and the fair value of the leased asset. As a result, the present value of the future minimum lease payments does not match the total reported financing lease liabilities.

(38) Deferred tax liabilities

€ million	Dec. 31, 2007	Dec. 31, 2008
Deferred tax liabilities	89.6	97.4

Deferred tax liabilities are recognized in compliance with IAS 12 using the temporary concept. Further explanations of deferred tax liabilities can be found in note 17 “Taxes on income”.

(39) Pension obligations

Reconciliation of the assets and liabilities recognized in the balance sheet:

€ million	**2005**	**2006**	**2007**	**2008**
Present value of the obligation as of January 1	25.5	29.9	29.1	27.6
Interest cost	1.2	1.1	1.4	1.4
Current service cost	2.1	1.8	2.1	1.5
Past service cost	0.0	0.0	0.0	0.1
Benefits paid	–1.2	–1.3	–1.8	–1.5
Actuarial loss/(gain)	2.3	–2.4	–3.2	–1.8
Present value of the obligation as of December 31	**29.9**	**29.1**	**27.6**	**27.3**
Fair value of plan assets (qualifying insurance policy) as of December 31	**10.0**	**10.6**	**11.6**	**12.4**
Offsetting				
Reconciliation to assets and liabilities recognized in the balance sheet				
The following amounts were recognized in the balance sheet:				
Present value of funded financial obligations	8.5	8.5	8.2	8.3
Fair value of plan assets	–10.0	–10.6	–11.6	–12.4
Excess cover	**–1.5**	**–2.1**	**–3.4**	**–4.1**
Present value of unfunded financial obligations	21.4	20.6	19.4	19.0
Unrecognized actuarial gains/losses	0.0	0.0	0.0	0.0
Unrecognized past service cost	0.0	0.0	0.0	0.0
(Net) liabilities recognized in the balance sheet	**21.4**	**20.6**	**19.4**	**19.0**
Amounts recognized in the income statement				
Current service cost	2.1	1.8	2.1	1.5
Interest cost	1.2	1.1	1.4	1.4
Income expected from plan assets	0.0	–0.3	–0.3	–0.2
Net actuarial loss/(gain) from pension provision recognized in the current year	2.3	–2.4	–3.2	–1.8
(Gain)/loss on plan assets	0.0	0.0	0.1	0.2
Past service cost	0.0	0.0	0.0	0.1
Expense recognized in the income statement	**5.6**	**0.2**	**0.1**	**1.2**
Reconciliation of recognized net liabilities in the period				
Net liabilities at the beginning of the year	**25.5**	**21.4**	**20.6**	**19.4**
Change in excess cover	1.5	0.7	1.3	0.7
Expenses recognized in the income statement	5.6	0.2	0.1	1.2
Benefits paid	–1.2	–1.3	–1.8	–1.5
Asset value of insurance policy paid	–10.0	–0.4	–0.8	–0.8
Changes in the Group – Transfer Antalya	0.0	–1.9	0.0	0.0
Changes in the Group – Addition Twin Star	0.0	1.9	0.0	0.0
Net liabilities at the end of the year	**21.4**	**20.6**	**19.4**	**19.0**
Reconciliation development of plan assets				
Fair value of plan assets (qualifying insurance policy) at the beginning of the year	0.0	9.9	10.6	11.6
Income expected from plan assets	0.0	0.3	0.3	–0.2
(Gain)/loss on plan assets	–0.1	0.0	–0.1	0.2
Asset value of insurance policy paid	10.0	0.4	0.8	0.8
Fair value of plan assets (qualifying insurance policy) as of December 31	**9.9**	**10.6**	**11.6**	**12.4**

The pension obligations essentially include 17 vested to pension benefits promised in individual agreements to the members of the Fraport AG Executive Board and their dependants. A total of 207 further benefits (42 of them non-vested) become payable to senior executives and employees not covered by collective agreements in connection with the Fraport AG company benefit plan. The present value (PBO) of the non-vested benefits amounts to €0.3 million.

Measurement is based on the provisions under IAS 19. The pension obligations on December 31, 2008 have been calculated on the basis of actuarial opinions of November 27 and December 17, 2008. The calculations are based on Professor Dr. Klaus Heubeck's fundamental biometric data (RT 2005 G).

There are commitments to employee-financed pension benefits of €1.7 million for senior executives (14 vested rights) of Fraport AG. The calculation is based on an actuarial opinion dated December 17, 2008.

In 2005 already, a reinsurance policy was concluded to reduce actuarial risks and to protect pension obligations for the active members of the Executive Board against insolvency. The reinsurance claims are recognized at the asset value the insurance company reported (€12.4 million, previous year €11.6 million). Of this amount the present value of the defined benefit obligation attributable to the active members of the Executive Board has been set off against the asset of the reinsurance policy. The anticipated return on the reinsurance claims for the next fiscal year amounts to approximately 2.54 percent. This amount corresponds to the current interest rate in the year under review.

A sensitivity analysis with variations in the discount rates of +/– 0.5 percent on the pension obligation of Fraport AG shows an increase in the obligation by €1.1 million (5.5 percent) or a lower obligation of €1.0 million (6.5 percent), respectively.

Fraport AG has insured its employees for purposes of granting a company pension under the statutory insurance scheme based on a collective agreement (Altersvorsorge-TV-Kommunal – [ATV-K]) with the Zusatzversorgungskasse (top-up provision insurance scheme) for local authority and municipal employers in Wiesbaden (ZVK). The contributions will be collected based on a pay-as-you-go model. The contribution rate of the ZVK Wiesbaden is 6.2 percent; of which the employer pays 5.7 percent, with the contribution paid by the employee amounting to 0.5 percent. In addition, a tax-free restructuring charge of 1.4 percent is levied by the employer in accordance with Section 63 of the ZVK Bylaws (ZVKS). An additional contribution of 9 percent is paid for some employees included in the statutory social security insurance scheme (generally employees in partial retirement and senior managers) for the consideration subject to ZVK that, according to Section 38 ATV-K, exceeds the upper limit defined in the collective agreement. There is currently no indication that the restructuring charge will increase in 2009. However, it is possible that there will be increases in contributions in the future in order to compensate for any coverage shortfalls. Consideration subject to pay-as-you-go contributions totaled €427.8 million in 2008.

This plan is a multi-employer plan (IAS 19.7), since the companies involved share the risk of the investment and also the biometric risk.

The ZVK insurance policy is classified as a defined benefit plan (IAS 19.27). Since the plan is a defined benefit plan, the company has to account for its proportionate share of its benefit obligations in the total obligations and for the exact share in the total assets of ZVK under IAS 19.29.

If there is no sufficient information on the plan and a company also covers the risks of other insured companies (IAS 19.32b), the plan is accounted for as if it were a defined contribution plan.

For this reason, Fraport AG has treated this plan as a defined contribution plan.

(40) Non-current and current income tax provisions

€ million	Remaining term ≤ 1 year	Remaining term > 1 year	Total Dec. 31, 2007	Remaining term ≤ 1 year	Remaining term > 1 year	Total Dec. 31, 2008
Income tax provisions	14.2	163.0	177.2	1.9	170.0	171.9

(41) Non-current and current other provisions

The movements in the non-current and current provisions are shown in the following tables.

€ million	Jan. 1, 2008	Use	Release	Addition	Interest effect	Dec. 31, 2008
Personnel	146.7	–52.7	–8.2	60.1	3.9	149.8
of which non-current	74.6	–	–	–	–	69.1
of which current	72.1	–	–	–	–	80.7

A large part of the personnel-related provisions were recognized for partial retirement obligations, collectively agreed performance pay schemes (former LEA), other incentive systems for the employees of Fraport AG, overtime credits, vacation not yet taken, and for expected severance payments.

€ million	Jan. 1, 2008	Use	Release	Addition	Interest effect	Changes from currency translation differences	Dec. 31, 2008
Environment	34.8	–11.0	0.0	11.5	1.9	0.0	37.2
Others	140.0	–60.1	–17.1	40.3	0.0	–0.2	102.9
	174.8	**–71.1**	**–17.1**	**51.8**	**1.9**	**–0.2**	**140.1**
of which non-current	61.6	–	–	–	–	–	31.9
of which current	113.2	–	–	–	–	–	108.2

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

The other provisions include the provision of €11.3 million (previous year €42.2 million) recognized in 2003 for the refinancing of the passive noise abatement program at Fraport AG. The provision recognized as of the balance sheet date covers the cost volume of the measures expected.

As in the previous year, other provisions were mainly established for rebates and refunds, legal disputes, and damage claims.

(42) Liabilities in connection with assets held for sale

€ million	Dec. 31, 2007	Dec. 31, 2008
Liabilities in connection with assets held for sale	70.8	0.0

In the previous year, liabilities in connection with assets held for sale related to ICTS (€70.6 million) and AirIT International (€0.2 million).

(43) Financial Instruments

Disclosures on carrying amounts and fair values

The following tables present the carrying amounts and fair values of the financial instruments as of December 31, 2008 and 2007:

	Measurement at historical costs		Fair value measurement				Dec. 31, 2008
			Measurement affecting net profit				
Measurement category according to IAS 39	Loans and receivables		Fair value option	Held for trading	Available-for-sale	Hedging derivative	Total fair value
€ million	Carrying amount	Fair value	Carrying amount[1]	Carrying amount[1]	Carrying amount[1]	Carrying amount[1]	
Assets							
Cash and cash equivalents	1,154.8	1,154.8	–	–	–	–	1,154.8
Trade accounts receivable	154.9	154.9	–	–	–	–	154.9
Other receivables and financial assets	12.6	12.6	–	–	80.1	–	92.7
Other financial investments							
Securities	–	–	48.5	–	101.3	–	149.8
Other investments	–	–	–	–	40.7	–	40.7
Loans to investments	2.0	2.0	–	–	–	–	2.0
Other loans	12.9	12.9	–	–	–	–	12.9
Derivative financial assets							
Hedging derivatives	–	–	–	–	–	–	0.0
Other derivatives	–	–	–	–	–	–	0.0
Total assets	**1,337.2**	**1,337.2**	**48.5**	**0.0**	**222.1**	**0.0**	**1,607.8**

	Other financial liabilities		Fair value option	Held for trading	IAS 17 liability		Hedging-derivative	Total fair value
	Carrying amount	Fair value	Carrying amount[1]	Carrying amount[1]	Carrying amount[1]	Fair value	Carrying amount[1]	
Liabilities & equity								
Trade accounts payable	578.5	578.5	–	–	–	–	–	578.5
Other financial liabilities	28.6	28.6	–	–	–	–	–	28.6
Financial liabilities	2,240.8	2,148.1	–	–	–	–	–	2,148.1
Liabilities from finance leases	–	–	–	–	328.9	335.9	–	335.9
Derivative financial liabilities								
Hedging derivatives	–	–	–	–	–	–	74.6	74.6
Other derivates	–	–	–	7.2	–	–	–	7.2
Total liabilities & equity	**2,847.9**	**2,755.2**	**–**	**7.2**	**328.9**	**335.9**	**74.6**	**3,172.9**

[1] The carrying amount equals the fair value of the financial instruments

€ million	Measurement at historical costs		Fair value measurement				Dec. 31, 2007
			Measurement affecting net profit				
Measurement category according to IAS 39	Loans and receivables		Fair value option	Held for trading	Available-for-sale	Hedging derivative	Total fair value
	Carrying amount	Fair value	Carrying amount[1]	Carrying amount[1]	Carrying amount[1]	Carrying amount[1]	
Assets							
Cash and cash equivalents	651.3	651.3	–	–	–	–	651.3
Trade accounts receivable	154.6	154.6	–	–	–	–	154.6
Other receivables and financial assets	22.6	22.6	29.2	–	–	–	51.8
Other financial investments							
Securities	–	–	145.4	–	92.3	–	237.7
Other investments	–	–	–	–	5.0	–	5.0
Loans to investments	0.1	0.1	–	–	–	–	0.1
Other loans	9.4	9.4	–	–	–	–	9.4
Derivative financial assets							
Hedging derivatives	–	–	–	–	–	12.7	12.7
Other derivatives	–	–	–	1.2	–	–	1.2
Total assets	**838.0**	**838.0**	**174.6**	**1.2**	**97.3**	**12.7**	**1,123.8**

	Other financial liabilities		Fair value option	Held for trading	IAS 17 liability		Hedging derivative	Total fair value
	Carrying amount	Fair value	Carrying amount[1]	Carrying amount[1]	Carrying amount[1]	Fair value	Carrying amount[1]	
Liabilities & equity								
Trade accounts payable	798.0	798.0	–	–	–	–	–	798.0
Other financial liabilities	21.4	21.4	–	–	–	–	–	21.4
Financial liabilities	1,198.4	1,200.2	–	–	–	–	–	1,200.2
Liabilities from finance leases	–	–	–	–	346.7	352.0	–	352.0
Derivative financial liabilities								
Hedging derivatives	–	–	–	–	–	–	0.4	0.4
Other derivates	–	–	–	0.2	–	–	–	0.2
Total liabilities & equity	**2,017.8**	**2,019.6**	**–**	**0.2**	**346.7**	**352.0**	**0.4**	**2,372.2**

[1] The carrying amount equals the fair value of the financial instruments

Given the short maturities for cash, trade accounts receivables, and other financial receivables and assets, the carrying amounts as of the reporting date are a reasonable approximation of fair value.

The measurement of the unlisted securities, financial liabilities, and derivative financial instruments is based on the market value including interest accrued in relation to the reporting date. It is based on market data applicable at the measurement date using reliable and specialized sources and data providers. The values are determined using established valuation techniques (e.g., Black-Scholes).

The fair values of listed securities are identical to the stock market prices on the reporting date.

There is no price quotation or market price for shares in partnerships and other unlisted investments as there is no active market for them. The carrying amount is assumed to equal the present value, since the fair value cannot be determined reliably. These assets are not intended for sale as of the balance sheet date.

The carrying amounts of other loans and loans to investments correspond to the respective fair values because they are subject to a variable market interest rate. Part of the other loans is reported at present value on the balance sheet date. Here, it is assumed that the present value corresponds to the fair value.

Most of the trade accounts payable and other financial liabilities have short-term maturities. The fair values correspond to the respective carrying amounts. Noncurrent trade accounts payable are recognized at their present value. Here, we assume the present value corresponds to the fair value.

Net gains and losses of the measurement categories

€ million	2007	2008
Financial assets		
Loans and receivables	–6.0	12.9
Fair value option	3.8	–17.3
Held for trading	0.4	0.0
Available-for-sale	11.2	13.9
Financial liabilities		
At amortized cost	1.9	–6.2
Held for trading	1.4	–8.1

Net gains and losses consist of changes in fair value, impairment losses and reversals recognized in profit or loss, foreign currency changes, and gains and losses on disposals.

Interest and dividend income to which the fair value option applies, or which are available-for-sale, are also included in the computation of net gains and losses. Interest and dividend income of the other categories are not included in the net gains and losses disclosed. These are included in interest income and expenses.

Losses from the valuation at fair value of financial instruments in the "available-for-sale" category in the amount of €33.7 million were recorded directly in equity without affecting profit or loss during the fiscal year (previous year: gains in the amount of €13.2 million). In addition, foreign currency gains in the amount of €3.5 million (previous year: losses of €2.0 million) and payments from the federal guarantee for capital investments were recorded through profit or loss and included in the net gains and losses of this category.

Derivative financial instruments

With regard to its balance sheet accounts and planned transactions, the Fraport Group is mainly subject to interest rate and currency exchange risks as well as raw materials prices. We cover interest and foreign exchange rate risks by establishing naturally hedged positions, in which the values or cash flows of primary financial instruments offset each other in their timing and amount, and/or by using derivative financial instruments to hedge the business transactions. Derivatives are not used for trading or speculative purposes.

Interest rate risks arise in particular from the capital requirements for the planned capacity expansion and from variable-interest rate of existing financial liabilities. As part of the interest rate risk management policy, interest rate derivates were and are being concluded on an ongoing basis in order to limit the interest rate risk arising from financial instruments with variable interest rates, assure planning security, and optimize credit conditions.

Within the Fraport Group, foreign currency risks mainly arise from planned sales in foreign currencies, which are not covered by expenses in matching currencies. This results to a cash flow risk between planned foreign currency revenue and the functional currency. We hedge such risks by entering into currency forwards.

Raw materials price risks in the Fraport Group mainly arise from the business operations of ground services. Price fluctuations, especially for diesel fuel, cannot be passed on to customers in terms of a naturally integrated position. This results in a cash flow risk that is hedged by concluding diesel fuel swaps for planned future diesel fuel purchases.

There are 35 interest rate swaps that had been entered into in previous years and in the current year. Furthermore, options were sold on four interest rate swaps in order to optimize financing costs. The value is included in the market value of the interest rate swaps. There are also 38 forward currency contracts and twelve diesel fuel swaps.

€ million	Nominal value Dec. 31, 2007	Nominal value Dec. 31, 2008	Market value Dec. 31, 2007	Market value Dec. 31, 2008	Credit risk Dec. 31, 2007	Credit risk Dec. 31, 2008
Interest rate swaps	584.6	1,438.7	13.3	–78.1	13.9	0.0
Diesel fuel swaps	0.0	26,520 mt[1]	0.0	–3.7	0.0	0.0
Currency forwards	3.6	9.04	0.04	–0.02	0.04	0.00

[1] 26.520 mt equal 30.8 million liters

A credit risk (counterparty risk) arises from positive fair values of derivative transactions that have been concluded. The total of all the positive fair values of the derivatives corresponds 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 rating in order to minimize the default and counterparty risks.

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

€ million	Other assets Dec. 31, 2007	Other assets Dec. 31, 2008	Other liabilities Dec. 31, 2007	Other liabilities Dec. 31, 2008
Interest rate swaps – cash flow hedges	12.7	0.0	0.4	70.9
Interest rate swaps – trading	1.2	0.0	0.2	7.2
Diesel fuel swaps	0.0	0.0	0.0	3.7
Currency forwards – cash flow hedges	0.04	0.0	0.0	0.02

39 of the existing interest rate swaps are already assigned to existing variable-interest-bearing liabilities. 14 of the interest swaps were concluded to hedge the interest rate level for part of the future cash requirements and thus to reduce the risk of changes in interest rates arising from these positions.

A total of 49 interest rate swaps and forward interest rate swaps, the currency forwards, and the diesel fuel swaps are accounted for as cash flow hedges according to IAS 39. Changes in the fair value of these instruments are included in the revaluation reserves and recognized in equity without affecting profit or loss. The effectiveness of these cash flow hedges has been verified and is confirmed and documented at regular intervals. Four interest rate swaps are classified as "held for trading". All the changes in value relating to contracts classified in this way are included in profit or loss.

The payments under the cash flow hedges become due in the following years. This is also the time when the respective hedged item affects profit or loss.

Interest rate swaps

Beginning of term	End of term	Nominal volume € million	Fair value incl. accrued interest € million
2004	2012	18	–0.1
2005	2014	100	–3.0
2006	2016	70	–3.2
2007	2017	60	–3.8
2007	2019	120.7	–11.2
2008	2018	115	–5.2
2009	2015	45	–2.8
2009	2017	25	–1.6
2009	2019	320	–18.3
2010	2015	85	–4.6
2010	2017	100	–5.7
2010	2020	185	–10.2
2011	2015	70	–1.2
		1,313.7	**–70.9**

Currency forwards

Maturing date	Nominal volume € million	Fair value € million
2009	9.04	–0.02

Diesel fuel swaps

Hedging year	Hedging volume in mt	Fair value € million
2009	8,760	–1.6
2010	6,960	–1.1
2011	7,200	–0.9
2012	3,600	–0.1
	26,520	**–3.7**

In the fiscal year €87.2 million, net, of unrealized losses were recognized in equity from the change in fair value (previous year: gains of €12.9 million). Net gains of €2.2 million were transferred from equity to the financial result (previous year: gains of €0.1 million).

Notes to segment reporting

(44) Notes to segment reporting

The business activities of the Fraport Group are divided into four segments: Aviation, Retail & Properties, Ground Handling, and External Activities.

The strategic business divisions of Fraport AG in Frankfurt are clearly assigned to the Aviation, Retail & Properties, and Ground Handling segments. In addition, these segments include investments integrated in the business processes at the Frankfurt site.

The strategic business unit Flight and Terminal Operations, Airport Expansion is part of the Aviation segment and comprises the flight and terminal operations at the Frankfurt site and the Airport expansion operations. The Aviation segment also encompasses the strategic business unit Airport Security Management combining the airport and aviation security at Frankfurt. The Retail & Properties segment consists of the strategic business unit Retail and Property Lease Management, comprising our retailing activities, parking facility management, as well as the rental and marketing of real estate at the Frankfurt site; it also consists of the information and telecommunication services as well as real estate and facility management.

The Ground Handling segment combines the strategic business division Ground Services and the investments involved in these operations at the Frankfurt site.

The External Activities segment of the Group mainly includes the investments, which carry out their business operations outside Frankfurt or are not involved in the business processes at the Frankfurt site.

Segment reporting according to IAS 14 is based on internal reporting to the Executive Board and is included as Appendix 2 to the notes.

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

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

Inter-segment income is generated essentially by Fraport AG's intercompany charge of rent for land, buildings, and space as well as of maintenance services, information technology, and energy/associated services. The corresponding segment 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 reflects income that has been generated between the companies included from different segments.

Goodwill from acquisition accounting and the appropriate impairment losses, where applicable, have been allocated clearly to the segments according to our structure.

The reconciliation of 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 the People's Republic of China.

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

Depreciation and amortization relating to the segment assets includes impairment losses in accordance with IAS 36 recognized for property, plant, and equipment and investment property in the total amount of €28.0 million. The impairment loss on property, plant, and equipment in the amount of €22.9 million relates to the External Activities segment of Flughafen Frankfurt-Hahn GmbH. The Retail & Properties segment is charged with €5.1 million of impairment losses recognized for investment property.

The Retail & Properties segment includes real estate inventories of €27.7 million (previous year €24.9 million).

Given the significant effects from the deconsolidation of our ICTS Europe security subsidiary (subgroup) as of April 1, 2008, and the first-time full consolidation of our investment in Lima Airport Partners S.R.L. (LAP) effective August 1, 2007, the impact of both investments on the revenues, EBITDA, and EBIT of the External Activities segment is shown in the following table:

ICTS Europe

€ million	2007	2008	Change
Revenue	314.6	67.3	–247.3
EBITDA	8.4	1.5	–6.9
EBIT	5.8	0.9	–4.9

LAP

€ million	2007	2008	Change
Revenue	39.6	93.2	53.6
EBITDA	10.4	25.5	15.1
EBIT	7.4	19.3	11.9

Further explanations about segment reporting can be found in the management report.

Notes to the consolidated cash flow statement

(45) Notes to the consolidated cash flow statement

Cash flow from operating activities

Cash flow from operating activities (€468.0 million) is the balance of cash inflows of €603.7 million (previous year €624.1 million) from operational activities. They are balanced with cash outflows of €43.9 million (previous year €28.0 million) from financing activities and €91.8 million (previous year €117.5 million) relating to income tax. Cash flow from operating activities declined by a total of €10.6 million compared to the previous year.

Cash flow used in investing activities

Capital expenditure for investments in airport operating projects, other intangible assets, and property, plant, and equipment rose significantly year on year by €112.5 million.

The investments in airport operating projects relate to capital expenditures incurred for the concession to operate the terminals and the airports respectively in Antalya, Lima, Varna, and Burgas.

As in the previous year, cash paid to acquire property, plant, and equipment mainly relates to the airport expansion program and the extension of the terminals at Frankfurt Airport. Among other things, the capital expenditures on property, plant, and equipment include payments to Celanese AG/Ticona GmbH in the amount of €200 million.

The capital expenditures for at-equity investments are related to our involvement in Xi'an, China.

Capital expenditures for other financial assets are mainly related to Delhi Airport in India.

The disposal of consolidated subsidiaries consists of the sale of the ICTS Group.

The gains on the disposal of financial assets mainly arose from the sale of shares in a currency fund as well as securities.

In the same period last year, the prepaid rental income of €57.6 million from the Airrail Center finance lease was accounted for under the item disposal of non-current assets.

Cash flow from financing activities

Total cash flow from financing activities amounted to €957.6 million; €720.0 million of this cash flow resulted from issuing a promissory note loan as well as taking out new bank loans.

The change in current liabilities is mainly related to taking out new term money.

Notes about the disposal of consolidated subsidiaries

€ million	2008
Cash and cash equivalents	38.3
Current assets	62.9
Non-current assets	10.2
Goodwill	53.7
Current liabilities	–62.2
Non-current liabilities	–3.8
Gain on disposal	0.9
Total selling price (paid completely in cash)	**100.0**
Less acquired cash and cash equivalents	–38.3
Sale of consolidated subsidiaries	**61.7**

Cash and cash equivalents

The significant €497.7 million increase in cash and cash equivalents was primarily due to the inflow of funds from the promissory note loan. The cash and cash equivalents consist of cash, bank balances, and checks. These are current balance sheet items maturing in three months or less. In connection with financing the concession to operate Antalya, some €34.2 million cash in banks is subject to drawing restriction.

Other disclosures

(46) Contingent liabilities

€ million	Dec. 31, 2007	Dec. 31, 2008
Guarantees	5.2	5.1
Warranty contracts	203.4	209.7
thereof performance guarantees	151.4	148.0
Others	13.5	16.1
	222.1	**230.9**

The performance guarantees include a joint and several liability to the Hong Kong airport authority in connection with the Tradeport Hong Kong Ltd. investment project amounting to €28.7 million (US$40.0 million), for which there is a recourse claim on the other guarantors in the amount of €16.7 million (US$19.0 million).

A performance guarantee was signed between GMR Holdings Private Ltd., Fraport AG and ICICI Bank Ltd. in the amount of €44.2 million (INR 3,000 million) to modernize, expand, and operate the Delhi Airport excluding a recourse to Fraport AG. If, however, the party to the contract GMR Holdings Private Ltd. fails to perform under the contract, liability of Fraport AG may not be excluded – given the fact that Fraport AG is party to the contract.

In the context of operating the airports in Varna and Burgas Fraport AG guaranteed contractual performance of its newly established subsidiary Fraport Twin Star Airport Management AD over the amount of €9.0 million.

The existing contract performance guarantee related to the concession agreement for the operation of the airport in Lima, Peru amounts to €10.2 million (US$13.4 million) on the balance sheet date.

In connection with the terminal operation at Antalya Airport Fraport AG assumed a guaranteed contractual performance of €35.6 million for the newly established Antalya operating company investment.

The other warranties mainly include contractual financing arrangements signed by the Antalya operating company. Thus, contingent liabilities arose for the Fraport Group in the amount of €60.5 million.

Fraport AG is held liable in the amount of €13.5 million for rentals payable by Lufthansa Cargo Aktiengesellschaft to Tectum 26. Vermögensverwaltungs GmbH, if Lufthansa Cargo Aktiengesellschaft exercises an extraordinary right to terminate the contract.

(47) Other financial commitments

Order commitments

€ million	Dec. 31, 2007	Dec. 31, 2008
Orders for capital expenditure on property, plant, and equipment, intangible assets, and investment property	566.4	565.9
Orders for energy supply	306.9	768.7
	873.3	**1,334.6**

Operating leases

€ million	Dec. 31, 2007	Dec. 31, 2008
Rental and leasing contracts		
up to one year	29.9	29.4
one to five years	82.6	78.8
more than five years	394.2	379.6
	506.7	**487.8**

In view of their substance, the leases qualify as operating leases, i.e., the leased asset is attributable to the lessor.

Most of the increase in future lease payments results from payment obligations arising from the concession agreements concluded in connection with the operation of the airports in Varna and Burgas, Bulgaria (lease term until 2014) as well as Lima, Peru (minimum lease term until 2031).

In addition, the rental agreements and leases relate to building rental agreements and the lease of equipment. The equipment leases generally end in 2010. The building rental agreements can be terminated at short notice.

Other commitments

Apart from the minimum payments to be made under the concession agreements, revenue-related concession charges and other investment obligations as yet undefined in terms of amount in relation to the airport infrastructure have been agreed. There is a minimum investment obligation for the airports in Varna and Burgas of €54.7 million.

There are additional obligations as of the balance sheet date in the amount of €93.4 million.

These mainly consist of a capital contribution obligation to finance capital expenditures for the Delhi Indira Gandhi International Airport in India, as well as a contract for the implementation of compensating measures under nature conservation laws related to the planned airport expansion.

(48) Stock options

Management Stock Options Plan 2001

The Fraport AG Annual General Meeting passed a resolution about the main points of a stock option plan on March 14, 2001. We grant stock options to members of the Executive Board of Fraport AG, directors of affiliated companies, and other Fraport AG managers employed in Germany 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 were issued in annual tranches of no more than 25 percent of the total volume. The approval of the Supervisory Board and the Executive Board was required before rights were issued. Every subscription right entitles the holder to subscribe to one share representing €10.00 of the capital stock.

In accordance with the above-mentioned resolution, the subscription rights can be satisfied either by issuing restricted authorized shares or with treasury shares, or with shares bought from third parties.

New shares issued on the basis of 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 requirements to exercise the last remaining tranche were met in the previous year already. 4,150 stock options were exercised in the current fiscal year so that 4,200 stock options currently remain in the 4th tranche MSOP 2001, which is approximately 2 percent of all options.

Fraport Management Stock Options Plan 2005

In order to meet the meanwhile stricter requirements for variable remuneration paid to managers, the Supervisory Board and the Executive Board resolved during fiscal year 2005, to submit a proposal to the Annual General Meeting of Fraport AG for a new Fraport Management Stock Options Plan 2005 (MSOP 2005) with modified option conditions.

On June 1, 2005, the Annual General Meeting of Fraport AG passed a resolution to adopt the main points of the MSOP 2005 proposal and the necessary capital measures to implement the plan. On the whole, a total volume not exceeding 1,515,000 stock options will be issued to all entitled employees up until August 31, 2009 within the scope of the Fraport MSOP 2005.

The stock options can be granted to beneficiaries once a year in up to five annual tranches. The prerequisite for participation in the MSOP is the direct investment in shares by employees entitled to participate (blocked deposit).

In accordance with the above-mentioned resolution, the subscription rights can be satisfied either with shares issued on the basis of restricted authorized capital or with treasury shares or by cash settlement.

The option rights for the MSOP 2005 can only be exercised after a vesting period of three years within a further period of two years.

The stock options under the MSOP 2005 can only be exercised if the closing price of the Fraport share on the trading day that immediately precedes the day of exercise (“measurement day”) exceeds the original exercise price by at least 20 percent.

In contrast to the previous plan, the new plan not only includes an absolute exercise limit, but also a limit linked to the relative exercise that is linked to the performance of a specific stock basket. The resulting profit attributable to the beneficiary arising from the exercise of stock options is also limited. Thus, 150 percent of the original exercise price for each stock option must not be exceeded.

The conditions to exercise the 1st tranche of the MSOP 2005 were first met in the fiscal year 2008. In the current fiscal year 44,700 stock options were exercised. Thus currently 141,300 stock options still exist in the 1 tranche, which is approximately 71.3 percent of all options.

Fraport AG issued 249,950 option rights for the entire fiscal year 2008 in accordance with the regulations of the new stock option plan.

Further explanations relating to contingent capital are included in note 33.

Development of the subscription rights issued

	Total	Weighted average of exercise price	Executive Board	Directors of affiliated companies	Senior managers of Fraport AG
Rights issued on Jan.1, 2008	**611,000**	**63.34**	**167,000**	**78,750**	**365,250**
Issued in 2008	249,950	42.78	67,000	45,100	137,850
Exercised in 2008	–48,850	34.81	0	–10,000	–38,850
Expired in 2008	–41,400	51.17	0	–22,500	–18,900
Total rights issued on Dec. 31, 2008	**770,700**	**56.84**	**234,000**	**91,350**	**445,350**

145,500 (previous year 8,350) of the outstanding options can be exercised. Of this number, 4,200 are from the 4th tranche of the MSOP 2001 and 141,300 from the 1st tranche of the MSOP 2005. The weighted average share price of the fiscal year was €41.14 (previous year €53.70). The key data for the tranches issued in the years 2001 to 2008 are shown in the table below:

	Grant date	End of vesting period	End of exercise period	Exercise threshold in €	Exercise price in €	Fair value[2] in €
MSOP 2001:						
Tranche 2001	June 11, 2001	June 11, 2003	June 11, 2006	36.28	31.55	5.95
Tranche 2002	May 15, 2002	May 15, 2004	May 15, 2007	29.49	25.64	4.22
Tranche 2003	May 16, 2003	May 16, 2005	May 16, 2008	21.49	18.69	5.82
Tranche 2004	April 16, 2004	April 16, 2006	April 16, 2009	26.57	23.10	6.20
MSOP 2005:						
Tranche 2005	June 6, 2005	June 6, 2008	March 25, 2010	39.49	32.91[1]	10.96
Tranche 2006	April 18, 2006	April 18, 2009	March 26, 2011	75.60	63.00[1]	19.27
Tranche 2007	April 17, 2007	April 17, 2010	March 24, 2012	66.12	55.10[1]	18.42
Tranche 2008	June 3, 2008	June 3, 2011	June 3, 2013	54.30	45.25[1]	13.40

[1] Original exercise price at the grant date, subject to an adjustment by the relative performance goal
[2] At the grant date

Personnel expenses amounting to €3.1 million (previous year €2.8 million) were incurred in the year under review under the stock option program. This amount was recognized in the capital reserve.

The recognition of the stock options in profit or loss is based on the fair value of each option of a tranche. To determine fair value a Monte-Carlo simulation is used. In the process, the log-normal distributed processes of the Fraport share price and the MSOP basket price are simulated to mirror the respective performance goals of the Fraport share and the comparative index, and the increase in the closing price of the Fraport share by at least 20 percent vs. the original exercise price.

The computation of whether the Fraport share outperforms or underperforms the index is made on the basis of a total shareholder return, i.e., on the basis of the respective share performance taking into account cash dividends, rights issues, capital adjustments, and other exceptional rights. In addition, the Monte-Carlo simulation allows for an early exercise taking into account blocked periods and the early exercise procedure for those entitled.

The fair value of all options to be measured in fiscal year 2008 was computed on the following basis:

Interest rate
The basis of the computations at the measurement date was a continuous zero interest rate. The interest rates were computed from the interest rate structures of government bonds maturing between one and ten years.

Dividends
Discreet dividends are used in the Monte-Carlo simulation. The computation basis for future dividend payments are public estimates made by ten banks. The arithmetic mean of these estimates is taken to determine the dividends.

Volatilities and correlation
To ensure an objective procedure, historic data is used to measure volatilities and correlations. They are determined on the basis of daily XETRA closing rates of the Fraport share and the daily rates of the MSOP basket index. The price history of the index was computed using the current weighting of the index per grant date and taking the historical closing rates of the index components.

The time frame for determining volatilities and correlations is the remaining maturity of the options.

The fair values at the time of issue are as follows:

	Grant date	Fair value in €	Closing price in €
MSOP 2001:			
Tranche 2004	April 16, 2004	6.20	23.50
MSOP 2005:			
Tranche 2005	June 6, 2005	10.96	33.00
Tranche 2006	April 18, 2006	19.27	58.15
Tranche 2007	April 17, 2007	18.42	55.92
Tranche 2008	June 3, 2008	13.40	43.40

The following volatilities and correlations were used for the computation as of the respective issue date:

	Grant date	Volatility Fraport	Volatility MSOP Basket	Correlation Fraport/ MSOP Basket
MSOP 2001:				
Tranche 2004	April 16, 2004	43.06%	n. a.	n. a.
MSOP 2005:				
Tranche 2005	June 6, 2005	34.04%	22.55%	0.2880
Tranche 2006	April 18, 2006	32.34%	20.78%	0.2925
Tranche 2007	April 17, 2007	29.69%	21.18%	0.3095
Tranche 2008	June 3, 2008	27.69%	15.03%	0.4215

The computation for measuring the 4th tranche MOSP 2001 was made using a continuous zero interest rate of 3.31 percent as of the issue date.

The computation for measuring the 1st tranche MOSP 2005 was made using a continuous zero interest rate of 2.57 percent as of the issue date. Dividends were estimated to be €0.86 in 2006 and €0.94 in 2007.

The computation for measuring the 2nd tranche MOSP 2005 was made using a continuous zero interest rate of 3.65 percent as of the issue date. Dividend estimates were €1.00 for 2007 and €1.10 for 2008.

The computation for measuring the 3rd tranche MOSP 2005 was made using a continuous zero interest rate of 4.06 percent as of the issue date. Dividend estimates were €1.16 for 2008 and €1.17 for 2009.

The computation for measuring the 4th tranche MOSP 2005 was made using a continuous zero interest rate of 4.25 percent as of the issue date. Dividend estimates were €1.14 for 2009 and €1.15 for 2010.

An annual increase of €0.01 is expected for the next years to come.

(49) Notes to the evidence of investments in accordance with the German Securities Trading Act

The total voting rights held by the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH in Fraport AG Frankfurt Airport Services Worldwide calculated in accordance with Section 22 (2) of German Securities Trading Act (WpHG) amount to 51.73 percent. They are attributed as follows: State of Hesse 31.57 percent and the Stadtwerke Frankfurt am Main Holding GmbH 20.16 percent.

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

The relative ownership interest of the individual shareholders was adjusted to the current total number of shares existing as at December 31, 2008, and, therefore, may differ from the figures given at the time of reporting an excess/shortfall of the threshold or from the respective shareholders' own disclosures. The proportion of voting rights adjusted to the current total number of shares by the reporting date are to be allocated to the shareholders as follows: Julius Bär Holding AG 10.35 percent, Deutsche Lufthansa AG 9.94 percent, Artisan Partners Ltd. Partnership 3.87 percent, Arnhold and S. Bleichroeder Holdings, Inc. 3.02 percent, Taube Hodson Stonex Partners 3.01 percent, Morgan Stanley 2.96 percent, and The Capital Groups Companies, Inc. 1.89 percent.

(50) Risk management

Fraport is exposed to market price risks due to changes in exchange rates, interest rates, and other prices. The Group is additionally exposed to credit risks. There are also liquidity risks arising in connection with credit and market price risks or result from a worsening of the operating business or disturbances on the financial markets. It is the objective of financial risk management to limit these risks by current operating and finance-related activities. Depending on a risk assessment selected hedging instruments are used. In general, we hedge only those risks that affect the Group's cash flows. All derivative financial instruments are used as hedging instruments, i.e., they are not used for trading or other purposes. Without their use the Group would be exposed to higher financial risks.

Reporting to the Executive Board of updated risk positions is made once per quarter as part of the early risk recognition system. In addition, quarterly updated reporting of all material financial risk positions is provided in the monthly finance report to the Group Executive Board and in the monthly Treasury Committee Meeting (TCM) held between Treasury and the CFO.

Fraport AG has prepared internal guidelines that deal with the processes of risk control and regulate the use of financial instruments; they include the unambiguous segregation of functions in respect of operating financial activities, their settlement and accounting, and the control of the financial instruments. The guidelines, which are the basis of the risk management processes, aim to limit and control the risks appropriately and monitor them. Both the guidelines and the systems are regularly reviewed and adjusted to current market and product developments.

Credit risk

Fraport AG is subject to default risks from its operating business and certain financing operations. The default risks arising from financial positions are controlled by a broad diversification of counterparties and the regular verification of their credit ratings. It is the company's risk policy to mainly hold investments with counterparties that are externally rated A- or better.

The maximum credit risk on the balance sheet date is mainly reflected by the carrying amounts of the assets reported on the balance sheet (see note 25 for the credit risk on financial instruments in the "fair value option" category). The credit risk on securities in non-current and current assets is equal to the amount that does not represent equity instruments. On the balance sheet date, the securities were broken down as follows:

€ million	Dec. 31, 2008
Equity instruments	46.2
Debt instruments	183.6

Securities that represent debt instruments have the following long-term issuer ratings (Fitch):

€ million	Dec. 31, 2008
AAA	135.1
A+	47.6
N/A	0.9
	183.6

The credit risk on liquid funds applies solely with regard to banks. Current cash investments are maintained with banks. The banks where liquid funds are deposited have the following short-term issuer ratings (S&P):

€ million	Dec. 31, 2008
A–1	1,115.8
A–2	4.3
A–3	1.7
N/A	1.2
P–2 (Moody's)	31.8
	1,154.8

Liquidity risk

Fraport AG generates financial funds mainly through its operating business and external financing. The funds are primarily used to finance capital expenditure for items of property, plant, and equipment.

The operating cash flows, the available liquid funds, as well as short and long-term credit lines and loan commitments give us sufficient flexibility to ensure the liquidity of the Fraport Group. Liquid funds include cash as well as securities and other financial instruments that can be liquidated quickly.

Given the diversity both of the financing sources and the liquid funds and financial assets there is no risk of concentration in liquidity.

The operating liquidity management comprises a cash concentration process, which combines daily the liquid funds of most of the German companies. This allows us to optimally control liquidity surpluses and requirements in line with the needs of individual companies. Short and medium-term liquidity management includes the maturities of financial assets and financial liabilities and estimates of the operating cash flow.

The following list of maturities shows how the liabilities' cash flows as of December 31, 2008 influences the Group's liquidity.

€ million	Total	2009 Interest	2009 Repay-ment	2010 Interest	2010 Repay-ment	2011–2015 Interest	2011–2015 Repay-ment	2016–2020 Interest	2016–2020 Repay-ment	2021 et seq. Interest	2021 et seq. Repay-ment
Original financial instruments											
Financial liabilities	2,841.9	80.5	543.1	67.3	66.0	305.0	759.1	79.1	825.8	69.5	46.5
Finance leases	550.5	0.7	3.1	2.9	34.8	43.1	140.4	81.1	94.7	91.4	58.3
Trade accounts payable	558.1	6.2	389.1	2.6	147.4	0.5	42.3	–	–	–	–
Derivative financial instruments											
Interest swaps	103.9	4.6	–	8.7	–	55.9	–	34.7	–	1.7	–
Diesel fuel swaps	6.9	–	2.2	–	1.9	–	2.8	–	–	–	–
Currency futures											
Incoming payments	9.04	–	9.04	–	–	–	–	–	–	–	–
Outgoing payments	9.04	–	9.04	–	–	–	–	–	–	–	–

As of December 31, 2007 the maturities were as follows:

€ million	Total	2008 Interest	2008 Repay-ment	2009 Interest	2009 Repay-ment	2010–2014 Interest	2010–2014 Repay-ment	2015–2019 Interest	2015–2019 Repay-ment	2020 et seq. Interest	2020 et seq. Repay-ment
Original financial instruments											
Financial liabilities	1,554.8	52.3	357.0	37.5	74.7	177.0	315.2	74.0	394.6	9.0	63.5
Finance leases	578.3	2.7	48.0	0.4	2.4	42.2	135.8	79.5	96.5	106.0	64.8
Trade accounts payable	832.6	18.6	426.3	10.8	215.4	5.2	156.3	–	–	–	–
Derivative financial instruments											
Interest hedging	0.3	0.03	–	0.03	–	0.17	–	0.09	–	–	–
Currency futures											
Incoming payments	2.4	–	1.3	–	1.1	–	–	–	–	–	–
Outgoing payments	2.4	–	1.3	–	1.1	–	–	–	–	–	–

All financial instruments that were subject to agreements as of the reporting date were included to determine the undiscounted payments. If a contractual partner can release a payment at different points of time, the earliest deadline was taken into account. To determine the interest payments for primary variable rate financial liabilities and the net payments of derivative financial instruments, the current rate fixing was implied for the remaining time to maturity. For net payments in connection with derivative financial instruments beginning in the future, the agreed variable interest rate fixed on the balance sheet date was used.

Foreign currency risk

The international focus of the Fraport Group makes its operating business, the financial results reported, and the cash flows subject to foreign currency risks. Only the transaction risks affecting cash flows are actively controlled. These are mainly between US$ and TRY and between US$ and PEN. Transaction risks originate in the operating business, if cash receipts from revenue do not compare with expenditures in matching currencies. To reduce the foreign currency effects in the operating business the transaction risk is regularly assessed and hedged in part by using derivative financial instruments. Entering into financial instrument transactions is the responsibility of the Group companies in close coordination with the Treasury of Fraport AG. Hedging mainly involves the use of forward currency contracts.

The transaction risks are assessed by means of sensitivity analyses. The calculation rates on which the analyses are based are the result of the mean rate in the period under review less or in addition to a standard deviation. If we take these assumptions as a basis, the profit for the period would have been affected in the year under review as follows:

Risk € million	Dec. 31, 2007 Gain	Loss	Dec. 31, 2008 Gain	Loss
EUR/US$	0.19	0.18	0.09	0.07
US$/PEN	0.20	0.20	1.63	1.77
EUR/TRY	0.30	0.30	0.00	0.00
US$/TRY	0.60	0.60	1.22	1.53

In addition there are effects in the Group from the translation of foreign currency assets or liabilities in euros and/or from the consolidation of Group companies not accounted for in euros. These risks are met as best as possible by applying natural hedging.

Interest rate risk

The Fraport Group holds a variety of primary and derivative financial assets and liabilities exposed to interest rate risks. We generally refinance the transactions at matching maturities. The interest rate risk arising in the next twelve months is relevant for control. It is assessed every quarter and reported to the interest rate and currency committee. To determine the risk sensitivity analyses are prepared. These show the effects of changes in market interest rates on interest payments, interest income and expenses, other profit or loss portions, and equity. Interest rate changes are defined to be the maximum fluctuation of the key interest rate in the past for the respective currency and the respective period of time and/or the maximum fluctuation of the 10-year swap rate in the past. The deviation in absolute terms is taken into consideration.

Interest rate risks also arise from future capital requirements.

To limit the interest rate risks, derivative financial instruments such as interest rate swaps and swap options are used.

The sensitivity analyses are based on the following assumptions:

Changes in market rates of primary financial instruments with fixed interest rates affect profit or loss only if the instruments are measured at fair value. As a result, the financial instruments measured at amortized cost with fixed interest rates do not affect profit or loss for the period or the equity of the Fraport Group.

Market rate changes in primary variable-rate financial instruments, which are not designated hedged items in a cash flow hedge of interest rate exposures, affect net interest income and expense and are therefore included in profit or loss-related sensitivities. The respective net financial position for each currency is taken into account in the process. The interest rate sensitivity analyses are based on the following assumptions: €–2.25 percentage points, US$–4.75 percentage points, TRY–4,50 percentage points, CHF, PEN–2.50 percentage points. The individual sensitivities are then aggregated to become one profit-or-loss related sensitivity in euros.

Changes in market rates of financial instruments which were designated as hedging instruments in an interest-rate related cash flow hedge, affect equity and are therefore included in the equity-related sensitivity computations. The maximum variability is taken to be a parallel shift of the yield curve by 169 basis points over a period of twelve months.

Changes in market rates of interest rate derivatives, which are not part of a hedging relationship under IAS 39, affect the other financial result and are therefore included in the profit-or-loss related sensitivities. The maximum variability is taken to be a parallel shift of the yield curve by 169 basis points over a period of twelve months.

Taking the portfolios and the structure of the consolidated balance sheet as of December 31, 2008, and the assumptions made, the profit-or-loss related sensitivity is at €8.4 million (previous year €16.6 million). The financial result would have therefore increased (dropped) hypothetically by €8.4 million. This hypothetical effect on profit or loss would result from the potential effects of interest rate derivatives of €9.5 million (previous year €5.1 million) and an increase (decrease) in the interest result from primary variable-rate net financial positions of €–1.1 million (previous year €11.5 million).

€ million	Dec. 31, 2007	Dec. 31, 2008
Interest sensitivity	16.6	8.4
thereof derivative financial instruments	5.1	9.5
thereof original financial instruments	11.5	–1.1

The equity related sensitivity amounts to €153.3 million (previous year €58.5 million). By applying the assumptions made an increase (decrease) in interest rates would result in an increase (decrease) in equity by €153.3 million.

Other price risks

The Fraport Group also has a variety of structured financial assets and diesel fuel swaps in its portfolio. Risk variables are share prices, commodity prices, and various indices. Changes in these risk variables initially result merely in a change in the market value of the financial instruments and do not affect cash flows. To quantify other price risks, sensitivity analyses are prepared. The calculation rates on which the analyses are based are the result of the mean rate in the period under review less or in addition to a standard deviation of the rates in the period under review.

Taking the portfolio in the consolidated balance sheet as of December 31, 2008, and the assumptions made, the profit-or-loss related sensitivity amounts to €1.3 million. This means, a change in the fair value measurement of the financial instruments would have increased the financial result hypothetically by this amount (previous year €3.6 million).

The equity-related sensitivity is €15.1 million. When applying the assumptions made, a change in the fair value measurement of the financial assets and diesel fuel swaps would have resulted in a corresponding increase or decrease in equity of €15.1 million (previous year €7.1 million).

Capital management

The Group's objectives with a view to capital management are ensuring the Group's continued existence and a sustained increase in the company's value. As a capital market-oriented company with large capital expenditure requirements, the company monitors the development of its debt using financial ratios, which relate EBITDA to its net debt and/or interest expense. As long as we do not fall below these financial ratios, there is sufficient access to debt capital sources at reasonable cost from today's point of view.

The components of the control indicators are defined as follows:

Net debt =

Current financial liabilities
\+ Non-current financial liabilities
– Cash and cash equivalents
– Short-term realizable assets in "other financial investments" and "other receivables and other financial assets"

EBITDA =

Earnings before interests, taxes, depreciation and amortization

Interest expense =

Interest expense

The financial ratios developed as follows in the period under review:

Key figures	Corridor	Dec. 31, 2007	Dec. 31, 2008
Net debt / EBITDA	max. 4–6 x	0.5	1.4
EBITDA / interest expense	min. 3–4 x	7.6	4.1

(51) Related party disclosures

Under IAS 24 (Related Party Disclosures) Fraport must disclose relationships to related parties that have control over the Fraport Group or that Fraport Group controls, unless they are already included in the consolidated financial statements of Fraport AG. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This is assumed if one shareholder owns more than half of the voting rights in Fraport AG or has this option by statute or contractual agreement.

The shareholdings of the State of Hesse and the Stadtwerke Frankfurt am Main Holding GmbH, and the consortium agreement signed between these shareholders mean, that Fraport AG is a company controlled by these shareholders.

The Federal Republic of Germany sold all of its shares in Fraport AG on March 19, 2007. In the previous year, the transactions with the Federal Republic of Germany and its majority-owned investments were reflected in the related-party relationships until the time of sale.

Fraport AG has numerous business relationships with the State of Hesse and the city of Frankfurt, and their majority-owned investments. Related companies and authorities with which major business relations are maintained are Mainova AG and Messe Frankfurt Venue GmbH & Co. KG.

Furthermore, the disclosure requirements according to IAS 24 extend to business transactions with associated companies as well as business transactions with persons exercising significant influence on the financial and business policies of Fraport AG, including close relatives or intermediate companies.

All transactions between the related parties have been concluded at conditions customary in the market as between unrelated third parties. The services rendered to authorities are generally based on cost prices. This is why a pricing review is currently carried out by Federal government authorities.

The following table shows the scope of the business relationships:

€ million	Majority shareholders: Federal Republic of Germany	Majority shareholders: State of Hesse	Majority shareholders: Stadtwerke Frankfurt am Main Holding GmbH	Joint ventures	Associated companies	Companies controlled by majority shareholders
Revenue						
2007	38.2	0.1	0.1	2.1	3.6	8.0
2008	–	1.7	0.1	3.3	3.8	7.5
Purchased goods and services						
2007	–	1.0	3.8	6.7	28.6	74.1
2008	–	2.4	9.8	7.5	28.8	64.5
Interest						
2007	–	0.3	–	0.1	–	–3.6
2008	–	0.2	–	–0.1	–	–
Accounts receivable						
2007	5.6	–	–	–	1.9	1.0
2008	–	0.3	–	0.3	1.1	0.1
Accounts payable						
2007	–	–	–	2.1	0.8	54.6
2008	–	–	–	2.5	0.2	8.8
Financial liabilities						
2007	–	–	–	–	–	80.4
2008	–	–	–	–	–	–

The second-tier managers (senior vice presidents and executive vice presidents) were granted total payments of €1,289 thousand (previous year €1,109 thousand).

In 2008, we signed a consulting contract with one member of the Supervisory Board. The remuneration amounted to €7,000.

With regard to relationships to members of the Executive Board and Supervisory Board, see notes 54, 55, and 56.

(52) 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 Federal Minister of Transport, the Hessian Minister of Labor, Economics, and Transport approved passenger transport operations at Frankfurt Airport in accordance with Section 7 as amended on 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 initially made in 1971 and have been updated since as a supplement to the airport permit were tightened, 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 in communications of April 26, 2001, September 24, 2001, November 25, 2002, August 5, 2005, and April 5, 2006, to the effect that Fraport AG is required to take active and passive noise-abatement measures.

The expansion of Frankfurt Main Airport with the construction of the Northwest Landing Runway as its central measure was adopted in the zoning decision issued on December 18, 2007. Further restrictions on night flights and operations will become valid with the winter flight schedule 2009/10 and the time the capacity-effective operation of the Northwest Landing Runway will start.

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.

- The airport fees that require approval under Section 43a (1) of the German Air Transport Authorization Regulations (LuftVZO) are divided into landing and takeoff charges – including noise components and emission fees (since January 1, 2008) – parking fees, passenger, and security fees. The amount of the fees is specified in a related fee table.

  The fee table applicable in 2008 and approved by the Hessian Ministry of Economics, Transport, and Regional Development (HMWVL) was published in the Air Transport Bulletin (NfL) on December 20, 2007 and came into force as of January 1, 2008. There was also an adjustment of fees during the year as of July 1, 2008, which was published in the Air Transport Bulletin on July 31, 2008. In addition, the introduction of the PRM allocation was added to the fee table effective July 1, 2008. The PRM allocation is not a component of airport fees but a separate allocation according to EU ordinance 1107/2006. Airport fees accounted for 31.3 percent of Fraport AG's revenue in the year under review.

- As regards the other fees not requiring approval a distinction is made 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 practice on April 15, 2000), by issuing a permit to another third-party ground handling company along with Fraport AG. The services in the area of central ground handling infrastructure facilities continue to be excluded from competition (monopoly sector) and are completely segregated from the ground handling services when they are offset with the airlines. A total of 20.7 percent of the revenue generated by Fraport AG in 2008 was accounted for by ground handling service, 12.7 percent was attributable to infrastructure fees.

Above and beyond the traffic fees, Fraport AG generates revenue essentially from revenue-based payments, renting, parking, and security services. The proceeds from these operations – which do not require approval – accounted for 35.3 percent of Fraport AG's revenue 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 operations at Frankfurt-Hahn Airport are based on a fee table dated June 1, 2006. Approval to charge landing, takeoff, passenger, and parking fees (airport fees) was issued by the Rhineland-Palatinate State Road and Transport Authorities / Air Transport Department in accordance with Section 43a (1) of the German Air Transport Authorization Regulations (LuftVZO).

The airport fees accounted for 22.8 percent of the revenue generated in the fiscal year.

Revenue from ground handling services and provision for the infrastructure (16.8 percent) represented another portion of the traffic fees for which no approval is required.

Apart from the traffic fees, other revenue is generated – mainly from rentals and for security services – making up some 60.4 percent of the revenue.

Fraport IC Ictas Antalya Airport Terminal Investment and Management Inc.

In April 2007, the consortium in which Fraport AG holds an interest, won the bidding procedure to operate the terminals at Antalya Airport for 17 years. The consortium and the Turkish airport authority DHMI signed the concession agreement on May 22, 2007. Since September 14, 2007, Fraport AG and IC Yatirim Holding A.S. have been jointly managing the international Terminal 1 as well as the domestic and CIP terminals previously managed by Fraport AG. In September 2009, the Fraport consortium will also take over operation of the second international terminal previously operated by IC Holding and Celebi Holding. The concession to operate all three terminals and use all assets listed in the concession agreement runs until the end of 2024. The new operating company pays a concession fee of €2.01 billion, net over the period of the concession.

The operating company 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 left for use, the company, as the tenant of the terminals, will continue to carry out maintenance work and capacity expansions (when required).

When the term of the concession ends, the operating company is required to return all the assets specified in the concession contract to DHMI in a proper, fully operative condition.

In accordance with the concession agreement, the company deposited a performance bond amounting to €142.3 million at the beginning of the concession period to the benefit of DHMI. This performance bond was issued by a Turkish bank, secured in part by corporate guarantees given by the shareholders. The proportion guaranteed to the bank by Fraport AG in the form of a corporate guarantee is €35.6 million. Due to recourse in the form of a corporate guarantee given by IC Ictas Insaat (consortium partner) in the amount of €11.4 million, the liability coverage of Fraport AG is reduced to €24.2 million.

Fraport Twin Star Airport Management AD

Fraport Twin Star Airport Management AD and the Republic of Bulgaria, represented by its minister of transport, signed a concession agreement on September 10, 2006, on the operation and management of the Bulgarian airports in Varna and Burgas on the Black Sea.

According to the concession agreement, the franchisee is granted the right to use the existing infrastructure and is obligated to render various airport services, and to improve services in line with international standards, national laws, and the provisions stipulated in the concession agreement. In addition the franchisee obliged to invest in the expansion and a capacity increase of the airports in Varna and Burgas.

The concession agreement starts on November 10, 2006 and has a duration of 35 years.

The company undertakes to procure a performance bond to the franchisor, issued by a bank rated BB- or higher, in the annual amount of €15.0 million in the first ten years and in the annual amount of €7.5 million during the remaining term of the agreement.

Aside from regulated passenger, landing, and parking fees, Fraport Twin Star generates revenue from unregulated ground handling services and commercial activities. In return, the company pays an annual concession charge of 19.2 percent of total revenue, at least 19.2 percent of BGN 57 million (€29.1 million) adjusted by increases or decreases in inflation rates since 2003 to the Bulgarian Government.

Fraport Twin Star paid an additional non-recurring concession charge in the amount of €3.0 million to the franchisor after conclusion of the agreement.

Lima Airport Partners S.R.L.

On February 14, 2001, LAP and the Peruvian Government represented by its Minister of Transportation (MTC) signed the Concession Contract for Jorge Chavez International Airport on the operation, expansion, maintenance, and use of the international airport Jorge Chavez in Lima (Peru).

The company was granted the BOT concession over a period of 30 years. The contract may be renewed for another ten years. Further renewals are possible under certain circumstances; the overall concession term must not exceed 60 years, however.

The company undertakes vis-a-vis the franchisor to invest at least US$110 million for the remodeling of the airport and in particular the terminal, and to build a second landing runway. The contractual amount of US$110 million has been invested already.

In addition to the regulated passenger and landing fees the company generates revenue from non-regulated services and commercial activities.

The concession fee is the higher of two amounts: Either the contractually fixed minimum payment (basic payment of US$15 million per year, inflation-fed by US CPI) or 46.511 percent of total revenue after deduction and transfer to Corpac (aviation regulatory authority) of 50 percent of landing fees and 20 percent of the international passenger fees (TUUA). In addition, a regulatory fee of 1 percent of the same assessment basis becomes due.

(53) Statement issued by the Executive Board and the Supervisory Board of Fraport AG in accordance with Section 161 of the AktG

On December 12, 2008, the Executive Board and the Supervisory Board of Fraport AG issued the Statement of Compliance with the Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it available to the public on a permanent basis on the company's web site.

The Corporate Governance Code is complied with except for the following deviation:

The remuneration for members of the Supervisory Board does not include a performance-oriented, variable element.

(54) Notes to the Executive Board and the Supervisory Board

The following remuneration report is part of the Group management report:

Remuneration report

The Supervisory Board is responsible for determining the remuneration system for Executive Board members, including the essential contractual components. It comes to its decision on the basis of the resolution recommended by the Compensation Committee.

The remuneration of Executive Board members consists of the following fixed elements and performance-based elements:

- Fixed annual gross salary and compensation in kind
- A bonus related to growth, earnings, and performance and long-term incentive elements.

In addition, the Executive Board members are entitled to pension benefits.

Fixed elements

During the term of their employment agreement (generally five years) the Executive Board members receive a fixed annual salary during the above-stated period.

In addition, the remuneration for Executive Board members includes compensation in kind and other remuneration. Compensation in kind is the pecuniary benefit subject to wage tax from using a company car with chauffeur. This compensation in kind is generally available to all Executive Board members in the same way, the amount of the compensation depends on the personal situation.

Performance-related elements

Each year the budgeted revenue is achieved, each Executive Board member will be paid a bonus of 50 percent of his or her fixed salary. An additional bonus in the same amount will be paid to each Executive Board member if the budgeted EBITDA is also achieved. If the target is exceeded the bonuses are increased by 10 percent for each 1 percent of the excess. If the company fails to achieve its target the Supervisory Board may decide on a corresponding reduction of the respective bonuses. As regards Dr. Zieschang, the increase of the respective bonuses by 10 percent for each 1 percent of an excess is limited to 25 percent for each of the bonuses, if revenue and/or net profit for the year are exceeded.

50 percent of the bonus agreed for reaching the target is paid out to the Executive Board members in monthly installments. The other bonuses become due within one month after the Supervisory Board has approved the respective annual results.

Part of the bonuses is paid out in the form of shares. As regards Dr. Bender and Mr. Mai, the portion paid out in shares is computed as 10 percent of the respective basic salary and the bonus. The amounts are computed by taking the share's closing price on the day the respective annual financial statements are approved. Payment takes place on the following day.

Dr. Schulte and Dr. Zieschang receive 30 percent of their bonuses due within one month after the Supervisory Board approval of the respective annual result in the form of shares. Half of these shares are subject to a contractually established blocking period of twelve months and the other half to a blocking period of 24 months after payment.

The blocking periods end upon the expiry of the employment contracts, unless these are renewed. The amounts are computed by taking the share's closing price on the day the respective annual financial statements are approved.

Stock options, which act as a long-term incentive, are granted in addition to the bonus within the scope of the stock option plan (see note 48).

Pension commitments

The Executive Board members are entitled to pension benefits and provision for surviving dependants. An Executive Board member is generally entitled to retirement benefits if he or she becomes permanently disabled or retires from office during the duration of, or upon expiry of, his or her employment agreement. If an Executive Board member dies, benefits are paid for his surviving dependants. These amount to 60 percent of the pension for the widow; children receive 12 percent each. If no widow's pension is paid, the children each receive 20 percent of the pension.

Income from active employment and pensions payments from earlier or later employment, if applicable, will be deducted from the pensions due on retirement until completion at the age of 60 if, without such deduction, the total of these emoluments and the pension would exceed 75 percent of the fixed salary (100 percent of the fixed salary if Fraport AG wishes the employment to be terminated or not be extended). Effective January 1 of each year, the pensions may be adjusted as appears fair, taking into account the interests of the former Executive Board member and the company's performance. The adjustment obligation is deemed to be met if the adjustment does not fall below the increase in the cost of-living index of all private households in Germany.

The pension of an Executive Board member is defined by the percentage of a contractually agreed basis of assessment, with the percentage rising annually by 1.5 percent or 2 percent up to a limit of 75 percent, dependent on the duration of time a member is appointed.

For Professor Dr. Bender, the contractually agreed basis of assessment is 90 percent of his fixed salary. As of December 31, 2008, the claim to retirement benefits for Prof. Dr. Bender is 75 percent of the above-stated basis of assessment.

As of December 31, 2008, Dr. Schulte has a claim to pension of 47 percent of his contractually agreed basis of assessment of 95.45 percent of his fixed salary. Mr. Mai is entitled to 49 percent of his contractually agreed basis of assessment as of December 31, 2008, i.e. 80.43 percent of his fixed salary. As of December 31, 2008, Dr. Zieschang is entitled to 31.5 percent of his fixed salary. In case they become incapable of working, the pension as a proportion of their former salary for Dr. Schulte, Dr. Zieschang, and Mr. Mai is at least 55 percent of their respective fixed salaries or the contractually agreed basis of assessment.

The claim to pensions of the former Executive Board members is also determined by a percentage of a contractually agreed fixed basis of assessment.

No other benefits have been promised to Executive Board members, in case they terminate their employment.

The fixed annual remuneration also covers any activity performed by an Executive Board member for companies in which Fraport holds an indirect or a direct interest of more than 25 percent of the shares (other Board functions at Group companies).

If an Executive Board member has such other Board functions at Group companies, the remuneration he or she receives from such investee is credited against the bonus. The emoluments paid to Prof. Dr. Bender and Dr. Zieschang for their activities as a members of the Supervisory Board of Flughafen Hannover-Langenhagen GmbH were credited to their bonus payments in 2008.

Remuneration of the Executive Board 2008

The following remuneration was paid to the members of the Executive Board:

Remuneration of the Executive Board 2008	Fixed payments in € '000	Remuneration in kind and others in € '000	Bonus 2008 in € '000	Change in bonus provision in € '000	Total in € '000
Prof. Dr. Wilhelm Bender, Chairman	350.0	63.9	504.0	–0.3	917.6
Dr. Stefan Schulte, Vice Chairman	330.0	39.4	475.2	–11.0	833.6
Herbert Mai	230.0	37.5	331.2	0.3	599.0
Dr. Matthias Zieschang	275.0	43.9	343.8	–0.2	662.5
Total	**1,185.0**	**184.7**	**1,654.2**	**–11.2**	**3,012.7**

The bonus includes the payments on account for the fiscal year 2008 and the addition to the bonus provision in 2008. Deficits from the dissolution of provisions established for the fiscal year 2007 that were not paid out, are included in changes to provisions. The final bonus amount for 2008 is decided by the Supervisory Board in the fiscal year 2009. The former member of the Executive Board Professor Manfred Schölch received a bonus of €128 thousand in 2008, which was already recognized in the previous year.

The following Executive Board members receive long-term incentive elements:

	MSOP 2005 1st tranche (2005) Number	MSOP 2005 2nd tranche (2006) Number	MSOP 2005 3rd tranche (2007) Number	MSOP 2005 4th tranche (2008) Number	Total portfolio Number	Expense in 2008 € '000
Prof. Dr. Wilhelm Bender, Chairman	20,000	20,000	20,000	20,000	80,000	319.0
Dr. Stefan Schulte, Vice Chairman	15,000	15,000	17,000	17,000	64,000	256.6
Herbert Mai	15,000	15,000	15,000	15,000	60,000	239.3
Dr. Matthias Zieschang	0	0	15,000	15,000	30,000	129.7
Total	**50,000**	**50,000**	**67,000**	**67,000**	**234,000**	**944.6**

The expense has been incurred for stock options charged to income according to IFRS 2. This relates to the 1st, 2nd, 3rd, and 4th tranches of the MSOP 2005 that are still held.

Pension obligations

There are also future pension obligations of €20,318.8 thousand. Of this amount, €11,961.8 thousand consists of pension obligations to former members of the Executive Board and their dependants. Pension payments totaled €1,275.5 thousand in 2008.

The transactions involving shares and options of Fraport AG concluded by members of the Executive Board, their spouses, and immediate relatives in 2008 were published in accordance with Section 15a of the Securities Trade Act (WpHG).

Remuneration of the Supervisory Board 2008

The remuneration of the Supervisory Board was established by the Annual General Meeting and is regulated in Section 12 of the Fraport AG Statutes. Each member of the Supervisory Board receives €15,000 for each full fiscal year. The chairman receives twice that amount while the vice chairman and the committee chairmen each receive one and a half times that amount. For membership in a committee, the members of the Supervisory Board receive additional fixed remuneration in the amount of €3,750 for each full fiscal year. This amount does not increase for membership in more than one committee. Furthermore, €400 is paid per meeting and member; incurred expenses are reimbursed (see note 56).

All active members of the Supervisory Board received an aggregate remuneration of €511.7 thousand (previous year €520.3 thousand) in 2008.

Remuneration of the Economic Advisory Board 2008

Every member of the Economic Advisory Board receives a remuneration of €5,000 for every year of membership, with the chairman receiving twice that amount. Travel expenses are compensated.

In the fiscal year 2008, remuneration of the Economic Advisory Board amounted to €120,000 (previous year €122,500).

(55) Executive Board

Membership in mandatory Supervisory Boards and comparable control bodies:

Chairman
Prof. Dr. Wilhelm Bender

Member of the Supervisory Board:
- Flughafen Hannover-Langenhagen GmbH (until July 9, 2008)
- Lufthansa CityLine GmbH (until September 30, 2008)
- Lufthansa Cargo AG (since October 1, 2008)
- SIGNAL IDUNA Allgemeine Versicherung AG
- Thyssen Krupp Services AG
- MTU Aero Engines Holding AG (since April 30, 2008)
- Live Holding AG (since June 4, 2008)
- FrankfurtRheinMain GmbH International Marketing of the Region

Vice Chairman
Dr. Stefan Schulte
Traffic and Terminal Management, Airport Expansion

Chairman of the Supervisory Board:
- Flughafen Frankfurt-Hahn GmbH

Member of the Supervisory Board:
- DELVAG Luftversicherungs AG
- DELVAG Rückversicherungs AG

Member of the Administrative Board:
- Frankfurter Sparkasse

Labor Relations
Herbert Mai

Chairman of the Supervisory Board:
– Fraport Cargo Services GmbH (FCS)
Member of the Supervisory Board:
– FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH (until June 14, 2007)
– Gateway Gardens Projektentwicklungs GmbH
Member of the Shareholders Committee:
– MIRUS Grundstücks-Verwaltungsgesellschaft KG

Controlling and Finance
Dr. Matthias Zieschang

Chairman of the Supervisory Board:
– ICTS Europe Holdings B.V. (until March 31, 2008)
Vice Chairman of the Supervisory Board:
– Fraport IC Antalya Airport Terminal Management
– Shanghai Frankfurt Airport Consulting Services
Member of the Supervisory Board:
– Flughafen Frankfurt-Hahn GmbH
– Flughafen Hannover-Langenhagen GmbH (since July 9, 2008)
Member of the shareholders' meeting:
– Flughafen Hannover-Langenhagen GmbH (since July 9, 2008)

(56) Supervisory Board

Membership in mandatory Supervisory Boards and comparable control bodies

Chairman
Karlheinz Weimar
Finance Minister of the State of Hesse
Member of Parliament
(Remuneration 2008: €38,150; 2007: €38,150)

Chairman of the Supervisory Board:
– Flughafen GmbH Kassel, Calden
Vice Chairman of the Administrative Board:
– Landesbank Hessen-Thüringen Girozentrale
Member of the Administrative Board:
– InvestitionsBank Hessen AG
Member of the Supervisory Board:
– FIZ Frankfurter Innovationszentrum Biotechnologie GmbH
– Future Capital AG, Hessen Life Sciences Chemie
– HA Hessen Agentur GmbH
– Messe Frankfurt GmbH
Advisory Board member with the duties of a Supervisory Board:
– Höchster Porzellan-Manufaktur GmbH

Vice Chairman
Gerold Schaub
Deputy Regional Director Traffic ver.di Hesse
(Remuneration 2008: €33,050; 2007: €35,450)

Vice Chairman of the Supervisory Board:
– LSG Lufthansa Service Holding GmbH
Member of the Supervisory Board:
– LSG Sky Chefs Deutschland GmbH (since September 3, 2008)

Ismail Aydin
Member of the Works Council (since May 28, 2008)
(Remuneration 2008: €13,737.50)

Dr. Manfred Bischoff
Chairman of the Supervisory Board Daimler AG
(Remuneration 2008: €21,550; 2007: €21,550)

Chairman of the Supervisory Board:
– Daimler AG
– SMS GmbH (since April 24, 2008)
Member of the Board or Supervisory Board:
– Royal KPN N. V.
– Nortel Networks Corporation and Nortel Networks Limited
– Unicredit S. p. a.
– Voith AG
– SMS GmbH (until April 23, 2008)

Jörg-Uwe Hahn
Minister of Justice, Integration, and European Affairs of the State of Hesse
Member of Parliament
(Remuneration 2008: €32,250; 2007: €32,650)

Vice Chairman of the Supervisory Board:
– K.L. Schmidt Consulting & Projektbau AG (since November 29, 2008)
Member of the Supervisory Board:
– Flughafen Frankfurt-Hahn GmbH
– TaunusFilm GmbH
– K.L. Schmidt Consulting & Projektbau AG (since November 28, 2008 / until November 29, 2008)
Member of the Broadcasting Corporation Board:
– Hessischer Rundfunk

Dr. Joachim v. Harbou
(until Mai 28, 2008)
(Remuneration 2008: €12,937.50; 2007: €33,050)

Chairman of the Supervisory Board:
– CM Treuhand AG (since June 25, 2008)
Member of the Supervisory Board:
– Nestlé Deutschland AG
– Daimler Chrysler Bank AG
– Agrarius AG
– Städtische Bühnen Frankfurt am Main GmbH (until December 31, 2007)
Chairman of the Advisory Board:
– A_NET Digital Media GmbH
Member of the Advisory Board:
– IVG Immobilien AG (until December 31, 2007)
– Eintracht Frankfurt Fussball AG (until December 31, 2007)

Jörg Hennerkes
Former Undersecretary (until May 28, 2008)
(Remuneration 2008: €9,012.50; 2007: €20,750)

Chairman of the Supervisory Board:
– DFS Deutsche Flugsicherung GmbH (until April 23, 2008)
Member of the Supervisory Board:
– Deutsche Bahn AG (until January 31, 2008)

Helmut Hofmann
Member of the Works Council (until May 28, 2008)
(Remuneration 2008: €9,812.50; 2007: €24,750)

Erdal Kina
Member of the Works Council (since May 28, 2008)
(Remuneration 2008: €14,137.50)

Lothar Klemm
Former Hessian State Minister
(Remuneration 2008: €27,150; 2007: €26,750)

Chairman of the Supervisory Board:
– MANIA Technologie AG (until June 24, 2008)
– ZIV-Zentrum für integrierte Verkehrssysteme GmbH
– REA Mobile AG
Member of the Supervisory Board:
– IQB Career Services AG

Wolfgang Mayrhuber
Chairman of the Executive Board Deutsche Lufthansa AG
(Remuneration 2008: €17,400; 2007: €16,600)

Member of the Supervisory Board:
– BMW AG
– Münchener Rückversicherungs-Gesellschaft AG
– Eurowings Luftverkehrs AG
– Lufthansa Service Holding AG (until September 30, 2008)
– Lufthansa Technik AG
– Lufthansa Cargo AG (until September 30, 2008)
Member of the Administrative Board:
– Swiss International Air Lines AG
Member of the Supervisory Board:
– HEICO Corporation, Miami, Florida

Zafer Memisoglu
Member of the Works Council (until May 28, 2008)
(Remuneration 2008: €9,012.50; 2007: €24,750)

Member of the Supervisory Board:
– Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG

Klaus-Peter Müller
Chairman of the Supervisory Board Commerzbank AG (since May 28, 2008)
(Remuneration 2008: €10,750)

Chairman of the Supervisory Board:
– Commerzbank AG
Member of the Supervisory Board:
– Fresenius SE
– Linde AG
– Steigenberger Hotels AG
Member of the Administrative Board:
– Assicurazioni Generali S.p.A.
– KfW Kreditanstalt für Wiederaufbau
– Liquiditäts-Konsortialbank GmbH
Member of the Board of Directors:
– Parker Hannifin Corporation

Arno Prangenberg
Auditor, Tax Consultant
(since May 28, 2008)
(Remuneration 2008: €14,537.50)

Matthias von Randow
Executive Board representative for policy and transport rights at Air Berlin (since May 28, 2008)
(Remuneration 2008: €12,937.50)

Member of the Supervisory Board:
– Deutsche Bahn AG (until November 19, 2008)
– DB Mobility AG (until November 19, 2008)

Adelheid Riedel-Ciesla
Trade Union Representative of ver.di (until May 28, 2008)
(Remuneration 2008: €9,412.50; 2007: €22,750)

Member of the Supervisory Board:
– Lufthansa Systems Group GmbH

Gabriele Rieken
Member of the Works Council
(Remuneration 2008: €24,350; 2007: €23,150)

Harald Rose
Trade Union Representative of ver.di (until May 28, 2008)
(Remuneration 2008: €8,612.50; 2007: €23,150)

Vice Chairman of the Supervisory Board:
– FraSec Fraport Security Services GmbH

Petra Rossbrey
Executive Vice President GCS, responsible for finance and administration
(Remuneration 2008: €23,550; 2007: €23,950)

Member of the Advisory Board:
– Energy Air

Dr. h. c. Petra Roth
Lord Mayor of Frankfurt am Main
(Remuneration 2008: €23,150; 2007: €23,550)

Chairman of the Supervisory Board:
– Frankfurter Aufbau AG (Group mandate)
– Mainova AG
– ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH
– Messe Frankfurt GmbH
– Stadtwerke Frankfurt am Main Holding GmbH
– Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH (Group mandate)

Member of voluntary corporate control bodies:
– Alte Oper Frankfurt Konzert– und Kongresszentrum GmbH
– Gas-Union GmbH
– Rhein-Main-Verkehrsverbund GmbH
– Rhein-Main-Verkehrsverbund Service GmbH (since June 17, 2008)
– FIZ Frankfurter Innovationszentrum Biotechnologie GmbH
– Städtische Bühnen Frankfurt am Main GmbH
– The Forsythe Company gGmbH

Member of the Administrative Board:
– Landesbank Hessen-Thüringen Girozentrale

Member of the Support Commission:
– Nassauische Sparkasse

Member of the Advisory Board:
– E.ON Ruhrgas AG
– THÜGA AG

Hans-Jürgen Schmidt
State Vice Chairman
komba gewerkschaft Hessen
Chairman komba gewerkschaft, Kreisverband Flughafen Frankfurt/Main
Member of the Works Council
(since May 28, 2008)
(Remuneration 2008: €14,537.50)

Werner Schmidt
Member of the Works Council
(Remuneration 2008: €23,150; 2007: €23,150)

Vice Chairman of the Executive Board:
– Arbeitsgemeinschaft unabhängiger Flughafenbeschäftigter (AUF e.V.)
– komba gewerkschaft, Kreisverband Frankfurt/Main Airport
Member of the Supervisory Board:
– SMW Abwasser GmbH
Member of the Association Council:
– Riedwerke Kreis Gross-Gerau

Lutz Sikorski
City Councilor of Frankfurt am Main
(since May 28, 2008)
(Remuneration 2008: €14,137.50)

Chairman of the Supervisory Board:
– traffiQ
– RTW Planungsgesellschaft mbH i. Gr.
Member of the Supervisory Board:
– Messe Frankfurt GmbH
– ivm GmbH
– Gateway Gardens Projektentwicklungs GmbH
– Sportpark Stadion Frankfurt Gesellschaft für Projektentwicklungen mbH
– FAAG (Frankfurter Aufbau AG)

Edgar Stejskal
Chairman of the Group Works Council
(Remuneration 2008: €25,150; 2007: €23,950)

Member of the Supervisory Board:
– Airmail Center Frankfurt GmbH

Christian Strenger
Member in Supervisory Boards
(Remuneration 2008: €28,325; 2007: €23,950)

Chairman of the Supervisory Board:
– The Germany Funds (USA)
Member of the Supervisory Board:
– DWS Investment GmbH
– Evonik Industries AG (since December 3, 2007)

Achim Vandreike
Former Mayor Frankfurt am Main
(until May 28, 2008)
(Remuneration 2008: €9,412.50; 2007: €25,950)

Member of the Supervisory Board:
– Eintracht Frankfurt Fussball AG
– Wolfgang Steubig AG (since February 8, 2008)

Peter Wichtel
Chairman of the Works Council
(Remuneration 2008: €31,450; 2007: €32,250)

Member of the Executive Board:
– Unfallkasse Hessen
Member of the Supervisory Board:
– operational services GmbH & Co. KG

Significant subsidiary companies, joint ventures, and associated companies

		Place of incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of employees
Subsidiary companies								
Germany								
Airport Assekuranz Vermittlungs-GmbH	AAV	Frankfurt a. M.	2008	100.00	829	641	2,437	12
			2007	100.00	612	467	2,016	11
Airport Cater Service GmbH	ACS	Frankfurt a. M.	2008	100.00	26	0	18,229	135
			2007	100.00	26	0	18,165	136
AirIT Services AG	AirIT Hahn	Lautzenhausen	2008	100.00	1,010	148	2,630	12
			2007	100.00	862	82	2,291	10
APS Airport Personal Services GmbH	APS	Frankfurt a. M.	2008	100.00	1,351	801	49,127	1,697
			2007	100.00	1,462	912	44,107	1,568
Energy Air GmbH	Energy Air	Frankfurt a. M.	2008	100.00	1,539	923	93,505	0
			2007	100.00	3,229	3,166	82,041	0
Flughafen Frankfurt-Hahn GmbH	Flughafen Frankfurt-Hahn	Lautzenhausen	2008[1]	65.00	74,465	–16,945	45,384	341
			2007[1]	65.00	75,499	–15,762	41,296	335
FraCareServices GmbH	FraCareS	Frankfurt a. M.	2008	51.00	1,066	79	12,029	159
			2007	51.00	26	0	0	0
Fraport Cargo Services GmbH	FCS	Frankfurt a. M.	2008	100.00	15,994	1,441	54,369	232
			2007	100.00	16,553	3,466	57,987	217
Fraport Immobilienservice und -entwicklungs GmbH & Co. KG	Fraport Immo	Flörsheim a. M.	2008[1,2]	100.00	11,631	2,933	1,659	9
			2007[1,2]	100.00	13,828	2,303	1,648	7
Fraport Objekt Mönchhof GmbH	Fraport OGM	Flörsheim a. M.	2008	100.00	19	–1	0	0
			2007	100.00	20	–1	2	0
Fraport Objekte 162 163 GmbH	Fraport OG 162	Flörsheim a. M.	2008	100.00	19	–1	0	0
			2007	100.00	20	–1	2	0
Fraport Real Estate Mönchhof GmbH & Co. KG	Fraport Mönchhof	Flörsheim a. M.	2008[2]	100.00	4,532	1,898	12,880	0
			2007[2]	100.00	3,013	–585	7,337	0
Fraport Real Estate 162 163 GmbH & Co. KG	Fraport 162 163	Flörsheim a. M.	2008[2]	100.00	6,005	1,688	7,357	0
			2007[2]	100.00	8,663	1,838	7,357	0
Fraport Real Estate Verwaltungs GmbH	Fraport RE	Flörsheim a. M.	2008	100.00	14	–1	4	0
			2007	100.00	15	0	3	0
Fraport Sicherheit Projekt GmbH	Fraport Sicherheit	Frankfurt a. M.	2008	100.00	25	0	0	0
			2007	100.00	25	0	0	0
Fraport Security Services GmbH	FraSec	Frankfurt a. M.	2008	100.00	7,391	2,273	111,266	3,617
			2007	100.00	12,878	7,759	95,870	3,176
FSG Flughafen-Service GmbH	FSG	Frankfurt a. M.	2008[3]	33.33	218	143	4,547	0
			2007[3]	33.33	169	94	4,051	0
GCS Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG	GCS	Frankfurt a. M.	2008[2]	40.00	2,555	1,400	26,047	617
			2007[2]	40.00	2,427	1,389	24,474	621
Hahn Campus Management GmbH	Hahn Campus	Lautzenhausen	2008	65.00	27	5	291	4
			2007	65.00	22	–2	392	7
Media Frankfurt GmbH	Media	Frankfurt a. M.	2008	51.00	2,954	2,442	26,871	33
			2007	51.00	2,692	2,181	26,276	30
Verwaltungsgesellschaft für Cleaning Service mbH	VCS	Frankfurt a. M.	2008	100.00	34	1	130	1
			2007	100.00	33	2	307	1

Significant subsidiary companies, joint ventures, and associated companies

		Place of incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of employees
Rest of Europe								
Flughafen Frankfurt Main (Greece) Monoprosopi EPE, Athens	Hellas	Greece	2008	100.00	94	–11	0	0
			2007	100.00	114	–8	0	0
Fraport Ground Services Austria GmbH	FGS Austria	Austria	2008	100.00	1,663	713	14,663	237
			2007	100.00	950	369	14,590	225
Fraport Malta Ltd.	Fraport Malta	Malta	2008	100.00	40,492	1,965	0	0
			2007	100.00	31,767	1,365	0	0
Fraport Malta Business Services Ltd.	Malta Business	Malta	2008	100.00	38,391	0	0	0
			2007	100.00	25,581	0	0	0
Fraport Twin Star Management AD, Varna	Fraport Twin Star	Bulgaria	2008	60.00	19,151	8,256	40,648	1,218
			2007	60.00	10,895	8,649	41,317	1,604
ICTS Europe Holdings B. V., Amstelveen	ICTS	Netherlands	2008[4]	100.00	45,384	306	69,165	2,336
			2007	100.00	45,420	72,624	320,160	10,213
America								
Air-Transport IT Services, Inc., Orlando	Air-Transport IT	USA	2008[5]	100.00	2,123	500	8,250	59
			2007[5]	100.00	1,521	218	9,863	49
Alterra Lima Holdings, Ltd., Cayman Island	Alterra	CYM	2008	100.00	26,128	0	0	0
			2007	100.00	24,701	0	0	0
Decision Support Technologies, Inc., Florida	DST	USA	2008[5,6]	100.00	0	0	0	0
			2007[5,6]	100.00	0	0	0	0
Fraport Peru S. A. C., Lima	Fraport Peru	Peru	2008	99.99	251	175	1,236	5
			2007	99.99	294	283	1,322	5
Lima Airport Partners S. R. L., Lima	LAP	Peru	2008	70.01	59,805	8,980	93,201	468
			2007	100.00	47,567	1,696	88,504	414
Asia								
Antalya Havalimani Uluslararasi Terminal Işletmeciliği Anomin Sirketi, Istanbul	Antalya	Turkey	2008	100.00	49,788	12,898	0	5
			2007	100.00	48,082	2,507	45,764	135
Fraport Asia Ltd.	Fraport Asia	China	2008	100.00	51,772	54	0	0
			2007	100.00	1	0	0	0
Fraport (Philippines) Services Inc., Manila	Fraport Philippines	Philippines	2008[6]	99.99	–2,867	0	0	0
			2007[6]	99.99	–3,113	0	0	0
Fraport Saudi Arabia for Airport Management and Development Services Company Ltd., Riyadh	Fraport Saudi Arabia	Saudi Arabia	2008[7]	100.0	4,077	3,057	7,262	5

Significant subsidiary companies, joint ventures, and associated companies

		Place of incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of employees
Joint ventures								
Germany								
AirIT International GmbH	AirIT International	Frankfurt a. M.	2008[8]	50.00	277	0	0	0
			2007	50.00	227	0	0	0
AirITSystems Hannover GmbH	AirIT Hannover	Hanover	2008	50.00	3,266	1,158	19,394	100
			2007	50.00	3,073	947	15,989	87
Medical Airport Service GmbH	MAS	Kelsterbach	2008	50.00	2,898	1,093	9,926	101
			2007	50.00	2,144	668	7,800	91
Multi Park II Mönchhof GmbH	Multi Park II Mönchhof	Walldorf (Baden)	2008[7]	50.00	20	–4	0	0
N*ICE Aircraft Services & Support GmbH	N*ICE	Frankfurt a. M.	2008	52.00	13,118	1,753	13,994	11
			2007	52.00	12,031	1,551	11,015	12
Terminal for Kids gGmbH	Terminal for Kids	Frankfurt a. M.	2008	50.00	592	292	1,258	12
			2007	50.00	300	261	1,007	12
Asia								
Fraport IC Ictas Havalimani Isletme A. S., Antalya	Antalya Finan-zierungsges.	Turkey	2008[9]	34.00	23,315	0	0	0
			2007[9]	34.00	24,118	2	29	0
Fraport IC Ictas Antalya Havalimani Terminal Yatirim ve Işletmeciliği A.S., Antalya	Antalya Betriebsges.	Turkey	2008[9]	34.00	–120,776	–83,138	79,341	614
			2007[9]	34.00	–12,103	–34,616	19,013	180
Fraport IC Ictas Havalimani Yer Hizmetleri A.S., Antalya	ICF Ground Handling	Turkey	2008[7]	50.00	373	–129	0	1
Pantares Tradeport Asia Ltd., Hong Kong	Pantares Tradeport	China	2008	50.00	2,407	–860	0	0
			2007	50.00	2,037	–490	0	0
Shanghai Frankfurt Airport Consulting Service Co. Ltd., Shanghai	Shanghai	China	2008	50.00	231	5	113	0
			2007	50.00	202	3	121	0
Associated companies								
Germany								
Airmail Center Frankfurt GmbH	ACF	Frankfurt a. M.	2008	40.00	2,429	346	16,495	26
			2007	40.00	2,084	27	16,348	26
ASG Airport Service Gesellschaft mbH	ASG	Frankfurt a. M.	2008	49.00	1,626	1,548	35,281	906
			2007	49.00	1,736	1,650	37,148	832
European Center for Aviation Development – ECAD GmbH	ECAD	Darmstadt	2008	25.00	43	4	818	10
			2007	25.00	48	3	441	13
Flughafen Hannover-Langenhagen GmbH	Flughafen Hannover	Hanover	2008	30.00	149,992	6,884	150,402	1,324
			2007	30.00	149,652	10,597	140,171	1,320
Grundstücksgesellschaft Gateway Gardens GmbH	Gateway Gardens	Frankfurt a. M.	2008	25.00	–4,014	–3,986	810	0
			2007	25.00	–27	–647	9,448	0
ZIV – Zentrum für integrierte Verkehrssysteme GmbH	ZIV	Darmstadt	2008[10]	32.50	106	17	1,501	19
			2007	32.50	88	25	1,971	18
Asia								
Tradeport Hong Kong Ltd., Hong Kong	Tradeport Hong Kong	China	2008	18.75	–15,020	–2,167	3,251	58
			2007	18.75	–11,959	–1,207	5,073	55
Xi'an Xianyang International Airport Co., Ltd.	Xi'an	China	2008[7]	24.50	206,165	–837	20,592	1,709

[1] IFRS results before consolidation
[2] In the equity capital of shares in commercial partnerships capital shares as well as shares in profit and loss of the limited partners are recognized (according to IAS 32 these are debt)
[3] Since November 17, 2008 associated company, until November 17, 2008 joint venture
[4] Consolidated financial statement of ICTS; figures in 2008 until deconsolidation effective April 1, 2008
[5] Consolidated financial statements Air-Transport and DST
[6] Inactive
[7] Established in 2008
[8] Deconsolidated as of July 1, 2008
[9] Share in voting rights 51.0 percent, share in equity 34.0 percent
[10] Unaudited financial statements 2008

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, February 27, 2009

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Prof. Dr. Bender Dr. Schulte Mai Dr. Zieschang

Auditor's report

We have audited the consolidated financial statements prepared by Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement, and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1, 2008, to December 31, 2008. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a Abs. 1 HGB [Handelsgesetzbuch: "German Commercial Code"], and supplementary provisions of the shareholder agreement are the responsibility of parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 [Handelsbesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement) and give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 27, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Wagenseil	Kunz
German Public Auditor	German Public Auditor

Report of the Supervisory Board

In the fiscal year 2008, the Supervisory Board performed all tasks incumbent on it under the law and the Company Statutes and regularly monitored the company's management. It was kept informed by the Executive Board regularly, promptly, and comprehensively in the form of written and oral reports about the intended business policy, fundamental issues relating to the future business management and corporate planning, the situation and development of the company and the Group, as well as important business transactions, and discussed these subjects with the Executive Board. The Executive Board harmonized the strategic orientation of the company with the Supervisory Board. The Chairman of the Executive Board also maintained regular contact with the Chairman of the Supervisory Board and informed him about current developments in the business as well as about major business transactions. The Supervisory Board was directly involved in all decisions that were of vital importance to the company. Where required by law, statutes, or rules of internal procedure, the Supervisory Board, after thorough examination and discussion, decided on the respective proposals of the Executive Board.

The Supervisory Board held four regular and one extraordinary meeting in the period under review, as well as one constituent meeting after the Annual General Meeting on May 28, 2008. All members of the Supervisory Board attended at least half of the meetings.

Focus of attention of the Supervisory Board

The business development of the Fraport Group and its investments, with particular emphasis on traffic and revenue development at Frankfurt Airport, was the subject of regular Supervisory Board discussions. The impact of the looming financial and economic crisis played a greater role in the second half of the year in this context.

Along with this regular reporting, the following subjects were the focus of particularly intensive discussion:

- The subject of ongoing reports was the challenges faced in the Ground Handling services segment and the alternative options discovered. The situation at airport security services was also put increasingly under the spotlight.
- The progress of the urgent legal proceedings following the zoning procedure issued on December 18, 2007, with regard to the planned expansion of the take off and landing runway system and the construction of a third terminal in Frankfurt was once again the Supervisory Board's focus, just as the plans to adjust and expand the existing terminals.
- In this connection the Supervisory Board agreed to promissory note loans and loans in the middle of the year, on top of the borrowing laid out in the 2008 budget.
- As part of the extraordinary meeting on October 30, 2008, the Supervisory Board carried out an evaluation of the possible impacts of the then recently passed agreement of coalition between the SPD and the Green Party on the expansion of Frankfurt Airport.
- The Supervisory Board concluded a license agreement with the State of Hesse, represented by the state forestry office Hessen-Forst, concerning the obligation arising from the zoning decision to take appropriate offsetting measures. The representatives of the State of Hesse who sit on the Supervisory Board took the utmost precaution of not participating in either consultations or voting on this point on the agenda in order to avoid even the hint of a suggestion that there may have been a conflict of interests when the matter was dealt with by the Supervisory Board.
- As part of the Group's continuing internationalization strategy, the Supervisory Board approved the completion of management service contracts for two airports in Saudi Arabia as well as entry into the Turkish ground handling market. During the remainder of the year, the Board also agreed to further share acquisitions in Antalya and the investment in a BOT project at Bodrum Airport.
- In connection with the investment in Manila, the Supervisory Board supported the procedural and non-procedural efforts to gain appropriate damages from the Philippine Government for the investment made in the construction of Terminal 3 at Manila Airport.

Work of the committees

The Supervisory Board continued its successful work in the committees formed to increase the efficiency of its activities and to prepare the Supervisory Board meetings. In isolated instances, the Supervisory Board's decision-making authority was transferred to the committees. The committee chairmen kept the Supervisory Board's full session regularly informed on the committees' work at the following Supervisory Board meeting.

The focus of the meetings held by the external investment and capital expenditure committee in the fiscal year 2008 was once again the economic development of our investment business and capital expenditure. During the five meetings, the committee particularly focused on the expansion in Turkey as well as on the other investment worldwide. The committee also discussed capital expenditure at the Frankfurt site and commented on the investment plan included in the scope of the business plan for 2009.

The finance and audit committee convened seven times in the period under review, discussing major business transactions, the annual financial statements and consolidated financial statements, the proposal on the appropriation of profits and the dividend amount to be paid, and risk management. The committee prepared the change of auditor for the fiscal year 2008, and in doing so, also reviewed the auditor's necessary independence, as stipulated in the German Corporate Governance Code. It discussed the key aspects to be audited and also commented on the 2009 business plan of Fraport AG (preparation in compliance with HGB) and the 2009 Group plan (preparation in compliance with IFRSs). Further points of focus in the committee meetings were the topics risk and asset management.

To prepare resolutions in relation to personnel matters, the human resources committee, during its four meetings, discussed the personnel situation in the Group, the situation in the strategic business unit Ground Handling, the realignment of the security business, the appliance of the law on partial retirement, and the development of human resoureces and senior executives in the Group.

The executive committee held four meetings in the period under review. During the fiscal year 2008, the committee primarily dealt with Executive Board matters and determined performance-related remuneration amounts.

To prepare the election of new shareholder representatives, the Supervisory Board established a nomination committee, filled only with shareholder representatives, that met once to establish a proposal of the appropriate candidates to the Supervisory Board members who then presented the nominations to the Annual General Meeting for election.

In the fiscal year 2008, it was not necessary to summon the mediation committee to be formed in compliance with the rules of the German Co-Determination Act.

Corporate governance and statement of compliance

On June 6, 2008, the German Government Commission published an amendment to the German Corporate Governance Code. Following this, the Supervisory Board decided that it would adopt the recommendations and suggestions made and that the Fraport Code would be adjusted accordingly.

The statement of compliance with the German Corporate Governance Code required under Section 161 of the German Stock Corporation Act (AktG) for 2008 was submitted by the Executive Board and the Supervisory Board on December 12, 2008.

All recommendations of the German Corporate Governance Code as amended on June 6, 2008, have been and will be complied with, with one exception: The remuneration for members of the Supervisory Board does not include a performance-oriented, variable element.

As part of the efficiency review of its activities in its December meeting, the Supervisory Board opted to extend the review process in company with an external consultancy.

For further details on corporate governance at Fraport and the wording of the current statement of compliance please see pp. 130 to 134. The Fraport Code, the current and previous years' statements of compliance are also available on the Internet at www.fraport.de.

Annual and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Fraport AG and the consolidated financial statements as of December 31, 2008, as well as the management report, of Fraport AG and the Group management report and expressed an unresented opinion on them. The Supervisory Board had assigned the audit engagement on July 17, 2008 in compliance with the resolution passed at the Annual General Meeting held on May 28, 2008.

The individual financial statements and the management report were prepared and audited according to HGB rules for large incorporated companies, while the consolidated financial statements were prepared and audited according to the International Financial Reporting Standards (IFRS), as adopted by the EU. The consolidated financial statements and the Group management report meet the requirements for exempting the company from preparing financial statements under German law. The auditor confirmed that a risk early recognition system in compliance with legal provisions is in operation, allowing the early recognition of developments that could jeopardize the company as a going concern.

The documents mentioned and the Executive Board's proposal for the appropriation of the retained earnings was submitted without delay by the Executive Board to the Supervisory Board. The Supervisory Board's finance and audit committee worked intensively with these documents and the Supervisory Board itself reviewed them as well. The audit reports of KPMG AG Wirtschaftsprüfungsgesellschaft were available to all members of the Supervisory Board and were discussed thoroughly at the balance sheet meeting held by the Supervisory Board in the presence of the auditor, who reported on the major findings of his audit. The Supervisory Board approved the audit results. No objections are to be raised after the final review made by the finance and the audit committee and the Supervisory Board's own assessment. The Supervisory Board approved the annual financial statements, which are hereby adopted.

The Supervisory Board approved the proposal of the Executive Board to pay a dividend of €1.15 for each no-par value share entitled to dividend out of the retained earnings.

In the management report and in the notes of the company and the Group, the Executive Board made disclosures in compliance with Section 289 (4) and Section 315 (4) of the German Commercial Code, especially with regard to the rules for appointing and dismissing members of the Executive Board and the amendments to the provisions in the Company Statutes required in this process as well as on the authority of the Executive Board in particular with regard to the issue and repurchase of shares. The existing authorized capital should enable the company to issue new shares to the employees of the company and its affiliated companies in return for cash; there is no other way to issue shares with the subscription rights being excluded. The authorization to buy and use own shares enables the company to service subscription rights within the scope of the Fraport Management Stock Option Plan; here again, there is no other way to exclude the subscription right. As the authorization to buy treasury shares, the contingently issuable shares are used only for servicing the subscription rights within the scope of the Fraport Management Stock Option Plan. The facts set out in the management report and the notes relate to rules that are customarily applied by similar listed companies and are not intended to hamper any takeover attempts.

The report on the relationship with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG) prepared by the Executive Board was available to the Supervisory Board. The conclusion of the report contains the following statement of the Executive Board, which is also included in the management report:

"The Executive Board declares that under the circumstances known to us at the time, Fraport AG 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 State of Hesse and the municipal authority Frankfurt am Main, and companies affiliated with them in the year under review."

The auditor audited the report on the relationship with affiliated companies and issued the following opinion:

"After conducting our audit and according to our assessment, we confirm that 1st the actual facts presented in the report are accurate, and 2nd that the company did not pay unduly high compensation for transactions outlined in this report."

The auditor took part in the discussions of the Supervisory Board concerning the report on the relationship with affiliated companies and reported on the major findings of his audit. After its own examination, the Supervisory Board agrees with the opinion of the auditor and does not raise any objections against the statement of the Executive Board made at the end of the report on the relationship with affiliated companies and its inclusion in the management report.

Personal particulars

At the Annual General Meeting on May 28, 2008, the regular term of all Supervisory Board members came to an end.

Previous to the Annual General Meeting, the following employee representatives were elected to the Supervisory Board for the first time or again, as stipulated by the German Co-Determination Act:

Mr. Ismail Aydin, Mr. Erdal Kina, Mr. Arno Prangenberg, Ms. Gabriele Rieken, Ms. Petra Rossbrey, Mr. Gerold Schaub, Mr. Hans-Jürgen Schmidt, Mr. Werner Schmidt, Mr. Edgar Stejskal, and Mr. Peter Wichtel.

As part of the Annual General Meeting, the following shareholder representatives were elected to the Supervisory Board for the first time or again:

Dr. Manfred Bischoff, Minister of State Mr. Jörg-Uwe Hahn, Mr. Lothar Klemm, Mr. Wolfgang Mayrhuber, Mr. Klaus-Peter Müller, Mr. Matthias von Randow, Mayor Ms. Dr. h.c. Petra Roth, Councilor Mr. Lutz Sikorski, Mr. Christian Strenger, and Minister of State Mr. Karlheinz Weimar.

In its constituent meeting on May 28, 2008, the Supervisory Board once again elected Minister of State Mr. Weimar as Chairman and Mr. Gerold Schaub as Vice Chairman.

With a view to the successful fiscal year 2008, in spite of the increasingly difficult economic situation, the Supervisory Board would like to thank the Executive Board and the employees for their great commitment to the company.

Frankfurt am Main, March 20, 2009

Karlheinz Weimar
(Chairman of the Supervisory Board)

Corporate governance report

The Executive Board reports on corporate governance at Fraport AG, and also does this on behalf of the Supervisory Board, according to 3.10 of the German Corporate Governance Code (DCGC) as follows:

The term "corporate governance" stands for responsible company management and control, the aim of which is the sustained creation of value. In this context, efficient cooperation between the Executive Board and the Supervisory Board is just as important as the respect for shareholders' interests and open and transparent corporate communication.

Corporate governance has high priority for Fraport. We therefore accompany the ongoing national and international action in this field taking further measures in 2008 to supplement our own Fraport code of conduct in accordance with the German Corporate Governance Code.

Statement of compliance

In their meeting held on December 12, 2008 the Executive Board and the Supervisory Board of Fraport AG have declared pursuant to Section 161 of the German Stock Corporation Act (AktG) that the **recommendations** of the Government Commission of the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance-Kodex) as amended on June 6, 2008 have been and will be complied with, except for the following recommendation:

"Remuneration for members of the Supervisory Board does not include a performance-oriented, variable element (No. 5.4.6 (2) DCGC)."

In accordance with Section 12 of our Company Statutes the members of the Supervisory Board continue to receive a fixed remuneration and a meeting attendance fee only. They are also remunerated for committee activities. The Supervisory Board considers this appropriate until further notice.

This statement of compliance was then made permanently available to shareholders on the company's website.

Suggestions of the German Corporate Governance Code

Of the **suggestions** made by the German Corporate Governance Code Fraport did not put the following into practice:

- Letting the Annual General Meeting be followed using modern communication media (No. 2.3.4 DCGC).

Primarily for security reasons, Fraport published only the welcoming speeches of the Chairman of the Supervisory Board and the Chairman of the Executive Board from the beginning of the Annual General Meeting 2008 on the Internet.

- Availability of a proxy exercising shareholders' voting rights during the Annual General Meeting (No. 2.3.3 sentence 2 DCGC).

The shareholders were able to appoint a proxy until the eve of the Annual General Meeting 2008. Since the transmission of the meeting on the Internet ended following the speeches of the Chairmen to the Supervisory and Executive Boards, it was no longer necessary for the proxies to be available for the shareholders who did not take part in the Annual General Meeting.

- First-time appointment of Executive Board members (No. 5.1.2 (2) DCGC).

All Executive Board members were appointed for five years when they were appointed for the first time. By doing this the company shows its willingness to long-term cooperation. A first-time appointment for five years is also still very common for people experienced in their jobs and is the period many potential Executive Board members expect.

- Electing or re-electing Supervisory Board members at different times and for different terms of office (No 5.4.6(2) DCGK in the revised version of the German Corporate Governance Code of June 14, 2007).

At the Annual General Meeting on May 28, 2008, all members of the Supervisory Board were elected by shareholders for an identical term of office as we view this as appropriate for the work organization of the Supervisory Board. On June 6, 2008, the Government Commission on the German Corporate Governance Code abolished this proposal without replacement.

- Performance-related remuneration of members of the Supervisory Board containing components based on the long-term performance of the company (No. 5.4.6 (2) sentence 2 DCGC).

As already stated, Section 12 of the Statutes stipulates a fixed salary and an attendance fee only.

Remuneration report

Remuneration of the Executive Board

The Supervisory Board is responsible for determining the remuneration system for Executive Board members, including the essential contractual components. It comes to its decision on the basis of the resolution recommended by the Compensation Committee.

The remuneration of Executive Board members consists of the following fixed elements and performance-based elements:

- Fixed annual gross salary and compensation in kind
- A bonus related to growth, earnings, and performance and long-term incentive elements.

In addition, the Executive Board members are entitled to pension benefits.

Fixed elements

During the term of their employment agreement (generally five years) the Executive Board members receive a fixed annual salary during the above-stated period.

In addition, the remuneration for Executive Board members includes compensation in kind and other remuneration. Compensation in kind is the pecuniary benefit subject to wage tax from using a company car with chauffeur. This compensation in kind is generally available to all Executive Board members in the same way, the amount of the compensation depends on the personal situation.

Performance-related elements

Each year the budgeted revenue is achieved, each Executive Board member will be paid a bonus of 50 percent of his or her fixed salary. An additional bonus in the same amount will be paid to each Executive Board member if the budgeted EBITDA is also achieved. If the target is exceeded the bonuses are increased by 10 percent for each 1 percent of the excess. If the company fails to achieve its target the Supervisory Board may decide on a corresponding reduction of the respective bonuses. As regards Dr. Zieschang, the increase of the respective bonuses by 10 percent for each 1 percent of an excess is limited to 25 percent for each of the bonuses, if revenue and/or net profit for the year are exceeded.

50 percent of the bonus agreed for reaching the target is paid to the Executive Board members in monthly installments. The other bonuses become due within one month after the Supervisory Board has approved the respective annual results.

Part of the bonuses is paid out in the form of shares. As regards Prof. Dr. Bender and Mr. Mai, the portion paid out in shares is computed as 10 percent of the respective basic salary and the bonus. The amounts are computed by taking the share's closing price on the day the respective annual financial statements are approved by the Supervisory Board. The payments are made on the day following the approval.

Dr. Schulte and Dr. Zieschang receive 30 percent of their bonuses due within one month after the Supervisory Board's approval of the respective annual results in the form of shares. Half of these shares are subject to a vesting period contractually stipulated to be twelve months, while the other half is subject to a vesting period of 24 months after payment.

The vesting periods end upon the expiry of the employment contracts, unless these are renewed. The amounts are computed by taking the share's closing price on the day the respective annual financial statements are approved.

Stock options, which act as a long-term incentive, are granted in addition to the bonus within the scope of the stock option plan.

Pension commitments

The Executive Board members are entitled to pension benefits and provision for surviving dependants. An Executive Board member is generally entitled to retirement benefits if he or she becomes permanently disabled or retires from office during the duration of, or upon expiry of, his or her employment agreement. If an Executive Board member dies, benefits are paid for his or her surviving dependants. These amount to 60 percent of the pension for the widower or widow; children receive 12 percent each. If no widow's pension is paid, the children each receive 20 percent of the pension.

Income from active employment and pension payments from earlier or later employments until completion of the age of 60, where applicable, will be deducted from the pensions due on retirement, if, without such deduction, the total of these emoluments and the pension would exceed 75 percent of the fixed salary (100 percent of the fixed salary if Fraport AG wishes the employment to be terminated or not be extended). Effective January 1 of each year, the pensions may be adjusted as appears fair, taking into account the interests of the former Executive Board member and the company's performance. The adjustment obligation is deemed to be met if the adjustment does not fall below the increase in the cost of living index of all private households in Germany.

The pension of an Executive Board member is defined by the percentage of a contractually agreed basis of assessment, with the percentage rising annually by 1.5 percent or 2 percent up to a limit of 75 percent, dependent on the duration of time a member is appointed.

The amount of the contractually agreed basis of assessment is 90 percent of the fixed salary in the case of Prof. Dr. Bender. As of December 31, 2008, the claim to retirement benefits for Prof. Dr. Bender is 75 percent of the above-stated basis of assessment.

As of December 31, 2008, Dr. Schulte has a claim to pension of 47 percent of his contractually agreed basis of assessment of 95.45 percent of his fixed salary. Mr. Mai is entitled to 49 percent of his contractually agreed basis of assessment as of December 31, 2008, i.e., 80.43 percent of his fixed salary. As of December 31, 2008, Dr. Zieschang is entitled to 31.5 percent of his fixed salary. In case they become incapable of working, the pension as a proportion of their former salary for Dr. Schulte, Dr. Zieschang, and Mr. Mai is at least 55 percent of their respective fixed salaries or the contractually agreed basis of assessment.

The claim to pensions of the former Executive Board members is also determined by a percentage of a contractually agreed fixed basis of assessment.

No other benefits have been promised to Executive Board members, in case they terminate their employment.

The fixed annual remuneration also covers any activity performed by an Executive Board member for companies in which Fraport holds an indirect or a direct interest of more than 25 percent of the shares (other Board functions at Group companies).

If an Executive Board member has such other Board functions at Group companies, the remuneration he or she receives from such investee is credited against the bonus. The emoluments paid to Prof. Dr. Bender and Dr. Zieschang for their activities as members of the Supervisory Board of Flughafen Hannover Langenhagen GmbH were credited to their bonus payments in 2008.

Remuneration of the Executive Board 2008

The following remuneration was paid to the members of the Executive Board:

Fixed salaries, bonuses, compensation in kind, and other benefits

Remuneration of the Executive Board 2008	Fixed payments in € '000	Remuneration in kind and others in € '000	Bonus 2008 in € '000	Change in bonus provision in € '000	Total in € '000
Prof. Dr. Wilhelm Bender, Chairman	350.0	63.9	504.0	–0.3	917.6
Dr. Stefan Schulte, Vice Chairman	330.0	39.4	475.2	–11.0	833.6
Herbert Mai	230.0	37.5	331.2	0.3	599.0
Dr. Matthias Zieschang	275.0	43.9	343.8	–0.2	662.5
Total	**1,185.0**	**184.7**	**1,654.2**	**–11.2**	**3,012.7**

The bonus includes the payments on account for fiscal year 2008 and the addition to the bonus provision in 2008. Balances from the release of provisions recorded for the fiscal year 2007, which were not distributed, are recorded in the changes to provisions item. The Supervisory Board will decide in fiscal year 2009 on the final amount of the bonus to be paid for 2008. The former Executive Board member Manfred Schölch received a bonus in the fiscal year 2008 totaling €128 thousand, which was already recognized in the previous year.

The following Executive Board members receive long-term incentive elements:

	MSOP 2005 1st tranche (2005) Number	MSOP 2005 2nd tranche (2006) Number	MSOP 2005 3rd tranche (2007) Number	MSOP 2005 4th tranche (2008) Number	Total portfolio Number	Expense in 2008 € '000
Prof. Dr. Wilhelm Bender, Chairman	20,000	20,000	20,000	20,000	80,000	319.0
Dr. Stefan Schulte, Vice Chairman	15,000	15,000	17,000	17,000	64,000	256.6
Herbert Mai	15,000	15,000	15,000	15,000	60,000	239.3
Dr. Matthias Zieschang	0	0	15,000	15,000	30,000	129.7
Total	**50,000**	**50,000**	**67,000**	**67,000**	**234,000**	**944.6**

The expense has been incurred for stock options charged to income according to IFRS 2. This relates to the 1st, 2nd, 3rd, and 4th tranches of the MSOP 2005 that are still held.

Stock option programs were not recorded in personnel expenses in 2008, in line with current common practice in individual financial statements. Therefore only the number of granted stock options that are still recorded on the balance sheet date is reported. It is anticipated that in the future individual financial statements for stock options will also be recorded as personnel expenses. In the consolidated financial statements according to IFRS, this is already the case. This resulted in expenses from the accrual of the option value: Prof. Dr. Wilhelm Bender €319.0 thousand, Dr. Stefan Schulte €256.6 thousand, Herbert Mai €239.3 thousand, and Dr. Matthias Zieschang €129.7 thousand.

Pension obligations

There are also future pension obligations of €20,318.8 thousand, €11,961.8 thousand of which have been recognized to cover pension obligations to former members of the Executive Board and their dependants. Pension payments totaled €1,275.5 thousand in 2008.

The following additions to pension provisions were made with regard to Executive Board members in fiscal year 2008: Prof. Dr. Wilhelm Bender €168.1 thousand, Dr. Matthias Zieschang €98.0 thousand, Herbert Mai €97.0 thousand, as well as €83.9 thousand for Dr. Stefan Schulte.

Transactions with Fraport AG stocks and options by members of the Executive Board and their spouses as well as first-degree relatives in the fiscal year 2008 were published according to Section 15a of the German Securities Trading Act (WpHG).

Remuneration of the Supervisory Board 2008

The remuneration of the Supervisory Board was determined by the Annual General Meeting and is laid down in Section 12 of the Statutes of Fraport AG. Every member of the Supervisory Board receives €15,000 remuneration for a full-year period. The chairperson receives twice that amount, the deputy chairperson and the chairpersons of committees receive one and a half times that amount. For their membership in a committee Supervisory Board members receive an additional, fixed remuneration of €3,750 for each full-year. This amount does not increase by being a member in a number of committees. In addition to that, every member receives €400 for each meeting and the expenses they incur are refunded.

All active members of the Supervisory Board received an aggregate remuneration of €511.7 thousand in 2008.

Total remuneration of the Supervisory Board was as follows in 2008:

Supervisory Board member	Remuneration in 2008 in €
State Minister Karlheinz Weimar	38,150.00
Gerold Schaub	33,050.00
Ismail Aydin[2]	13,737.50
Dr. Manfred Bischoff	21,550.00
State Minister Jörg-Uwe Hahn	32,250.00
Dr. Joachim v. Harbou[1]	12,937.50
Jörg Hennerkes[1]	9,012.50
Helmut Hofmann[1]	9,812.50
Erdal Kina[2]	14,137.50
Lothar Klemm	27,150.00
Wolfgang Mayrhuber	17,400.00
Zafer Memisoglu[1]	9,012.50
Klaus-Peter Müller[2]	10,750.00
Arno Prangenberg[2]	14,537.50
Matthias von Randow[2]	12,937.50
Adelheid Riedel-Ciesla[1]	9,412.50
Gabriele Rieken	24,350.00
Harald Rose[1]	8,612.50
Petra Rossbrey	23,550.00
Lord Mayor Dr. h.c. Petra Roth	23,150.00
Hans-Jürgen Schmidt[2]	14,537.50
Werner Schmidt	23,150.00
Lutz Sikorski[2]	14,137.50
Edgar Stejskal	25,150.00
Christian Strenger	28,325.00
Achim Vandreike[1]	9,412.50
Peter Wichtel	31,450.00

[1] Supervisory Board member up until May 28, 2008
[2] Supervisory Board member since May 28, 2008

Share ownership of corporate bodies

Pursuant to Section 15a of the Securities Trading Act we publish without undue delay any notifications on transactions carried out by senior executives and persons closely related to them with Fraport shares and options.

The Executive Board members received shares as a remuneration component in 2008 in the following amounts: Dr. Bender €82,372.50, Mr. Mai €54,130.50, Dr. Schulte €81,023.63, Dr. Zieschang €46,406.25, and former Executive Board member Prof. Schölch €35,302.50. Contractual regulations were adhered to.

In 2008, the sale of shares by exercising options from a stock option plan by Senior Vice President Peter Schmitz generated a transaction volume of €268,140 (6,000 shares at a share price of €44.69), and by the Executive Vice President Volker Zintel amounting to €81,162 (1,800 shares at a share price of €45.09).

The shares held by all Executive Board and Supervisory Board members account for less than 1 percent of all shares issued by Fraport.

Remuneration of the Economic Advisory Board 2008

Every member of the Economic Advisory Board receives a remuneration of €5,000 for every year of membership, with the chairperson receiving twice that amount. Travel expenses are compensated.

In the fiscal year 2008, remuneration of the Economic Advisory Board amounted to €120,000.

Economic Advisory Board

The purpose of the Economic Advisory Board is to provide the Executive Board of Fraport AG with advice and support relating to important issues concerning not only the development of the economy and the aviation industry but also business policy. The members are appointed by the Executive Board for three-year periods. The Executive Board attends the meetings of the Economic Advisory Board and the Chairman of the Supervisory Board is invited to take part in the sessions as a permanent guest.

Hilmar Kopper
Chairman

Dr. Clemens Börsig
Chairman of the Supervisory Board
Deutsche Bank AG

Dr. Werner Brandt
Member of the Executive Board
SAP AG

Hans-Dieter Brenner
Chairman of the Executive Board
Landesbank Hessen-Thüringen

Dr. Reiner Maria Gohlke
Member of the Shareholders' Committee
Bitburger Getränke-Verwaltungs GmbH

Klaus Herms
Chief Executive Officer
Kühne + Nagel International AG

Dieter Kaden
Managing Director
DFS Deutsche Flugsicherung GmbH

Hemjö Klein
Live Holding AG

Stefan Lauer
Member of the Executive Board
Deutsche Lufthansa AG

Dr. Bernd Malmström
Consultant
Deutsche Bahn AG

Friedrich von Metzler
Bankhaus B. Metzler seel. Sohn & Co. KGaA

Ralf Nagel
Minister for Economic Affairs and Ports
Minister for Justice and Constitution
Parliament of the Federal State of Bremen

Dr. Lutz Raettig
Chairman of the Supervisory Board
Morgan Stanley Bank AG

Dr. Karl-Friedrich Rausch
Member of the Executive Board
Deutsche Bahn AG

Hans W. Reich

Prof. Dr. h. c. mult. Nikolaus Schweickart
Chairman
ALTANA Kulturstiftung gGmbH

Holger Steltzner
Publisher
Frankfurter Allgemeine Zeitung

Dr. Bernd Thiemann
Partner
Drueker & Co. GmbH

Hans-Joachim Tonnellier
President
IHK Frankfurt am Main

Hermann Ude
Member of the Executive Board
Deutsche Post AG

Ernst Welteke
Former President of Deutsche Bundesbank,
former Chairman of the Supervisory Board of
Flughafen Frankfurt/Main AG

Permanent Guest:
Karlheinz Weimar
Finance Minister, State of Hesse
Chairman of the Supervisory Board of Fraport AG

Seven-year overview

€ million		2002	2003	2004	2005	2006	2007	2008
Revenue		**1,803.6**	**1,834.3**	**1,998.1**	**2,089.8**	**2,143.9**	**2,329.0**	**2,101.6**
Change in work-in-process		–0.8	–0.1	0.0	0.1	0.0	0.5	0.4
Other internal work capitalized		19.2	18.0	21.8	20.6	23.1	24.6	33.8
Other operating income		29.8	35.5	23.8	31.2	83.3	71.7	66.1
Total revenue		**1,851.8**	**1,887.7**	**2,043.7**	**2,141.7**	**2,250.3**	**2,425.8**	**2,201.9**
Cost of materials		–275.3	–284.4	–316.2	–333.6	–353.3	–461.4	–471.1
Personnel expenses		–860.1	–933.9	–974.5	–1,032.5	–1,076.9	–1,143.3	–925.6
Other operating expenses		–219.4	–213.2	–243.4	–233.1	–241.7	–240.6	–204.5
Impairment write-downs relating to the Manila project		–241.7	–	–	–	–	–	–
EBITDA		**255.3**	**456.2**	**509.6**	**542.5**	**578.4**	**580.5**	**600.7**
Depreciation and amortization		–214.1	–258.1	–235.1	–235.9	–248.0	–245.1	–240.0
EBIT / Operating profit		**41.2**	**198.1**	**274.5**	**306.6**	**330.4**	**335.4**	**360.7**
Interest result		–34.0	–31.4	–23.1	–23.1	–25.9	–46.5	–96.6
Share of profit or loss of investments accounted for using the equity method		–17.0	0.6	1.8	8.2	5.6	2.5	–15.1
Income from investments		4.3	30.9	13.7	6.3	6.8	5.3	0.1
Impairment write-downs relating to the Manila project		–47.8	–	–	–	–	–	–
Other financial results		12.4	10.5	–8.4	–12.6	23.3	0.9	24.2
Financial result		**–82.1**	**10.6**	**–16.0**	**–21.2**	**9.8**	**–37.8**	**–87.4**
EBT / Results from ordinary operations		**–40.9**	**208.7**	**258.5**	**285.4**	**340.2**	**297.6**	**273.3**
Taxes on income		–79.4	–93.3	–120.9	–123.9	–111.3	–83.9	–93.1
Group profit		**–120.3**	**115.4**	**137.6**	**161.5**	**228.9**	**213.7**	**180.2**
Profit attributable to minority interests		0.5	0.2	1.2	0.3	–0.4	5.0	7.2
Profit attributable to equity holders of Fraport AG		**–120.8**	**115.2**	**136.4**	**161.2**	**229.3**	**208.7**	**173.0**
Earnings per €10 share in € (basic)		**–1.34**	**1.28**	**1.51**	**1.78**	**2.51**	**2.28**	**1.89**
Earnings per €10 share in € (diluted)		**–1.33**	**1.26**	**1.48**	**1.75**	**2.48**	**2.26**	**1.87**

Key ratios								
EBITDA margin	%	14.2	24.9	25.5	26.0	27.0	24.9	28.6
EBIT margin	%	2.3	10.8	13.7	14.7	15.4	14.4	17.2
Return on revenue	%	–2.3	11.4	12.9	13.7	15.9	12.8	13.0
ROCE	%	1.9	9.4	14.1	14.9	15.3	12.7	11.3
Fraport assets	€ million	2,800.4	2,841.5	2,842.8	2,848.3	2,802.9	3,073.8	3,411.9
ROFRA	%	1.5	7.0	9.7	10.8	11.8	10.9	10.6
Average number of employees		21,395	23,353	24,182	25,781	28,246	30,437	23,079

Key figures		**Balance at Dec. 31, 2002**	**Balance at Dec. 31, 2003**	**Balance at Dec. 31, 2004**	**Balance at Dec. 31, 2005**	**Balance at Dec. 31, 2006**	**Balance at Dec. 31, 2007**	**Balance at Dec. 31, 2008**
Net financial debt	€ million	324.6	227.2	–16.0	–2.1	–64.7	281.2	857.2
Capital employed	€ million	2,128.0	2,107.6	1,946.8	2,058.3	2,154.1	2,636.2	3,201.4
Gearing	%	18.0	12.1	–0.8	–0.1	–2.9	11.9	36.6
Debt ratio	%	9.0	6.2	–0.4	–0.1	–1.5	4.9	13.2
Dynamic debt ratio	%	82.1	50.8	–1.1	38.1	43.6	114.3	232.1
Working capital	€ million	631.7	697.7	699.2	574.4	568.2	217.1	917.7

€ million	Balance at* Dec. 31, 2002	Balance at* Dec. 31, 2003	Balance at Dec. 31, 2004	Balance at Dec. 31, 2005	Balance at Dec. 31, 2006	Balance at Dec. 31, 2007	Balance at Dec. 31, 2008
Goodwill	161.0	139.0	116.8	108.3	97.1	22.7	22.7
Other intangible assets	64.1	59.3	52.5	50.2	39.1	43.9	33.3
Investments in airport operating projects	–	–	–	–	3.2	570.3	597.6
Property, plant, and equipment	2,403.9	2,376.8	2,381.5	2,587.3	2,729.2	3,569.3	3,886.3
Investment property	0.0	0.0	0.0	37.4	66.9	10.1	9.0
Investments accounted for using the equity method	37.3	45.9	46.9	53.6	56.2	37.1	72.4
Other financial assets	32.3	23.6	52.6	209.5	302.1	252.2	205.4
Other receivables and other assets	71.0	114.7	75.2	33.2	36.8	58.5	42.4
Income tax receivables	–	–	–	–	32.2	33.5	26.6
Deferred tax assets	8.5	14.5	13.4	19.3	16.4	7.2	30.4
Non-current assets	**2,778.1**	**2,773.8**	**2,738.9**	**3,098.8**	**3,379.2**	**4,604.8**	**4,926.1**
Inventories	13.1	17.1	12.1	14.4	32.9	38.6	45.4
Trade accounts receivable	195.9	181.3	168.6	190.0	185.5	154.6	154.9
Other receivables and other assets	48.5	53.4	64.2	71.5	62.3	76.6	205.1
Income tax receivables	–	–	–	–	2.0	13.2	7.8
Cash and cash equivalents	585.1	610.8	666.4	574.2	632.5	651.3	1,154.8
Non-current assets held for sale	–	–	–	2.7	0.1	165.6	–
Current assets	**842.6**	**862.6**	**911.3**	**852.8**	**915.3**	**1,099.9**	**1,568.0**
Issued capital	900.6	902.2	905.1	910.7	913.7	914.6	916.1
Capital reserves	532.0	533.2	537.6	550.5	558.8	565.2	573.1
Revenue reserves	370.8	445.0	520.1	599.2	746.3	875.2	855.0
Group retained earnings	0.0	39.7	68.0	82.1	105.2	105.3	105.6
Issued capital and reserve attributable to equity holders of Fraport AG	1,803.4	1,920.1	2,030.8	2,142.5	2,324.0	2,460.3	2,449.8
Minority interests, presented within equity (net)	11.5	10.2	10.8	15.4	22.1	33.0	60.2
Shareholders' equity	**1,814.9**	**1,930.3**	**2,041.6**	**2,157.9**	**2,346.1**	**2,493.3**	**2,510.0**
Financial liabilities	665.4	591.4	574.1	622.4	718.8	830.6	1,685.3
Trade accounts payable	–	–	–	–	–	365.6	192.9
Other liabilities	101.5	101.4	104.3	115.4	106.1	451.7	514.8
Deferred tax liabilities	158.5	147.5	129.8	112.2	127.6	89.6	97.4
Provisions for pensions and similar obligations	20.3	22.0	25.5	21.4	20.6	19.4	19.0
Provisions for income taxes	72.6	136.7	151.7	167.0	166.2	163.0	170.0
Other provisions and accruals	46.0	136.2	95.3	112.1	101.4	136.2	101.0
Non-current liabilities	**1,064.3**	**1,135.2**	**1,080.7**	**1,150.5**	**1,240.7**	**2,056.1**	**2,780.4**
Financial liabilities	244.3	246.6	86.6	140.1	125.2	367.8	555.5
Trade accounts payable	94.8	79.0	100.4	173.3	229.0	441.5	393.8
Other liabilities	116.1	85.9	111.7	105.1	118.1	75.7	63.6
Provisions for income taxes	14.1	36.8	43.5	18.5	16.4	14.2	1.9
Other provisions and accruals	272.2	122.6	185.7	206.2	218.8	185.3	188.9
Liabilities in connection with assets held for sale	–	–	–	–	0.2	70.8	–
Current liabilities	**741.5**	**570.9**	**527.9**	**643.2**	**707.7**	**1,155.3**	**1,203.7**
Total assets	**3,620.7**	**3,636.4**	**3,650.2**	**3,951.6**	**4,294.5**	**5,704.7**	**6,494.1**
Change over the previous year							
Non-current assets	–	–0.2	–1.3	13.1	9.0	36.3	7.0
Shareholders' equity*	–	4.3	4.4	5.0	7.7	6.1	–0.5
Share of total assets							
Non-current assets	76.7	76.3	75.0	78.4	78.7	80.7	75.9
Equity ratio	49.8	51.7	53.8	52.1	51.7	41.3	36.1

* Prepaid expenses and deferred income have been allocated to the respective non-current items. Allocation of provisions for taxes on income, other provisions and the deferred investment grants on items in current and non-current assets have been made in consideration of the respective documents

Glossary

Glossary of aviation terms

ACI
Acronym for Airports Council International, the international association representing the world's airports

ADV
Acronym for Arbeitsgemeinschaft deutscher Verkehrsflughäfen, the German Airports Association

Aircraft movements
The takeoff or landing of aircraft is a movement (e.g., traffic statistics)

Airport charges
Charges (e.g., passenger, parking, takeoff, and landing charges) that airlines pay to airport operators subject to regulatory approval

Aviation
One of the Fraport Group's business segments. The Aviation segment is responsible for air traffic and terminal management, the airport expansion, as well as airport and aviation security

BMI
Federal Ministry of the Interior

Cargo
Collective term for both airfreight and airmail (e.g., traffic statistics)

Domestic Terminal
Terminal for domestic flights

External Activities
One of the Fraport Group's business segments. The External Activities segment encompasses all holdings and activities not located at Frankfurt

Ground Handling
One of the Fraport Group's business segments. The Ground Handling segment encompasses the services required for servicing an aircraft on the ground

Hub
An airport that coordinates direct long-haul services with a system network of feeder services

IATA
Acronym for International Air Transport Association, the international umbrella organization of the airlines; headquartered in Montreal

Intermodality
The integration of several modes of transport; e.g., air and rail transport

MTOW
Acronym for maximum takeoff weight, the maximum weight for which an aircraft is certified. The MTOW is the decisive parameter for determining takeoff and landing charges

PAX, or pax
Abbreviation for passenger(s)

Retail & Properties
One of the Fraport Group's business segments. The Retail & Properties segment encompasses mainly the letting of shops and offices, as well as the management of parking facilities and real estate marketing

Star Alliance
The world's largest strategic alliance of airlines, which also includes Lufthansa German Airlines

Glossary of business terms

Dow Jones Sustainability
Sustainability index created by Dow Jones Index, STOXX Limited and SAM (Sustainable Asset Management), compare also FTSE4Good-Index

FTSE4Good-Index
Sustainability index created by FTSE4Good, a company owned by the Financial Times and the London Stock Exchange, compare also Dow Jones Sustainability Index

GDP
Abbreviation for gross domestic product

IFRS
Abbreviation for International Financial Reporting Standards – accounting standards for Europe

Glossary of financial terms

At equity
Valuation method for shares in companies in which the investor can exercise significant influence (associated companies), whereby the associated company's net profit/loss for the year increases/reduces the carrying amount of the investment

Capital employed
Net financial debt plus equity capital, without dividends earmarked for payout and minority shares

Cash flow
Cash inflow from operating activities, serves as an indicator of a company's refinancing capability from its own funds

Debt-to-equity ratio
Net financial debt divided by total assets amount of the balance sheet

Dividend yield
Dividend per share divided by the year-end closing price of the share

Dynamic leverage
Net financial debt divided by cash flow

EBIT
Abbreviation for earnings before interest, and taxes – also called operating profit before the deduction of interest expenses and taxes

EBIT margin
EBIT divided by revenue

EBITDA
Abbreviation for earnings before interest, taxes, depreciation, and amortization – also called operating profit before the deduction of interest expenses, taxes, depreciation, and amortization

EBITDA margin
EBITDA divided by revenue

EBT
Abbreviation for earnings before taxes – also called operating profit before tax deduction

Fraport assets
Capital required for the Fraport Group's operations

Free cash flow
Cash flow from operating activities minus capital spending for intangible assets minus capital spending for property, plant, and equipment purchases minus capital spending for airport management projects minus capital spending for investment property

Gearing
Net financial debt divided by shareholders equity; equity capital without dividends earmarked for payout and minority shares; a measure to determine a company's financial leverage

Investment intensity
Long-term assets divided by total assets amount of the balance sheet

Investment ratio
Capital expenditures divided by revenue

Market capitalization
Year-end closing price of the share times the number of shares outstanding

Net financial debt
Long-term debt plus short-term debt minus cash and cash equivalents and short-term realizable assets in "Other financial investments" and "Other receivables and other financial assets"

P/E ratio (price-to-earnings ratio of stock)
Year-end closing price of the share divided by earnings per share

Return on sales
Also known as a company's operating profit margin = EBT divided by revenue

Return on shareholders equity
Profit attributable to equity holders of Fraport AG divided by equity capital without dividends earmarked for payout and minority interests

ROCE
Abbreviation for return of capital employed = EBIT divided by capital employed

ROFRA
Abbreviation for return on Fraport assets = EBIT divided by Fraport assets

Shareholders equity ratio
Shareholders equity divided by total assets; equity capital without dividends earmarked for payout and minority interests

WACC
Abbreviation for Weighted Average Cost of Capital

Working capital
Current assets minus trade accounts payable minus other current liabilities

Yearly performance of the share
(Year-end closing price of the share plus dividend) divided by previous year's closing price

Financial calendar 2009

Tuesday, May 12, 2009
Report on the 1st quarter of 2009

Wednesday, May 27, 2009
Annual General Meeting

Thursday, August 6, 2009
Report on the 1st half of 2009

Thursday, November 5, 2009
Report on the 1st nine months of 2009

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Traffic calendar 2009

Month	
March 2009/Q1 2009	Wednesday, April 15, 2009
April 2009	Wednesday, May 13, 2009
May 2009	Tuesday, June 16, 2009
June 2009/H1 2009	Friday, July 10, 2009
July 2009	Wednesday, August 12, 2009
August 2009	Thursday, September 10, 2009
September 2009/9M 2009	Tuesday, October 13, 2009
October 2009	Wednesday, November 11, 2009
November 2009	Thursday, December 10, 2009

Operational activities of the Fraport AG

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