# Interim Report

*as at March 31, 2005*

Fraport

# Contents

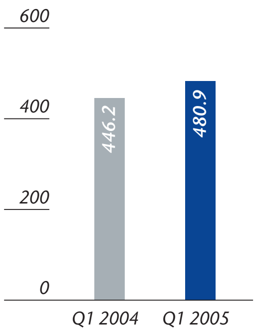
# Highlights and Key Figures

In the first quarter of 2005, the Fraport Group continued the successful development of its business in the previous year: substantial growth was achieved again in both revenues and earnings. We are maintaining the forecasts made for the year as a whole.

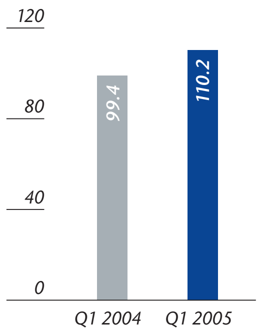
The most important information about business development in the first quarter of 2005:

- 0.5 % more passengers than in the previous year at Frankfurt Airport and 3.3 % more in the Group.
- Group revenues 7.8 % higher than in the previous year at € 480.9 million.
- EBITDA up 10.9 % at € 110.2 million.
- Increase of 45.3 % in Group profit to € 27.6 million.
- Improvement in earnings per share from € 0.21 to € 0.31.

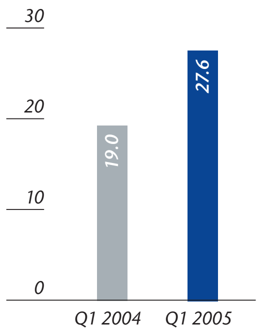
***Revenues***
*in € million*




***EBITDA***
*in € million*




***Group profit***
*in € million*




| ***Key figures*** | **Q1 2004** *in € million* | **Q1 2005** *in € million* | **Change** *in %* | **2004** |
|---|---|---|---|---|
| Group revenues | 446.2 | 480.9 | 7.8 | 1,998.1 |
| EBITDA | 99.4 | 110.2 | 10.9 | 516.2 |
| EBITDA margin (in %) | 22.3 | 22.9 | | 25.8 |
| EBIT | 46.9 | 59.9 | 27.7 | 281.1 |
| EBT | 37.4 | 53.7 | 43.6 | 265.9 |
| Group profit | 19.0 | 27.6 | 45.3 | 138.4 |
| Earnings per € 10 share, basic, in € | 0.21 | 0.31 | 47.6 | 1.51 |
| Capital expenditures | 44.8 | 144.3 | >100 | 279.4 |
| Cash flow from operating activities | 73.1 | 87.7 | 20.0 | 519.4 |
| Shareholders' equity [1, 2] | 2,043.0 | 2,072.9 | 1.5 | 2,043.0 |
| Total assets [1] | 3,650.2 | 3,729.6 | 2.2 | 3,650.2 |
| Average number of employees | 23,078 | 24,737 | 7.2 | 24,182 |

*[1] On December 31, 2004 and March 31, 2005.*

*[2] The structure of the Group balance sheet was changed in accordance with IAS 1 as at January 1, 2005; the figures for the previous year have been adjusted accordingly (Cf. notes).*

# *Editorial*

***Dear Sir or Madam,***
***dear Shareholders,***

Frankfurt is and will remain the main location of the Fraport Group. Its future development is based on the consolidation and expansion of the core business at Frankfurt Airport. We also intend to expand internationally – as a provider of know-how for the management of international airports and/or of specific individual areas of airport business.

Demand for mobility is increasing worldwide. In order to be able to benefit from the above-average growth potential of air traffic and its economic spin-offs on the ground, governments all over the world are capitalizing their national airports. When they are transformed into private companies, the airports are opened up to international investors and thus to competition.

Like air traffic in general, this is a market with tremendous growth potential. We plan to exploit this potential via service, management and consultancy contracts; capital investments frequently have to be used as a backup measure. In this context, Fraport AG can take advantage of its reputation as the operator of one of the liveliest hubs in Europe, which is at the same time the third-largest airport in the world for passengers transferring to connecting flights. The emphasis in the services we have to offer is on airport management and ground handling. Aviation security assignments are part of our portfolio, too. Our wholly-owned subsidiary ICTS Europe is steadily expanding its position as market leader with its roughly 10,000 employees. Our other investments outside Frankfurt have also developed well over the past two years and are contributing to the business success of the Fraport Group to an increasing extent.

We participate in tenders for new projects that appear to be attractive to us, systematically following the principle of „the creation of value with limited capital input“. At the end of last year, we were commissioned to manage the international airport in Cairo in competition with international bidders. The contract is for eight years and does not involve a capital investment in the Egyptian airport company or commitments to invest in the local infrastructure. The offer we made in the competition between bidders for the management of Varna and Burgas Airports on the Bulgarian Black Sea coast was not accepted.

The tenders that can be expected this year include management of the major Indian airports in Delhi and Mumbai, in which we intend to participate because of the above-average growth potential. International investors are eyeing the airports in Budapest, Milan and Bratislava as well. And China is planning to privatize more than 230 airports by 2010!

Wherever we are involved, our objective is to develop mobility professionally in accordance with our business vision. We contribute our proven experience in the efficient management of highly complex processes and aim to create sustained value in the interests of our shareholders, our employees and the regions in which we operate.

Sincerely,

*Stefan Schulte*
*Member of the Executive Board*

# The Fraport Share

## Key Figures and Share Price Development

### Key figures

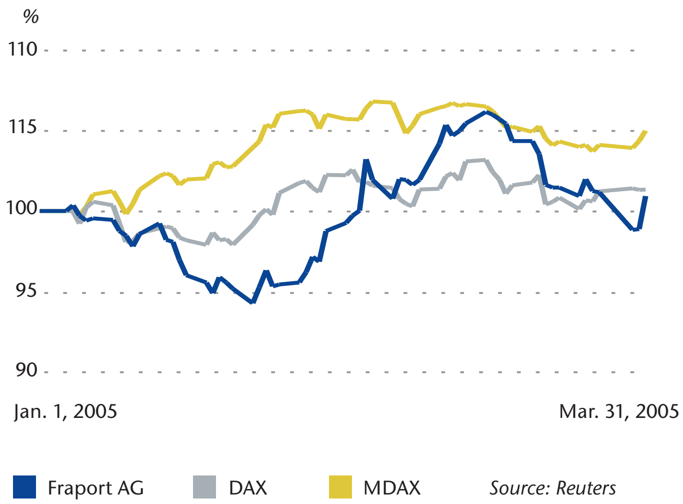
| | | Q1 2004 | Q1 2005 | 2004 |
|---|---|---|---|---|
| Capital stock (acc. to IFRS) | in € million | 902.2 | 905.7 | 905.1 |
| Absolute share of capital stock | per share, in € | 10.00 | 10.00 | 10.00 |
| Total number of shares | | 90,361,658 | 90,683,908 | 90,638,708 |
| Number of floating shares [1] | | 90,231,488 | 90,569,983 | 90,515,040 |
| Market capitalization [2] | in € million | 2,028 | 2,869 | 2,841 |
| Average trading volume per day | | 106,050 | 96,992 | 102,563 |
| Share price at end of period [3] | in € | 22.48 | 31.68 | 31.39 |
| Highest price [4] | in € | 26.50 | 33.32 | 31.39 |
| Lowest price [5] | in € | 22.24 | 29.59 | 22.20 |
| Earnings per share (diluted) [6] | in € | 0.21 | 0.30 | 1.48 |
| Earnings per share (basic) [6] | in € | 0.21 | 0.31 | 1.51 |

[1] *Total number of shares excluding treasury shares.*
[2] *Share price at the end of the quarter, multiplied by the number of floating shares.*
[3] *XETRA share price at the end of the quarter/year.*
[4] *XETRA share price at the end of March 7, 2005.*
[5] *XETRA share price at the end of January 31, 2005.*
[6] *In relation to the weighted quarterly average number of floating shares.*

The most important German share indices DAX and MDAX developed positively overall in the first three months of 2005. The MDAX increased by 5.9 % from January to March and the DAX went up by 2.2 %. Although the increase in the value of the Fraport share was lower at 0.9 %, it was already at a good level when the new year began. In 2004, the increase in the price of the Fraport share exceeded the DAX and MDAX by 33.0 and 20.0 percent respectively and the price at the end of the year was € 31.39. The share increased in value again in the first quarter even so. It reached the highest final price since the IPO (€ 33.32) on March 7, 2005.

Market capitalization on March 31, 2005 was € 2.87 billion. 96,992 shares changed hands on average every trading day.

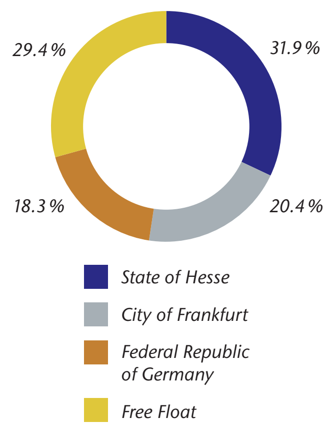
### Share development of the Fraport share compared with the DAX and MDAX



# Shareholder Structure

There has been no change in the shareholder structure compared with the previous year. The biggest individual shareholders continue to be the State of Hesse, followed by the City of Frankfurt and the Federal Republic of Germany. The free float, including the treasury shares and those owned by employees, amounts to 29.4 %.

**Shareholder structure**




# Dividend Policy

We will be proposing to the 2005 Annual General Meeting that about € 68 million are distributed in dividends for fiscal 2004. The dividend would then be 75 cents per share and the dividend payout ratio would amount to almost 50 % of the Group profit for 2004. 44 cents per share or 34.5 % of the Group profit for the year were paid out for fiscal 2003.

# Investor Relations

We aim to create maximum transparency for the capital market by providing comprehensive, open and prompt information.

All telephone conferences and presentations are broadcast live on the Internet and downloading facilities are provided afterwards, so that all shareholders have access to the latest information.

A wide range of different information is available in the "Investor Relations" section of our website (www.fraport.com). In addition to information about the share, it includes up-to-the-minute news, dates, events, information about the Annual General Meeting and financial as well as traffic figures.

# Employee Investment Plan

Since the IPO in 2001, Fraport employees have been able to subscribe Fraport shares in 2004 in the context of the performance- and success-based compensation program "LEA". Fraport AG buys back the shares for this program, making use of some of the authorized capital following a capital increase in return for the injection of cash, and passes them on to its employees. Fraport employees subscribed a total of 146,450 new shares accounting for € 10.00 of the capital stock each in the "LEA" program last year.

"LEA" is being continued in 2005. As was the case last year, the shares for the company's employees are being issued in May, so the capital stock will be increasing slightly again.

# Business Development

## Global Economy and Development of Air Traffic

In the course of the first quarter of 2005, the economic forecasts about the development of most regions on an annual basis were reduced. The growth forecast for the real gross domestic product in Germany was cut from 1.6 % to one percent or less. The economies in the USA, China and Japan are likely to grow more slowly than assumed at the beginning of the year, too. According to market observers, global trade volume, an important indicator for the development of air cargo volume, will be increasing by 8.5 % in 2005.

According to provisional figures released by the Association of European Airlines, worldwide air traffic grew substantially in the first quarter of 2005: on the basis of passenger kilometers sold, the European airlines increased their traffic volume by 9.3 % over the same quarter of the previous year. The seat kilometer capacity available rose more moderately by 6.7 %, so that the average aircraft utilization level went up to a seat load factor of 73.3 %. As expected, the Far East/Pacific region was the growth driver.

The passenger fleet of our main customer Deutsche Lufthansa improved its capacity utilization by 0.5 percentage points to 73.2 % in the first quarter of 2005, too. The number of passengers (11.2 million) was 1.8 % lower than in the same period of the previous year, on the other hand. Lufthansa attributes this to the poor economic situation in Germany.

*Traffic figures for Fraport Group*

| 1st Quarter | Passengers [1] | | Cargo *(airfreight + airmail in t)* | | Movements | |
|---|---|---|---|---|---|---|
| | 2005 | Change to 2004 in % | 2005 | Change to 2004 in % | 2005 | Change to 2004 in % |
| Frankfurt Airport | 11,340,471 | 0.5 | 456,018 | 5.9 | 114,474 | 2.1 |
| Frankfurt-Hahn [2] | 630,561 | 9.9 | 46,564 | 6.4 | 7,564 | 4.6 |
| Hanover | 1,056,562 | 1.5 | 4,404 | 14.8 | 18,426 | – 1.0 |
| Saarbrücken | 68,361 | – 4.0 | 20 | 150.0 | 2,855 | – 6.9 |
| Antalya [3] | 1,234,286 | 25.0 | n.a. | n.a. | 8,064 | 20.6 |
| Lima [4] | 1,341,184 | 10.6 | 36,146 | 1.6 | 16,232 | – 12.0 |
| **Group** | **15,671,425** | **3.3** | **543,152** | **5.7** | **167,615** | **0.8** |

*[1] Only commercial traffic in+out+transit.*
*[2] Frankfurt-Hahn freight includes trucking.*
*[3] International terminal.*
*[4] Internal data provided by Lima.*
*Source: ACI*

Passenger traffic in the **Fraport Group** with its six airports increased by 3.3 % in the first three months of 2005 by comparison with the same period in the previous year. 15.7 million passengers were recorded at Frankfurt, Frankfurt-Hahn, Hanover, Saarbrücken, Antalya and Lima Airports.

**Frankfurt** Airport – which continues to be the most important Group location – reported an increase of 0.5 % to 11.3 million passengers in the first quarter of 2005. This moderate development resulted amongst others from the missing leap day in February 2005 and the visit of the American President. The decline in traffic inside Germany played a part, too. The growth in low-cost services at other German airports – generally direct connections to European destinations – reduced the number of passengers changing to connecting flights at Frankfurt Airport. The poor domestic economy depressed demand, too. The growth trend on the intercontinental routes, to South America, South Africa and the USA in particular, continued on the other hand.

**Antalya** Airport was used by 25.0 % more passengers than in the same period of the previous year. Quite apart from the basically positive development of this airport, which is mainly a tourist destination, the earlier date on which the Easter holidays started had a positive effect on this quarter.

There was considerable growth in tourist traffic in **Lima** as well, so that the passenger figures were 10.6 % higher than in the same quarter of the previous year.

The number of passengers at **Frankfurt-Hahn** increased by 9.9 % in the first quarter of 2005 – which was somewhat lower than the growth rates in the previous years. Over the year as a whole, passenger growth is likely to be higher, because Ryanair, Wizz and Iceland Express are planning to introduce a large number of additional connections in the course of the year.

**Cargo traffic** in the Fraport Group rose by 5.7 % in the period under review. The increase was due predominantly to the record cargo volume figures at Frankfurt Airport. The main reasons for this were new cargo connections introduced with the 2004/05 winter flight schedule and disproportionately fast growth on the intercontinental routes. Substantial increases were achieved on the connections to the Far East, North Africa and Latin America in particular. The second-largest monthly cargo volume in the history of Frankfurt Airport was registered in March.

The total number of all **aircraft movements** at the Group airports increased slightly by 0.8 %. Developments in Frankfurt were depressed in particular by the fact that there was one day fewer in February 2005 compared with the leap year in 2004, flight cancellations for weather reasons, strikes abroad and the visit by the American President. The number of takeoffs and landings increased here by 2.1 % even so.

The maximum takeoff weights in Frankfurt totalled 6.5 million tonnes at the end of the quarter, which corresponds to growth of 4.5 % over the same period in the previous year. This means that the trend towards the deployment of larger and heavier aircraft continued: wide-body jets (with two aisles in the passenger cabin) accounted for 25.1 % of volume, an increase of 1.1 percentage points. The seat load factor rose by 1.4 percentage points to 68.1 % in the first quarter of 2005, too.

Our strategic concept of intermodality – linking road, rail and air traffic in co-operation with the airlines and the Deutsche Bahn railway company – is making it possible for airlines to transfer short flights inside Germany to the railway system gradually. This is releasing takeoff and landing slots in Frankfurt that can be used for economically attractive long-distance flights with large aircraft. The strategy is taking effect; reductions in air traffic in favour of the train system are already being registered on the Cologne/Bonn and Stuttgart routes.

## *Revenues and Earnings*

In the first quarter of 2005, the Fraport Group continued the successful development of its business in the previous year: considerable increases were again achieved in both revenues and earnings.

**Revenues** were 7.8 % higher than in the same period of the previous year at € 480.9 million. The substantial increase is attributable primarily to larger traffic fees and more proceeds from security services. The growth in traffic volume led to higher revenues at the Frankfurt, Frankfurt-Hahn and Antalya locations in particular. The **total revenues** of € 491.6 million were 7.8 % above the level reached in the previous year, too.

Operating expenses (non-staff costs and personnel expenses) increased by 6.9 %, which was therefore lower than the growth in revenue. The disproportionately small increase in the largest expense item was the main reason for this: **personnel expenses** were 5.1 % higher than in the same period of the previous year at € 252.4 million. ICTS Europe accounted for the largest proportion of this growth, with an increase of 16.1 % or 1,394 employees to a total of 10,038. The Fraport Group had an average of 24,737 employees in the first quarter, 7.2 % more than in the same period of the previous year.

The **non-staff costs** were up 10.6 % at € 129.0 million. They include the cost of materials, which rose by 8.1 % to € 77.0 million, and the other operating expenses, which were 14.5 % higher than in the same quarter of the previous year at € 52.0 million. This cost increase was caused partly by the expansion of the security services that the Fraport Group provides; they were compensated for by appropriate increases in revenues. The subsidiaries with operations that expanded because of traffic growth had higher costs, too. The maintenance measures, with which the terminal areas are being modernized thoroughly and are to be extended in the retail field in particular, are continuing as well. Provisions were in addition formed to cover possible reimbursements and outstanding invoices.

The ongoing measures to improve our business processes and thus productivity are reflected in an increase of 10.9 % in **EBITDA** to € 110.2 million. The EBITDA margin went up by 0.6 percentage points to 22.9 %.

**Depreciation and amortization** of tangible and intangible non-current assets decreased by 4.2 % over the same period of the previous year to € 50.3 million because of the elimination of goodwill amortization, particularly on ICTS Europe[1]. The percentage increase in **EBIT** (operating profit), which totalled € 59.9 million, was therefore even higher than the EBITDA growth at 27.7 %.

The **financial result** improved by € 3.3 million to € – 6.2 million. This was due to two effects: interest expenses were lower than in the previous year, because regular scheduled and unscheduled loan repayments were made and less overnight and short-term money was required; the balance of mainly unrealized foreign currency gains and losses improved from € – 4.2 million in the previous year to € – 2.6 million. The income from investments and results of investments held at equity were down € 0.2 million each.

The **Group profit** of € 27.6 million was 45.3 %[2] higher than in the same period of the previous year. The basic earnings per share increased from € 0.21 to € 0.31.

# *Asset and Financial Situation*

### *Capital expenditures*

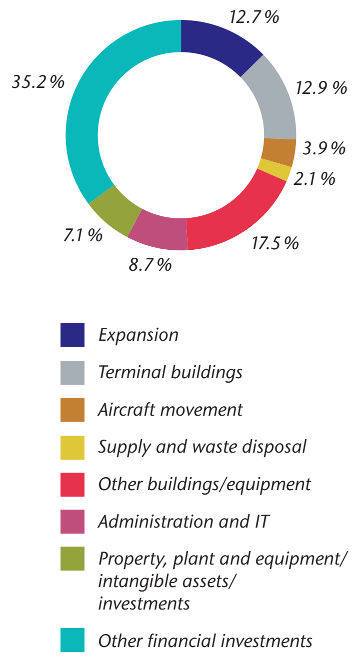
The capital expenditures by the Fraport Group in the first three months of fiscal 2005 totalled € 144.3 million. This is considerably more than the figure of € 44.8 million in the previous year, € 50.0 million of the total being accounted for by a money investment. € 83.3 million related to capital expenditures at the Frankfurt location. A particularly large item here was the purchase of what is known as the Caltex site, which is to be developed commercially. In accordance with the revised accounting standard IAS 40, such "investment property" has to be shown separately from the rest of the property, plant and equipment.

*[1] This change was made in accordance with the requirements of the accounting standards applied (IFRS 3, cf. notes).*

*[2] The presentation of the Group profit has been changed in accordance with IAS 1 (revised); the figures for the previous year have been adjusted accordingly (Cf. notes).*

Other major emphases in the capital expenditures in Frankfurt were measures connected with the planned expansion of the airport, such as the purchase of land for compensation purposes, and costs of the current zoning procedure as well as the modernization of the existing terminals and the aviation surface.

*Capital expenditures: € 144.3 million*




### *Cash flow statement*

The **net cash flow from operating activities** in the first three months of 2005 amounted to € 87.7 million, which was € 14.6 million more than in the same period of the previous year. The inflow of funds from the operational activities was € 27.2 million higher than in the first quarter of 2004 at € 123.8 million, particularly because of an increase in provisions and liabilities as well as the improvement in the Group profit. There were, on the other hand, higher receivables and financial assets in particular. The outflow of funds in financial activities increased essentially because of larger payments of taxes on income.

The **net cash flow used in investing activities** increased from € 42.5 million to € 138.5 million. This growth was attributable primarily to the money investment of € 50.0 million and higher capital expenditures on property, plant and equipment. The purchase of the Caltex site, which has to be classified as an "investment property", is reflected here, too.

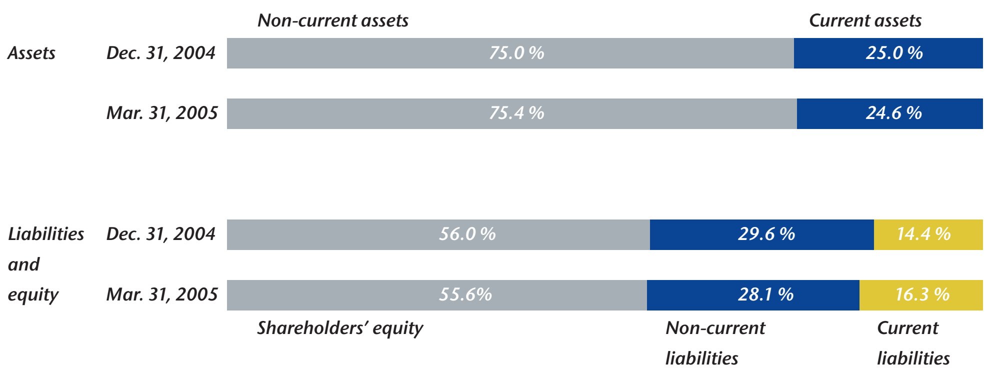
The **financing activities** resulted in a **net cash inflow** of € 6.0 million, € 5.4 million of which related to the increase in current and non-current financial debt. The net outflow in the same quarter of the previous year was € 27.1 million.

The money investment of € 50.0 million reduced the **cash and cash equivalents**. They were € 9.1 million higher than in the same quarter of the previous year at € 621.3 million on March 31, 2005 even so.

### *Asset and capital structure*

Application of the revised IAS 1 is leading to a change in the structure of the Group balance sheet, which is being based on remaining terms in future. The change is explained in greater detail in the Notes; the figures for the previous year have been adjusted.

### *Balance sheet structure*



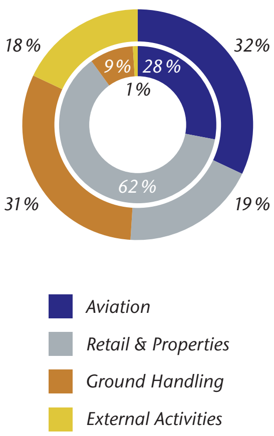
The **total assets** were 2.2 % higher than on December 31, 2004 at € 3,729.6 million. The change of + € 79.4 million was due primarily to the positive Group earnings in the first quarter of 2005 and the increase in current other receivables and financial assets.

The balance sheet structure is almost unchanged: the non-current assets accounted for 75.4 % of the assets on March 31, 2005. The **equity ratio** [1] of 53.5 % in the current quarter was only slightly lower than the previous figure of 53.8 %. The shift in the percentage of non-current to current liabilities is due to the fact that loan terms have decreased to less than one year since December 31, 2004.

The total non-current and current **financial liabilities** increased only slightly by 0.8 % to € 666.1 million. The money investment of € 50.0 million reduced the cash and cash equivalents, as a result of which the **net financial liabilities** amounted to € 44.8 million on the qualifying date for the period under review. The cash and cash equivalents had exceeded the financial liabilities by € 5.7 million on December 31, 2004. **Gearing** was 2.2 % on March 31, 2005.

## Segment Reporting

***Shares of the segments in Group revenues** (outer circle) **and EBITDA** (inner circle)*




The business operations of the Fraport Group are presented in the four segments "Aviation", "Retail & Properties", "Ground Handling" and "External Activities".

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

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

The earnings of minority interests that are included in the accounts at equity and the income from other investments are shown in the financial result.

Aviation and Ground Handling made the largest contributions to Group revenues with about 32 % and 31 % respectively. Retail & Properties accounted for 19 % and External Activities 18 %. These shares remained basically unchanged by comparison with the same period of the previous year.

Retail & Properties continues to be the most profitable segment, contributing about 62 % of Group EBITDA. The percentage it accounted for decreased, however, in favour of the Aviation and Ground Handling segments, which benefitted from the growth in air traffic volume and cost-cutting measures.

[1] *Shareholders' equity before minority interests and the dividend that is to be distributed.*

# Aviation

The Aviation segment of the Group is responsible for flight and terminal operations, airport and aviation security and the infrastructure services associated with them at the Frankfurt location.

### *Aviation*

| *in € million* | Q1 2004 | Q1 2005 | Change *in %* |
|---|---|---|---|
| Revenues | 136.4 | 154.1 | 13.0 |
| EBITDA | 21.2 | 31.4 | 48.1 |
| EBIT | 7.9 | 18.7 | >100 |
| Employees | 3,288 | 3,508 | 6.7 |

The Aviation segment increased its revenues - essentially airport fees and proceeds from security services – by 13.0 % over the same period of the previous year to € 154.1 million in the first quarter of 2005.

The airport fees rose with the traffic figures and due to the average price increase of 1.75 % that was made on January 1, 2005. Contrary to our expectations, the revenues from military traffic were higher than in the previous year in the first three months of 2005, too. The larger proceeds from security services were attributable primarily to the steady increase in aviation security requirements at European airports, although the increase in traffic volume also boosted revenues.

Operating expenses increased to a disproportionately small extent by comparison with revenue development. Higher expenses were incurred in particular due to the increasingly demanding security regulations as well as to repair and maintenance measures at the terminals. Personnel expenses were higher than in the previous year, too, mainly because of the increase in the number of employees.

The segment EBITDA of € 31.4 million were 48.1 % higher than in the previous year, while EBIT were up by € 10.8 million at € 18.7 million.

# Retail & Properties

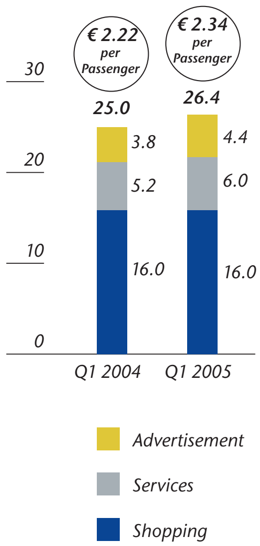
Our business operations in the areas of retailing, parking facility management, property rental and marketing as well as CargoCity South are combined in the Retail & Properties segment.

### *Retail & Properties*

| *in € million* | Q1 2004 | Q1 2005 | Change *in %* |
|---|---|---|---|
| Revenues | 88.2 | 92.5 | 4.9 |
| EBITDA | 71.4 | 68.0 | – 4.8 |
| EBIT | 47.9 | 43.6 | – 9.0 |
| Employees | 3,043 | 3,035 | – 0.3 |

### *Retail*

*in € million*



Segment revenues increased by 4.9 % over the same period of the previous year to € 92.5 million in the first quarter of 2005. Whereas the revenues from rental and supply services (real estate revenues) were at roughly the same level as in the previous year, revenues from parking facility management and the retail business were considerably higher. The latter were boosted in particular by higher income from advertising and services. The development in shopping revenues – the most important source of revenues in the retailing operations – continues to be depressed by the weakness of the US dollar, on the other hand, which reduces the purchasing power of international passengers, and the impact on retail space of the terminal modernization exercise. The space available will be increasing again gradually from the middle of the year onwards.

The positive effects outlined above led to an increase in retail revenues per passenger from € 2.22 in the previous year to € 2.34.

Personnel expenses stagnated at almost exactly the same level as in the previous year, whereas non-staff costs increased, partly because of the ongoing activities to maintain the terminals. Provisions were made for possible reimbursements and outstanding invoices, too.

A reduction in inter-segment income depressed the development of segment earnings as well. This reduction was due primarily to lower prices for telecommunication services that Retail & Properties invoices to other segments.

EBITDA decreased by 4.8 % o € 68.0 million. EBIT went down 9.0 % to € 43.6 million.

# Ground Handling

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

### Ground Handling

| *in € million* | Q1 2004 | Q1 2005 | Change *in %* |
|---|---|---|---|
| Revenues | 143.7 | 147.3 | 2.5 |
| EBITDA | 5.3 | 10.1 | 90.6 |
| EBIT | – 0.3 | 4.9 | – |
| Employees | 6,919 | 6,918 | 0.0 |

In the first three months of 2005, the Ground Handling segment generated revenues of € 147.3 million; this represents an increase of 2.5 % over the revenues in the previous year. The main reasons for this were the positive development in traffic and adjustments to the infrastructure fees. The small losses in market share were substantially more than compensated for overall.

The operating expenses were reduced. Although the non-staff costs were higher than in the same period of the previous year – in line with revenue development – personnel expenses were slightly lower in spite of the increase in traffic volume: this means that Ground Handling increased productivity again considerably.

EBITDA increased 90.6 % or € 4.8 million to € 10.1 million. EBIT improved from € – 0.3 million in the first quarter of 2004 to € 4.9 million.

# External Activities

The External Activities segment essentially covers all the investments that are not involved in the business processes at the Frankfurt location.

### External Activities

| in € million | Q1 2004 | Q1 2005 | Change in % |
|---|---|---|---|
| Revenues | 77.9 | 87.0 | 11.7 |
| EBITDA | 1.5 | 0.7 | – 53.3 |
| EBIT | – 8.6 | – 7.3 | – |
| Employees | 9,828 | 11,276 | 14.7 |

Segment revenues increased by 11.7 % in the first quarter of 2005 to € 87.0 million. ICTS Europe, which specializes in security services, made the largest contribution to this growth. Higher revenues from traffic fees were generated primarily by the Group locations in Antalya and Frankfurt-Hahn.

The operating expenses increased to a slightly higher extent than revenues. EBITDA at € 0.7 million were 53.3 % or € 0.8 million lower than in the previous year. Lower depreciation and amortization charges because of the elimination of the scheduled amortization of the goodwill of ICTS Europe in particular led, on the other hand, to a reduction in the loss at EBIT level from € – 8.6 million to € – 7.3 million.

The segment results do not include the income from investments of € 1.7 million and from investments held at equity of € 0.2 million, which are shown in the financial result.

The business figures of the main investments before consolidation emphasize the ongoing positive development of our locations outside Frankfurt.

**ICTS Europe** – a wholly-owned subsidiary that specializes in security services – continued its expansion strategy in the first quarter of 2005, too. With additional commissions, for example in the Netherlands, Greece, Germany, Spain and Great Britain, and the expansion of existing contracts, it succeeded in increasing its revenues considerably to € 76.4 million, which represents growth of 14.5 %. EBITDA exceeded the previous year's level by 5.3 % at € 4.0 million.

Substantial growth in passenger volume (+ 25.0 %) was again achieved in **Antalya**, where we operate one of what are in the meantime two international terminals. The revenues of the operating company, in which Fraport holds an interest, therefore increased by 11.7 % to € 10.5 million. EBITDA improved accordingly by 34.1 % to € 5.9 million.

A positive development in traffic volume led to an increase in revenues of 18.6 % to € 8.3 million at **Frankfurt-Hahn**, too. Higher expenditure on winter services and individual write-downs depressed EBITDA, which decreased by € 0.9 million to € – 2.9 million.

The companies Hanover-Langenhagen and Lima are valued at equity in the Group. In line with traffic development, revenues in **Hanover** increased by 6.0 % to € 26.7 million. Due to higher personnel costs and larger consumption of de-icing agents because of the weather conditions, EBITDA were 15.2 % lower at € 5.6 million.

Exchange rate fluctuations again had a strong influence on revenues and earnings in Lima. Euro-based revenues increased by 32.8 % to € 15.8 million, while EBITDA were 13.3 % higher than in the previous year at € 3.4 million. Revenues on a US dollar basis were up 38.9 % at USD 20.7 million. EBITDA were 21.6 % higher than in the same period of the previous year at USD 4.5 million.

## Employees

The Fraport Group had an average of 24,737 employees in the first quarter of 2005, 7.2 % or 1,659 more than a year ago. 15,896 of them worked in Frankfurt. The number of employees in the Retail & Properties segment decreased slightly in the first quarter of 2005, while it remained constant in the Ground Handling segment and increased considerably in the Aviation and External Activities segments. The growth in the number of employees in the External Activities segment is attributable mainly to the expansion of ICTS Europe's business.

| Segment | Q1 2004 | Q1 2005 | Change *in %* |
|---|---|---|---|
| Aviation | 3,288 | 3,508 | 6.7 |
| Retail & Properties | 3,043 | 3,035 | – 0.3 |
| Ground Handling | 6,919 | 6,918 | 0.0 |
| External Activities | 9,828 | 11,276 | 14.7 |

| | Q1 2004 | Q1 2005 | Change *in %* |
|---|---|---|---|
| Fraport Group | 23,078 | 24,737 | 7.2 |
| of which in Frankfurt | 15,225 | 15,896 | 4.4 |
| Investments | 10,843 | 12,497 | 15.3 |
| of which ICTS | 8,644 | 10,038 | 16.1 |

The figures given here do not include apprentices and employees on maternity leave or other leaves of absence. The number of employees included for joint ventures corresponds to the interest held.

# Additional Information

### Order situation

The winter flight schedule applied at Frankfurt Airport from October 31, 2004 to March 26, 2005. It consisted of flights to 269 destinations in 108 countries by 105 airlines. The number of planned takeoffs and landings was 4,038 per week, 2.3 % higher than in the winter flight schedule of the previous year, due in particular to the growth in intercontinental connections. The new summer flight schedule from March 27 to October 29, 2005 lists 109 airlines, which are flying to 304 destinations in 110 countries. 4,404 takeoffs per week are expected on average; this is 4.4 % more than in the 2004 summer flight schedule. Growth is again being driven by intercontinental traffic.

Frankfurt Airport is one of the most important air traffic hubs in Europe and is Germany’s biggest airport. Frankfurt accounts for 72.7 % of the passenger volume on intercontinental flights in the German market. A quarter of all the aircraft taking off and landing here are wide-body jets, with which the limited number of takeoff and landing slots can be used particularly productively.

# Share Option Plan

The Annual General Meeting of Fraport AG that was held on March 14, 2001 passed a resolution about the main points of a share option plan. Members of the Fraport AG Executive Board, directors of affiliated companies and further senior Fraport AG executives who work in Germany receive share options in the context of this plan.

The total number of share options issued since the plan was introduced amounted to 873,050 options as at March 31, 2005.

45,200 share options from the second tranche (2002) were exercised in the first quarter of 2005. 2,000 share options expired in the period under review. This means that the number of outstanding share options decreased during the first quarter of 2005 from 656,100 on December 31, 2004 to 608,900.

# Treasury Shares

Fraport AG held 113,925 treasury shares on March 31, 2005. This is a reduction of 9,743 shares compared with the end of fiscal 2004. They were issued as part of Executive Board compensation.

# Other Financial Commitments

There was no major change in the other financial commitments by comparison with December 31, 2004.

## Other Disclosures

Long-term comparisons reveal that passenger traffic is weakest in the first quarter and strongest in the third quarter, for seasonal reasons.

Transactions with related parties were carried out on the normal scale.

## Changes in Risk Reporting

An EU regulation from the summer of 2004 about aviation security at European airports defines security areas within airports ("critical parts"), where even stricter security rules are to apply in future. It is planned to extend the relevant critical areas gradually.

There is a risk that it will not be possible to recover the costs completely in the fees charged.

## Significant Events After the Balance Sheet Date

A second international passenger terminal opened in Antalya on April 7, 2005. This new terminal is competing with the terminal we operate and will lead to a reduction in passenger volume and thus revenues there.

# *Outlook*

### *Airport expansion*

In view of the existing capacity bottlenecks and the long-term forecasts about air traffic growth, Fraport AG intends to expand Frankfurt Airport. There are plans for an additional runway to the north-west of the airport site as well as a third terminal, including the necessary infrastructure facilities.

Fraport AG submitted the necessary zoning procedure application in September 2003. The process that started as a result is in progress; the "public review" stage was completed recently. The deadline for filing comments about the expansion plan and the relevant documents passed in April 2005. The more than 100,000 objections from private persons, associations, companies and local authorities are now being reviewed by the authorities responsible (Darmstadt District President) and will be passed on to Fraport for its comments.

The public hearing about the zoning application is to begin in the second half of 2005. Fraport is expecting the Hessian Ministry of Economics, Transport and Regional Development to issue its zoning decision in 2007.

### *A380 maintenance facility*

The zoning application for approval of a maintenance facility under aviation law, including approval under construction law of a Lufthansa hangar and the associated warehouse building for the maintenance of wide-body aircraft, particularly the new Airbus A380, was completed successfully in November 2004. As had been expected, numerous law suits have been submitted against the decision taken in the zoning procedure and urgent applications have been submitted to suspend immediate enforceability. We anticipate that the right to immediate enforcement will not be suspended, but we will not be taking any irreversible action – for example by clearing the land – until the Hessian Higher Administrative Court has had an opportunity to review the law suits and urgent applications. The only activities that were already started in December 2004 were individual measures that cannot be postponed, such as surveying assignments, searching for any weapons that may still be on the land from the Second World War and drilling for specimens to analyse the soil.

The Lufthansa maintenance facility will in all probability be completed in good time for when the A380 is supposed to be coming into service in 2007.

### *Prospects*

In view of the development of the business in the first three months of 2005, we are maintaining our forecasts for business development in the year as a whole.

### *Group revenues*

We are expecting revenues to increase by more than 3 %, particularly because of higher traffic volume, the increase in the airport fees at the Frankfurt location and higher proceeds from security services.

We anticipate lower revenues in the fees charged for military traffic and the revenue-based airport access fees. Revenues in Antalya will be decreasing too, because a second international terminal was opened in April, which is in competition with the terminal we operate. Our concession to operate the terminal ends in 2007.

### *EBITDA and Group profit*

On the basis of continuation of the policy of strict cost management, in 2005 we aim to achieve an increase in EBITDA that is slightly larger than the revenue growth, taking into account higher expenses for modernization projects and the remodelling of the terminal to make it suitable for the A380. The Group profit for the year should increase considerably.

### *Cost management*

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

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

We started the project "We're Making Fraport Fit" in Frankfurt in January 2005 as well, with which the personnel cost ratio is to be improved in particular. The ideas for cost reducing developed in joint interactive events by staff, managers and the Executive Board and possibilities for reducing voluntary social benefits as well as possible tariff adjustments are currently being negotiated with the works council and the trade union responsible. The necessary cuts are to be made in the most socially acceptable way possible.

### *Capital expenditures*

Capital expenditures in 2005 will probably be higher than in the previous year. This is due to a large extent to, for example, the ongoing modernization of the terminals and the aviation surface at Frankfurt Airport. This includes the necessary remodelling exercises, as a result of which the terminals are being prepared to meet the requirements of the wide-body Airbus A380 jet, which is to be landing in Frankfurt from 2006 onwards. Another focal point is the economic and technical development of the existing terminals. The capital expenditures scheduled for 2005 in the context of the planned capacity expansion include land purchases.

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

# Consolidated Income Statements as at March 31, 2005

## Consolidated Income Statement

| *in € million* | Q1 2004 | Q1 2005 |
|---|---|---|
| **Revenues** | **446.2** | **480.9** |
| Change in work-in-process | 0.0 | 0.0 |
| Other internal costs capitalized | 3.8 | 4.1 |
| Other operating income | 6.2 | 6.6 |
| **Total revenues** | **456.2** | **491.6** |
| Cost of materials | – 71.2 | – 77.0 |
| Personnel expenses | – 240.2 | – 252.4 |
| Other operating expenses | – 45.4 | – 52.0 |
| **EBITDA** | **99.4** | **110.2** |
| Depreciation and amortization of tangible and intangible non-current assets | – 52.5 | – 50.3 |
| **EBIT (Operating profit)** | **46.9** | **59.9** |
| Interest results | – 7.8 | – 5.8 |
| Results of investments held at equity | 0.4 | 0.2 |
| Income from investments | 1.9 | 1.7 |
| Write downs of financial assets | – 0.2 | 0.0 |
| Other financial results | – 3.8 | – 2.3 |
| **Financial result** | **– 9.5** | **– 6.2** |
| **EBT (Result from ordinary operations)** | **37.4** | **53.7** |
| Taxes on income | – 16.9 | – 23.0 |
| Other taxes | – 1.5 | – 3.1 |
| **Group profit** | **19.0** | **27.6** |
| Share of results attributable to shareholders of Fraport AG | 18.9 | 27.7 |
| Share of results attributable to minority shareholders | 0.1 | – 0.1 |
| **Earnings per €10 share in € (basic)** | **0.21** | **0.31** |
| **Earnings per €10 share in € (diluted)** | **0.21** | **0.30** |

# Consolidated Balance Sheet

## *Assets*

| *in € million* | Balance at December 31, 2004 | Balance at March 31, 2005 |
|---|---|---|
| **Non-current assets** | | |
| Goodwill | 116.8 | 117.3 |
| Other intangible assets | 52.5 | 50.5 |
| Property, plant and equipment | 2,381.5 | 2,400.1 |
| Real estate held as financial investment | 0.0 | 20.9 |
| Investments held at equity | 46.9 | 47.8 |
| Other financial assets | 52.6 | 101.8 |
| Other receivables and other assets | 75.2 | 61.3 |
| Deferred tax assets | 13.4 | 13.0 |
| | **2,738.9** | **2,812.7** |
| **Current assets** | | |
| Inventories | 12.1 | 12.5 |
| Trade accounts receivable | 168.6 | 192.5 |
| Other receivables and other assets | 64.2 | 90.6 |
| Liquid funds | 666.4 | 621.3 |
| | **911.3** | **916.9** |
| | **3,650.2** | **3,729.6** |

## *Liabilities and equity*

| *in € million* | Balance at December 31, 2004 | Balance at March 31, 2005 |
|---|---|---|
| **Shareholders' equity** | | |
| Subscribed capital | 905.1 | 905.7 |
| Capital reserves | 537.6 | 538.6 |
| Revenue reserves | 520.1 | 522.0 |
| Group retained earnings 2004 | 68.0 | 68.0 |
| Group profit Jan. 1 – Mar. 31, 2005 | – | 27.7 |
| Equity attributable to shareholders of Fraport AG | 2,030.8 | 2,062.0 |
| Equity attributable to minority shareholders | 12.2 | 10.9 |
| | **2,043.0** | **2,072.9** |
| **Non-current liabilities** | | |
| Financial liabilities | 574.1 | 547.9 |
| Other liabilities | 102.9 | 103.1 |
| Deferred tax liabilities | 129.8 | 129.2 |
| Provisions for pensions and similar obligations | 25.5 | 25.7 |
| Provisions for income taxes | 151.7 | 148.1 |
| Other provisions | 95.3 | 93.6 |
| | **1,079.3** | **1,047.6** |
| **Current liabilities** | | |
| Financial liabilities | 86.6 | 118.2 |
| Trade accounts payable | 100.4 | 103.0 |
| Other liabilities | 111.7 | 142.1 |
| Provisions for income taxes | 43.5 | 36.4 |
| Other provisions | 185.7 | 209.4 |
| | **527.9** | **609.1** |
| | **3,650.2** | **3,729.6** |

# *Consolidated Cash Flow Statement*

| *in € million* | Q1 2004 | Q1 2005 | 2004 |
|---|---|---|---|
| **Share of results attributable to shareholders of Fraport AG** | **18.9** | **27.7** | **136.4** |
| Taxes on income | 16.9 | 23.0 | 120.9 |
| Share of results attributable to minority shareholders | 0.1 | – 0.1 | 2.0 |
| Adjustments for | | | |
| Depreciation/write-ups (non-current assets) | 52.6 | 50.3 | 240.8 |
| Interest results | 7.8 | 5.8 | 23.1 |
| Income from investments | – 1.9 | – 1.7 | – 13.7 |
| Gains/losses from disposals of non-current assets | 0.7 | – 0.1 | 4.6 |
| Unrealized foreign currency results | 3.2 | 2.7 | 0.3 |
| Changes in investments held at equity | – 0.4 | – 0.2 | – 1.0 |
| Changes in inventories | 1.4 | – 0.4 | 5.0 |
| Changes in receivables and other financial assets | – 25.3 | – 36.4 | 42.7 |
| Changes in provisions | 1.8 | 19.9 | 52.8 |
| Changes in liabilities (w/o financial liabilities and provisions) | 20.8 | 33.3 | 19.8 |
| *Operational activities* | *96.6* | *123.8* | *633.7* |
| Financial activities | | | |
| Interest paid | – 11.7 | – 9.7 | – 43.0 |
| Interest received | 3.9 | 3.9 | 19.9 |
| Dividends received | 1.9 | 1.7 | 13.7 |
| Taxes on income paid | – 17.6 | – 32.0 | – 104.9 |
| **Net cash from operating activities** | **73.1** | **87.7** | **519.4** |
| Capital expenditure for intangible assets | – 1.4 | – 3.4 | – 5.0 |
| Capital expenditure for property, plant and equipment | – 42.2 | – 69.4 | – 232.1 |
| Capital expenditure for investments held at equity | – | – | – 1.3 |
| Real estate held as financial investment | – | – 20.7 | – |
| Other financial investments (balance) | – 0.4 | – 50.0 | – 36.4 |
| Proceeds from disposal of non-current assets | 1.5 | 5.0 | 14.0 |
| **Net cash flow used in investing activities** | **– 42.5** | **– 138.5** | **– 260.8** |
| Distribution | – 0.1 | – 0.6 | – 39.7 |
| Capital increase | – | 1.2 | 6.6 |
| Change in financial liabilities | – 27.0 | 5.4 | –167.5 |
| **Net cash flow used in financing activities** | **– 27.1** | **6.0** | **– 200.6** |
| Foreign currency translation effect on cash and cash equivalents | – 2.1 | – 0.3 | – 2.4 |
| **Change in cash and cash equivalents** | **1.4** | **– 45.1** | **55.6** |
| Cash and cash equivalents at January 1 | 610.8 | 666.4 | 610.8 |
| **Cash and cash equivalents at Mar. 31 resp. Dec. 31** | **612.2** | **621.3** | **666.4** |

# *Movements in Consolidated Shareholders' Equity*

| *in € million* | **Subscribed Capital** | **Capital reserves** | **Legal reserves** | **Other revenue reserves** | **Group retained reserves** | **Share of results attributable to Fraport AG shareholders** | **Share of results attributable to minority shareholders** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance at Jan. 1, 2004** | **902.2** | **533.2** | **36.5** | **408.5** | **39.7** | **1,920.1** | **11.6** | **1,931.7** |
| Distribution | – | – | – | – | – | 0.0 | – 0.1 | – 0.1 |
| Group profit Jan. 1 – Mar. 31, 2004 | – | – | – | – | 18.9 | 18.9 | 0.1 | 19.0 |
| Share options | – | – | – | 0.1 | – | 0.1 | – | 0.1 |
| Foreign currency translation differences | – | – | – | 4.4 | – | 4.4 | – | 4.4 |
| Fair values changes of derivatives | – | – | – | – 1.1 | – | – 1.1 | – | – 1.1 |
| Consolidation activity/ other changes | – | – | – | 0.4 | – | 0.4 | – 0.5 | – 0.1 |
| **Balance at Mar. 31, 2004** | **902.2** | **533.2** | **36.5** | **412.3** | **58.6** | **1,942.8** | **11.1** | **1,953.9** |
| **Balance at Jan. 1, 2005** | **905.1** | **537.6** | **36.5** | **483.6** | **68.0** | **2,030.8** | **12.2** | **2,043.0** |
| Capital increase against deposits | 0.5 | 0.7 | – | – | – | 1.2 | – | 1.2 |
| Transfer of treasury shares | 0.1 | 0.1 | – | – | – | 0.2 | – | 0.2 |
| Distribution | – | – | – | – | – | 0.0 | – 0.6 | – 0.6 |
| Group profit Jan. 1 – Mar. 31, 2005 | – | – | – | – | 27.7 | 27.7 | – 0.1 | 27.6 |
| Share options | – | 0.2 | – | – | – | 0.2 | – | 0.2 |
| Foreign currency translation differences | – | – | – | 3.3 | – | 3.3 | – | 3.3 |
| Fair value changes for financial assets available for sale | – | – | – | – 0.2 | – | – 0.2 | – | – 0.2 |
| Fair values changes of derivates | – | – | – | – 0.5 | – | – 0.5 | – | – 0.5 |
| Consolidation activity/ other changes | – | – | – | – 0.7 | – | – 0.7 | – 0.6 | – 1.3 |
| **Balance at Mar. 31, 2005** | **905.7** | **538.6** | **36.5** | **485.5** | **95.7** | **2,062.0** | **10.9** | **2,072.9** |

# *Group Segments*

### *Primary Segment Reporting*

| *in € million* | Q1 | Aviation | Retail & Properties | Ground Handling | External Activities | Group |
|---|---|---|---|---|---|---|
| Revenues | 2005 | 154.1 | 92.5 | 147.3 | 87.0 | 480.9 |
| | 2004 | 136.4 | 88.2 | 143.7 | 77.9 | 446.2 |
| Personnel expenses | 2005 | 45.4 | 41.5 | 87.8 | 77.7 | 252.4 |
| | 2004 | 42.6 | 41.0 | 88.0 | 68.6 | 240.2 |
| EBITDA | 2005 | 31.4 | 68.0 | 10.1 | 0.7 | 110.2 |
| | 2004 | 21.2 | 71.4 | 5.3 | 1.5 | 99.4 |
| Depreciation and amortization | 2005 | 12.7 | 24.4 | 5.2 | 8.0 | 50.3 |
| | 2004 | 13.3 | 23.5 | 5.6 | 10.1 | 52.5 |
| EBIT | 2005 | 18.7 | 43.6 | 4.9 | – 7.3 | 59.9 |
| | 2004 | 7.9 | 47.9 | – 0.3 | – 8.6 | 46.9 |

# Consolidated Income Statement, Quarterly Results

| in € million | Q1 2004 | Q2 2004 | Q3 2004 | Q4 2004 | Q1 2005 |
|---|---|---|---|---|---|
| **Revenues** | **446.2** | **496.9** | **544.3** | **510.7** | **480.9** |
| Change in work-in-process | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other internal costs capitalized | 3.8 | 5.4 | 4.8 | 7.8 | 4.1 |
| Other operating income | 6.2 | 7.0 | 4.7 | 5.9 | 6.6 |
| **Total revenues** | **456.2** | **509.3** | **553.8** | **524.4** | **491.6** |
| Cost of materials | – 71.2 | – 68.4 | – 84.3 | – 92.3 | – 77.0 |
| Personnel expenses | – 240.2 | – 246.7 | – 239.1 | – 248.5 | – 252.4 |
| Other operating expenses | – 45.4 | – 56.5 | – 58.5 | – 76.4 | – 52.0 |
| **EBITDA** | **99.4** | **137.7** | **171.9** | **107.2** | **110.2** |
| Depreciation and amortization of tangible and intangible non-current assets | – 52.5 | – 57.1 | – 54.9 | – 70.6 | – 50.3 |
| **EBIT (Operating profit)** | **46.9** | **80.6** | **117.0** | **36.6** | **59.9** |
| Interest results | – 7.8 | – 5.7 | – 6.7 | – 2.9 | – 5.8 |
| Results of investments held at equity | 0.4 | 1.5 | 0.8 | – 0.9 | 0.2 |
| Income from investments | 1.9 | 1.8 | 0.5 | 9.5 | 1.7 |
| Write downs of financial assets | – 0.2 | – 1.0 | 0.0 | – 4.7 | 0.0 |
| Other financial results | – 3.8 | 1.0 | 1.3 | – 0.2 | – 2.3 |
| **Financial result** | **– 9.5** | **– 2.4** | **– 4.1** | **0.8** | **– 6.2** |
| **EBT (Result from ordinary operations)** | **37.4** | **78.2** | **112.9** | **37.4** | **53.7** |
| Taxes on income | – 16.9 | – 36.0 | – 52.4 | – 15.6 | – 23.0 |
| Other taxes | – 1.5 | – 1.6 | – 1.4 | – 2.1 | – 3.1 |
| **Group profit** | **19.0** | **40.6** | **59.1** | **19.7** | **27.6** |
| Share of results attributable to Fraport AG shareholders | 18.9 | 40.1 | 58.2 | 19.2 | 27.7 |
| Share of results attributable to minority shareholders | 0.1 | 0.5 | 0.9 | 0.5 | – 0.1 |

# Notes

## *Accounting Policies*

This interim report about the Fraport Group as at March 31, 2005 has been prepared in accordance with IAS 34, the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of them by the International Financial Reporting Interpretations Committee (IFRIC). All the publications by the IASB that have to be applied from January 1, 2005 onwards have been taken into account. Major changes are outlined below.

In December 2003, the IASB published the following modified standards within the framework of its project to revise the IFRS: IAS 1 (Presentation of Financial Statements), IAS 2 (Inventories), IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), IAS 10 (Events after the Balance Sheet Date), IAS 16 (Property, Plant and Equipment), IAS 17 (Leases), IAS 21 (The Effects of Changes in Foreign Exchange Rates), IAS 24 (Related Party Disclosures), IAS 27 (Consolidated and Separate Financial Statements), IAS 28 (Investments in Associates), IAS 31 (Interest in Joint Ventures), IAS 33 (Earnings per Share) and IAS 40 (Investment Property). The revised standards replace the earlier versions of these standards and apply for fiscal years that begin on or after January 1, 2005. Application of the revised standards does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

The revised version of IAS 1 leads to a change in the structure of the consolidated balance sheet and consolidated income statement. In the consolidated income statement, there has been a change in the presentation of the Group profit for the year and the period; it has to be shown including the share due to minority interests now.

The consolidated balance sheet is being structured on the basis of remaining terms from now on. Balance sheet items are being divided up into non-current and current assets and liabilities. Assets and liabilities are classified as current when the remaining term is less than one year and as non-current when the remaining term is longer than this.

The following summary explains the adjustments made to the balance sheet for the previous year:

# Adjustment of the Balance Sheet According to IAS 1

| **Balance sheet Dec. 31, 2004 Annual Report 2004** *in € million* | | **Balance sheet Dec. 31, 2004 adjusted** *in € million* | **Assets** Non-current | Current | Total | **Explanatory notes about adjustments to the figures for the previous year** |
|---|---|---|---|---|---|---|
| Intangible assets | 169.3 | Goodwill | 116.8 | | 116.8 | Goodwill shown separately |
| | | Other intangible assets | 52.5 | | 52.5 | Other intangible assets shown separately |
| Property, plant and equipment | 2,381.5 | Property, plant and equipment | 2,381.5 | | 2,381.5 | |
| Investments held at equity | 46.9 | Investments held at equity | 46.9 | | 46.9 | |
| Other financial assets | 52.6 | Other financial assets | 52.6 | | 52.6 | |
| **Fixed assets** | **2,650.3** | | | | | |
| Inventories | 12.1 | Inventories | | 12.1 | 12.1 | |
| Trade accounts receivable | 168.6 | Trade accounts receivable | | 168.6 | 168.6 | |
| Other receivables and other assets | 102.9 | Other receivables and financial assets | 48.7 | 54.2 | 102.9 | Breakdown according to residual terms |
| Checks, cash and bank balances | 666.4 | Cash and cash equivalents | | 666.4 | 666.4 | |
| **Current assets** | **950.0** | | | | | |
| **Prepaid expenses** | 36.5 | Other receivables and financial assets | 26.5 | 10.0 | 36.5 | Breakdown according to residual terms, allocation of prepaid expenses to other receivables and financial assets |
| **Deferred tax assets** | 13.4 | Deferred tax assets | 13.4 | | 13.4 | |
| **Total assets** | **3,650.2** | **Total assets** | **2.738.9** | **911.3** | **3,650.2** | |

| **Balance sheet Dec. 31, 2004 Annual Report 2004** *in € million* | | **Balance sheet Dec. 31, 2004 adjusted** *in € million* | | | | **Explanatory notes about adjustments to the figures for the previous year** |
|---|---|---|---|---|---|---|
| | | **Shareholders' equity** | | | | |
| Subscribed capital | 905.1 | Subscribed capital | | | 905.1 | |
| Capital reserves | 537.6 | Capital reserves | | | 537.6 | |
| Revenue reserves | 520.1 | Revenue reserves | | | 520.1 | |
| Group retained earnings | 68.0 | Group retained earnings | | | 68.0 | |
| | | Shareholders' equity attributable to Fraport AG shareholders | | | 2,030.8 | Inclusion of the shareholders' equity attributable to the Fraport AG shareholders as a subtotal in shareholders' equity |
| **Shareholders' equity** | **2,030.8** | | | | | |
| **Minority interests** | **12.2** | Minority interests in shareholders' equity | | | 12.2 | Inclusion of minority interests in shareholders' equity as a separate item in shareholders' equity |
| | | **Total shareholders' equity** | | | **2,043.0** | |
| | | **Liabilities** | Non-current | Current | Total | |
| **Deferred investment grants on items in fixed assets** | 22.1 | Other liabilities | 20.1 | 2.0 | 22.1 | Breakdown by remaining terms, allocation to other liabilities |
| **Provisions and accruals** | 522.3 | Pension commitments | 25.5 | | 25.5 | Shown separately |
| | | Provisions for taxes on income | 151.7 | 43.5 | 195.2 | Breakdown by remaining terms, shown separately |
| | | Other provisions and accruals | 95.3 | 185.7 | 281.0 | Breakdown by remaining terms, shown separately |
| | | Other liabilities | 11.2 | 9.4 | 20.6 | Breakdown by remaining terms, restatement from provisions for working time credit balances to other liabilities |
| Financial liabilities | 660.7 | Financial liabilities | 574.1 | 86.6 | 660.7 | Breakdown by remaining terms |
| Trade accounts payable | 100.4 | Trade accounts payable | | 100.4 | 100.4 | |
| Other liabilities | 105.4 | Other liabilities | 14.0 | 91.4 | 105.4 | Breakdown by remaining terms |
| **Liabilities** | **866.5** | | | | | |
| **Deferred income** | **66.5** | Other liabilities | 57.6 | 8.9 | 66.5 | Breakdown by remaining terms, allocation of deferred income to other liabilities |
| **Deferred tax liabilities** | **129.8** | Deferred tax liabilities | 129.8 | | 129.8 | |
| | | **Total liabilities** | **1,079.3** | **527.9** | **1,607.2** | |
| **Total liabilities and equity** | **3,650.2** | **Total liabilities and equity** | | | **3,650.2** | |

In December 2003, the IASB published the revised standards IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement). These standards replace IAS 32 (in the revised version of 2000) and IAS 39 (in the revised version of 2000) and apply in this form for fiscal years that begin on or after January 1, 2005. Application of the revised standards does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

In February 2004, the IASB published IFRS 2 (Share-based Payment). This standard covers accounting for such share-based payment systems as the granting of stock options to employees. IFRS 2 specifies the accounting and valuation principles for share-based payments and commits companies to include the financial effects of such share-based payments – including expenditure on transactions in which stock options are granted to employees – in their income statement. IFRS 2 applies for fiscal years that begin on or after January 1, 2005 and must be applied retroactively. The adjustment to the opening balance sheet value of the reserves – which has no impact on income – amounts to about € 1.4 million. Fraport has not included an adjustment to the comparative information in the income statement due to its immaterial nature. The comparative figure in the first quarter of the previous year is therefore shown € 0.2 million too low. Application of IFRS 2 in the first quarter of 2005 depressed earnings by € 0.2 million.

In March 2004, the IASB issued IFRS 3 (Business Combinations). IFRS 3 specifies the acquisition method for presenting business combinations. All the identifiable assets, liabilities and contingent liabilities must be included in the financial statements with their fair value at the time of acquisition. Scheduled amortization of goodwill is not longer allowed; instead of this, goodwill must be subjected to an impairment test at least once a year.

Since March 31, 2004, Fraport has applied IFRS 3 in connection with the latest versions of IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets) to business combinations with a contract date after this time. Since January 1, 2005, goodwill and intangible assets that were acquired before March 31, 2004 in the context of a business combination have been included in the financial statements accordingly.

The suspension of scheduled amortization of goodwill in the first quarter of 2005 improved earnings by € 2.2 million.

The standards IFRS 4 and 5 were also published in March 2004. Application of them does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

In connection with the publication of IFRS 3, the IASB published the revised standards IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets) in March 2004. The most important changes include the fact that goodwill and intangible assets with an indefinite useful life have to be tested to determine possible impairment on an annual basis. If events or changes in circumstances occur that indicate a possible reduction in value, this impairment test must be made more frequently, too. Write-ups of goodwill are not allowed. Intangible assets that will probably generate inflows of funds into the company for an indefinite period of time must be included with an indefinite useful life. Scheduled amortization of such intangible assets is not allowed. The revised standards apply to goodwill and intangible assets acquired in the context of business combinations with contract dates after March 31, 2004 as well as to all other goodwill and intangible assets for fiscal years that begin on or after March 31, 2004.

In March 2004, the IASB published an amendment to IAS 39 (Financial Instruments: Recognition and Measurement). The amendment simplifies implementation of IAS 39 by specifying less strict conditions than in the past for companies to take advantage of the possibilities of hedge accounting in financial statements to provide portfolio protection against the risk of changes in interest rates. The changes to this standard apply for fiscal years that begin on or after January 1, 2005. Application of the standard does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

In May 2004, the International Financial Reporting Interpretations Committee ("IFRIC") published the IFRIC Interpretation I (Changes in Existing Decommissioning, Restoration and Similar Liabilities). IFRIC 1 applies for fiscal years that begin on or after September 1, 2004. Application of the interpretation does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

In November 2004, the IFRIC published an amendment to SIC-12 (Consolidation Special Purpose Entities). This amendment includes equity compensation plans in the area covered by SIC-12. This means that a company which outsources the establishment of a share-based compensation system to a trust fund (or a comparable company) is required to consolidate this fund / company if there is the possibility of control and if IFRS 2 (Share-based Payment) is being applied. Post-employment benefit plans and all other benefits due to employees in the long term are no longer covered by SIC-12 in future, on the other hand. The amendment applies for fiscal years that begin on or after January 1, 2005. Observance of the amended rules does not have any major impact on the asset, financial and earnings situation of the Fraport Group at the present time.

In December 2004, the IASB published a limited amendment to the standard IAS 39 (Financial Instruments: Recognition and Measurement) concerning the statement of financial assets and liabilities for the first time. The amendment includes a transitional arrangement for the retroactive application of the rules for day one profit recognition. In contrast to the earlier version of IAS 39 (from March 31, 2004), the amended standard gives companies an option that facilitates the switch to day one profit recognition and reconciles the IASB standards to the US GAAP rules. The changes apply for fiscal years that begin on or after January 1, 2005 as well as for previous fiscal years if IAS 39 and IAS 32 (the versions of March 31, 2004 in both cases) have been applied in these fiscal years. Application of the standards does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

This interim report also complies at the same time with the specifications of the German Accounting Standard DRS 6 for interim reporting that was approved by the German Standardization Council (DSR) and was published by the German Ministry of Justice on February 13, 2001.

# Entities Included in Consolidation

ICTS Europe Holdings B.V. acquired 50.1% of the shares in Underwater Security Consultants Ltd., London (Great Britain), on January 1, 2005. Underwater Security Consultants Ltd. is a corporate group to which the following companies belong: Underwater Security Consultants Nigeria Ltd., Abuga (Nigeria), Maritime and Underwater Security Consultants Singapore Pte Ltd. (Singapore), Maritime and Underwater Security Consultants Hellas Ltd., Pireus (Greece), Maritime and Underwater Security Consultants USA LLC, Texas (USA), GuardOne (UK) Ltd., London (Great Britain), Global Marine Cable Systems Ltd., Nigeria, Port Harcourt (Nigeria), Wellington Offshore Ltd., London (Great Britain).

The corporate group operates in the maritime consulting field. The services involved in particular coastal, shipping and port guarding and security. The acquisition costs of Underwater Security Consultants Ltd., London, amounted to GBP 1.8 million (about € 2.5 million). The corporate group was consolidated for the first time at the time of acquisition (January 1, 2005). When the business combination was included in the financial statements for the first time, provisional goodwill of € 2.2 million was taken into account initially in accordance with IFRS 3.62 (Provisional Specification of Initial Accounting). The provisional figures have to be adjusted within 12 months of the time of acquisition.

New Age Aviation Security US Inc., Washington D.C. (USA), was acquired as a subsidiary of ICTS Europe on January 1, 2005. The acquisition costs of USD 73,500 (about € 54,000) correspond to the 75 % of the shares that were acquired. The company was included in the ICTS sub-group on January 1, 2005. Goodwill of € 0.1 million was created when the business combination was included in the financial statements for the first time. The company operates in the security services field.

Diag-Nose Israel Ltd., Lod (Israel), was established as a wholly-owned subsidiary of ICTS Europe on February 6, 2005 and was included in the ICTS sub-group on March 31, 2005. The acquisition costs amounted to about € 18,000. The company operates in the security services field.

Another new company established in the ICTS sub-group is ICTS Albania SH.P.K., Tirana (Albania), which was founded as a wholly-owned subsidiary of ICTS Europe on March 19, 2005. It was included in the ICTS sub-group for the first time on March 31, 2005. The acquisition costs of the shareholders' equity, which was taken over completely, amounted to about € 32,000. The company provides guarding and security services.

No material additional costs were incurred in the acquisition and establishment of the companies apart from acquisition costs.

The change in the entities included in consolidation did not have any material effects that impact comparability with previous periods.

# *Explanatory Notes About Selected Balance Sheet and Income Statement Items*

### *Interest results*

| *in € million* | Q1 2004 | Q1 2005 |
|---|---|---|
| Interest income | 3.9 | 3.9 |
| Interest expenses | – 11.7 | – 9.7 |
| | **– 7.8** | **– 5.8** |

### *Income from investments*

| *in € million* | Q1 2004 | Q1 2005 |
|---|---|---|
| Antalya Havalimani Uluslararasi Terminal Isletmeciligi Anomin Sirketi | 0.0 | 0.0 |
| Ineuropa Handling UTE | 1.9 | 1.7 |
| | **1.9** | **1.7** |

### *Results of investments held at equity*

| *in € million* | Q1 2004 | Q1 2005 |
|---|---|---|
| Flughafen Hannover-Langenhagen GmbH | – 0.1 | – 0.7 |
| LAP Lima Airport Partners S. R. L. | 0.6 | 0.6 |
| ACF Airmail Center Frankfurt GmbH | 0.1 | 0.0 |
| ASG Airport Service Gesellschaft mbH | 0.1 | 0.3 |
| Portway-Handling de Portugal S.A. | – 0.3 | 0.0 |
| Grundstücksgesellschaft Gateway Gardens GmbH | – | 0.0 |
| | **0.4** | **0.2** |

### *Other financial results*

| *in € million* | Q1 2004 | Q1 2005 |
|---|---|---|
| Income from securities and loans | 0.4 | 0.6 |
| Foreign currency gains | 0.5 | 0.0 |
| Foreign currency losses | 4.7 | 2.6 |
| Fair values of derivatives | 0.0 | – 0.3 |
| | **– 3.8** | **– 2.3** |

Frankfurt am Main, May 9, 2005

Fraport AG
Frankfurt Airport Services Worldwide
The Executive Board

Dr Bender Professor Schölch Professor Jakubeit Mai Dr Schulte

# Financial Calendar

June 1, 2005 . . . . . . . . . . . Annual General Meeting

August 9, 2005 . . . . . . . . . Interim Report on the 2nd Quarter 2005

November 9, 2005 . . . . . . Interim Report on the 3rd Quarter 2005

# Contacts

Fraport AG
Frankfurt Airport Services Worldwide
60547 Frankfurt am Main
Germany

Telephone: 01805 3724636 or 01805-FRAINFO
From outside Germany: +49 69 690-0
Internet: www.fraport.com

Investor Relations
Telephone : +49 69 690-74842
Fax: +49 69 690-74843
E-Mail: investor.relations@fraport.de

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