

# *Interim Report*

*as at September 30, 2003*



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## Dear Friends of Fraport, Dear Shareholders,

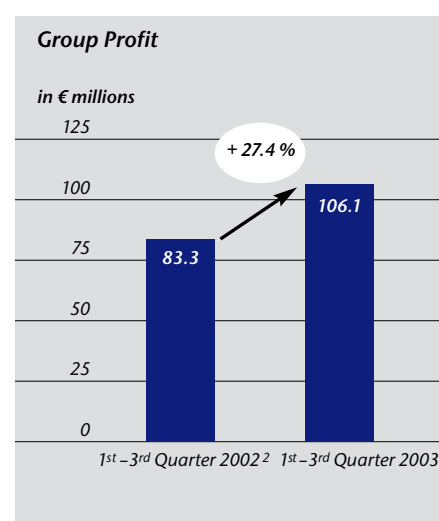
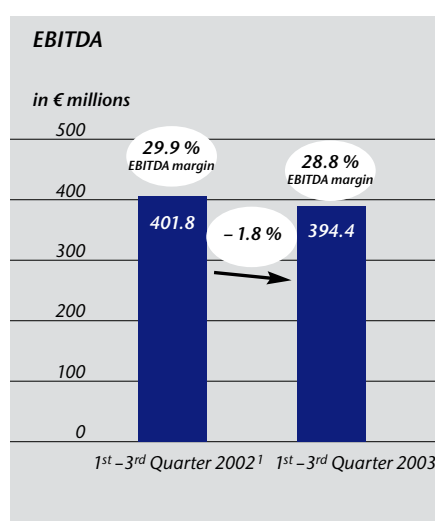
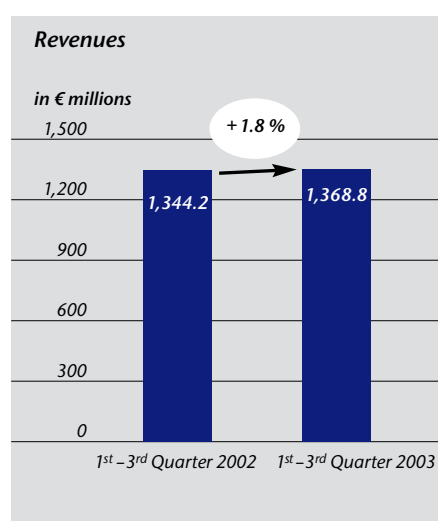
this report sets out the development of business over the first nine months of 2003 and significant developments within the Fraport Group.

### Highlights of the nine months from January through September 2003 are:

- Passenger traffic and revenues at Frankfurt slightly down due to the effects of the Iraq conflict, SARS and the weakness of the economy.
- Fraport Group nevertheless achieved a slight increase in overall passenger traffic and revenues.
- Group revenues up by 1.8 percent to €1,368.8 million, particularly due to growth in the security services division.
- EBITDA down by 1.8 percent to €394.4 million, mainly due to lower airport fees from military traffic at Frankfurt and foreign currency effects.
- Group profit up by 27.4 percent, to €106.1 million, due to a sharply improved financial result and a lower effective group tax rate.
- Cash flow from operating activities up by 65.2 percent to €374.4 million.

Key Performance Data	1 <sup>st</sup> –3 <sup>rd</sup> Quarter 2003	1 <sup>st</sup> –3 <sup>rd</sup> Quarter 2002	Change in %	3 <sup>rd</sup> Quarter 2003	3 <sup>rd</sup> Quarter 2002	Change in %
	in € millions	in € millions		in € millions	in € millions	
Revenues	1,368.8	1,344.2	1.8	491.1	489.0	0.4
EBITDA	394.4	401.8	-1.8	168.3	167.8	0.3
Profit from ordinary operations	210.5	197.2	6.7	107.2	83.2	28.8
Group profit	106.1	83.3	27.4	55.9	29.7	88.2
Capital expenditures	200.7	222.8	-9.9	85.2	48.3	76.4
Operating cash flow	374.4	226.6	65.2	171.7	101.2	69.7
Shareholders' equity <sup>1</sup>	1,911.2	1,803.4	6.0			
Total assets <sup>1</sup>	3,715.5	3,620.7	2.6			
Average number of Employees	23,325	20,730	12.5			

<sup>1</sup> As at September 30, 2003 and December 31, 2002.



<sup>1</sup> Including impairment write-downs of €18.9 million relating to the Manila project as part of the valuation at equity.

<sup>2</sup> Including impairment write-downs of €18.1 million in connection with the Manila project.

# Development of Air Traffic

## Traffic figures for Fraport Group

1<sup>st</sup> – 3<sup>rd</sup> Quarter 2003

	Passengers <sup>1</sup>		Cargo (airfreight and airmail) (t)		Movements	
	2003	Change over 2002 in %	2003	Change over 2002 in %	2003	Change over 2002 in %
Frankfurt Main	36,487,978	- 1.3	1,200,898	0.7	345,613	0.4
Frankfurt-Hahn <sup>2</sup>	1,777,525	71.9	112,994	11.9	23,342	13.7
Hanover	3,856,653	4.2	11,156	16.9	67,146	1.2
Saarbrücken	358,196	- 1.6	282	97.2	11,750	0.5
Antalya <sup>3</sup>	7,467,035	- 3.7	n.a.	n.a.	45,363	- 7.0
Lima	3,355,565	3.9	103,976	20.1	51,337	- 2.6
<b>Group</b>	<b>53,302,952</b>	<b>0.5</b>	<b>1,429,306</b>	<b>2.9</b>	<b>544,551</b>	<b>0.1</b>

<sup>1</sup> Only commercial traffic (arrival, departure, transit).

<sup>2</sup> Frankfurt-Hahn: Cargo including trucking.

<sup>3</sup> Only international terminal passengers.

Source: ACI, Lima Airport

Air traffic levels in the first nine months of 2003 were considerably affected by the conflict in Iraq, SARS and by continuing economic weakness.

There were 53.3 million **passenger** movements throughout the group during the first nine months of 2003, an increase of 0.5 percent over the figure for the first three quarters of 2002. This growth was achieved by the group's Frankfurt-Hahn, Hanover and Lima airports.

Passenger movements at Frankfurt airport, the group's major location, decreased by 1.3 percent to 36.5 million. This was mainly due to SARS and the war in Iraq during the first half of the year. The weak performance of the global economy influenced the entire period, particularly affecting domestic traffic and package tours, but also business travel, for which demand was down. On the other hand, passenger traffic on intercontinental flights improved in the third quarter.

Antalya airport reported a decline of 3.7 percent to 7.5 million passengers for the first three quarters of 2003. The war in Iraq caused a significant drop in traffic in the first half of 2003 at this airport on the Turkish Mediterranean coast, which is primarily used for tourist traffic. However, a sharp rise in demand in the third quarter could substantially compensate for the downturn in the first six months.

Passenger traffic at Frankfurt-Hahn rose strongly over the entire first nine months of 2003, and, at almost 1.8 million passengers, numbers were up by 71.9 percent over the same period in 2002. Concentrating on the low-cost market, Frankfurt-Hahn has been able to continue growing against the overall industry trend.

Hanover also profited from the growth of the low-cost segment, with an increase of 4.2 percent in passenger numbers, to 3.9 million.

**Cargo volume** at Fraport Group airports increased by 2.9 percent overall, to 1,429,300 metric tons. Whereas Frankfurt airport was able to profit from sharp growth in freight traffic on the Far East and North America routes, particularly at the beginning of the year, continuing global economic weakness and the strength of the euro had an increasingly dampening effect on cargo traffic as the year progressed. Over the entire nine months to September 30, 2003 there was thus only a slight increase of 0.7 percent in cargo volume at Frankfurt over the first three quarters of 2002.

**Aircraft movements** stagnated and, with 544,600 take-offs and landings, Fraport Group processed 0.1 percent more movements than in the same period in 2002. At Frankfurt airport there were 0.4 percent more movements than in the first nine months of 2002, at 345,600. The corresponding maximum take-off weight (MTOW) was 19.1 million metric tons, 2.3 percent higher than in the same period in 2002. On the other hand, aircraft capacity utilization declined, with the seat-load factor decreasing by 1.4 percentage points to 69.4 percent.

# Business Development

The war in Iraq, SARS and the continuing global economic weakness negatively affected business over the first nine months of 2003. Nevertheless, Fraport was able to increase **revenues** by 1.8 percent over the first nine months of 2002, to €1,368.8 million. This growth was primarily attributable to revenues from ICTS Europe for security services and the 100 percent baggage controls required as from January 1, 2003. Frankfurt-Hahn achieved significant revenue growth, with a sharp rise in traffic volumes. Shopping revenues at Frankfurt airport also increased. This was partly offset by lower airport fees, particularly from military flight movements, and lower revenues from ground handling services at Frankfurt airport. Antalya airport also suffered a decline in revenues compared with the first three quarters of 2002, due to the Iraq conflict.

**Total revenues** of €1,420.7 million remained at almost the same level as for the same period in 2002, with an increase of just 0.2 percent. The decrease of €25.6 million in foreign currency gains and the decline in internal costs capitalized were the main sources of total revenue decreases, whereas there was a gain of €8.4 million on the sale of real estate.

**Operating expenses** remained at the same level as for the first nine months of 2002, with a decrease of 0.3 percent to €358.4 million. Whereas cost of materials rose, particularly due to higher energy and consumables costs, other operating expenses decreased, primarily due to a decline of €18.2 million in foreign currency losses.

**EBITDA** of €394.4 million decreased by 1.8 percent compared with the first nine months of 2002.

Impairment write-downs required in 2002 in connection with the Manila project, partly reflected in the results of investments held at equity, were not repeated in the first nine months of 2003, which had a positive effect on comparability with the previous year. Furthermore, dividend income for 2002 from Antalya received in the first quarter of 2003 on top of the amount recognized on proportional consolidation increased EBITDA by €8.5 million. These positive effects on EBITDA were offset in particular by a decline of €27.3 million in fees from military aircraft movements and a decrease of €7.4 million in net foreign currency gains. The EBITDA margin decreased by 1.1 percentage points, to 28.8 percent.

Fraport's **profit from ordinary operations** amounted to €210.5 million, an increase of 6.7 percent over the profit for the same period in 2002. In addition to the positive effects on EBITDA set out in the previous paragraph, this improvement was due to the fact that there was no requirement for impairment write-downs of financial assets in the first nine months of 2003, and lower net interest expense compared with the first three quarters of 2002.

**Group profit** rose by 27.4 percent to €106.1 million. Apart from the improvement in financial result, there was a decrease in the group's effective tax rate, primarily influenced by the loss on the Manila project. Earnings per share rose from €0.92 for the first nine months of 2002 to €1.18 for the first nine months of 2003.

## Segment Reporting

In order to bring segment reporting into line with the overall development of the business, revenues have also been disclosed for segment reporting purposes since the beginning of 2003. Previously, revenues with third parties were disclosed.

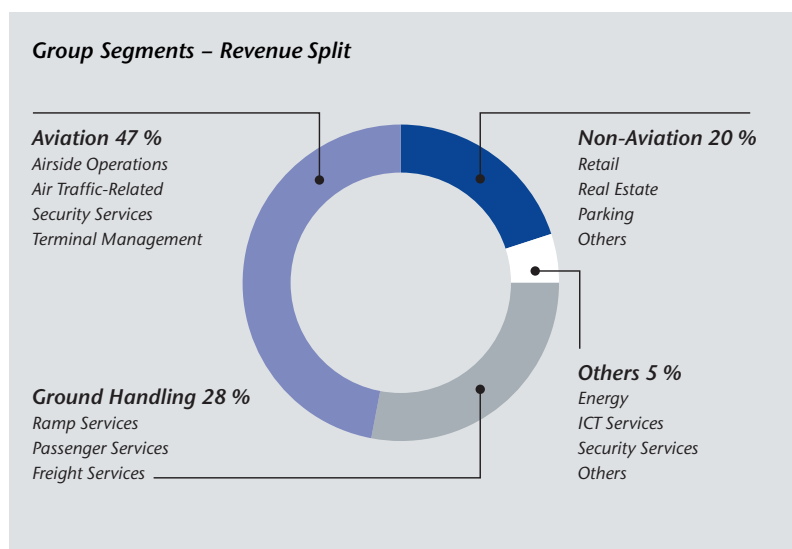
The Aviation and Non-Aviation segments' share of group revenues declined slightly over the same period in 2002, to the benefit of the Others segment. This shift was mainly due to ICTS Europe's other than air traffic-related security services being included in the Others segment since the beginning of 2003. Others contributed 4.8 percent and hence 2.0 percentage points more to group revenues than in the first nine months of 2002.

Aviation contributed 11.1 percent, and hence 11.0 percentage points lower share, to EBITDA than in the first three quarters of 2002, with the Non-Aviation segment contributing 77.6 percent, an increase of 7.2 percentage points and the Ground Handling segment decreasing by 1.3 percentage points to 1.9 percent. The contribution of the Others segment to group EBITDA rose from 4.4 percent to 9.4 percent.

The average number of persons employed by companies making up the Fraport Group rose by 12.5 percent, or 2,595 compared with the average for the first nine months of 2002, to 23,325. This was

primarily due to the increased need for personnel for security services. The number of persons employed at ICTS Europe alone increased by 2,370. At Frankfurt Airport, the average amounted to 12,477, down by some 180 compared with the previous year.

Despite the difficult market environment, the group's **Aviation** segment achieved revenues of €650.5 million, slightly higher than for the same period in 2002. Airport fees at Frankfurt were lower, due to a decrease in military traffic fees and a decline in passenger traffic. This was offset by higher revenues from ICTS Europe's air traffic-related security services, price increases for air traffic fees at Frankfurt and the 100 percent baggage controls as from January 1, 2003.



1<sup>st</sup> – 3<sup>rd</sup> Quarter 2003 – Revenues: € 1,368.8 million

<b>Aviation</b>			
<i>in € millions</i>	<i>1<sup>st</sup> – 3<sup>rd</sup> Quarter 2003</i>	<i>1<sup>st</sup> – 3<sup>rd</sup> Quarter 2002</i>	<i>Change in %</i>
Revenues	650.5	646.5	0.6
Segment result	- 4.9	49.2	- 110.0
EBITDA	43.6	88.6	- 50.8
Employees	9,879	8,587	15.0

Operating expense rose by 10.0 percent to €689.0 million, mainly due to the increased demand for personnel for security services. The variance was also due to incorrect periodizing by project and order processing in the first nine months of 2002, caused by a change in SAP standard software in the third quarter of 2002. This had an equal and opposite effect on the Non-Aviation and Others segments and thus had no net effect on group results.

Aviation thus recorded a decrease of €54.1 million in operating result, to a loss of €4.9 million. Whereas the increase in operating costs in the security services area was matched by a corresponding rise in revenues, the decrease of €27.3 million in revenues from military flights at Frankfurt had an almost direct

effect on profit. Segment result was also negatively affected by €4.6 million lower net foreign currency gains. Weakness in passenger movements at Antalya also led to a decline in revenues.

Segment EBITDA fell by 50.8 percent to €43.6 million. This includes dividend income from Antalya of €4.7 million for 2002. Comparative EBITDA also improved due to expense from the at equity investment in Manila in 2002.

The **Ground Handling** group segment held revenues at about the same level as for the first nine months of 2002, at €377.9 million. Sharply higher revenues than for the first three quarters of 2002 were achieved at Vienna, Brussels and Frankfurt-Hahn, although revenues at Frankfurt decreased slightly. This was primarily due to a change in demand by the airlines in a difficult economic environment as well as a reduction of market share from 92.7 percent to 89.9 percent in the ramp services area.

Just as for the Aviation segment, expenses increased due to incorrect periodizing by project and order processing in the first nine months of 2002, caused by a change in SAP standard software in the third quarter of 2002. Furthermore, internal costs capitalized decreased compared with the first three quarters of 2002, as they have been allocated direct to segments since the beginning of 2003. Segment result thus decreased by €22.8 million to a loss of €12.1 million. EBITDA of €7.6 million is €5.2 million down on the same period in 2002.

<b>Ground Handling</b>			
<i>in € millions</i>	<i>1<sup>st</sup> – 3<sup>rd</sup> Quarter 2003</i>	<i>1<sup>st</sup> – 3<sup>rd</sup> Quarter 2002</i>	<i>Change in %</i>
<i>Revenues</i>	377.9	377.2	0.2
<i>Segment result</i>	- 12.1	10.7	- 213.1
<i>EBITDA</i>	7.6	12.8	- 40.6
<i>Employees</i>	7,090	7,233	- 2.0



The **Non-Aviation** segment's revenues decreased by 3.0 percent to €274,1 million compared with the first three quarters of 2002. Exclusion of the CIVAS companies, now merged into ICTS Europe but included as part of the Non-Aviation segment in 2002, reduced segment revenues.

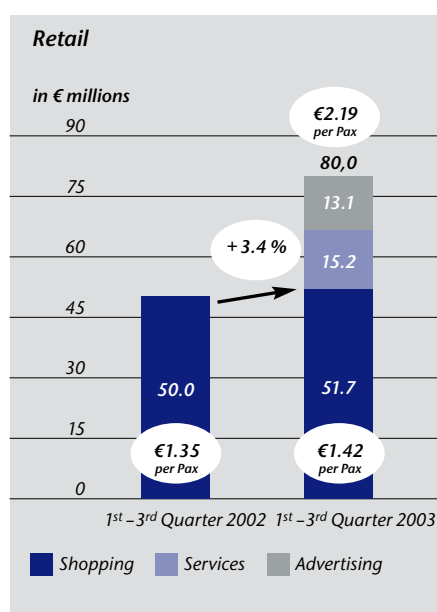
Despite the slight decline in revenues and lower net foreign currency gains, segment result increased by 6.9 percent to €216.6 million. This was mainly due to net income from inter-segment services at Frankfurt airport, offset by expenses at the Aviation and Ground Handling segments. Due to the share of dividend income from Antalya allocated to the Non-Aviation segment and the lack of impairment write-downs for the Manila project in 2003, which were included in the 2002 results of investments held at equity, EBITDA improved even more than the segment result, with a plus of 8.3 percent to €306.2 million.

Although passenger movements at Frankfurt were down, shopping revenues were 3.4 percent higher than for the first three quarters of 2002, at €51.7 million. „Shopping“ mainly consists of revenue-related rental income from the airport's retail shops, including the duty-free and travel-value shops. These are part of retail revenues, which also include services and advertising income. Retail revenues for the first nine months of 2003 totaled €80.0 million, or €2.19 per passenger.

Revenues of the **Others** group segment rose by 74.9 percent compared with the same period of 2002, to €66.3 million. The main factor influencing this growth was the first-time inclusion of that part of ICTS Europe's revenues relating to security services other than those for air traffic, such as for guarding the Euro-Tunnel. The first-time inclusion effective July 1, 2002 of Decision Support Technologies Inc. (DST), a US company, also contributed to the increase in revenues compared with the previous period.

Segment result profited from a decline in operating costs at Frankfurt airport and was €8.5 million higher than for the first three quarters of 2002. EBITDA improved by €19.3 million to €37.0 million. Invest-

<b>Non-Aviation</b>			
<i>in € millions</i>	<i>1st – 3rd Quarter 2003</i>	<i>1st – 3rd Quarter 2002</i>	<i>Change in %</i>
Revenues	274.1	282.6	- 3.0
Segment result	216.6	202.6	6.9
EBITDA	306.2	282.7	8.3
Employees	3,867	3,691	4.8



<b>Others</b>			
<i>in € millions</i>	<i>1st – 3rd Quarter 2003</i>	<i>1st – 3rd Quarter 2002</i>	<i>Change in %</i>
Revenues	66.3	37.9	74.9
Segment result	12.4	3.9	217.9
EBITDA	37.0	17.7	109.0
Employees	2,489	1,219	104.2

ment income contributed €6.4 million, mainly originating from a payment by the project company via which Fraport was involved in the privatization proceedings for Berlin's airports.



## Capital Expenditures

Total capital expenditures amounted to €200.7 million in the first three quarters of 2003, a decrease of 9.9 percent over the €222.8 million expenditures in same period for 2002. This latter amount was particularly affected by the first-time full consolidation of ICTS following acquisition of its entire capital stock. Capital expenditures of €132.7 million in the first nine months of 2003 were mainly for property, plant and equipment and intangible assets, primarily intended to strengthen business activities at Frankfurt airport.

Capital expenditures included the ongoing renovation and expansion of the terminals, fire-protection measures for the terminal buildings, extending the communications network and modernizing existing apron areas, including lighting guidance systems. Expenditures relating to the expansion of the airport, including planning work and acquisitions of real estate, amounted to €40.2 million.

Frankfurt-Hahn airport expended a total of €19.1 million on its runway system, extending its terminals, various land development measures and expanding parking facilities. Fraport spent €12.8 million on ground handling equipment via S.A. TCR International N.V., a joint venture.

A significant financial investment was our acquisition of a further 10 percent of the shares in Flughafen Hannover-Langenhagen GmbH for €30.1 million. Once Norddeutsche Landesbank had exercised its put option, transfer of the shares became legally effective on July 4, 2003 and we now have a 30 percent holding in this company.

The medium- and long-term capital expenditure program continues to be primarily concentrated on extensive work in connection with the airport expansion project at Frankfurt. Expenditures needed to build the new runway and construct passenger handling facilities and other related plant and buildings will probably total some €3.3 billion, adjusted for inflation. Expenditure is also foreseen for the further development of commercial space, continuing the investment in fire protection measures in passenger terminals, renovating and expanding Terminal 1 and on other construction activities taken to modernize the apron.

## Cash Flow Statement

**Net cash flow from operating activities** was €374.4 million in the first three quarters of 2003 and was thus €147.8 million, or 65.2 percent, higher than for the same period in 2002. The decrease in net current assets, or working capital, compared with the same period in the previous year and income tax repayments had a positive effect on cash flow from operations. Lower net cash outflow from interest and higher dividends received resulted in €23.9 million lower cash outflows of €2.8 million from financial activities than for the first nine months of 2002. Gross cash flow from operating activities rose by €54.0 million to €369.8 million.

**Net cash outflow used in investing activities** increased by €153.5 million over the outflow in the first nine months of 2002. The increase was primarily attributable to payments of €136.5 million made in connection with guarantee obligations to a banking consortium relating to the Manila project. Capital expenditures on intangible assets and on property, plant and equipment increased by €32.1 million over the first three quarters of 2002. The acquisition of further shares in Hanover airport was the major investment in financial assets.

Cash flow from operating activities exceeded cash outflow used in investing activities, including the payments resulting from guarantee obligations. Additional funds available were used to repay bank debt. This is the reason for the **net cash outflow from financing activities** of €36.8 million.

Cash and cash equivalents increased mainly due to investing funds received from selling the investment fund in the fourth quarter of 2002 in short-term deposits.

## Asset and Capital Structure

Total assets increased by €94.8 million to €3,715.5 million, compared with December 31, 2002.

Fraport's asset structure continues to be primarily of a long-term nature. Non-current assets make up an almost unchanged 72.7 percent of total assets.

Current assets increased by €90.7 million to €969.7 million. This is primarily due to recording receivables from airlines and an equivalent increase in provisions for noise protection measures, neither of which affected income.

Financial liabilities decreased by €41.6 million to €868.1 million. Despite the increase in financial liabilities in the first quarter of 2003 in connection with the Manila project, in particular short-term financial debt was repaid using positive cash flow from operating activities.

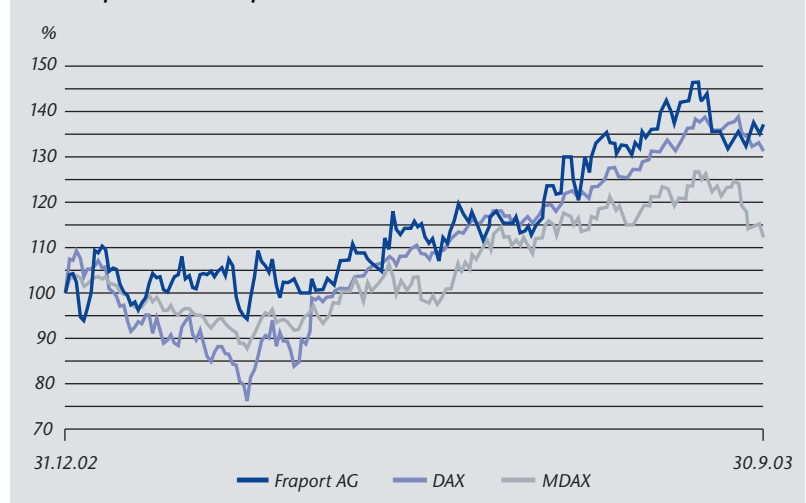
The ratio of shareholders' equity to total liabilities and shareholders' equity improved slightly, to 51.4 percent, due to the consolidated profit for the nine months ended September 30, 2003 and shareholders' equity made up 71.4 percent of non-current assets, net of deferred investment grants.

## Fraport Share Trend

The end of the Iraq war, the WHO's all-clear on SARS and hopes of global economic recovery encouraged investors. The Fraport share improved by 36.7 percent in the first nine months of 2003 and hence rose 5.8 percentage points more than the MDAX and 24.1 percentage points more than the DAX.

During the first nine months of 2003 the share price was at its highest on September 4, at €24.89, and at its lowest of €15.95 on January 8. Fraport's price at the end of the third quarter was €23.24 and its market capitalization on September 30, 2003 was thus €2,097.0 million, or €565.8 million higher than at the beginning of 2003. An average of 59,175 shares were traded on each trading day of the first nine months of 2003.

The Fraport share compared with the DAX and MDAX



Source: Bloomberg

## Share Option Plan

Fraport AG's annual general meeting on March 14, 2001 agreed the main features of a share option plan. This program foresees that we award share options to members of the executive board of Fraport AG, general managers of affiliated companies and senior staff of Fraport AG located in Germany. During the first nine months of 2003, 82,000 share options were issued to members of the executive board, 23,750 to general managers of affiliated companies and 113,300 to senior staff of Fraport AG located in Germany – a total of 219,050 options. The options may only be exercised if, following the vesting period, the closing Fraport share price on at least five of any trading days exceed the share

option price by at least 15 percent. Based on a share option price of €18.69 for the third tranche, the exercise hurdle price is €21.49 per share. The share options can be exercised in the period from May 17, 2005 through May 16, 2008. Due to the increase in the share price in the third quarter, personnel expense amounted to €0.2 million with a corresponding increase in shareholders' equity.

The total number of share options granted since the share option plan was drawn up amounted to 654,400 at September 30, 2003.

## Employee Investment Plan

Fraport staff were again able to acquire shares in 2003 as part of the performance- and profit-linked remuneration program (LEA). A total of 150,600 new shares, with an imputed share of €10 each in the share capital, were issued.

The shares required for the employee investment plan were repurchased by Fraport AG, using part of the authorized capital following a capital increase for cash, and were then transferred to the staff. As a result, Fraport AG's share capital rose by €1.5 million to €902.1 million.

## Treasury Shares

On June 26, 2003, 9,778 shares were transferred to the members of the executive board of Fraport AG as part of their remuneration; the share price on that date was €19.12. As a result, Fraport AG's share capital and capital reserves both increased by €0.1 million.

On September 30, 2003 Fraport AG still held 130,170 treasury shares. Their share of the capital is €1,301,700 (or 0.1 percent).

## Significant Events After the Balance Sheet Date

### *Engagement in Manila*

In October, 2003 the International Centre for Settlement of Investment Disputes (ICSID) at the World Bank approved an application by Fraport AG to commence arbitration proceedings against the Philippine government. This decision is a condition for the further enforcement of compensation claims in connection with the BOT (build, operate, transfer) contract for the construction and operation of a new passenger terminal in Manila.

### *Aero Lloyd Insolvency*

Following the application in October 2003 for commencement of insolvency proceedings by Aero Lloyd Flugreisen GmbH und Co. Luftverkehrs KG, the leisure airline, receivables of some €2.0 million were written down at September 30.

## Changes in Risk Reporting

There have been the following significant changes relating to the future development compared with the beginning of the year:

There is a risk relating to implementation of the EU air security ordinance at European airports. Based on this ordinance, one measure taken is the 100 per cent baggage controls as from January 1, 2003. The regulations foresee more intensive access controls in 2004. If future costs incurred in this respect are not taken over by the airlines or the federal government, this could lead to a significant burden on profits.

In our management report on the financial statements for the year ended December 31, 2002, we already explained the risk of a possible restriction to receipts of revenue-related concession fees in accor-

dance with the ordinance on ground handling services at airports (BADV) from companies operating at Frankfurt airport. The European Court of Justice decided on October 16, 2003 that an airport may not demand fees from a ground handling service provider in addition to the fees levied for using specific airport facilities. A decision in accordance with German law is expected from the Frankfurt am Main regional appeal court in 2004. There is a possibility that our ability to charge concession fees will be restricted. However, the decision by the European Court of Justice does permit a cost-based fee. We assume that we will still be able to charge fees to ground handling service providers in future, and that they will be sufficient to cover the costs of making the related airport facilities available.

# Outlook

## *Approval Procedures for Airport Expansion*

Based on existing capacity bottlenecks and long-term air traffic growth forecasts, Fraport AG plans to expand Frankfurt Airport by adding a fourth runway to the north-west of the airport site, constructing a third passenger terminal and other necessary infrastructure.

The decisive formal part of the Airport Expansion Program (AEP) commenced with the submission of documentation on September 9, 2003, to the Darmstadt administrative district for application to open zoning proceedings for FRA's capacity expansion. Thus, a further step has been taken to ensure the long-term future of Frankfurt Airport – in addition to the zoning procedure for the planned A380 maintenance base, which already commenced in January 2003. The zoning documentation for the AEP will now be subjected to a completeness review, which Fraport expects to be finished by the end of the year. Such an important and complex expansion plan needs an intensive review, probably involving the submission of further information. This is part and parcel of the process and is by no means unusual.

Following the completeness review, the final version of the zoning documentation will be made available to the public. The many objections expected to be received will be discussed by the authorities, Fraport AG and those submitting objections – probably starting in the summer of 2004. The planning authorities, the Hesse Ministry of Economics, Transport and State Development (HMWVL), will then arrive at a decision. We believe that the planned timetable for receipt of zoning permission and for the expansion itself can still be met.

## *Approval Procedures for A380 Maintenance*

The scope of the A380 zoning procedure covers regulatory approval for the hangar area, including planning permission for construction of a hangar and related warehouse buildings for maintenance of the new wide-bodied Airbus A380.

The completeness review of the zoning documentation was finalized in April 2003. Some 40,000 comments have been received since the zoning documentation was made available to the public in July, 2003. These are currently being evaluated by the Darmstadt administrative district, the hearing authorities responsible, and will then be passed to Fraport for comment.

The hearing relating to the A380 zoning procedure will probably commence in January 2004 and last for several weeks. We expect the hearing to end in the spring of 2004.

## *WM 2005 – Creating Value for Tomorrow*

The group-wide efficiency improvement program „WM 2005 – creating value for tomorrow“ is progressing further. The main objective of the program, creating value, is directed towards strengthening the group's competitive position, heightening customer satisfaction, cementing security of employment and increasing the company's market capitalization.

We continued to increase the project's contribution to profits achieved in the first half of 2003. From the start of the project through September 2003 we have achieved some €37 million improvement in profits through WM 2005 measures. The measures taken are being implemented as planned and are being enthusiastically carried out.

## *Business Outlook*

Due to the Iraq war, SARS and the weakness of the global economy, passenger movements at Frankfurt airport for the whole of 2003 will probably be slightly lower than for 2002.

Provided there are no further unusual events in the fourth quarter of the year, we expect EBITDA and consolidated group profit for the year will be at approximately the same levels as the amounts for 2002 adjusted for the special effects of the Manila project.

# ***Additional Information on the Financial Statements***

## ***Accounting Policies***

In accordance with IAS 34, the interim report for the Fraport Group as at September 30, 2003 was prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). We applied the same accounting policies in compiling the interim report and the comparative prior year figures as for preparing the 2002 consolidated financial statements.

This interim report also complies with the requirements of DRS 6 on interim reporting, issued by the German Standards Council (German Accounting Standards Board (GASB)) and published by the Federal Ministry of Justice (BMJ) on February 13, 2001.

## ***Entities Included in Consolidation***

The companies included in the consolidated financial statements for the first nine months of 2003 are unchanged from those included in the consolidated financial statements for the first nine months of 2002.

## ***Contingent Liabilities/Other Financial Commitments***

Compared with December 31, 2002, other financial commitments increased mainly due to steps taken in preparation for the expansion of Frankfurt airport. The total amount of such commitments at September 30, 2003 relating to the expansion increased by €122.9 million compared with December 31, 2002.

## ***Other Disclosures***

Statistics of figures over a long period of time show that, for seasonal reasons, passenger traffic is weakest from January through March and is strongest in the third quarter of the year.

Transactions with related parties (Stadtwerke Frankfurt am Main Holding GmbH and Landesbank Hessen-Thüringen) and with entities related to them were subject to normal conditions.

# Consolidated Financial Statements as at September 30, 2003

## Fraport AG Frankfurt Airport Services Worldwide Consolidated Income Statement

<i>in € millions</i>	<b>3<sup>rd</sup> Quarter 2003</b>	<b>3<sup>rd</sup> Quarter 2002</b>	<b>1<sup>st</sup> – 3<sup>rd</sup> Quarter 2003</b>	<b>1<sup>st</sup> – 3<sup>rd</sup> Quarter 2002</b>
<b>Revenues</b>	<b>491.1</b>	<b>489.0</b>	<b>1.368.8</b>	<b>1.344.2</b>
Change in work-in-process	- 0.1	0.2	0.0	0.7
Other internal costs capitalized	6.1	4.9	12.7	15.7
Other operating income	16.8	8.7	39.2	57.7
<b>Total Revenues</b>	<b>513.9</b>	<b>502.8</b>	<b>1.420.7</b>	<b>1.418.3</b>
Cost of materials	- 77.1	- 63.6	- 201.1	- 192.0
Personnel expense	- 226.4	- 205.3	- 688.0	- 633.9
Depreciation and amortization of tangible and intangible non-current assets	- 54.9	- 53.9	- 162.3	- 158.7
Other operating expenses	- 52.0	- 49.0	- 157.3	- 167.3
<b>Operating profit</b>	<b>103.5</b>	<b>131.0</b>	<b>212.0</b>	<b>266.4</b>
Interest result	- 6.6	- 12.3	- 22.4	- 30.6
Results of investments held at equity	0.4	- 20.5	0.5	- 27.2
Income from investments	9.5	3.4	19.6	3.9
Write-downs of financial assets	0.1	- 18.5	0.0	- 19.1
Other financial results	0.3	0.1	0.8	3.8
<b>Financial result</b>	<b>3.7</b>	<b>- 47.8</b>	<b>- 1.5</b>	<b>- 69.2</b>
<b>Profit from ordinary operations</b>	<b>107.2</b>	<b>83.2</b>	<b>210.5</b>	<b>197.2</b>
Taxes on income	- 49.1	- 51.5	- 98.8	- 109.0
Other taxes	- 1.1	- 1.0	- 3.8	- 3.4
Minority interests' share of result	- 1.1	- 1.0	- 1.8	- 1.5
<b>Group profit</b>	<b>55.9</b>	<b>29.7</b>	<b>106.1</b>	<b>83.3</b>
Earnings per €10 share in € (basic)	0.62	0.33	1.18	0.92
Earnings per €10 share in € (diluted)	0.61	0.32	1.17	0.92
<b>EBITDA</b>	<b>168.3</b>	<b>167.8</b>	<b>394.4</b>	<b>401.8</b>
<b>EBIT</b>	<b>113.5</b>	<b>95.4</b>	<b>232.1</b>	<b>224.0</b>



## Fraport AG Frankfurt Airport Services Worldwide Consolidated Balance Sheet as at September 30, 2003

### Assets

<i>in € millions</i>	30.9.2003	31.12.2002
<b>A. Non-current assets</b>	<b>2,700.9</b>	<b>2,698.6</b>
I. Intangible assets	203.0	225.1
II. Property, plant and equipment	2,420.0	2,403.9
III. Investments held at equity	46.8	37.3
IV. Other financial assets	31.1	32.3
<b>B. Current assets</b>	<b>969.7</b>	<b>879.0</b>
I. Inventories	18.1	13.1
II. Trade accounts receivable	195.9	195.9
III. Other receivables and other assets (including deferred taxes)	153.6	84.9
IV. Checks, cash and bank balances	602.1	585.1
<b>C. Prepaid expenses</b>	<b>44.9</b>	<b>43.1</b>
	<b>3,715.5</b>	<b>3,620.7</b>

### Liabilities and Shareholders' Equity

<i>in € millions</i>	30.9.2003	31.12.2002
<b>A. Shareholders' equity</b>	<b>1,911.2</b>	<b>1,803.4</b>
I. Subscribed capital	902.2	900.6
II. Capital reserves	533.2	532.0
III. Revenue reserves	369.7	370.8
IV. Group retained earnings 2002	-	0.0
V. Group profit 1.1. - 30.9.2003	106.1	-
<b>B. Minority interests</b>	<b>13.0</b>	<b>12.9</b>
<b>C. Deferred investment grants on items in non-current assets</b>	<b>22.7</b>	<b>24.2</b>
<b>D. Provisions and accruals (including deferred tax liabilities)</b>	<b>645.8</b>	<b>583.7</b>
<b>E. Liabilities</b>	<b>1,058.8</b>	<b>1,129.9</b>
I. Financial liabilities	868.1	909.7
II. Trade accounts payable	88.1	94.8
III. Other liabilities	102.6	125.4
<b>F. Deferred income</b>	<b>64.0</b>	<b>66.6</b>
	<b>3,715.5</b>	<b>3,620.7</b>

## Condensed Consolidated Cash Flow Statement

<i>in € millions</i>	<b>1<sup>st</sup> – 3<sup>rd</sup> Quarter 2003</b>	<b>1<sup>st</sup> – 3<sup>rd</sup> Quarter 2002</b>
<b>Group profit</b>	<b>106.1</b>	<b>83.3</b>
Taxes on income	98.8	109.0
Minority interests' share of result	1.8	1.5
Depreciation/write-ups (of non-current assets)	162.7	213.4
Other adjustments	- 6.2	20.4
Changes in working capital	6.6	- 111.8
Interest paid (net)	- 22.4	- 30.6
Dividends received	19.6	3.9
Taxes on income paid (net)	7.4	- 62.5
<b>Net cash flow from operating activities</b>	<b>374.4</b>	<b>226.6</b>
Capital expenditures for intangible assets and property, plant and equipment	- 169.4	- 137.3
Other financial investments (net)	- 31.3	- 12.9
Payments for guarantee obligations relating to capital expenditures in connection with the Manila project	- 136.5	0.0
Acquisitions of consolidated subsidiaries and joint ventures (net of cash acquired)	0.0	- 71.2
Proceeds from disposals of non-current assets	17.9	55.4
<b>Net cash flow used in investing activities</b>	<b>- 319.3</b>	<b>- 166.0</b>
Distribution	0.0	- 37.5
Capital increase	2.6	2.6
Change in financial liabilities	- 39.4	36.2
<b>Net cash flow from financing activities</b>	<b>- 36.8</b>	<b>1.3</b>
Foreign currency translation effect on cash and cash equivalents	- 1.3	- 1.9
<b>Net change in cash and cash equivalents</b>	<b>17.0</b>	<b>60.0</b>
Cash and cash equivalents at January 1	585.1	67.3
<b>Cash and cash equivalents at September 30</b>	<b>602.1</b>	<b>127.3</b>

## Movements in Consolidated Shareholders' Equity

<i>in € millions</i>	<i>Subscribed Capital</i>	<i>Capital reserves</i>	<i>Legal Reserve</i>	<i>Other revenue reserves</i>	<i>Group retained profits</i>	<i>Total</i>
<b>Balance at 1.1.2002</b>	<b>900.9</b>	<b>662.4</b>	<b>36.5</b>	<b>328.5</b>	<b>36.0</b>	<b>1,964.3</b>
Capital increase	1.1	1.5				2.6
Transfer of treasury shares	0.1	0.1				0.2
Distribution					- 36.0	- 36.0
Purchase of treasury shares	- 1.0	- 1.0				- 2.0
Group profit 1.1. - 30.9.2002					83.3	83.3
Foreign currency translation differences				- 4.6		- 4.6
Fair values changes for derivatives				- 1,8		- 1,8
Changes in companies consolidated				2.5		2.5
<b>Balance at 30.9.2002</b>	<b>901.1</b>	<b>663.0</b>	<b>36.5</b>	<b>324.6</b>	<b>83.3</b>	<b>2,008.5</b>
<b>Balance at 1.1.2003</b>	<b>900.6</b>	<b>532.0</b>	<b>36.5</b>	<b>334.3</b>	<b>0.0</b>	<b>1,803.4</b>
Capital increase	1.5	1.1				2.6
Transfer of treasury shares	0.1	0.1				0.2
Group profit 1.1. - 30.9.2003					106.1	106.1
Share based payments				0.2		0.2
Foreign currency translation differences				- 1.8		- 1.8
Fair values changes for derivatives				0.5		0.5
<b>Balance at 30.9.2003</b>	<b>902.2</b>	<b>533.2</b>	<b>36.5</b>	<b>333.2</b>	<b>106.1</b>	<b>1,911.2</b>

Frankfurt am Main, November 10, 2003

Fraport AG  
Frankfurt Airport Services Worldwide  
The Executive Board

Dr. Bender   Prof. Schölch   Prof. Jakubeit   Mai   Dr. Schulte

## Consolidated Income Statement Comparison Quarter by Quarter

<i>in € millions</i>	1 <sup>st</sup> Quarter 2002	2 <sup>nd</sup> Quarter 2002	3 <sup>rd</sup> Quarter 2002	4 <sup>th</sup> Quarter 2002	1 <sup>st</sup> Quarter 2003	2 <sup>nd</sup> Quarter 2003	3 <sup>rd</sup> Quarter 2003
<b>Revenues</b>	<b>401.7</b>	<b>453.5</b>	<b>489.0</b>	<b>459.4</b>	<b>429.4</b>	<b>448.3</b>	<b>491.1</b>
Change in work-in-process	- 0.1	0.6	0.2	- 1.5	0.0	0.1	- 0.1
Other internal costs capitalized	3.8	7.0	4.9	3.5	2.0	4.6	6.1
Other operating income	12.0	37.0	8.7	22.5	9.0	13.4	16.8
<b>Total revenues</b>	<b>417.4</b>	<b>498.1</b>	<b>502.8</b>	<b>483.9</b>	<b>440.4</b>	<b>466.4</b>	<b>513.9</b>
Cost of materials	- 55.1	- 73.3	- 63.6	- 83.3	- 65.1	- 58.9	- 77.1
Personnel expense	- 202.9	- 225.7	- 205.3	- 226.2	- 227.1	- 234.5	- 226.4
Depreciation and amortization of tangible and intangible non-current assets	- 52.1	- 52.7	- 53.9	- 55.4	- 53.1	- 54.3	- 54.9
Other operating expenses	- 57.3	- 61.0	- 49.0	- 84.3	- 46.5	- 58.8	- 52.0
<b>Operating profit</b>	<b>50.0</b>	<b>85.4</b>	<b>131.0</b>	<b>34.7</b>	<b>48.6</b>	<b>59.9</b>	<b>103.5</b>
Interest result	- 10.9	- 7.4	- 12.3	- 3.4	- 5.6	- 10.2	- 6.6
Results of investments held at equity	- 1.9	- 4.8	- 1.6	- 8.7	0.6	- 0.5	0.4
Income from investments	0.0	0.5	3.4	0.4	8.5	1.6	9.5
Write-downs of financial assets	- 0.8	0.2	- 0.4	- 2.8	0.0	- 0.1	0.1
Impairment write-down of Manila project			- 37.0	- 252.5			
of which:							
Write-downs of receivables (affecting EBITDA)				- 241.7			
Write-downs of investments held at equity (affecting EBITDA)			- 18.9				
Write-downs of financial assets			- 18.1	- 10.8			
Other financial result, net	2.7	1.0	0.1	0.0	0.3	0.2	0.3
<b>Financial result, net</b>	<b>- 10.9</b>	<b>- 10.5</b>	<b>- 47.8</b>	<b>- 267.0</b>	<b>3.8</b>	<b>- 9.0</b>	<b>3.7</b>
<b>Result from ordinary operations</b>	<b>39.1</b>	<b>74.9</b>	<b>83.2</b>	<b>- 232.3</b>	<b>52.4</b>	<b>50.9</b>	<b>107.2</b>
Taxes on income	- 19.6	- 37.9	- 51.5	29.6	- 25.2	- 24.5	- 49.1
Other taxes	- 1.3	- 1.1	- 1.0	- 1.6	- 1.4	- 1.3	- 1.1
Minority interests' share of results	- 0.1	- 0.4	- 1.0	0.2	0.0	- 0.7	- 1.1
<b>Group profit (loss)</b>	<b>18.1</b>	<b>35.5</b>	<b>29.7</b>	<b>- 204.1</b>	<b>25.8</b>	<b>24.4</b>	<b>55.9</b>
<b>EBITDA</b>	<b>100.2</b>	<b>133.8</b>	<b>167.8</b>	<b>- 159.9</b>	<b>110.8</b>	<b>115.3</b>	<b>168.3</b>
<b>EBIT</b>	<b>47.3</b>	<b>81.3</b>	<b>95.4</b>	<b>- 228.9</b>	<b>57.7</b>	<b>60.9</b>	<b>113.5</b>

## **Financial Calendar**

March 30, 2004	Annual results for 2003, Press Conference, Analysts Conference
May 13, 2004	1st Quarter 2004 Interim Report
June 2, 2004	Annual General Meeting
August 13, 2004	2nd Quarter 2004 Interim Report
November 12, 2004	3rd Quarter 2004 Interim Report, Press Conference, Analysts Conference

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