Interim Report

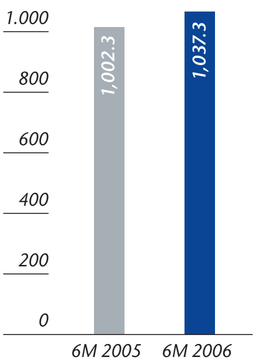
as at June 30, 2006

Fraport

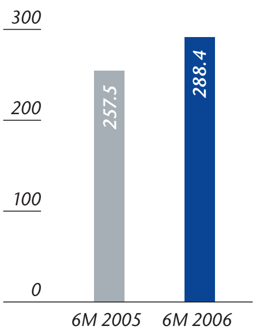
Contents

Highlights and key figures

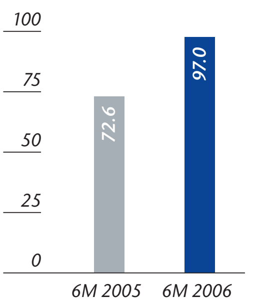
Revenue
€ million



EBITDA
€ million



Group profit
€ million



Despite a slight decrease in passenger numbers, business at the Fraport Consolidated Group grew in terms of revenue and earnings in the first six months of 2006. We continue to hold on to the forecasts for the financial year and expect a further increase in revenue, EBITDA and Group profit for this period.
The Fraport share price continued its positive trend from 2005 in the first six months of 2006 and reached a new all-time record price of € 66.77 on February 27, 2006.

The key data in relation to business development in the first six months of 2006 was as follows:

- 1.3% more passengers at Frankfurt Airport; flight cancellations in Europe due to weather conditions and strike action in the first quarter of the year were more than compensated for by the large volume of traffic generated during the World Cup.
- Overall decrease in passenger numbers throughout the Group of 0.6% due to developments in Antalya.
- 10.1% increase in cargo volume throughout the Group.
- Group revenue 3.5% above figures for the previous year with € 1,037.3 million.
- 12.0% [1] increase in EBITDA to € 288.4 million due to other revenue.
- Group profit 33.6% higher than in the previous year at € 97.0 million.
- Earnings per share rose to € 1.06.

Key figures

€ million	6M 2005	6M 2006	Change in %
Revenue	1,002.3	1,037.3	3.5
EBITDA	257.5	288.4	12.0
EBITDA margin	25.7%	27.8%	–
EBIT	151.9	175.8	15.7
EBT	132.4	167.2	26.3
Group profit	72.6	97.0	33.6
Earnings per share in € (basic)	0.80	1.06	32.5
Shareholder's equity [2]	2,060.2	2,183.3	6.0
Total assets [2]	3,739.3	3,975.1	6.3
Operating cash flow	215.6	224.1	3.9
Free cash flow	41,7	54.4	30,5
Capital expenditures	283.4	245.2	– 13.5
Average number of employees	25,146	27,683	10.1

€ million	Q2 2005	Q2 2006	Change in %
Revenue	521.4	549.9	5.5
EBITDA	150.4	178.9	18.9
EBITDA margin	28.8%	32.5%	–
EBIT	95.1	121.1	27.3
EBT	82.0	119.6	45.9
Group profit	45.2	69.5	53.8
Earnings per share in € (basic)	0.50	0.76	52.0

Since January 1, 2006 other taxes are recorded in the operating result under other operating expenses. Accounting and the identification of the shares in consolidated trading partnerships were also changed (see notes). The figures for the previous year were adapted for the purpose of comparison.

[1] *Since January 1, 2006, other taxes are listed under other operating expenses. The figures for the previous year were adjusted for comparison purposes.*

[2] *On the record date.*

Editorial

Dear Sir or Madam,
dear Shareholders,

The World Cup 2006 tournament is over. This was an exciting time for Germany as a whole and for Frankfurt in particular as an international hub. Players, officials and hundreds of thousands of fans passed through Frankfurt Airport in recent weeks on their way to their teams' World Cup matches. The shortage of capacity meant that special measures were called for in order to cater for this large number of flights and passengers. As well as setting up a World Cup terminal in a building on the former US Air Base and deploying additional charter traffic at our airport in Frankfurt-Hahn, the real key to smooth operations was the contribution made by our staff. Like the German national team in their World Cup matches, our employees demonstrated a high level of dedication, flexibility and genuine team spirit.

The fact that most visitors to the World Cup left Germany with positive feelings was also due to the fact that their first and last impressions were of Frankfurt Airport, which rightly received the award for best European large airport for 2005 from the ACI (Airport Council International). Our airport was also among the leaders for freight business. The readers of "Air Cargo World" magazine awarded it with the "ACE Award for Excellence".

The FIFA World Cup was not the only highlight of the second quarter. The modernization and expansion of the retail areas at Frankfurt Airport reached the next milestone with the opening of the new shopping boulevard in June. There are also successes to report on the international front. For example, together with our consortium partners we were the successful bidders for the concession to operate the airports at Varna and Burgas on Bulgaria's Black Sea coast, also taking over the management of Delhi International Airport at almost the same time.

We also have ambitious plans for the future. In addition to our most important project, the expansion of Frankfurt Airport to include an additional runway and a third terminal, we also intend developing real estate and commercial space and further improving our business processes with the newly launched "Focus Competition" project.

As well as striving for commercial success, we are also aware of our responsibility to the region. Once again in the second quarter of this year we achieved progress in various related areas. Fraport's passive noise reduction program, whose deadline for submissions expired in April, was well received and the first compensation payments were made as part of the "Fraport Casa" real estate program. In June 2006, we presented the environmental report , documenting various key figures and setting out the environmental targets and measures for Frankfurt Airport. Also in June, the Fraport ProRegion Foundation made a one million Euro donation in training providers Pittler-Berufsausbildung GmbH in Langen. The financial resources of the foundation make a continuous contribution to training structures in the region immediately surrounding the airport.

We intend to continue to work on achieving good returns for our shareholders, to offer future oriented jobs and to remain a reliable, responsible partner for the region.

Sincerely,

Herbert Mai
Member of the Executive Board, Labor Relations Director

The Fraport Share

Key figures and share price development

Key figures

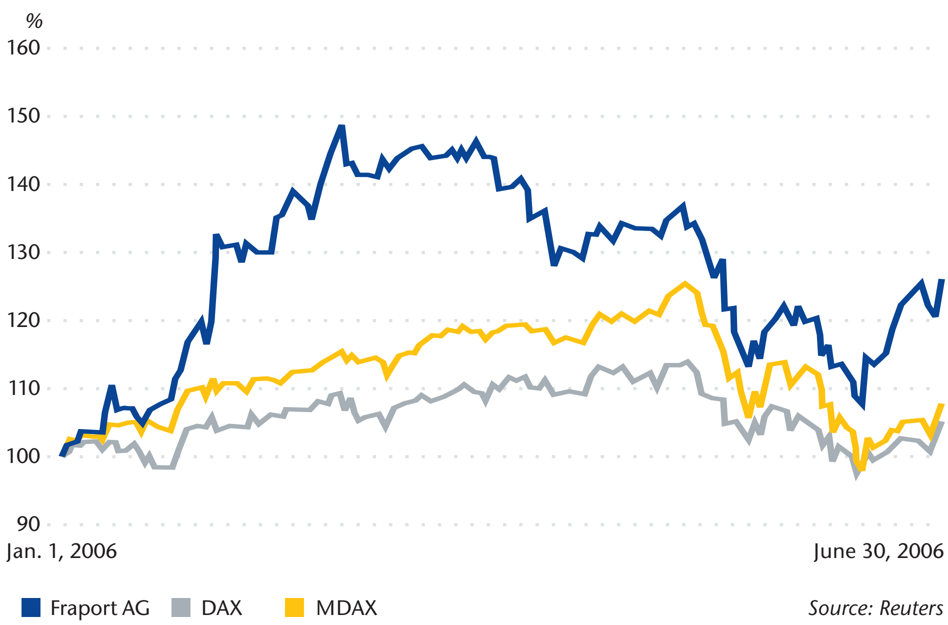
		6M 2005	6M 2006	2005
Capital stock (Group according to IFRS)	€ million	908.8	913.0	910.7
Absolute share of capital stock	per share, €	10.00	10.00	10.00
Total number of shares		90,995,878	91,405,747	91,192,355
Number of floating shares on record date[1]		90,881,953	91,296,019	91,078,430
Market capitalization [2]	€ million	3,221	5,090	4,089
Average trading volume per day		86,850	253,112	106,898
Share price at end of period	€	35.44	55.75	44.90
Highest price	€	35.44	66.77	44.90
Lowest price	€	29.59	44.90	29.59
Earnings per share (basic) [3]	€	0.80	1.06	1.78
Earnings per share (diluted) [3]	€	0.79	1.05	1.75

[1] Total number of shares minus treasury shares.
[2] Share price at the end of the quarter, multiplied by the number of floating shares.
[3] Based on the weighted quarterly average of the floating shares.

The Fraport share price developed very well in the period under review with an increase in value of 24.2%. In the same period the DAX rose by 5.1% and the MDAX by 7.9%. The closing price for Fraport shares on June 30, 2006 was € 55.75.

Shareholders who acquired Fraport shares at the end of June 2005 succeeded in achieving an increase in value of almost 60%. The trading volume in the shares also developed satisfactorily in the period under review. On average three times as many shares were traded each day as in the same period of the previous year.

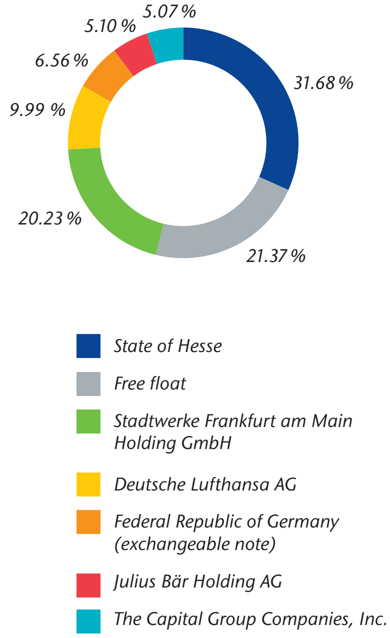
Share development of the Fraport share compared with the DAX and MDAX



Shareholder structure

The largest shareholders continue to be the State of Hesse and the Stadtwerke Frankfurt am Main Holding GmbH. In its interim report for the first half year, Deutsche Lufthansa AG indicated its stake was 9.99%, while the shares held by Julius Bär Holding AG and The Capital Group Companies, Inc. were 5.10% and 5.07% respectively. Excluding the exchangeable note of the Federal Republic of Germany, the free float stands at 21.37%.

Shareholder structure as at June 30, 2006



Dividend policy

The Annual General Meeting for 2006 approved the proposal of the Supervisory Board and Executive Board of Fraport AG that a dividend of 90 cent per share should be paid out for the 2005 financial year. This is an increase of 20% for the previous financial year and represents a dividend payout ratio of 50.8%.

Investor Relations

We support our corporate strategy for continuously increasing our value through comprehensive, open and prompt communication with all participants in the capital market.

In the “Best IR Germany“ competition run by Thomson Extel Survey Fraport achieved third place among the 50 MDAX companies. This survey involved over 500 experts from 270 banks and fund management companies.

Furthermore, Fraport was the only German company to be added to the FTSE4Good Index this year and is listed both in the “FTSE4Good Europe Index“ and in the “FTSE4Good Global Index“. The FTSE4Good Index is one of the most important sustainability indices and only admits companies that fulfill stringent criteria in the area of business management, environmental protection and social responsibility. The index takes account of the growing interest of funds, which make their investment decisions on the basis of these sustainability criteria. This also makes Fraport shares interesting to other international investor groups. In Europe this index currently has 298 members, 31 of them in Germany.

A wide range of information is available on our website (www.fraport.com) under the “Investor Relations“ heading. As well as information about shares, it also contains up-to-date news, dates, events, information for the Annual General Meeting as well as financial and traffic figures.

Employee share plan

Since the IPO in 2001, Fraport employees are entitled to subscribe Fraport shares once each year as part of the "LEA" performance and success-based payment program. Fraport AG buys back the shares for this program, making partial use of the authorized capital after a capital increase in return for the injection of cash, and will then be passed to the employees.

In the period under review 6,541 employees chose one of the share models on offer and subscribed 74,967 new shares with a proportionate share of capital stock of € 10.00 each. This means that Fraport's stock capital rose by almost € 750,000. The issue price for the shares, which was calculated from the average Xetra closing price in the period April 6 to 21, 2006 minus a discount of € 1.00, lay at € 58.69 this year. At around 50%, the level of participation among employees was the highest since the introduction of the program. This means that Fraport employees have purchased a total of 920,725 shares since the employee share plan began.

Business development

Development of air traffic

According to the preliminary figures from the Association of European Airlines, air traffic experienced marked growth worldwide in the first five months of 2006. Passenger numbers were 5.0% above the figures for the same period in the previous year. Available seat kilometer capacity was 4.3% higher than in the same period last year, while seat kilometers sold were 5.9% higher.

The Airport Council International (ACI) reported for the first five months a worldwide passenger growth of 6.1% and a growth of 4.6% in terms of freight tonnage compared to the period of the previous year.

The passenger fleet of our main customer Deutsche Lufthansa achieved a 3.3% increase in passenger numbers in the first half of 2006. The available seat kilometer capacity was 1.5% higher than in the same period last year, while seat kilometers sold were up by 0.9%.

In the first half of 2006 33.9 million **passengers** used the six airports of the **Fraport Group**, 0.6% fewer than in the same period last year. This slight drop was mainly due to the division of passenger volume between the two competing terminals in Antalya, which did not favor Fraport, and which continued until the end of April. Since May, the Group's terminal in Antalya is much more efficiently used. This almost compensated for the Group-wide deficit of 6.8% in the first quarter.

Frankfurt Airport had 25.1 million passengers in the period under review, corresponding to a growth of 1.3% on the same period last year. Although the first quarter saw a deficit of 1.1% due to an unusually high number of cancelled flights because of the weather conditions and strikes at other European airports, the second quarter ended with a growth of 3.2%, thereby benefiting from the fact that the Easter holidays fell in the second quarter and from the FIFA World Cup.

Growth in the first half of the year was due largely to European traffic, although tourist destinations – in particular Turkey – suffered a drop in volume, while the Canaries profited from an increased demand in the western Mediterranean.There was a drop in passenger growth in North Africa and the Caribbean. Growth was achieved in intercontinental flights to Asia. There is an injection of dynamism from China and the recovery of traffic with the regions hit by catastrophic flooding.

The number of passengers on internal flights within Germany also decreased, due mainly to three factors: the shifting of short-distance flights out of Frankfurt to the German Railway's high speed train network, the increased availability of direct flights at other German airports in the low-cost sector and the number of flight cancellations due to weather conditions.

Passenger numbers at the terminal operated by us at **Antalya** Airport continued the downward trend from 2005 because of the unequal division of passengers between the competing terminals until the end of April. In the first four months of the year the deficit thus accumulated to around 75%, reducing successively since May. A total of 1.6 million passengers were recorded in the period under review, 38.8% fewer than in the previous year.

Lima continued to witness solid growth in traffic. In the first three months of 2006, passenger numbers rose by 4.4%. There was a considerable increase in available European routes and high-growth destinations in South America.

Passenger numbers in **Frankfurt-Hahn** rose in the first half of the year by 18.0% to 1.7 million. The 11.4% growth achieved in the first quarter was considerably surpassed in the second with an increase of 23.2%. This is mainly due to the range in the number of routes offered in the form of new destinations and increased frequency as well as the flights offered by a new low-cost airline

(Blue Air). 32 destinations are now available with four low-cost airlines from Frankfurt-Hahn in the passenger sector alone. To this are added airlines and charter routes. In June, the FIFA World Cup brought added dynamism through special flights from many European competitor countries.

Cargo volume increased by 10.1% throughout the Group in comparison with the same period in the previous year, reaching 1.2 million tons. This was due above all to the continuing freight boom at Frankfurt Airport, which began two years ago. Here, cargo flights increased by around one third in the period under review, particularly on Asian routes, while routes to the Far East actually reached 48%. Frankfurt-Hahn Airport also continued to experience positive growth. Lima ranked third among the airports in terms of growth, achieving an increase of 8.2%, which was mainly generated by a higher internal volume (+23%).

The number of **aircraft movements** at the six airports in the Group was 0.4% lower than in the same period last year at 356,040. In Frankfurt, in addition to the unusually high number of flight cancellations in the first quarter, the planned discontinuation of military charter traffic after the withdrawal of the US military from the Rhine-Main Air Base led to stagnation. If it had not been for this effect, the volume of flights would have risen by approximately 1.2%. Developments in Antalya also had a negative influence on the Group's aircraft movements.

Traffic figures for Fraport Group

6M 2006	Passengers [1]		Cargo *(airfreight + airmail in t)*		Movements	
	2006	Change to 2005 *in %*	2006	Change to 2005 *in %*	2006	Change to 2005 *in %*
Frankfurt Main	25,065,512	1.3	1,028,089	10.0	239,666	0.0
Frankfurt-Hahn	1,688,595	18.0	52,251	20.4	19,405	10.8
Hanover	2,615,478	4.1	7,631	– 5.3	42,526	0.0
Saarbrücken	183,951	– 9.3	3	– 92.1	7,437	11.8
Antalya [2]	1,565,535	– 38.8	n. a.	n. a.	10,336	– 38.1
Lima [3]	2,791,085	4.4	76,561	8.2	36,670	6.6
Group	**33,910,156**	**– 0.6**	**1,164,535**	**10.1**	**356,040**	**– 0.4**

[1] Commercial traffic only in + out + transit.

[2] International Terminal 1.

[3] Internal data provided by Lima.

Source: ACI

The **maximum take-off weights** in Frankfurt in the period under review ran to 13.6 million tons and were therefore 0.7% lower than in the previous year. The drop, which measured almost 3.3 percentage points, could be traced back to the discontinuation in military charter flights because these mainly used heavy aircraft. Thus, the share of "widebody" aircraft was also 0.6 percentage points lower than in the previous year at 25.0%. The seat load factor rose by 1.5 percentage points to 71.5%.

Revenue and earnings

Fraport once again succeeded in increasing its revenue and earnings in the first six months of 2006.

In comparison with the same period in the previous year, **revenue** in the first six months increased by 3.5% to € 1,037.3 million. This was mainly due to increased revenue from security services because of business expansion as well as new security regulations and a rise in income from retail and parking.

Higher other operating income resulted from the release of provisions that had been formed because of the new Lufthansa ground handling contract and the successful disposal of the 50% subsidiary TCR. Therefore **total revenue** increased disproportionately by 6.3% to € 1,089.4 million.

Operating expenses (non-staff costs and personnel expenses) increased in the period under review by 4.4% to € 801.0 million. At € 532.2 million, **personnel expenses** were 3.9% higher than the comparable figure of the previous year. The main contributor to the increase was ICTS Europe with a 21.0% rise in staff numbers. Throughout the Group, Fraport employed an average of 27,683 employees between January and June, 10.1% more than in the same period last year. Group personnel expenses and non-staff expenses as a percentage of revenue lay at 51.3% and 25.9% respectively, similar to the previous year.

Non-staff costs cover cost of materials and other operating expenses. One of the keys to the increase in cost of materials by 9.4% to € 167.2 million was the heavy winter experienced at the beginning of the year, additional costs due to the full consolidation of Antalya, higher costs in Hahn due to traffic volume, and the outsourcing of the computer center on July 1, 2005. Other operating expenses lay at the same level as last year at € 101.6 million, while lower advisor costs in connection with the Manila project were balanced against volume-related higher costs at ICTS and higher expenses for capital expenditure projects.

Due to much higher other operating income, **EBITDA** increased in the first six months of 2006 to reach € 288.4 million. The EBITDA margin increased by 2.1 percentage points to 27.8%.

Depreciation and amortization mainly increased due to shorter useful lives because of planned demolition measures, the full consolidation of Antalya and exceptional amortization on no longer used software from € 105.6 million in the same period last year to € 112.6 million this year. There was also an exceptional amortization on the concession in Antalya, which is to expire in September 2007.

EBIT (operating profit) thus lay at € 175.8 million, compared with € 151.9 million the previous year.

The **financial result** was € – 8.6 million, while the figure for the previous year was € – 19.5 million. The improvement was mainly the result of the change in foreign currency gains and losses in long-term financing for Antalya.

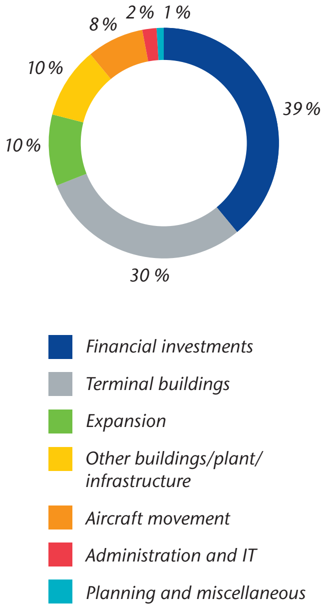
The **tax rate** dropped from 45.2% to 42.0%. This is the result of the tax-optimized investment strategy and the first crediting of corporation tax credit to dividends after the expiration of the moratorium (change of corporation tax system in 2001).

The **Group profit** was € 97.0 million, 33.6% higher than last year. The basic earnings per share rose from € 0.80 to € 1.06.

Asset and financial situation

Capital expenditures

Capital expenditures: € 245.2 million



Note: Because of the simplification of the investment categories in planning and reporting, the breakdown of capital expenditure is no longer the same as in the previous year.

The Fraport Group invested a total of € 245.2 million in the first six months of the 2006 financial year. The figure in the same period last year was € 283.4 million. When adjusted to account for the special effects in the previous year of the purchase of the Mönchhof site and the increases in long-term money investments, the amount of capital expenditures in the first half of 2006 was higher than the comparable previous year's value.

Excluding any financial investment, € 147.3 million was invested in the Frankfurt site, compared with € 151.2 million in the same period last year. Here again the figures were higher than in the previous year once the special effect of the property purchase had been allowed for.
Of this € 147.3 million, a total of € 73.3 million was spent on modernizing and partially expanding the existing terminals. This also included the remodeling in preparation for the Airbus A380, the implementation of EU security directives, the upgrading of fire protection facilities in the terminal and other buildings and the refurbishment of the runways. A total of € 24.4 million was invested in the planned expansion of Frankfurt Airport in the period under review.

Cash flow statement

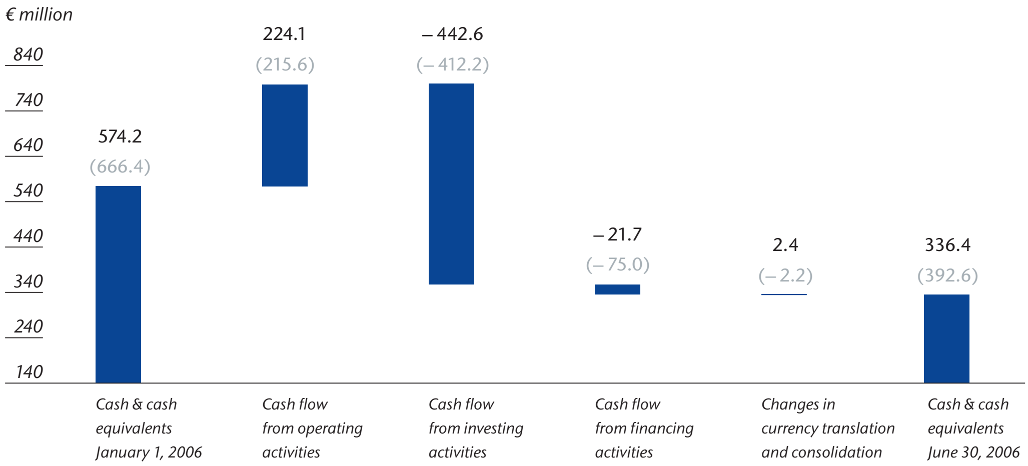
Cash flow from operating activities in the first six months of the current financial year stood at € 224.1 million. This was an increase on the previous year of € 8.5 million, due in particular to the improved Group profit.

Cash flow used in investing activities stood at € 442.6 million in the period under review, exceeding the previous year's figure by € 30.4 million. The key reason for this was higher capital expenditures for property, plant and equipment and short- and long-term investments made as part of asset management.

The dividend payment for the 2005 financial year in June 2006 led to a **cash outflow used in financing activities** of € 21.7 million, € 53.3 million less than in the previous year. This reduction was mainly the result of an increase in financial debt.

Cash and cash equivalents were reduced mainly due to money investments, dropping from € 574.2 million at December 31, 2005 to € 336.4 million at June 30, 2006.

Change in cash and cash equivalents
(Data for 6M 2005)



Asset and capital structure

The **total assets** remained at the same level as on December 31, 2005 at € 3,975.1 million. **Non-current assets** increased slightly to € 3,149.4 million. The disposal of the Belgian subsidiary TCR led to a reduction in non-current assets, which was more than balanced by additional capital expenditures in the modernization and expansion of the existing terminals and in the expansion at the Frankfurt site, as well as in long-term money investments.

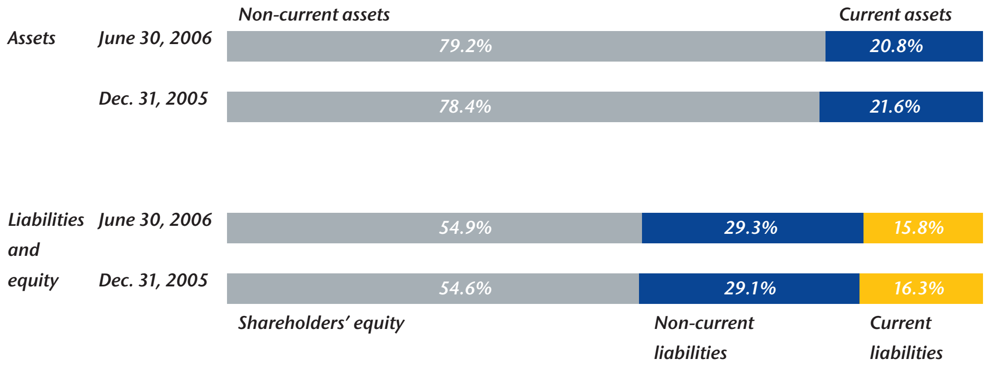
Current assets decreased to € 825.7 million as a result of decreases in trade accounts receivable. There was also a shift from cash and cash equivalents to investment in short-term securities within the current assets.

The **equity ratio** [1] on June 30, 2006 rose slightly in comparison with the balance sheet date for 2005, reaching 54.4%.

Non-current and current liabilities remained at the previous year's level at € 1,791.8 million.

The **net financial debt** on June 30, 2006 ran to € 472.3 million. On the 2005 balance sheet date financial debts exceeded cash and cash equivalents by € 188.3 million. This significant change resulted from the investment of cash and cash equivalents in short- and long-term securities and the increase in financial debt through day-to-day borrowing. Thus, gearing increased from 9.1% to 21.6%.

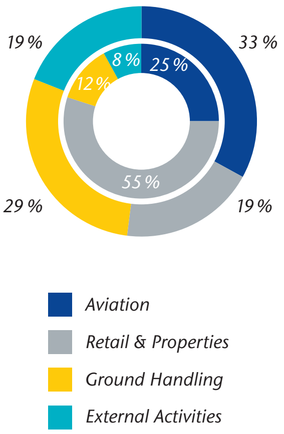
Balance sheet structure



[1] *Equity capital before minority shares and the proposed dividend.*

Segment reporting

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



The business activities of the Fraport Group are divided into four segments: "Aviation", "Retail & Properties", "Ground Handling" and "External Activities". The three strategic business areas of Fraport AG, "Ground Services", "Traffic and Terminal Management, Airport Expansion, Security" and "Retail & Properties" (see "Executive Board, Supervisory Board and organization") are clearly assigned to the segments. In addition, these segments include investments integrated in the business processes at the Frankfurt site. The internal service units of "Information and telecommunications" as well as "Real estate and facility management" are part of the "Retail & Properties" segment.

All investments outside Frankfurt are assigned to the central "Global investments and management" unit of Fraport AG or are indicated in the "External Activities" segment and are controlled centrally. This also applies to three companies located in Frankfurt that do not belong to the other segments by the nature of their business activities.

The profit attributable to minority interests that are included in the investments accounted for using the equity method and profit from other investments are indicated in the financial result.

Aviation accounted for the largest share of Group revenue with 33%. Ground Handling contributed 29%, while the External Activities and Retail & Properties segments accounted for 19% each. These values are basically unchanged in comparison with those from the previous year.

The Retail & Properties segment continues to produce the highest results, with a contribution of around 55% to the Group's EBITDA.

Aviation

The Aviation Group segment is responsible for flight and terminal operations as well as airport and aviation security at Frankfurt. It is also responsible for the planned expansion program.

Aviation

€ million	Q2 2005	Q2 2006	Change *in %*	6M 2005	6M 2006	Change *in %*
Revenue	180.6	183.3	1.5	334.7	342.3	2.3
EBITDA	47.7	46.5	– 2.5	78.6	73.2	– 6.9
EBIT	34.8	27.8	– 20.1	53.0	35.1	– 33.8
Employees	3,351	3,256	– 2.8	3,339	3,253	– 2.6

In the first six months of the 2006 financial year the Aviation segment achieved an increase in revenue of 2.3% in comparison with the same period in the previous year, reaching € 342.3 million. The drop in revenue from military traffic was more than compensated for by the 2.2% price increase agreed with the airlines and by the rise in security fees for so-called critical parts and the requirement that passengers who have been checked in accordance with EU standards are kept physically separate from passengers who have not been screened in accordance with EU standards.

At € 301.9 million, operating expenses were around 7.2% above the value for the previous year. Higher expenses resulted from extended security regulations, increased snow/ice clearance due to the heavy winter conditions at the beginning of the year and higher energy costs. This was counteracted by a drop in personnel expenses because of smaller staff numbers and smaller reserves for risk provisions in relation to security and environment.

The segment EBITDA was therefore 6.9% below the previous year's value at € 73.2 million. Increased depreciation and amortization because of shorter useful lives due to planned demolition and additional property, plant and equipment caused EBIT to drop at a proportionately greater rate to € 35.1 million.

Retail & Properties

The business operations in the areas of retailing, parking facility management, property rental and marketing are combined in the Retail & Properties segment of the Group.

Retail & Properties

€ million	Q2 2005	Q2 2006	Change *in %*	6M 2005	6M 2006	Change *in %*
Revenue	87.4	99.1	13.4	179.9	190.5	5.9
EBITDA	75.4	83.5	10.7	142.9	158.1	10.6
EBIT	51.6	60.1	16.5	94.7	113.0	19.3
Employees	2,950	2,868	– 2.8	2,951	2,867	– 2.8

Segment revenue was 5.9% higher than in the previous year at € 190.5 million. The reductions in revenue from real estate due to the discontinuation of electricity sales to Lufthansa and the US-Air Base and lower rental revenue because of the current modernization and demolition of buildings were more than compensated for by a significant increase in revenue from retail and parking.

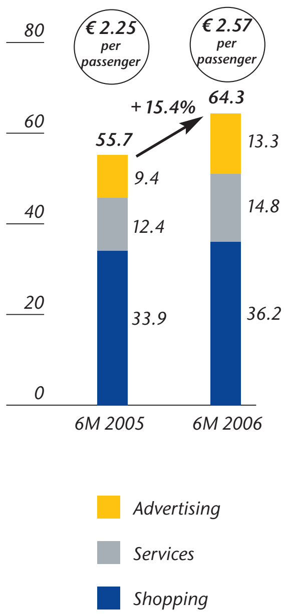
In the period under review retail revenue per passenger rose in comparison with the previous year from € 2.25 to € 2.57. This resulted from new openings in the food and beverages and financial services areas, concentrated sales promotion measures in the shopping sector and from increased advertising in connection with the FIFA World Cup as well as new advertising formats.

The charging of additional services, such as the provision of information systems and internal work capitalized and revenue from cost based usage fees had a positive effect on total revenue.

Operating expenses mainly rose due to the outsourcing of the computer center, increased fuel and energy costs and higher expenses in the context of capital expenditures.

Because of the positive revenue developement, EBITDA rose to € 158.1 million. In comparison with the previous year's level this corresponds to an increase of 10.6%. A decrease in depreciation and amortization in the segment meant that EBIT reached € 113.0 million, a rise of 19.3%.

Retail
€ million



Ground Handling

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

Ground Handling

€ million	Q2 2005	Q2 2006	Change in %	6M 2005	6M 2006	Change in %
Revenue	155.5	158.3	1.8	302.8	305.4	0.9
EBITDA	16.4	27.9	70.1	26.4	35.4	34.1
EBIT	11.1	22.4	> 100	15.9	24.4	53.5
Employees	7,311	7,806	6.8	7,246	7,730	6.7

Revenue from the Ground Handling segment remained at the previous year's level at € 305.4 million. There was an impact from contrary effects. Increased traffic and an unusually high demand for de-icing services in the first quarter led to a growth in revenue. Development of volume and revenue in the cargo sector was also very satisfactory. Revenue was reduced by price concessions in relation to the new Lufthansa ground handling contract as well as slight losses of market share of 0.6 percentage points to 88.0%.

The other operating income rose through the release of provisions accumulated on the basis of the new Lufthansa ground handling contract.

Despite an increase in staff numbers, it was possible to maintain the major cost item in Ground Handling, personnel expenses, at the same level as last year by optimizing the mix of personnel. The increase in operating expenses in comparison with the previous year resulted from an increase in the materials used, higher maintenance costs due to greater traffic volume and the implementation of additional security requirements.

The segment EBITDA thus increased to € 35.4 million, while EBIT rose proportionately to € 24.4 million.

External Activities

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

External Activities

€ million	Q2 2005	Q2 2006	Change in %	6M 2005	6M 2006	Change in %
Revenue	97.9	109.2	11.5	184.9	199.1	7.7
EBITDA	10.9	21.0	92.7	9.6	21.7	> 100
EBIT	– 2.4	10.8	–	– 11.7	3.3	–
Employees	11,945	14,447	20.9	11,610	13,833	19.1

Segment revenue in the first half of 2006 rose by 7.7% to € 199.1 million. ICTS Europe, which specializes in security services, also managed to increase its revenue significantly by growing its business in the Netherlands, France and the UK. Revenue from the Group's airport in Frankfurt-Hahn also increased thanks to growth in passenger numbers and cargo.
The negative base effect in Antalya due to the loss of revenue because of the opening of a second, competing terminal in April 2005 no longer applies. Furthermore, since May of this year, traffic is once again equally distributed, so that, despite an overall drop in traffic at Antalya Airport, revenue has increased when exchange rate fluctuations and partial consolidation are taken into account.

The other operating income rose due to the disposal of the 50% subsidiary TCR in May of this year.

In comparison to last year, the staff costs of the segment rose mainly due to the business expansion of ICTS. Non-staff expenses in the segment were slightly higher than in the same period last year. Higher costs resulted from the expansion of ICTS's business, increased traffic volume in Hahn, higher material and maintenance expenses and supply services and from full consolidation in Antalya. There were lower costs in connection with the Manila project and the deconsolidation of TCR.

EBITDA increased by a total of € 12.1 million to € 21.7 million, while EBIT developed even better due to lower depreciation and amortization and lay at € 3.3 million.

The segment's results do not include the results from associated companies and the results of investment accounted for using the equity method.

The business figures for the key associated companies outside of Frankfurt before consolidation are shown below.

The 100-percent subsidiary **ICTS** increased its revenue by 16.8% to € 188.0 million by expanding its business in the Netherlands, France and the UK and as a result of higher security regulations at Frankfurt Airport. Operating expenses rose as part of the development in revenue. At € 11.1 million, EBITDA were 7.8% higher than in the previous year.

Due to the decrease in traffic in **Antalya** and the continuing unequal division of traffic between the two competing terminals until April, there was a decrease in passenger numbers of 38.8%. The decrease in the first four months still lay at around 75%. As a result of the decrease in traffic, revenue dropped by 34.8% to € 16.1 million. EBITDA stood at € 6.8 million in comparison with € 14.5 million in the previous year. Since October 2005 the company has been fully consolidated, while in the first quarter of 2005 it was consolidated with a quota of 50%.

The continuous positive passenger and cargo volume in **Frankfurt-Hahn** led to a 18.4% increase in revenue to € 20.6 million in the first six months of 2006. Operating expenses grew due to the volume of traffic, higher material and maintenance expenses and higher supply services, so that EBITDA dropped from € – 2.6 million to € – 2.9 million.

Hanover-Langenhagen and Lima airports and their operating companies are accounted for using the equity method.
Revenue in **Hanover** increased because of positive passenger growth and the introduction of a security charge, as well as the altered allocation of revenue from the 100 percent subsidiaries of Hanover-Langenhagen Airport by 13.9% to € 66.4 million. The development of energy prices and expenses for de-icing activities due to the strong onset of winter at the beginning of the year led to increased expenses, so that EBITDA decreased by € 2.0 million to € 14.0 million.

Revenue and results in **Lima** developed positively against the background of the increased volume of traffic. Revenue rose by 19.8% to € 38.7 million, while EBITDA exceeded the previous year's figures by 15.3% with € 8.3 million. In addition to the positive development of traffic, the main reason for the rise in revenue and EBITDA was an increase in airport charges in 2006.

In June, Fraport was contracted by the Bulgarian government to modernize, expand and operate the airports at the Black Sea tourist resorts of **Varna** and **Bourgas**. It is expected that the relevant concession agreements will be signed within the next few months and will run for 35 years with an option for subsequent extension by mutual consent.
The losing bidder, the French Vinci Group, has obtained a legal injunction to prevent the awarding of the contract.

In the second quarter of 2006 we assumed responsibility for the management of the international airport in **Delhi** , taking a 10% share in the operating company Delhi International Airport Private Limited (DIAL).

Employees

In the period under review the number of people employed by the Fraport Group rose by 10.1% to an average of 27,683. In this period an average of 17,300 people were employed in Frankfurt, 7.5% more than in the previous year.

	6M 2005	**6M 2006**	**Change** *in %*	**2005**	**Change 6M to 2005** *in %*
Fraport Group	25,146	27,683	10.1	25,781	7.4
of which in Frankfurt	16,088	17,300	7.5	16,390	5.6
Investments	12,896	15,682	21.6	13,611	15.2
of which ICTS	10,343	12,515	21.0	10,823	15.6

In comparison with the employee figures published for the same period in the previous year, the calculation was changed to a segment-by-segment basis. Up until December 31, 2005, temporary staff and students were assigned to the segments on a flat basis. Since January 1, 2006 they are recorded directly under the relevant areas. The resulting change in employee numbers in comparison with the same six months in the previous year is shown in the table.

Segment	**6M 2005** *Accounting to 2005*	**6M 2005** *Accounting from 2006*	**6M 2006**	**Change** *in %*	**2005** *Accounting to 2006*	**2005** *Accounting from 2006*	**Change 6M to 2005** *in %*
Aviation	3,525	3,339	3,253	–2.6	3,508	3,314	– 1.8
Retail & Properties	3,034	2,951	2,867	– 2.8	2,996	2,907	– 1.4
Ground Handling	6,975	7,246	7,730	6.7	7,111	7,395	4.5
External Activities	11,612	11,610	13,833	19.1	12,166	12,165	13.7

The increase in employee numbers in the Group mainly took place in the External Activities segment, where the number of employees grew significantly since the previous year. The reason for this was the expansion of the business of ICTS Europe, which specializes in security services. Training measures in preparation for the summer peak in flight traffic as well as the reconstruction and modernization measures in the terminals meant that employee numbers in the Ground

Handling segment rose significantly in comparison with the previous year. The number of employees in the Retail & Properties segment fell due to the outsourcing of the computer center on July 1, 2005 and staff fluctuation in Facility Management. Staff numbers in the Aviation segment also fell through increased productivity in the area of air security.

The figures quoted do not include 303 apprentices – 13 more than in the same period last year – or employees exempted from their normal duties to carry out special assignments. The number of employees in joint ventures corresponds to the interest held.

Executive Board, Supervisory Board and organization

The main aim of the organizational structure at Fraport AG is to structure the business in an efficient way and to strengthen direct operating management by the Board. Every member of the Executive Board bears responsibility for reporting for one segment of the Group. Allocation is shown in the following graphic.

Fraport structure with effect from August 1, 2005 *

Dr Wilhelm Bender Chairman	Prof Manfred Schölch Vice Chairman	Herbert Mai	Dr Stefan Schulte
Ground Services	Traffic and Terminal management, Airport expansion, Security	Retail & Properties	
Marketing, strategy, boards and commitees	Legal affairs	Human resources	Real estate and facility management
Corporate communications			Information and tele-communications
Central purchasing, construction contracts			Global investments and management
			Controlling, finance, accounting
Ground Handling	Aviation	Retail & Properties	External Activities

** Excluding staff departments*

In a decision dated March 9, 2006, the district court of Frankfurt am Main appointed Mrs. Adelheid Riedl-Ciesla to replace Mr. Lothar Herbst as a member of the company's Supervisory Board. In addition, the Annual General Meeting on May 31, 2006 elected Mr. Wolfgang Mayrhuber, President of Deutsche Lufthansa AG, as a member of the Supervisory Board to replace the representative of the German Ministry for Finance, the Assistant State Secretary Dr Jürgen Siewert. Former State Secretary Mr. Ralf Nagel, who retired on conclusion of the Supervisory Board meeting on March 27, 2006, was replaced on the Board by Mr. Jörg Hennerkes, State Secretary in the German Ministry of Transport, Building and Urban Development.

Miscellaneous

Order situation

The summer flight schedule for 2006 lists 129 passenger-carrying airlines with over 300 destinations in 112 countries. According to current plans, a growth in aircraft movements of around 2% is to be expected in the 2006/07 winter flight schedule. Once again the main areas of growth are intercontinental and cargo traffic (+4.4% and +6.4%). This means that the general trend from the summer is set to continue.

Innovations

Knowledge and innovation skills are vital factors in deciding Fraport's success in the face of global competition and form the basis for lasting growth. In branch-specific terms we do not implement "research and development" in the narrower sense, although Fraport has anchored innovation management in its corporate vision. The aim is to develop pioneering products and to bring these to market maturity.

Our web site (www.fraport.com) contains information about our innovation projects in the form of short descriptions and detailed project data for downloading.

Corporate responsibility

Fraport plays a significant role as the operator of Germany's busiest airport, the largest local employer in the country and an economic force in the Rhine-Main region.

Conscious of our social responsibilities, we support social involvement and sponsor education, sport, artistic endeavor and culture, health and the environment. Working under the banner "Active for the Region", Fraport engages with numerous promotional programs, foundations, funds and sponsorship activities in the area around Frankfurt Airport. Environmental protection is a central principle of the Group and an integral part of our corporate guidelines. Our environment management system is validated according to EMAS (European Ordinance for Eco-Management and Audit Schemes) and is certified according to global standard ISO 14001.

You will find detailed information in our sustainability report, which can be obtained directly from Fraport and is also published on our home page. The Internet also contains further information about environmental topics (www.fraport.com).

Stock option plan

A new stock option plan – the "Fraport Management Stock Option Plan 2005" (Fraport MSOP 2005) – was agreed at the Annual General Meeting of Fraport AG on June 1, 2005, replacing the old stock option plan. Among other things, the new stock option plan meets the requirements of the German Corporate Governance Codex for the identification of variable remuneration of members of the Board of Fraport AG, members of the executive management from investments and other selected managerial staff at Fraport AG and the associated investments.

Overall, the number of share options issued through both stock option plans at June 30, 2006 stood at 1,287,750. The current number of issued and still unused options under the 2001 stock option plan is 85,550. A total of 414,700 share options were issued for the Fraport MSOP 2005, 20,000 of which have expired and none of which could be exercised yet.

Treasury shares

Fraport AG held 109,728 treasury shares on June 30, 2006. This is a decrease of 4,197 shares in comparison with the end of the 2005 financial year. These were issued as part of the compensation of the Executive Board.

Other financial commitments

There were no major changes in the other financial commitments by comparison with December 31, 2005.

Changes in risks and opportunities

The risks in relation to the division of traffic in Antalya has been reduced due to the recent change in the way passengers are allocated. Otherwise there were no significant changes to the risks and opportunities presented in the 2005 Annual Report. No threats to the survival of the business are apparent at present.
Details of the situation in relation to risks and opportunities as well as risk management at Fraport AG are contained from page 64 onwards of the 2005 Annual Report.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Outlook

Airport expansion

The hearing of the objections to the project was concluded at the end of March 2006. Taking the declaration by the Ministry for Economics, Transport and Regional Development of the State of Hesse (HMWVL) as a basis, the planning documents are already being expanded and adapted. The key to the revision is the updating of the air traffic forecast to 2020 and the associated impact forecasts. The new forecast continues to underline the urgent need to expand the north-west runway. If a less steep growth curve is used in the model, 88.3 million passengers and 3.16 million tons of cargo and mail are predicted for 2020, indicating a need for 701,000 aircraft movements per year.
We expect the planning resolution from the HMWVL for the expansion of the airport in the second half of 2007, while the runway is scheduled to go into operation in 2010.

A380 maintenance facility

Having completed preparatory measures, Lufthansa began work on the first section of the maintenance hangar in May, so that it will be able to complete this project in good time. This means that it will be possible to maintain the A380 as soon as Lufthansa starts to station it in Frankfurt.

FRA-North

More detailed plans for the measures required in the existing passenger facilities have become available in recent months. Top priority goes to the upgrading of the A380 passenger check-in facilities, the implementation of the requirement that passengers who have been checked in accordance with EU standards are kept physically separate from passengers who have not been screened in accordance with EU standards and the optimizing of the retail areas and terminal capacities.

The construction of extension to Hall C is proceeding to plan. The C/D-link that connects Terminal 1 and Terminal 2 was officially closed for conversion purposes on June 12. Three new positions are to be built for the new generation of wide-body aircraft, as well as four new bus gates. In addition there are plans for a further around 800 square meters of retail space. The first construction phase is due for completion at the end of 2007, while the second phase is to go into operation in mid-2008.

Following refurbishment and redesign, the shopping boulevard reopened in the second quarter of 2006 with an improved mix of outlets and four restaurant units. Work has started on the extension of the Travel Value Shop in Area B.

We expect the bridge structure at position E4 in Terminal 2 to be completed in the third quarter of 2006. This will be the first A380 position to become available, enabling passengers to board and disembark using three bridges at the same time. Since mid-March, the more southerly of the two parallel runways at Frankfurt Airport is being resurfaced in 15-meter sections at night. By the end of 2006, 2,715 meters of the four-kilometer runway will have been renewed. The remaining section of the work will be completed in 2007.

Business prospects

The economic outlook for 2006 remains positive at the end of the first half of the year. It is expected that the whole year will be characterized by strong growth in the global economy, which will support German exports. The forecasts for growth in the various gross domestic products contained in the 2005 Annual Report are largely unchanged and even slightly higher for the Asian countries.

Growth in gross domestic product *in %*

Germany	1.7	Japan	2.8
EU member states	2.5	India	8.0
USA	3.2	China	9.7

Source: DekaBank, Forecast July 2006

The world trade volume, a key indicator for the development of airfreight, will increase by around 9% in 2006 – roughly what was expected.

Against the background of business development in the first six months of 2006, we are holding on to our forecast in the Annual Report for 2005.

Passenger numbers

We still expect an increase in passenger volume at Frankfurt Airport for 2006 as a whole. The flight plan conference showed continuing demand for slots and the summer season saw a slight increase in technical runway capacity. The disproportionate growth in intercontinental traffic is set to continue, which is important for Frankfurt's development as a hub for international air travel. Airfreight is developing more positively than at first expected.

According to our estimates, the number of passengers handled by the whole Group should be greater than in the previous year. The negative base effect in Antalya has come to an end and the more favorable division of traffic has already led to noticeable growth in recent months. Furthermore, the end of the concession has been pushed back from July 2007 to September 2007.

Our airports in Frankfurt-Hahn and Hanover should benefit from growth in the low-cost market. From October 2006 onwards, Ryanair will station two additional aircraft at Hahn and will offer ten new destinations.

Because of rising intercontinental traffic and increasingly dynamic domestic growth, we also expect passenger numbers to increase at our airport in Lima.

Positive development in airfreight is also expected throughout the Group.

Group segments

We continue to hold on to the forecasts contained in the 2005 Annual Report for the development and results of the various Group segments.

In the second half of 2006 it is expected that the increase in traffic in the Group's Aviation segment and the average increase in airport charges in Frankfurt and additional security charges will more than compensate for the loss of revenue from military traffic. However, the latter charges and the costs from additional security requirements that cannot be passed on in full to the airlines mean that the results in this segment will probably be lower than last year.

The contrary developments on the revenue side in the Retail & Properties segment – increases due to the expansion in retail business, decline due to the reduced sale of supply services – will continue. The planned demolition of several buildings means that the capital expenditure is set to increase, while revenue will drop off at the same time. In conjunction with a slight decrease in depreciation and amortization, we expect an overall segment result above last year's levels.

Despite the positive development of the relevant traffic, it is expected that there will be a slight fall-off in revenue in the Ground Handling segment in comparison with the previous year due to price concessions and slight losses of market share. The segment should continue to range at a high level of results.

The key investments outside Frankfurt look set to develop positively in 2006. Accordingly and because of the successful disposal of TCR, we expect that the External Activities segment will increase in terms of revenue and segment results.

Group key figures for 2006

In 2006 we expect continued positive traffic growth throughout the Group and a rise in revenue and EBITDA. This already takes account of the previously mentioned unplanned earnings and expenses. The Group profit looks set to rise even more in 2006 in comparison with EBITDA.

Preview 2007

The relevant surveys of the industry assume that global air traffic will be increasing in the coming years, too. This should also be the case at our Group airports, taking the capacity limitations at Frankfurt Airport into account as well. As for Antalya, it should be mentioned that the existing concession contract will be expiring in September 2007.

The 2006 trends in the Aviation segment will be continuing; the existing contract about airport fees expires in 2006 and therefore needs to be concluded again for the following period. The profit margin in the Ground Handling segment should consolidate at a high level.Retail & Properties should benefit from a further increase in the retail space and retail revenue.

Positive development is expected in external business from a current perspective. However, new investments and the increasing or decreasing of existing investments could have a major impact.

We intend responding to the challenges outlined in the segment description with continued stringent cost management. The “WM 2005“ program has been successfully completed, reaching the target of € 150 million on EBITDA basis with approximately € 155 million. In the case of the project “We are making Fraport fit“ the internally-agreed personnel policy measures are currently undergoing implementation. Positive effects measuring around € 50 million are expected by 2010 – in comparison with the base for 2005.

The “Focus Competition“ project is intended to combat inefficiencies in the areas of flight and terminal operation, IT and facility management. Potential savings result, for example, from the stoppage of non-value adding activities, the optimization of structures to reduce redundancies, the introduction of economical production methods and processes and the adaptation of management scope and hierarchies. In addition, key central and service areas were analyzed with the same objective. Potential savings totaling about € 25 million have been identified so far, which should have a successive improving effect from 2007 onwards and which should be realized in full by 2010.

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.

Group Interim Report as at June 30, 2006

Consolidated income statement

€ million	Q2 2005	Q2 2006	6M 2005	6M 2006
Revenue	**521.4**	**549.9**	**1,002.3**	**1,037.3**
Change in work-in-process	0.0	0.1	0.0	0.1
Other internal work capitalized	4.6	6.0	8.7	10.1
Other operating income	7.0	28.8	13.6	41.9
Total revenue	**533.0**	**584.8**	**1,024.6**	**1,089.4**
Cost of materials	– 75.9	– 82.6	– 152.9	– 167.2
Personnel expenses	– 260.0	– 270.1	– 512.4	– 532.2
Other operating expenses	– 46.7	– 53.2	– 101.8	– 101.6
EBITDA	**150.4**	**178.9**	**257.5**	**288.4**
Depreciation and amortization of tangible and intangible non-current assets and investment property	– 55.3	– 57.8	– 105.6	– 112.6
EBIT/Operating profit	**95.1**	**121.1**	**151.9**	**175.8**
Interest result	– 6.8	– 6.0	– 12.6	– 13.3
Share of the profit or loss of investments accounted for using the equity method	2.0	1.0	2.2	– 0.3
Income from investments	1.0	2.0	2.7	2.0
Write-downs of financial assets	– 1.1	0.0	– 1.1	0.0
Other financial result	– 8.2	1.5	– 10.7	3.0
Financial result	**– 13.1**	**– 1.5**	**– 19.5**	**– 8.6**
EBT/Result from ordinary operations	**82.0**	**119.6**	**132.4**	**167.2**
Taxes on income	– 36.8	– 50.1	– 59.8	– 70.2
Group profit	**45.2**	**69.5**	**72.6**	**97.0**
Profit attributable to equity holders of Fraport AG	45.1	69.0	72.8	96.7
Profit or loss attributable to minority interests	0.1	0.5	– 0.2	0.3
Earnings per € 10 share in € (basic)	**0.50**	**0.76**	**0.80**	**1.06**
Earnings per € 10 share in € (diluted)	**0.49**	**0.75**	**0.79**	**1.05**

The identification of other taxes and the balancing and identification of shares in consolidated trading partnerships were changed (see accounting policies). The figures from the previous year were adjusted for comparison purposes.

Consolidated balance sheet

Assets

€ million	Balance at Dec. 31,2005	Balance at June 30, 2006
Non-current assets		
Goodwill	108.3	104.3
Other intangible assets	50.2	42.3
Property, plant and equipment	2,587.3	2,601.3
Investment property	37.4	37.4
Investments accounted for using the equity method	53.6	51.2
Other financial assets	209.5	272.9
Other receivables and other assets	33.2	24.4
Deferred tax assets	19.3	15.6
	3,098.8	**3,149.4**
Current assets		
Inventories	14.4	12.6
Trade accounts receivable	190.0	180.3
Other receivables and other assets	71.5	296.4
Cash an cash equivalents	574.2	336.4
	850.1	**825.7**
Non-current assets held for sale	2.7	–
	852.8	**825.7**
	3,951.6	**3,975.1**

Liabilities & Equity

€ million	Balance at Dec. 31,2005	Balance at June 30, 2006
Shareholders' equity		
Issued capital	910.7	913.0
Capital reserves	550.5	556.9
Revenue reserves	599.2	594.8
Group retained earnings	82.1	–
Group result Jan. 1 – June 30, 2006	–	96.7
Issued capital and reserve attributable to equity holders of Fraport AG	2,142.5	2,161.4
Minority interests, presented within equity (net)	15.4	21.9
	2,157.9	**2,183.3**
Non-current liabilities		
Financial liabilities	622.4	647.5
Other liabilities	115.4	104.2
Deferred tax liabilities	112.2	114.7
Provisions for pensions and similar obligations	21.4	21.6
Provisions for income taxes	167.0	166.6
Other provisions and accruals	112.1	110.4
	1,150.5	**1,165.0**
Current liabilities		
Financial liabilities	140.1	161.2
Trade accounts payable	173.3	133.5
Other liabilities	105.1	133.7
Provisions for income taxes	18.5	24.5
Other provisions and accruals	206.2	173.9
	643.2	**626.8**
	3,951.6	**3,975.1**

The identification of other taxes and the balancing and identification of shares in consolidated trading partnerships were changed (see accounting policies). The figures from the previous year were adjusted for comparison purposes.

Consolidated cash flow statement

€ million	6M 2005	6M 2006	2005
Profit attributable to equity holders of Fraport AG	**72.8**	**96.7**	**161.2**
Taxes on income	59.8	70.2	123.9
Profit attributable to minority interests	0.3	0.3	0.3
Adjustments for:			
Depreciation/write-ups (non-current assets)	109.3	112.6	241.3
Interest results	12.6	13.3	23.1
Income from investments	– 2.7	– 2.0	– 6.3
Gains/losses from disposals of non-current assets	0.3	– 8.1	4.7
Unrealized foreign currency results	7.1	– 2.6	8.0
Changes in investments accounted for using the equity method	– 2.2	0.3	– 6.7
Changes in inventories	– 0.9	1.8	– 2.3
Changes in receivables and other assets	– 62.0	17.4	– 12.1
Changes in provisions	– 7.6	– 27.5	51.5
Changes in liabilities (w/o financial liabilities and provisions)	106.3	31.4	66.9
Operational activities	*293.1*	*303.8*	*653.5*
Financial activities			
Interest paid	– 21.4	– 20.5	– 40.1
Interest received	8.8	7.2	17.0
Dividends received	2.7	2.0	6.3
Taxes on income paid	– 67.6	– 68.4	– 143.0
Cash flow from operating activities	**215.6**	**224.1**	**493.7**
Capital expenditure for intangible assets	– 3.0	– 1.3	– 9.3
Capital expenditure for property, plant and equipment	– 138.1	– 168.4	– 426.1
Capital expenditure for investment accounted for using the equity method	– 0.1	–	–
Investment property	– 32.8	–	– 32.8
Changes in consolidation	–	–	11.4
Acquisition of consolidated subsidiaries	– 2.4	–	– 2.5
Disposal of consolidated joint ventures	–	13.2	0.8
Other financial investments (long-term)	– 105.0	– 74.7	– 191.7
Other financial investments (short-term)	– 150.0	– 225.0	–
Proceeds from disposal of non-current assets	19.2	13.6	32.0
Cash flow used in investing activities	**– 412.2**	**– 442.6**	**– 618.2**
Dividends paid to shareholders of Fraport AG	– 68.0	– 82.0	– 67.9
Dividends paid to minority shareholders	– 2.0	– 0.3	– 1.2
Capital increase	8.6	9.5	20.8
Change in financial liabilities	– 13.6	51.1	94.5
Cash outflow/inflow used in financing activities	**– 75.0**	**– 21.7**	**46.2**
Changes in consolidation	–	–	– 11.4
Foreign currency translation effect on cash and cash equivalents	– 2.2	2.4	– 2.5
Change in cash and cash equivalents	**– 273.8**	**– 237.8**	**– 92.2**
Cash and cash equivalents at Jan. 1	666.4	574.2	666.4
Cash and cash equivalents at June 30 resp. Dec. 31	**392.6**	**336.4**	**574.2**

The identification of other taxes and the balancing and identification of shares in consolidated trading partnerships were changed (see accounting policies). The figures from the previous year were adjusted for comparison purposes.

Movements in consolidated shareholders' equity

€ million	Issued capital	Capital reserves	Revenue reserves				Group retained earnings	Equity attributable to shareholders of Fraport AG	Equity attributable to minority interests	Total
			Legal reserves	Revenue reserves	Foreign currency reserves	Revaluation reserves				
Balance at Jan. 1, 2005	**905.1**	**539.3**	**36.5**	**499.7**	**– 14.6**	**– 3.2**	**68.0**	**2,030.8**	**10.8**	**2,041.6**
Foreign currency translation differences	–	–	–	–	6.6	–	–	6.6	–	6.6
Fair value of financial assets held for sale	–	–	–	–	–	0.2	–	0.2	–	0.2
Fair value changes of derivatives	–	–	–	–	–	– 6.4	–	– 6.4	– 0.7	– 7.1
Net gain(+)/Net costs (–) directly included in equity	0.0	0.0	0.0	0.0	6.6	– 6.2	0.0	0.4	– 0.7	– 0.3
Capital increase against deposits	3.6	5.0	–	–	–	–	–	8.6	4.5	13.1
Transfer of treasury shares	0.1	0.1	–	–	–	–	–	0.2	–	0.2
Distribution	–	–	–	–	–	–	–67.9	– 67.9	– 2.0	– 69.9
Group profit Jan. 1 – June 30, 2005	–	–	–		–	–	72.8	72.8	– 0.2	72.6
Share options	–	1.3	–		–	–	–	1.3	–	1.3
Consolidation activity/ other changes	–	–	–	0.3	–	–	– 0.1	0.2	– 0.5	– 0.3
Balance at June 30, 2005	**908.8**	**545.7**	**36.5**	**500.0**	**– 8.0**	**– 9.4**	**72.8**	**2,046.4**	**11.9**	**2,058.3**
Balance at Jan. 1, 2006	**910.7**	**550.5**	**36.5**	**577.8**	**– 7.8**	**– 7.3**	**82.1**	**2,142.5**	**15.4**	**2,157.9**
Foreign currency translation differences	–	–	–	–	– 13.1	–	–	– 13.1	–	– 13.1
Fair value of financial assets held for sale	–	–	–	–	–	–	–	0.0	–	0.0
Fair value changes of derivatives	–	–	–	–	–	8.6	–	8.6	0.6	9.2
Net gain(+)/Net costs (–) directly included in equity	0.0	0.0	0.0	0.0	– 13.1	8.6	0.0	– 4.5	0.6	– 3.9
Capital increase Frankfurt-Hahn Airport	–	–	–	–	–	–	–	0.0	6.3	6.3
Issue of shares for employee investment plan	0.8	3.7	–	–	–	–	–	4.5	–	4.5
Transfer of treasury shares	0.1	0.1	–	–	–	–	–	0.2	–	0.2
Management stock option plan	–	–	–	–	–	–	–	0.0	–	0.0
– Capital increase for exercise of options	1.4	1.8	–	–	–	–	–	3.2	–	3.2
– Value of performed services	–	0.8	–	–	–	–	–	0.8	–	0.8
Distribution	–	–	–	–	–	–	– 82.0	– 82.0	– 0.3	– 82.3
Group profit Jan. 1 – June 30, 2006	–	–	–		–	–	96.7	96.7	0.3	97.0
Consolidation activity/ other changes	–	–	–	0.1	–	–	– 0.1	0.0	– 0.4	– 0.4
Balance at June 30, 2006	**913.0**	**556.9**	**36.5**	**577.9**	**– 20.9**	**1.3**	**96.7**	**2,161.4**	**21.9**	**2,183.3**

The identification of other taxes and the balancing and identification of shares in consolidated trading partnerships were changed (see accounting policies). The figures from the previous year were adjusted for comparison purposes.

Segment reporting

€ million	6M	Aviation	Retail & Properties	Ground Handling	External Activities	Group
Revenue	2006	342.3	190.5	305.4	199.1	1,037.3
	2005	334.7	179.9	302.8	184.9	1,002.3
Personnel expenses	2006	88.3	79.7	178.0	186.2	532.2
	2005	90.8	82.3	176.7	162.6	512.4
EBITDA	2006	73.2	158.1	35.4	21.7	288.4
	2005	78.6	142.9	26.4	9.6	257.5
Depreciation and amortization	2006	38.1	45.1	11.0	18.4	112.6
	2005	25.6	48.2	10.5	21.3	105.6
EBIT	2006	35.1	113.0	24.4	3.3	175.8
	2005	53.0	94.7	15.9	– 11.7	151.9

The identification of other taxes and the balancing and identification of shares in consolidated trading partnerships were changed (see accounting policies). The figures from the previous year were adjusted for comparison purposes.

Consolidated income statement, quarterly overview

€ million	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006
Revenue	**480.9**	**521.4**	**560.3**	**527.2**	**487.4**	**549.9**
Change in work-in process	0.0	0.0	0.0	0.1	0.0	0.1
Other internal work capitalized	4.1	4.6	5.6	6.3	4.1	6.0
Other operating income	6.6	7.0	4.3	13.3	13.1	28.8
Total revenue	**491.6**	**533.0**	**570.2**	**546.9**	**504.6**	**584.8**
Cost of materials	– 77.0	– 75.9	– 82.6	– 98.1	– 84.6	– 82.6
Personnel expenses	– 252.4	– 260.0	– 254.0	– 266.1	– 262.1	– 270.1
Other operating expenses	– 55.1	– 46.7	– 52.3	– 79.0	– 48.4	– 53.2
EBITDA	**107.1**	**150.4**	**181.3**	**103.7**	**109.5**	**178.9**
Depreciation and amortization of tangible and intangible non-current assets and investment property	– 50.3	– 55.3	– 64.8	– 65.5	– 54.8	– 57.8
EBIT/Operating profit	**56.8**	**95.1**	**116.5**	**38.2**	**54.7**	**121.1**
Interest result	– 5.8	– 6.8	– 8.3	– 2.2	– 7.3	– 6.0
Share of the profit/loss of investments accounted for using the equity method	0.2	2.0	2.7	3.3	– 1.3	1.0
Income from investments	1.7	1.0	2.9	0.7	0.0	2.0
Write-downs of financial assets	0.0	– 1.1	– 0.2	0.0	0.0	0.0
Other financial results	– 2.5	– 8.2	1.2	– 1.8	1.5	1.5
Financial result	**– 6.4**	**– 13.1**	**– 1.7**	**0.0**	**– 7.1**	**– 1.5**
EBT/Result from ordinary operations	**50.4**	**82.0**	**114.8**	**38.2**	**47.6**	**119.6**
Taxes on income	– 23.0	– 36.8	– 52.1	– 12.0	– 20.1	– 50.1
Group profit	**27.4**	**45.2**	**62.7**	**26.2**	**27.5**	**69.5**
Profit attributable to equity holders of Fraport AG	27.7	45.1	62.1	26.3	27.7	69.0
Profit attributable to minority interests	– 0.3	0.1	0.6	– 0.1	– 0.2	0.5

The identification of other taxes and the balancing and identification of shares in consolidated trading partnerships were changed (see accounting policies). The figures from the previous year were adjusted for comparison purposes.

Notes

Accounting policies

Since January 1, 2006, other taxes are recorded under other operating expenses in the operating result. In the first half of 2006 other taxes amounted to € 3.3 million, compared with € 2.2 million in the previous year. The figures from the previous year have been adjusted for comparison purposes. The effects of the change of presenting other taxes are recognized in the operating result. The EBIT and EBITDA key figures are shown in the following overview:

€ million	6M 2005	6M 2005 adjusted	6M 2006
Other operating expenses	99.6	101.8	101.6
EBITDA	259.7	257.5	288.4
EBIT	154.1	151.9	175.8
Result from ordinary operations	135.1	132.4	167.2

In line with IFRIC 2, the balancing and identification of shares in consolidated partnerships were changed in the Fraport Group Financial Statements as of December 31, 2005. Because of the change of showing minority interests in shareholders' equity, the relevant amounts in the Group Interim Report as of June 30, 2005 were apportioned to liabilities in the case of the minority interests in shareholders' equity of € 1.1 million and to the financial result in the case of the minority interests in the results of € 0.5 million.

This unaudited Interim Report as of June 30, 2006 for the Fraport Group was produced in accordance with IAS 34 in compliance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). All official bulletins of the IASB with mandatory application from January 1, 2006 onwards have been taken into account. The key changes are indicated below.

IFRIC 4 "Determining whether an Arrangement contains a Lease" was published on December 2, 2004. It regulates conditions under which a contractual agreement, such as service and outsourcing agreements, are to be treated as leases according to IAS 17. IFRIC 4 applies to financial years that begin on or after January 1, 2006. The application of the interpretation does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

IFRIC 5 "Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" was published on December 16, 2004. IFRIC 5 deals with the balancing of interests in funds in which the businesses responsible for decommissioning or rehabilitation accumulate assets in order to finance subsequent expenditure from the fund. IFRIC 5 applies to financial years that begin on or after January 1, 2006. The application of the interpretation does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

The revision to IAS 19 was published on December 16, 2004. A further elective right was introduced for the handling of actuarial profits and losses. Actuarial profits and losses can now be included in equity immediately without affecting net income. In the Fraport Group, actuarial profits and losses are recognized directly under expenditure in accordance with the elective right in IAS 19.92 in conjunction with IAS 19.93.

The IASB published IFRS 7 "Financial Instruments; Disclosures" on August 18, 2005. IFRS 7 replaces IAS 30 and parts of IAS 32 and redefines disclosure obligations for financial instruments. The standard should be allied by business from all sectors, where the extent of reporting required depends on the intensity of use of financial instruments and its contribution to risk. IFRS 7 applies to financial years that begin on or after January 1, 2007, although it is recommended that it should be applied earlier. We have not yet applied IFRS 7.

IASB published the following changes to IAS 39: "Currency risk for internal transactions within a consolidated group" on April 14, 2005, "Fair Value Option" on June 16, 2005 and "Financial Guarantees" on August 18, 2005. The changes from August 18 relate to IAS 39 and IFRS 4 and require that liabilities as part of financial guarantees should be recognized as liability in the balance sheet of the company with the liability. The changes to IAS 39 apply to financial years that begin on or after January 1, 2006. The application of the altered standard does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

IFRIC 7 "Applying the restatement approach under IAS 29 financial reporting in hyperinflationary economies" was agreed in November 2005. IFRIC 7 controls the application of IAS 29 when high inflation is first determined. IFRIC 7 is to be applied for business years that begin on or after March 1, 2006. The application of IFRIC 7 does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

In November 2005 IASB agreed changes to IAS 21 "The effects of changes in foreign exchange rates – net investment in a foreign operation". According to the changes, monetary assets and debts of a parent company or subsidiary in connection with a foreign business are to be classified as part of net investment in a foreign business. Resulting currency differences are to be recorded in the equity in the consolidated financial statement on a neutral basis. The amended IAS 21 is to be applied for the first time to financial years that begin on or after January 1, 2006. The amended standard does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

The IFRIC published interpretation IFRIC 8 "Area of application of IFRS 2" on January 12, 2006. IFRIC 8 makes it clear that IFRS 2 is to be applied to agreements in which an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 applies to financial years that begin on or after May 1, 2006. The application of IFRIC 8 does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

IFRIC 9 "Reassessment of Embedded Derivatives" was published on March 1, 2006.
IAS 39 "Financial Instruments: Recognition and Measurement" requires that a business should check whether a contract contains an embedded derivative that should be separated from the main contract and balanced as a separate derivative.

IFRIC 9 looks at the question of whether, according to IAS 39, such a measurement is only necessary if the company becomes a party in the structured contract or for the whole term of the contract. IFRIC 9 applies to financial years that begin on or after June 1, 2006. The application of IFRIC 9 does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

The EU Commission has not yet adopted the interpretations IFRIC 8 and IFRIC 9.

With effect from January 1, 2006, the principles for accounting in countries of high inflation (IAS 29) no longer apply to Antalya, our company in Turkey. The criteria for classifying Turkey as a country of high inflation no longer applied in the financial year. The currency conversion for the interim statement from Antalya is carried out according to IAS 21 in line with the concept of a functional currency. This did not have any major impact on assets or earnings.

This Interim Report also meets the requirements of German Accounting Standard DRS 6 for the production of interim reports approved by the German Standards Council (DSR) and published by the German Ministry for Justice (BMJ) on February 13, 2001.

Consolidated companies

The consolidated companies belonging to the wider Fraport consolidated Group dropped from 88 to 85 companies in comparison with December 31, 2005.

On March 27, 2006, the joint venture Medical Airport Service GmbH, Kelsterbach, set up the 100% subsidiary Terminal for Kids GmbH, Frankfurt am Main. The capital investment is € 25,000. The object of the company is to promote the involvement of both the public and private sector in the issue of childcare. The company was included in the Consolidated Group Statement on April 1, 2006.

Fraport Airport Operations India Private Limited, Bangalore (India) was founded on April 27, 2006 in the context of the operation of the airport in Delhi (India). Fraport and AAV took over 99% and 1% respectively of the capital shares of a nominal € 1,800. The company is currently inactive.

On January 3, 2006 ICTS Europe founded ACR Gulf Ltd., London. ICTS Europe took over 100% of the shares of a nominal 1 GBP. The company was incorporated in the ICTS sub-group on June 30, 2006, after it began activities in the area of security services.

On April 11, 2006, ICTS Europe founded another 100 percent subsidiary, ICTS Denmark ApS, Copenhagen, and incorporated it in the ICTS sub-group. Acquisition costs amount to around € 17,000. The company is active in the security services sector.

GuardOne (UK) Ltd., London (Great Britain) and Globale Marine Cable Systems Ltd. Nigeria, Port Harcourt Rivers State (Nigeria) were closed and have been removed from the ICTS sub-group with effect from June 30, 2006.

Fraport sold its 50 percent share in the S. A. TCR International N.V., Brussels, sub-group on May 19, 2006. The disposal consideration was € 15.0 million. The deconsolidation of the TCR sub-group gave rise to a profit of € 9.5 million.
The changes to the consolidated companies are of no significance in terms of assets, finances and earnings.

Notes about the disposal of consolidated joint ventures

€ million

Cash and cash equivalents	1.8
Current assets	7.2
Non-current assets	36.1
Current liabilities	– 4.7
Non-current liabilities	– 34.9
Gains from disposals	9.5
Total disposal consideration	**15.0**
Portion of the disposal consideration discharged by means of cash and cash equivalents	15.0
minus sold cash equivalents	– 1.8
Disposal of consolidated joint ventures	**13.2**

Explanatory notes about selected income statement items

Interest results

€ million	6M 2005	6M 2006
Interest income	8.8	7.2
Interest expenses	– 21.4	– 20.5
	– 12.6	**– 13.3**

Income from investments

€ million	6M 2005	6M 2006
Ineuropa Handling UTE	2.7	2.0
	2.7	**2.0**

Share of profit/loss of investments accounted for using the equity method

€ million	6M 2005	6M 2006
Flughafen Hannover-Langenhagen GmbH	0.7	0.5
LAP Lima Airport Partners S. R. L.	1.1	– 0.3
ACF Airmail Center Frankfurt GmbH	0.0	0.0
ASG Airport Service Gesellschaft mbH	0.6	0.3
Grundstücksgesellschaft Gateway Gardens GmbH	– 0.2	– 0.8
	2.2	**– 0.3**

Other financial results

€ million	6M 2005	6M 2006
Income		
Income from securities and loans	1.1	2.4
Foreign currency gains	0.2	6.2
Valuation of derivatives	0.0	3.3
	1.3	**11.9**
Expenses		
Foreign currency losses	– 7.2	– 1.2
Valuation of derivatives	– 1.3	– 2.5
Interests of minority shareholders in GCS	– 0.5	– 0.5
Fair valuation for securities of financial assets	– 3.0	– 4.7
	– 12.0	**– 8.9**
	– 10.7	**3.0**

Frankfurt am Main, August 8, 2006
Fraport AG
Frankfurt Airport Services Worldwide
The Executive Board

Dr Bender Prof Schölch Mai Dr Schulte

Financial Calendar

November 14, 2006 . . . . . . Interim Report 3rd quarter 2006

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