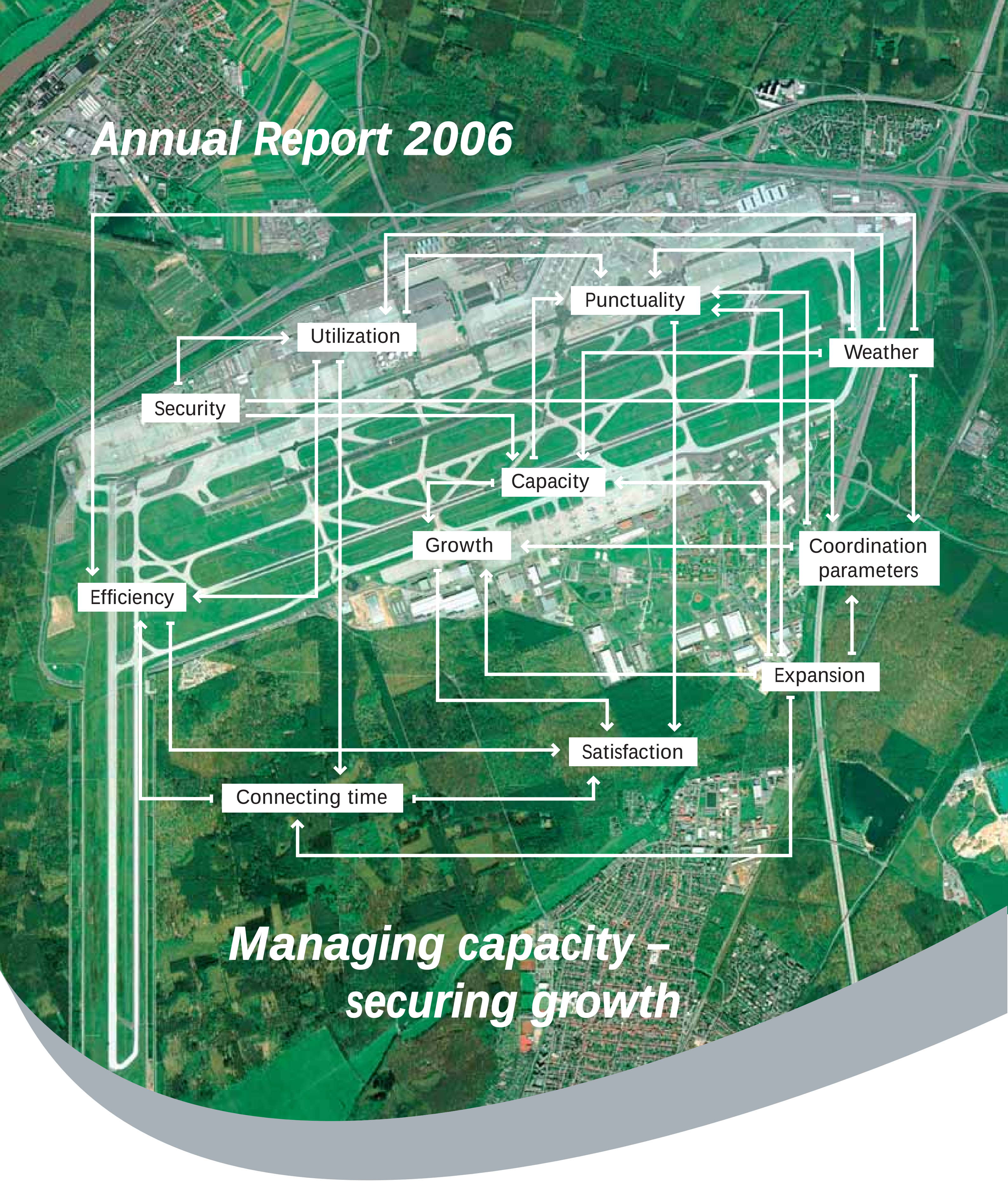
Annual Report 2006



Managing capacity – securing growth

Fraport

Key Group figures of Fraport AG

Revenue and earnings*

€ million	2005	2006
Revenue	2,089.8	2,143.9
Total revenue	2,141.7	2,250.3
EBITDA	542.5	578.4
EBIT	306.6	330.4
Result from ordinary operations	285.4	340.2
Group profit for the year	161.5	228.9

Key profitability ratios

%	2005	2006
Return on revenue	13.7	15.9
EBITDA margin	26.0	27.0
EBIT margin	14.7	15.4
ROCE	13.5	13.5
ROFRA	10.8	11.8
RONA	13.3	14.6

Key figures from the balance sheet and cash flow statement

€ million	2005	2006
Shareholders' equity	2,157.9	2,346.1
Shareholders' equity[1]	2,060.4	2,218.8
Equity ratio (%)[1]	52.1	51.7
Total assets	3,951.6	4,294.5
Gearing (%)[1]	9.1	9.5
Capital employed[2]	2,264.1	2,452.4
Net assets	2,310.7	2,258.9
Fraport assets	2,848.3	2,802.8
Operating cash flow	493.7	484.9
Free cash flow	25.5	33.8
Capital expenditures	682.4	591.4

The Fraport share

€	2005	2006
Number of floating shares on Dec. 31	91,078,430	91,368,619
Year-end price	44.90	54.02
Earnings per share (basic)	1.78	2.51
Dividend per share	0.90	1.15

Frankfurt Airport traffic figures

	2005	2006
Passengers (million)	52.2	52.8
Cargo (thousand tonnes)	1,963.1	2,127.8
Aircraft movements (thousand)	490.1	489.4
MTOW (Maximum take-off weights in thousand tonnes)	28,160.3	27,973.5
Seat load factor (%)	71.7	73.2

Employees

	2005	2006
Average number of employees	25,781	28,246

[1] Shareholders' equity less minority interests and the proposed dividend.

[2] Shareholders' equity less the proposed dividend.

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

Key figures of the Fraport AG segments

Aviation

€ million	2005	2006
Revenue	688.9	701.1
EBITDA	156.3	140.0
EBITDA margin	22.7	20.0
EBIT	92.4	57.5
EBIT margin	13.4	8.2
Fraport assets	937.4	932.7
ROFRA (%)	9.9	6.2
Employees*	3,314	3,254

Retail & Properties

€ million	2005	2006
Revenue	374.0	385.1
EBITDA	289.5	314.6
EBITDA margin	77.4	81.7
EBIT	179.6	219.6
EBIT margin	48.0	57.0
Fraport assets	1,241.2	1,221.7
ROFRA (%)	14.5	18.0
Employees*	2,907	2,860

Ground Handling

€ million	2005	2006
Revenue	632.1	624.1
EBITDA	74.6	63.0
EBITDA margin	11.8	10.1
EBIT	51.8	34.6
EBIT margin	8.2	5.5
Fraport assets	366.7	362.1
ROFRA (%)	14.1	9.6
Employees*	7,395	7,865

External Activities

€ million	2005	2006
Revenue	394.8	433.6
EBITDA	22.1	60.8
EBITDA margin	5.6	14.0
EBIT	–17.2	18.7
EBIT margin	–4.4	4.3
Fraport assets	355.7	346.2
ROFRA (%)	–1.1	8.6
Employees*	12,165	14,267

In comparison with the employee figures published in the previous year's report the calculation of the segment numbers was changed.

Vision

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

Contents

Interview with the Chairman of the Executive Board Dr Wilhelm Bender

"The capacity constraints in Frankfurt are my main concern."

Dr Bender, the business year 2006 surprises with further outstanding figures, when you consider that growth in air traffic at your main site Frankfurt Airport is virtually stagnating.
We are indeed satisfied with our financial figures. Growth in revenue of 2.6% delivers an increase in EBITDA of 6.6% to € 578.4 million and consolidated earnings of € 228.9 million that are in fact even 41.7% above the previous year's figure. This is a very good result. Even taking non-recurrent income into account, such as the payment in compensation for the terminal project in Manila or the successful sale of our subsidiary TCR as well as a tax effect, we were once again able to increase the operating result.

However, your original forecast for traffic growth in 2006 did not come true. What are the reasons for that?
Traffic in Frankfurt only grew by 1.1% in 2006. Growth in this order is not satisfactory, by comparison with growth in international air traffic, but also by comparison with our own expectations. These still amounted to approximately 2% at the beginning of 2006. However, the fact that we achieved an increase of 2.3% is due to our external business which is undergoing good development. We are more than satisfied here.

Other airports are growing as international air traffic expands, Frankfurt is not following the same pattern. However, this is not because our site is no longer attractive. Quite the contrary. Airlines from all over the world continue to ask for slots at Frankfurt Airport. Our problem is that we are increasingly unable to keep up with the demand. The capacity constraints in Frankfurt are my main concern. They can only be eliminated by expanding the infrastructure.

In other words, it is predictable that without expansion the chances from the growing air traffic can not be used?
As for the Frankfurt site, yes. But the bottleneck situation does not only affect us as the airport operator. It particularly affects our main customer Lufthansa, which is unable to grow at its home base. In a rapidly developing business like the aviation sector, standing still means going backwards. If we can not expand within the foreseeable future, Frankfurt will lose out as a central air traffic hub. That is why we signed a letter of intent with Ticona last autumn aimed at ceasing the production operation of Ticona at the Kelsterbach site by June 30, 2011 and transferring the real estate at the Kelsterbach site to Fraport after all the plant facilities have been removed. Once the final contracts have been signed, a key risk for the initial operation of the north-west runway will have been removed.

Growth can therefore only be generated outside the home base, while Frankfurt has to be satisfied with stagnation?
As far as increasing the number of passengers is concerned, we can only increase the seat load factor in Frankfurt and continue to increase the proportion of wide-body aircraft. With these measures we should reach a growth on previous year's level in 2007. Outside Frankfurt, our airport investments in Lima, Frankfurt-Hahn and Antalya are all outperforming the market as far as growth is concerned. We also expanded our portfolio by adding the Black Sea airports of Varna and Bourgas in Bulgaria and Delhi International Airport. We are anticipating high growth rates here, too, and, by the way, not only in air traffic volume.

The airport has reached utilization at full capacity, but you do not seem to be very pleased with that. Generally, companies start to grumble when capacity utilization declines.
The only positive factor is that the high demand demonstrates how attractive we are. But the restrictions on the quality of the service we deliver, which are inevitably arising, put our position as an attractive air traffic hub at risk. Frankfurt Airport is the biggest international airport for connecting flights in the world. More than half of the passengers fly into Frankfurt in order to take a connecting flight to another destination. Short connecting times are a cornerstone of our success as a hub airport. Smooth operation of the hub system also depends on the punctuality of feeder flights. The high utilization of capacity at the airport makes the system susceptible to loss of punctuality. There is very little opportunity for making up delays. Quite the contrary. Loss of punctuality builds up and intensifies as the day goes on.

In the past, our efficient organization meant that we were in a position to make up for delays of incoming aircraft. There is only limited opportunity for this in a system that is fully booked up. We are not satisfied with the performance of the punctuality rate last year. We have been cooperating with our partners – mainly Lufthansa and Deutsche Flugsicherung – with a view to introducing measures that will improve punctuality. We are beginning to see initial results – but there is still a lot more to be done.

Restricted space on the apron and in the terminals, and more stringent security requirements – times are not easy at Frankfurt Airport, either for airlines or for passengers!
Here, too, we are attempting to use good organization, innovative concepts and strategic cooperation with all the parties involved to make the best use of the capacity we have available. We are also modernizing the terminals in the north of the airport and carrying out some expansion work. New buildings are being constructed to the west of Terminal 1 – Pier A 0 – and between Terminal 1 and 2 – the expansion of Hall C and the C/D-Link, which will allow us to increase our check-in capacity. We are also restructuring the passenger handling process and adapting it to the latest security requirements during the course of these modernization operations. Unfortunately, all these measures increase delays in processes over the short term and therefore lead to losses of punctuality. Knock-on effects of this nature are unavoidable when this kind of reconfiguration is carried out. However, our goal is to keep waiting times as short as possible for passengers and make their stay with us comfortable and relaxed. This is also to our benefit.

How does this benefit Fraport?
Firstly, passengers have a good experience at Frankfurt Airport and they look forward to coming back. Secondly, if you are relaxed and have time on your hands, you spend more and our retail revenue increases. We perceive there to be substantial potential in our non-aviation business, i.e. the areas of our business that are not directly connected with aviation, such as retailing or our property business. This potential is to be well used.

Talking about property business: In autumn, you announced that you were going to focus more intensively on this sector. Will Frankfurt Airport simply become a real estate business? And: If there are such brilliant opportunities for growth, why do you need to expand?
Globalization opens up fantastic opportunities for growth in air traffic. International hub airports also have an opportunity to develop their site innovatively. The Airport City we are building means that the airport and our region will remain one of the key centers of the global economy that will increasingly derive benefit from international travel.

Moreover, our property portfolio and retail business naturally can not be regarded independently of air traffic. Retail revenue increases also with the number of passengers, and the appeal of the airport as a real estate location stands or falls with its function as an aviation traffic hub. That is why expansion as soon as possible is the only route forward!

Despite everything you have said and the cautionary statements, the financial result for 2006 went well. What is your forecast for 2007 and the next years?
The result for 2006 has been achieved by anticipatory and risk-aware company management. The one-off release of provisions is also reflected in the positive result, as is the mentioned tax effect, the sale of the investment and the payments in compensation for the terminal project in Manila. The nature of one-off payments means that they will not be available next year. Success over the long term can only be ensured by dynamic growth.

We are anticipating passenger growth of slightly above 1% for 2007, primarily generated through the use of larger aircraft. Our investments are all likely to perform positively so that we can assume an increase in revenue across the Group. The one-off effects referred to for 2006 mean that EBITDA and the profit for the year in 2007 likely will be reduced. After deducting the one-off effects in EBITDA 2006, the EBITDA in 2007 should be on or slightly above previous year's level especially because of the initial consolidation of the investments Twin Star and Lima.

All of us here at Fraport will continue to focus all our efforts and commitment on achieving a positive performance for our Group and our home airport in particular.

The Fraport Executive Board

Herbert Mai

Labor relations

Herbert Mai is responsible for the department “human resources” as well as the strategic business unit “retail and properties”.

Dr Wilhelm Bender

Chairman

Dr Bender is responsible for the strategic business unit “ground services”, as well as for the central units “marketing, sales support, boards and committees”, “corporate communications”, “central purchasing, construction contracts”.

Professor Manfred Schölch

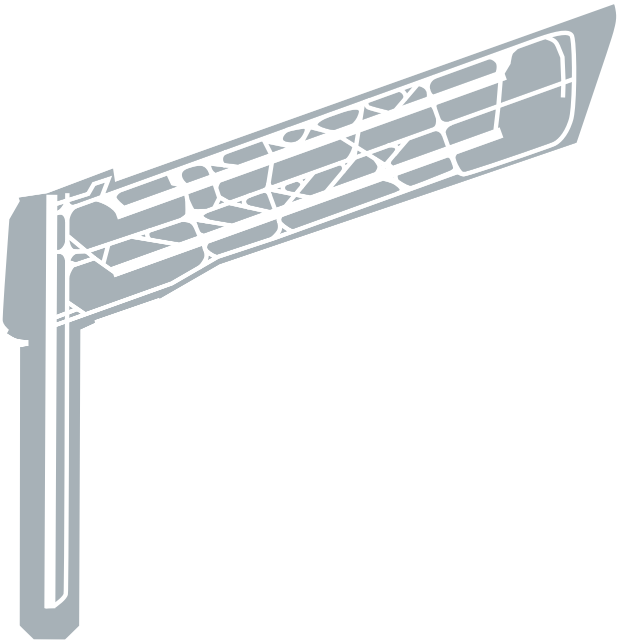
Vice Chairman, Infrastructure and legal affairs

Professor Schölch takes the responsibility for the strategic business unit “traffic and terminal management, airport expansion, security” and the central unit “legal affairs”.

Dr Stefan Schulte

Finance and construction

Dr Schulte is in charge of the central units “global investments and management”, “controlling, finance, accounting”, as well as the service units “information and telecommunication”, “real estate and facility management”.



“The capacity limit in the existing runway system is within sight. That’s why the system must be used as efficiently as possible. Together with our partner Fraport and the airlines, we are continually working to create opportunities for optimization. The mutual awareness for operational processes among all three process partners – Fraport, airlines and DFS – is a key factor for success.”

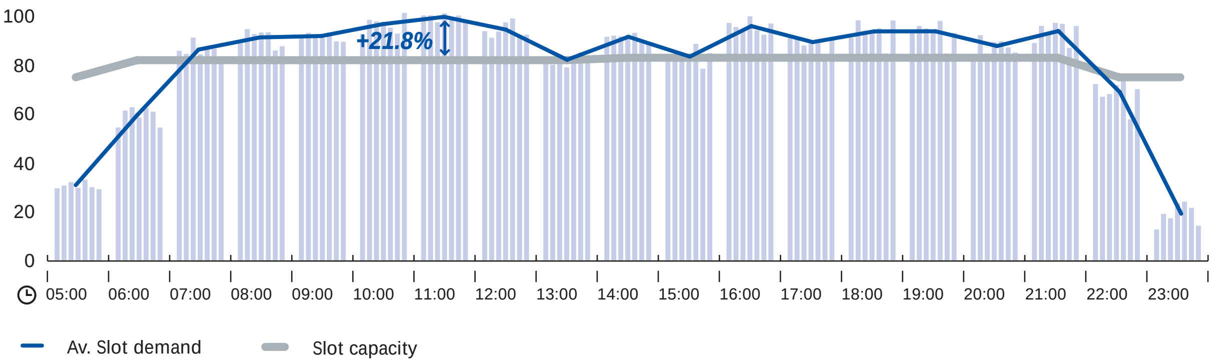
Jörg Buxbaum, Chief of Section Frankfurt Approach and DFS Punctuality Manager Frankfurt Approach/Center Langen, DFS Deutsche Flugsicherung GmbH

Using infrastructure efficiently

The area of an airport where aircraft operations take place is known as airside. One benchmark for the capacity of an airport on the airside is the number of coordinated aircraft movements per hour. Frankfurt Airport has been pushing against the limits of its capacity for some time now. On average, demand exceeds our capacity by more than 10%. That is why a range of comprehensive construction measures is planned for the future. But until this building program has been completed, we have to continue working with the present infrastructure. That is why we are fine-tuning our operation to ensure that our infrastructure and resources are used even more intelligently. Suitable measures and the key commitment of our employees mean that we have so far been in a position to increase the number of coordinated aircraft movements per hour at Frankfurt Airport steadily over the past few years.

Slot demand exceeds capacity

Slot request for summer flight plan 2006



Sales and marketing

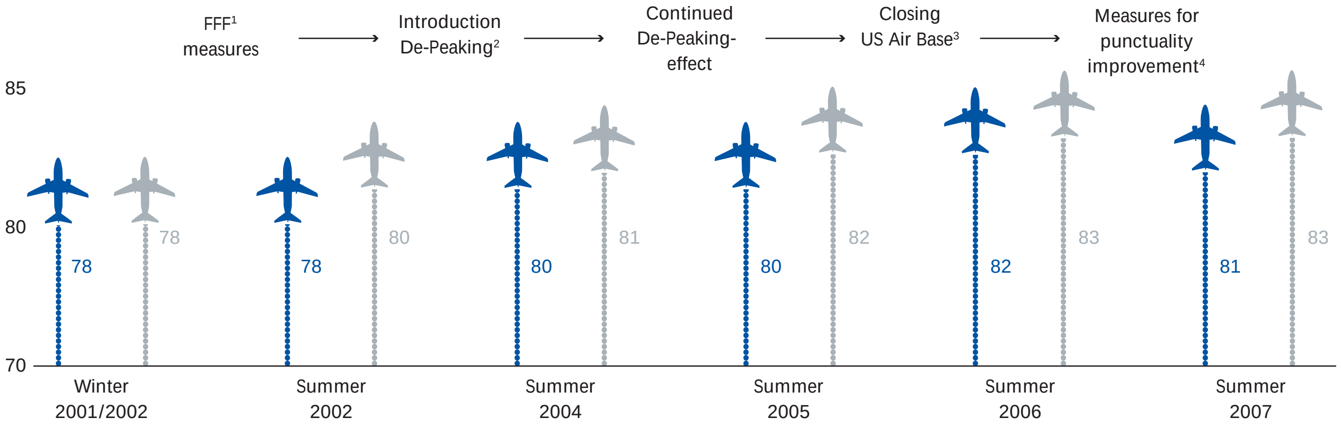
To maintain our position in the market as the leading cargo hub and one of the leading passenger hubs in Europe and to continue to expand, we must maintain and optimize air traffic as much as possible at Frankfurt Airport until expansion of the north-west runway is completed – despite all the capacity bottlenecks. A range of different measures can be used to generate growth. Free slots available at times less attractive for passenger flights can be allocated to cargo carriers or to carriers who fit into these time "gaps", such as flights from India and China. Slots are allocated by the airport coordinator who is subject to the legal and regulatory authority of the German Federal Ministry for Transport, Building and Urban Affairs.

On routes where airlines are flying with low utilization, it is possible to increase it by addressing the demand in the source and destination markets, for example by undertaking marketing operations with airlines or by sales measures in travel agencies. In the case of routes where airlines are operating at high capacity, efforts should be made to upgrade to a bigger aircraft. This is where we will benefit from introduction of the Airbus A380 and from the anticipated purchase orders made by Lufthansa for further wide-body aircraft. High-value slots may be released under certain circumstances by transferring traffic within the Fraport Group – for example cargo aircraft and holiday flights to Frankfurt-Hahn or short-haul flights to rail. Making the best use of the slots available can also be achieved by making selective adjustments to the structure of aircraft movements (arrivals and departures) and making more favourable slot pairs available for airline operation.

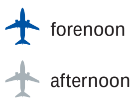
Slot Performance Monitoring Committee

Maximum use should be made of the available take-off and landing runways at Frankfurt Airport. The Slot Performance Monitoring Committee (SPMC) monitors the situation continuously to ensure that the slots are being used optimally. The SPMC takes action if an airline knowingly and regularly fails to make use of the slots allocated by the airport coordinator, or operates a flight without a slot or at a different time to the allocated slot time. Apart from Fraport, authorities and airlines and their organizations are also members of the SPMC. The SPMC meets at least once during each flight-plan period in Frankfurt.

Development of the number of flight movements per hour



[1] Future for FRA.
[2] Due to a more equal allocation of the slots per hour to the number of take-offs or landings, the respective capacities on the ground for handling starting or landing aircraft can be used smoother and in a more efficient way. This leads to a higher throughput.
[3] After the closing of the US Air Base before the summer flight plan 2006, the formerly military used take-offs and landings could be transferred into civil slots systematically.
[4] By reducing the number of flight movements in the busy time before noon, we counteract a threatening capacity-related worsening of the punctuality rate.



Uniting for increased capacity

Fraport provides safe, efficient and customer-oriented transport and operation on the aircraft-movement areas. Take-offs and landings are the responsibility of DFS Deutsche Flugsicherung GmbH. Fraport has to cooperate closely with the tower run by Deutsche Flugsicherung in carrying out aircraft taxiing operations in order to ensure smooth transfer into the relevant areas of responsibility. Aircraft taxiing operations are carried out by apron control operated by Fraport. The efficiency of the entire system can only be guaranteed by close meshing of the different process partners. An overarching process analysis where all the air-transport companies – including the airlines – are integrated is extremely important at times when there are restrictions and bottlenecks in capacity.

Future for FRA The project Future for FRA (FFF) has been running since 2000. This is a trilateral operational and communication platform between Deutsche Lufthansa, Deutsche Flugsicherung and Fraport. There are currently four task forces – Runway Strategies, Communication, Simulation and Weather – with employees from the three companies working together to improve capacity and quality at Frankfurt. A number of projects developed by the task forces have already been successfully put into practice. However, these measures can not completely redress the capacity deficit. Our goal is to achieve moderate further growth until the new landing runway comes into operation.

The following examples have already been implemented:

Joint shift briefing Joint shift briefing takes place at least twice a day. Apart from the operational areas of the three FFF-Partners, the briefing also includes the German Meteorological Office. This is a forum for exchanging information that might influence operations during the coming hours and it allows the partners to take decisions on the basis of uniform information. The shift briefing is also convened to discuss any serious problems that have arisen and enables appropriate responses to be made to ad hoc events.

High Intensity Runway Operation A key to the success of Frankfurt Airport is minimizing the Runway Occupancy Time (ROT) – while maintaining the same high level of safety. A lower ROT helps to enhance punctuality, reduces costs for the airlines and increases capacity. A loss of only five seconds per aircraft in Frankfurt mounts up to a total of 50 minutes at the end of the day. The HIRO (High Intensity Runway Operation) procedure helps pilots to plan to leave the runway via high-speed exits as they approach and thereby enables them to reduce the ROT. These high-speed taxiways are configured in such a way that the Runway Occupancy Time is optimized for every aircraft type.

Winter Services Capacity bottlenecks may arise during winter operations because aircraft have to be de-iced and because ice and/or snow have to be cleared from take-off and landing runways and other parts of the airport. Once a year, all those involved in providing winter services draw up a detailed plan specifying how the workflow of operations will be carried out and coordinated, with the aim of ensuring that minimum capacity is lost. The German National Meteorological Office has also been on site at Frankfurt Airport since 2005/2006 in order to provide better forecasts and deliver advice and assistance.

Pilot Performance Day Fraport issued invitations to the Pilot Performance Day in September 2006 for the second time running. This provides air-traffic control, airport and Cockpit Association a platform for swapping opinions and experiences. Each of the parties involved is in a position to save valuable time in order to make even better use of capacity at Frankfurt Airport. Whatever measures we take, we work on the basis of the same principle: safety always has top priority.

Similar to the Pilot Performance Day, staff working in apron control at Fraport and the air-traffic controllers from DFS Deutsche Flugsicherung GmbH also discuss on an operational level how the system at Frankfurt Airport can be optimized further.

Cooperative Air Traffic Management The cooperative network Air Traffic Management (C-ATM), made up of representatives from the airlines, air-traffic control and Fraport, as well as a large number of specialist institutes from major German universities, is aiming to create a system that will make a contribution towards maximizing capacities and reducing delays in air traffic. Partners operating in air traffic often lack complete and consistent information on a situation and this can lead to varying assessments of the same situation. This network is therefore cooperating on developing a maximally precise and complete analysis model that forms a forecasting tool delivering quantitative information on the airport capacity available – specifically for Frankfurt Airport.

More capacity through technology

We are working on a number of short-term and medium-term measures designed to increase capacities at Frankfurt Airport:

- *In future, the PAM system (Precision Approach Monitor) could provide assistance in allowing more approaches. PAM reduces the time that it takes for the approach radars to give a new position for a flight destination from the current 5 seconds to only 1 second.*

- *TACSYS/CAPTS system (Taxi and Control System/Cooperative Area Precision Tracking System) improves display of the situation on the ground for apron control, particularly under conditions of unfavourable weather and poor visibility. Apron controllers receive a continuous stream of information on taxiing traffic and this enables them to maintain even better traffic flow.*

- *FOGS (Follow-Me Guidance Support) is a tool for wireless information exchange between the follow-me drivers and apron control. FOGS enables all the relevant data to be relayed to the vehicle by WLAN. Radio telephone traffic is reduced and employees receive a better overview of the traffic operating in their area.*

- *In order to achieve improved throughput on the take-off runway and better use of the capacity provided by the slots, it is important to dispatch aircraft taking off to the take-off runway in the ideal sequence. The DMAN-FRA system (Departure Manager) being deployed from February 2007 calculates the optimum take-off sequences. The system uses the resulting take-off time to calculate the optimum target times for the start-up and push-back procedure. The benefits: Optimum use of resources, for example runway, tow-tractors and de-icing equipment, and consistency in adhering to slots.*

- *Parking position, gate and counter capacities at Frankfurt Airport are also limited. The RMS-sallyFRA resource management system helps to control position occupancy with a minimal time buffer and supports administrative staff both when they are planning the season and when they are planning the current traffic day. Administrative staff can also access systems and have interfaces that provide the latest flight data. For example, the flows of connecting passengers are taken into account. Sally can also calculate the scenarios on the basis of different premises. Taking the defined criteria into account, sally draws up an optimized plan for occupancy of parking positions, gates and check-in counters. Information on the effects of different usage concepts can also be obtained.*

Timetable new runway

With optimum progress, the construction can be finished by 2010.

2006

End of 2006
First payment for Ticona
(€ 20 million)

2007

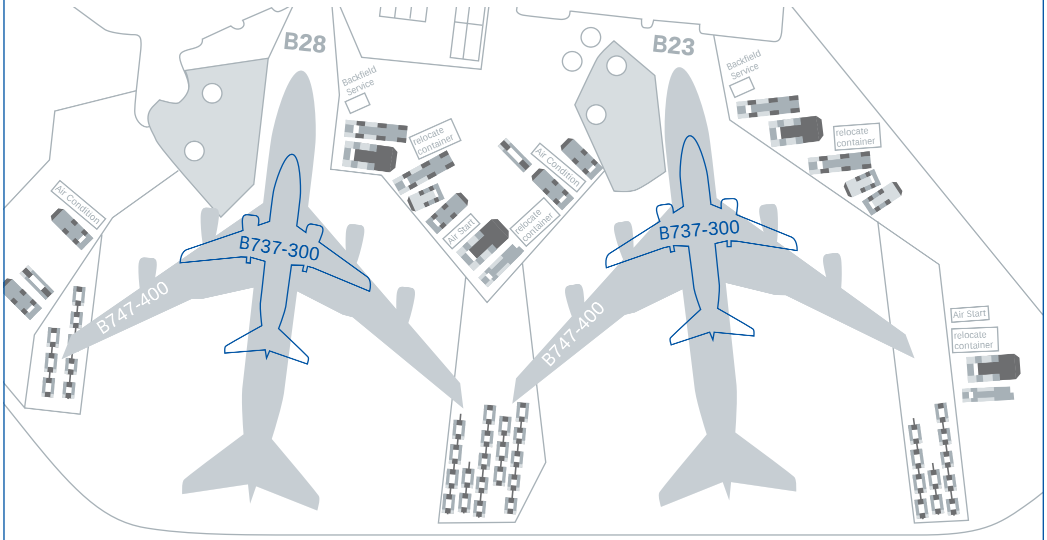
In 2007
Final contracts with Ticona,
Ticona ceases actions against the
expansion program and the airport

End of 2007
Approval of expansion program
by ministry

2008

June 2008
Second payment for
Ticona (€ 200 million)

Clearance processes



Top place in position capacity

Position capacity at Frankfurt Airport is operating extremely efficiently. We were able to increase the number of aircraft handled from 0.87 to 1.03 per square meter in the period from 1996 to 2006. And this was during a period when size of aircraft was continuing to increase. The number of movements of wide-body aircraft also increased by 11% during the same period.

Restoration of the runway

The south runway of Frankfurt Airport has been in operation for more than 30 years and now requires restoration work. Complete closing of the runway is not an option because of the associated capacity bottlenecks. The restoration will therefore be carried out during the night in small sections of 15 meters. The north runway was restored in this way between April 2003 and June 2005 without any losses of capacity. A total of 300 nights have been planned down to the last detail for complete restoration of the runway. As soon as the runway is closed for the evening by air-traffic control, the old surface is removed (1½ hours) and new asphalt is applied (5 hours plus 1½ hours for cooling and marking). The formulations for the individual asphalt layers are selected with a view to ensuring that the newly applied surface is already able to withstand normal loads from 6.00 a.m.

New runway

Suitable measures can achieve a capacity of approximately 520,000 annual aircraft movements with the existing runway system. This limit was almost achieved with 489,406 movements in 2006. The options for creating further capacities at Frankfurt Airport have virtually been exhausted. Expansion of Frankfurt Airport is a top priority if the airport is to play a leading role in international air traffic in the future. The new north-west runway will significantly expand the number of slots available from the current maximum of 83 aircraft movements per hour to about 120.

It is important that we maintain our schedule for expansion in order to limit the current lean period. Speed therefore does not exclude thoroughness. After the final contracts have been concluded between Fraport and Ticona, a significant risk for punctual start-up of the north-west runway will have been eliminated. The contracts stipulate that production operation by Ticona at the Kelsterbach site will cease by June 30, 2011 and the real estate at the Kelsterbach sites will be transferred to Fraport after all manufacturing facilities have been removed.

Two years construction time runway

2009 — 2010 — 2011

December 2008 to March 2009
Court approval with immediate effect to start the construction

June 2009
Third payment for Ticona (€ 200 million)

June 2010
Fourth payment for Ticona (€ 130 million)

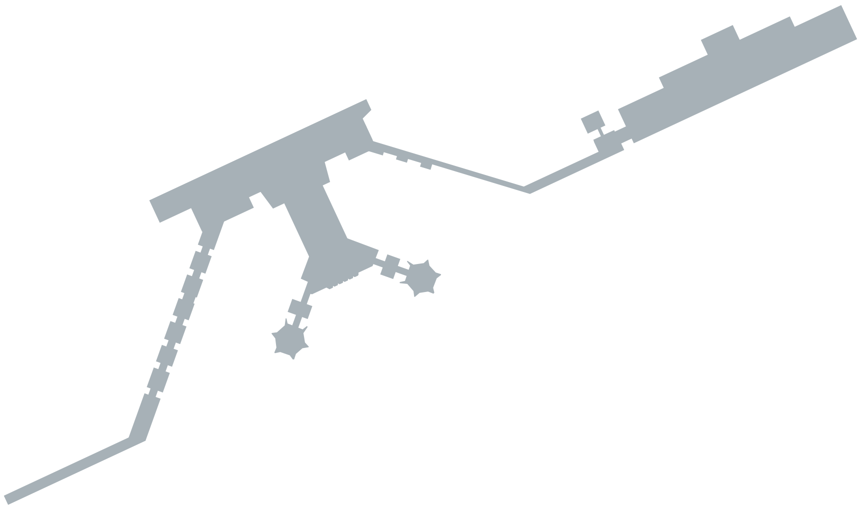
June 2011
End of production at Ticona plant and fifth payment for Ticona if not delayed to Dec. 31, 2011 with decrease of payment

October 2011
Entry into service of new runway

Capacity airside:
Using infrastructure efficiently

Frankfurt Airport is one of the biggest aviation hubs in Europe and also the biggest European cargo airport. In 2006, a total of 52.8 million passengers took off, landed or took a connecting flight at Frankfurt Airport. While we anticipated passenger growth of around 2% at the start of 2006, growth of "only" 1.1% emerged at the end of the year. And this was despite the fact that new airlines continue to rush into the European market. They mainly come from the Asian region, especially from China, and they are requesting take-off and landing capacity at Frankfurt in particular. While currently a total of 80 aircraft movements have to be coordinated every hour, we could already sell more than 100 slots in the market during peak times. Our minimal free residual capacities which have come into being as a result of the loss of charter flights for US soldiers are virtually all only available at the beginning or end of the day, and these times are unattractive for international airlines. Another factor is that air travel will continue to grow and this continues to increase the challenges to our capacities.

An increasing number of companies is seeking locations close to Frankfurt Airport on account of the global travel network. But the attractiveness of the location is under threat. We are having to turn away new airlines due to lack of capacity, and some carriers flying into Frankfurt are unable to increase their offer at this location for the same reason. These airline companies are inevitably moving to other airports where they have better prospects for growth.



"Service and customer orientation are a top priority at Fraport. That is why our mission is to meet the needs and expectations of our very broadly based clientele. Our process optimizations, innovations and the structural changes in the terminals therefore create the necessary conditions."

Daniela Weiss, Senior Executive Manager Aviation Landside, Fraport AG

Preparing terminals for the future

There is no standing still – Frankfurt Airport is progressively being developed. Fraport has been continuously optimizing the infrastructure of the airport during recent years. The terminals and their internal life have to be able to keep pace with growth. We are building in order to increase capacities. This will make the terminals fit for the arrival of the Airbus A380 and meet the regulations of the authorities, for example in relation to fire protection or security requirements. We are also creating new retail areas in order to stimulate further growth in non-aviation business.

New technologies

Workflows relating to passengers form a complex chain of partial processes. These involve different entities that may have contradictory interests – such as airlines, airports, authorities, air-traffic control and travel management. The potential for using technologies frequently lies in the overarching interfaces for individual processes.

The International Air Transport Association (IATA) has launched a project initiative entitled "Simplifying the Business" aimed at making more efficient use of existing technologies. The measures include the elimination of paper tickets by the end of 2007. The goal is to make airline tickets only available in electronic form (100% e-ticket) from the start of 2008.

"Simplifying Passenger Travel" (SPT) under the patronage of IATA is a joint, self-financing initiative operated by representatives of international airlines, airports, authorities and technology suppliers, in which Fraport is playing a leading role. The goal is to increase passenger satisfaction. We also want to ensure that growth in air traffic is not restricted by excessive utilization of capacity and delays in passenger clearance. Moreover, there are plans to enhance security in air travel using a range of measures including the development of biometric methods and promotion of data exchange between those entities involved in the process. The SPT interest group is currently working on the ideal passenger process. Initial results are being tested in pilot projects.

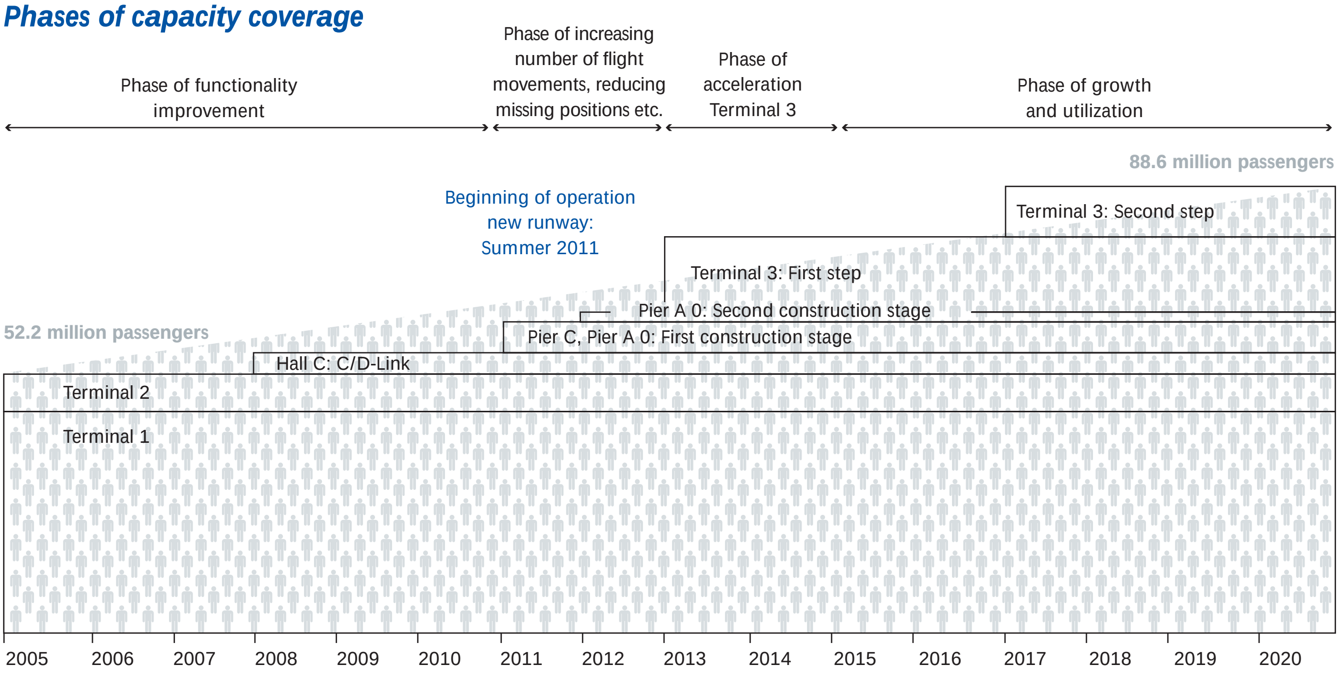
Efficient baggage handling

The baggage handling equipment is a key component of our passenger facilities. The aim of the baggage infrastructure is to provide efficient timing and processing for baggage handling which also serves to enhance the function of Frankfurt Airport as a key hub airport with the shortest Minimum Connecting Time of 45 minutes. In addition, the increasingly stringent security measures have to be integrated within existing processes relating to baggage handling. The EU Aviation Security Regulation means that all transfer baggage from Non-EU states has to be checked at the connecting airport. We have integrated scanning equipment at the check-in points for transfer baggage in order to meet this requirement. The EU Aviation Security Regulation also prescribes 100% baggage checks for original departure baggage. We are therefore currently integrating a multi-layer baggage checking system in the baggage handling facilities. Until this multi-layer baggage checking system has been completed, baggage is being checked using mobile X-ray equipment in front of the check-in desks in the departure halls. Overall, the medium-term and long-term capacity requirement of the baggage facilities must be ensured in the extension of the terminals and the expansion.

Even more service

In 2006, we introduced comprehensive measures directed towards providing our customers at the airport with even more service. We are working consistently on cutting down operational reaction times, optimizing the passenger flow and developing innovative services. For example, a Paxflow Assistant is being deployed in order to reduce waiting times and increase throughputs by selective alternate routing and information at critical process points. We will also introduce Passenger Assistants – outgoing personnel who are available at critical decision-making points and who will go up to passengers seeking help and provide them with individual advice and assistance. Innovative queuing concepts help to make optimum use of the queuing areas in the departure halls. The appearance of the terminal facilities has also improved significantly. Employees take personal responsibility for specific terminal areas and their daily rounds are also documented. For example, we have been able to reduce complaints about cleanliness by 44%. Moreover, "Mystery Passengers" have been introduced in order to ensure the friendliness and competence of our staff. These are employees posing as passengers who pass through all the stages experienced by a passenger.

Phases of capacity coverage



FRA-North – an upgrade for the terminals

We will continue to modernize and expand the infrastructure in the north of the airport over the next few years. Overall, the project FRA North will create capacity for a further 10 million passengers and almost double the retail area. Up to 18 positions will be created for the A380. Expansion of Hall C alone will ultimately result in capacity for another 4 million passengers, an area expanded by 20,000 square meters, four additional baggage transport conveyors and almost 1,000 square meters of additional retail space. To date, the majority of the passenger flow has been concentrated in Terminal 1, in Halls A and B. The 30 additional check-in desks in the expanded Hall C will provide better distribution of passenger flow. The planned relocation of the C-Pier and realization of the C/D-Link will make 6 building positions available for the A380 in future. The B-Pier will also be significantly optimized by realization of up to 3 A380 positions and the construction of arrival gangways and lounges.

A complete new building section will also be created to the west of Terminal 1 – pier A 0. In addition to 7 positions for wide-body aircraft, of which 4 for the A380, it will also have some 3,000 square meters retail area.

Professional needs and building management

We have taken the long view for future developments with our planning and building program. Since all projects at the airport are designed to be realized with maximum cost-efficiency, we carry out building work as necessary and always shortly before the actual requirement occurs. This makes sense because we do not want to invest in infrastructure that ultimately will not be used with sufficient intensity.

Our building management keeps a close eye on schedules, costs and quality. Complex and meticulous plans are drawn up based on defined operating and customer requirements. A system of holistic needs management has been established for this purpose. We have been able to improve our building management over the past few years and transform it into a cornerstone for the success of our company. A huge building volume is planned for the next few years. Building measures relating to existing structures require particular attention because they have to be carried out while the normal daily routine continues. We make a great deal of effort to ensure that building work is structured in such a way as to have minimal effect on all the people involved. For example, we provide our customers with temporary counters, temporary offices and temporary bus gates.

Even more safety

During the 1980s, air traffic control at Frankfurt Airport was still partially decentralized. Since the beginning of the 1990s, passengers boarding at Frankfurt Airport have been checked in at the central areas of the terminal facilities. The integrated control point is the focus for operational control of all airport processes. All passenger, baggage and terminal controls are managed from here using IT tools, and this system ensures flexible deployment of personnel. The operations manager is responsible for quality assurance on the ground and also serves as a contact for authorities and customers.

Shortly after September 11, 2001, the USA and Great Britain tightened their security standards to 100% personnel control and random checks for identifying explosives. More space was required at our standard control points in order to meet this requirement. Because this space is not available, we instituted dedicated additional checks for flights to the USA/GB – also with a view to preventing all passengers having to wait for a long time and subjecting transfer guests to unnecessary diversions.

In 2002, a new safer and more uniform EU Aviation Security Regulation was introduced which defined the more stringent security checks in specified stages. At the beginning of 2003, 100% baggage control was prescribed for passengers starting their journeys. This has entailed every item of baggage being X-rayed since that date. For infrastructural and technical reasons we opted for a temporary hybrid concept and distributed screening equipment throughout the baggage handling systems and check-in halls. 100% baggage screening will be automated and fully integrated in the baggage handling system in Terminal 2 at the beginning of 2007 and in Terminal 1 at the end of 2007.

Since January 19, 2004, 100% personnel and goods control has been prescribed. Each person, including Fraport employees, must be screened when they enter critical parts. August 2005 then saw the introduction of the requirement that passengers who have been checked in accordance with EU standards must be kept physically separate from passengers who have not been screened in accordance with EU standards. The entire system had to be reorganized yet again to meet this requirement – with the deployment of additional personnel. As an interim solution, all passengers for connecting flights who are continuing the onward journey within the EU are screened in Frankfurt. By 2008, we will have implemented the long-term solution with all the construction changes (arrival gangways).

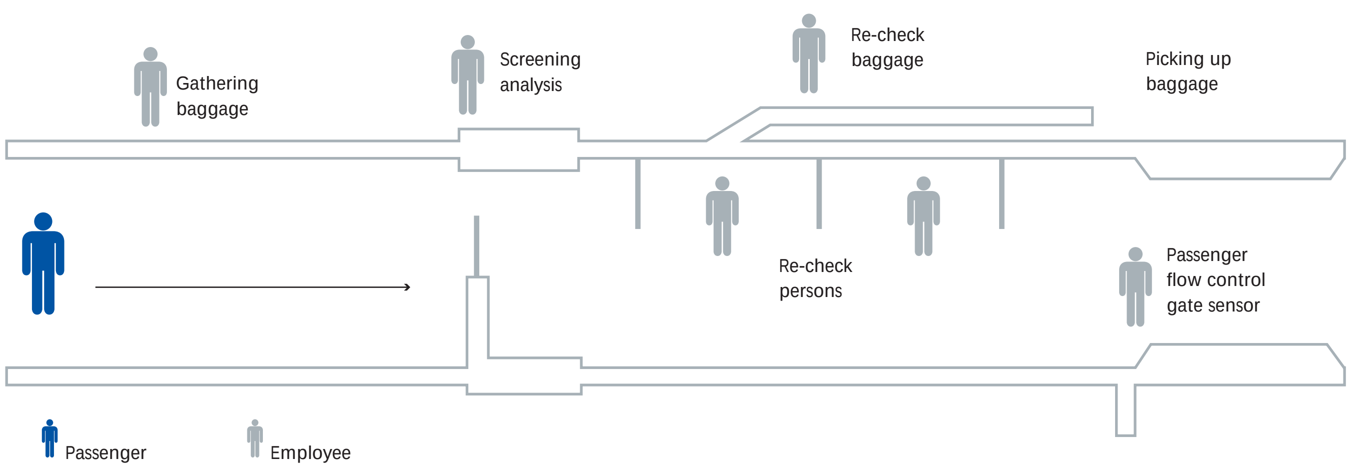
In reaction to the plans uncovered in London aimed at carrying out terrorist attacks using liquid explosives, a restriction on liquids for hand baggage has been introduced.

In order to organize screening within a limited space, we have moved the bottleneck factor – more stringent hand baggage screening – to the rear and hence loosened up the entire situation.

Sample checkpoints

The sample checkpoints came into being on the basis of a task force of the Federal Ministry of the Interior, the Federal Police, Lufthansa and Fraport. The aim is to accelerate the throughput at the checkpoints, naturally with the same level of security. At Level 2 in Hall A, we have started operating a sample checkpoint for security screening as a test for Germany. The infeed conveyor has been extended. There is a bypass for critical baggage and a screened overtaking option for passengers and baggage that do not have to undergo a follow-up check. The results indicate that throughput increased by approximately 40% for the same level of safety. In addition, the checkpoint is more convenient for passengers, because the follow-up checks are carried out in separate areas. The Federal Ministry of the Interior will now decide on further implementation of these sample checkpoints.

Sample checkpoint in detail

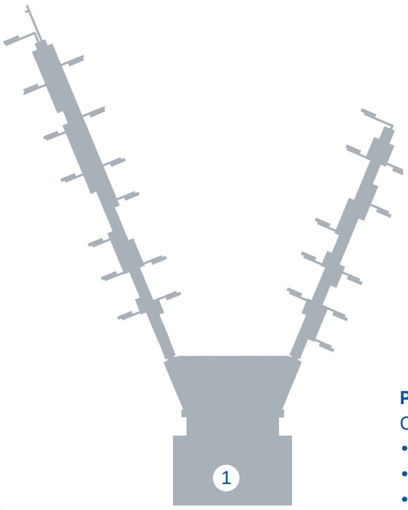


A terminal that grows in response to demand

Our forecast for 2020 indicates that we will have 88.6 million passengers at Frankfurt Airport. In order to meet this increase in volume, we need another terminal. Our planned Terminal 3 is based on the concepts of modularity and flexibility. As in a building-block system, the modular structure brings with it a high level of flexibility. The building grows step by step in line with requirements. When construction of the new terminal has been completed, it will increase our existing capacity by approximately 25 million passengers per year. Building work on the first section is scheduled for the second half of 2009 and the terminal is due to go into operation in 2013.

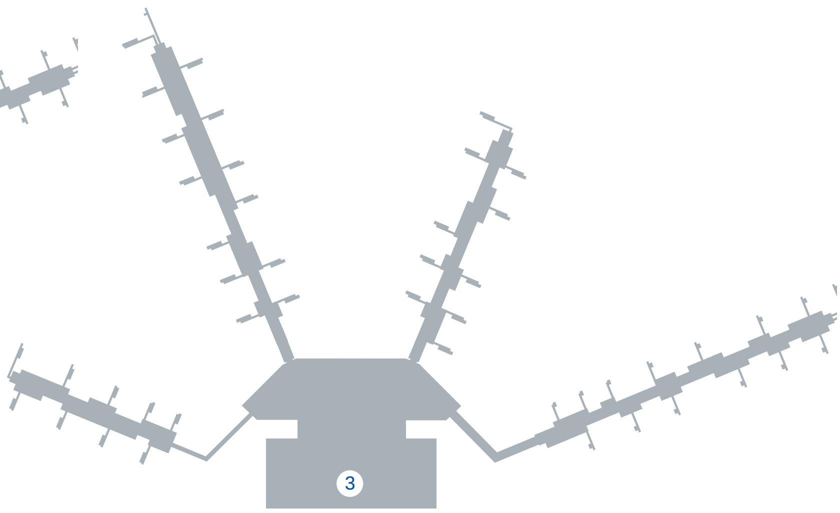
The check-in hall, the security screening area, the retail area and the boarding piers can be expanded independently and adapted to the relevant requirements. Gates will be designed flexibly so that two gates can be merged in order to handle a wide-body aircraft.

The modular design enables a flexible and requirement appropriate extension of Terminal 3.



Phase 1:
Construction completed by 60%.
- 2 piers
- Retail areas
- 3 terminal modules

Phase 2:
Construction completed by 80%.
- 3 piers
- Retail areas
- 4 terminal modules



Phase 3:
Construction completed by 100%.
- 4 piers
- Retail areas
- 5 terminal modules

Capacity landside: Preparing terminals for the future

In addition to the take-off and landing runways, we are also coming up against the limits of our capacity with the passenger facilities at Frankfurt Airport. 2006, a total of more than 52 million passengers were cleared in the two terminals. The capacities and the requirement are determined on the basis of values for peak hours and typical peak days. In 2006, approximately 170,101 passengers flew from/to Frankfurt or took a connecting flight there on a typical peak day, of which 141,910 passengers passed through Terminal 1 and 28,191 passengers used Terminal 2. The typical peak hour value amounted to 12,526 passengers.

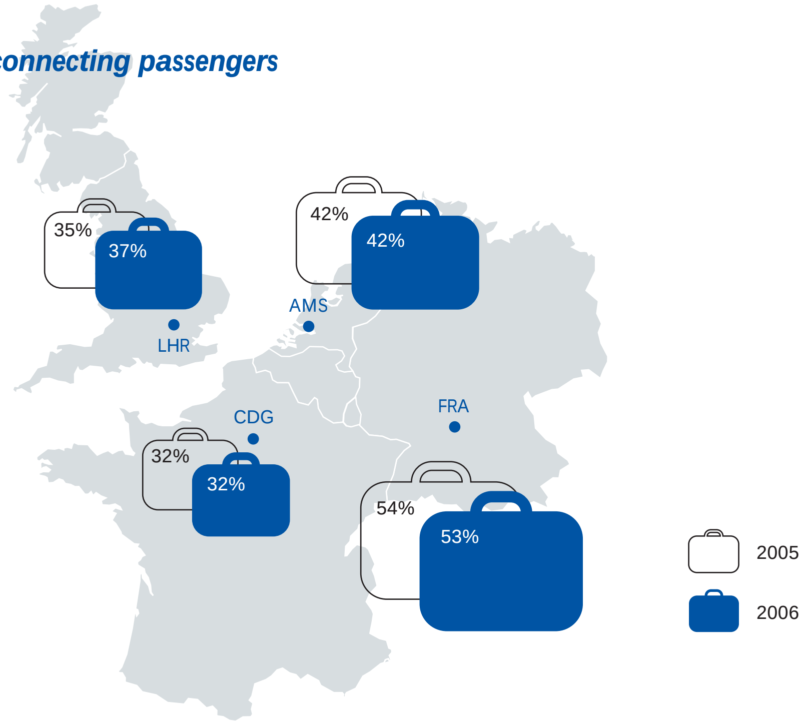

Frankfurt Airport
Luftha

"The aviation industry is subject to continuous change. Quality and punctuality form the cornerstones for international competitiveness – this applies in particular to international hubs with a dense and global network, thus to airports and airlines. Cooperation as partners is the only way of ensuring that we are able to meet the demands of our customers."

Dr Karl Rupprecht, Senior Vice President Hub Management Frankfurt, Deutsche Lufthansa AG

Flight on time

Proportion of connecting passengers



Leverage for more punctuality

There are three ways of increasing punctuality: technical solutions, e.g. IT systems like Capman (see page 26), organizational solutions, e.g. the procedure that bundles USA flights at specific gates, and thirdly building solutions such as high-speed taxiways (see page 8). The overriding factor for all these measures is the same as all over the airport: safety before punctuality.

Many different factors exert an influence on punctuality. That is why there is a long-standing trilateral active punctuality management between Fraport, Deutsche Lufthansa and Deutsche Flugsicherung. Their activity is carried out in the context of the program Future for FRA. This involves analyses being carried out and decisions being taken that are geared towards continuously improving punctuality in FRA. For example, one theme is optimizing runway use. As a short-term measure, we decided to send as many departures as possible to the departure only west runway in order to keep the north and south runway free for landings.

Overall, we have agreed 48 measures for more punctuality, of which 29 have already been implemented. 16 measures are being realized in 2007 while 3 have been designed for the long term until 2012.

A key function of punctuality management is to analyze the delays notified on the basis of the delay codes (for examples see page 24) developed by the International Air Transport Association (IATA). With this aim in mind, we developed the software program Delaymonitor to monitor punctuality. This program provides a lot of information including the level and cause of the delays. These data form the basis for continuing to improve the operating procedures in the air and on the ground by pulling on the right leverage and using appropriate tools.

Punctuality of selected european airports[1]

%	2000	2001	2002	2003	2004	2005	**2006**
Frankfurt (FRA)	80.0	79.8	82.0	83.3	81.8	79.8	**75.0**
London-Heathrow (LHR)	75.0	76.1	74.3	77.6	72.2	72.1	**68.2**
Paris-Charles de Gaulle (CDG)	68.7	69.7	73.9	75.6	77.3	75.0	**71.4**
Amsterdam-Schiphol (AMS)	71.3	72.7	78.9	80.3	76.4	76.7	**79.2**

[1] *Source: AEA, AEA-Airlines on innereuropean routes.*

Concrete measures

In Frankfurt, limited capacity means we are dependent on the slots being observed and our hub system means we are dependent on punctual feeder flights. That is why it is in our interest that delays in feeder airports are reduced strategically. To this end, we monitor punctuality and reasons for delays of arrivals at Frankfurt Airport on a monthly basis, in order to identify particularly susceptible airlines or feeder airports. On the basis of these analyses, we draw up a list of key factors and measures and coordinate concrete measures, for example in the area of handling and technology.

Delays also result from rotation problems. An individual aircraft is subject to strict planning over the course of the day. The operating procedures are tightly timed for commercial reasons. If the airlines cut their reserve units – aircraft or flight crews – or reorganize maintenance, burgeoning delay chains can not be halted by deployment of a different aircraft. Generally, several flight stages are planned with one aircraft, for example flights from Frankfurt to Dresden, from Dresden to Frankfurt, from Frankfurt to Zurich and back. Rotation delays occur if delays exert an effect on the following flight stage.

We also work hard to counteract delays that we as an airport are responsible for, e.g. problems in baggage sorting or delayed follow-me vehicles. This involves analysis of positions and flights that are regularly affected by this kind of delay in order to identify specific structures and constellations with the aim of introducing appropriate measures for improvement. There is currently a key initiative for improvements in delays that are caused by security measures, for example when baggage has to be unloaded because the passenger has failed to board the aircraft. Intensive lobbying is being carried out with national and international authorities and institutions in order to further improve processes.

Other options for supporting punctuality at Frankfurt Airport are higher levels of personnel deployed for ground handling operations, faster baggage handling, positioning of particularly critical flights geared to making connections, the introduction of RMS-*sally*FRA for purposes of strategic planning (see page 9) and handling passenger flights in the south of the Airport and additional early baggage stores in Terminal 2.

Unpunctuality takes many faces

Lack of punctuality can take different "forms": those defined by the airline, which is between 2 minutes for taking up the parking position (on-block) and 10 minutes for leaving the parking position (off-block), depending on the airline or IATA punctuality of in each case 15 minutes. Some of the types of lack of punctuality defined by number of IATA are outlined below.

Passenger and baggage
- *Late check-in, acceptance after deadline (late reporting of individual passengers, late acceptance of stand-by passengers)*
- *Check-in error, passengers and baggage (incorrectly processed)*
- *Oversales, booking errors (including unscheduled equipment/seat configuration change for commercial reasons)*
- *Catering order, late or incorrect order given to supplier*
- *Baggage processing, sorting (transportation, breakdown or slow baggage system)*

Cargo und Mail

Aircraft and Ramp Handling
- *Aircraft documentation, late/inaccurate weight & balance, general declaration, manifests etc.*
- *Loading equipment; e.g. container/pallet loader etc., lack of or breakdown, lack of staff*
- *Aircraft cleaning (including cabin and cockpit windows)*
- *Fuelling/defuelling, fuel supplier*
- *Catering, late delivery and loading*

Technical and Aircraft Equipment

Damage to Aircraft

Flight Operation and Crewing
- *Flight plan, late completion or change of flight documentation*
- *Late crew boarding or departure procedures, other than connection or standby, flight deck or entire crew*
- *Cabin crew error or special request, not within operational requirements*

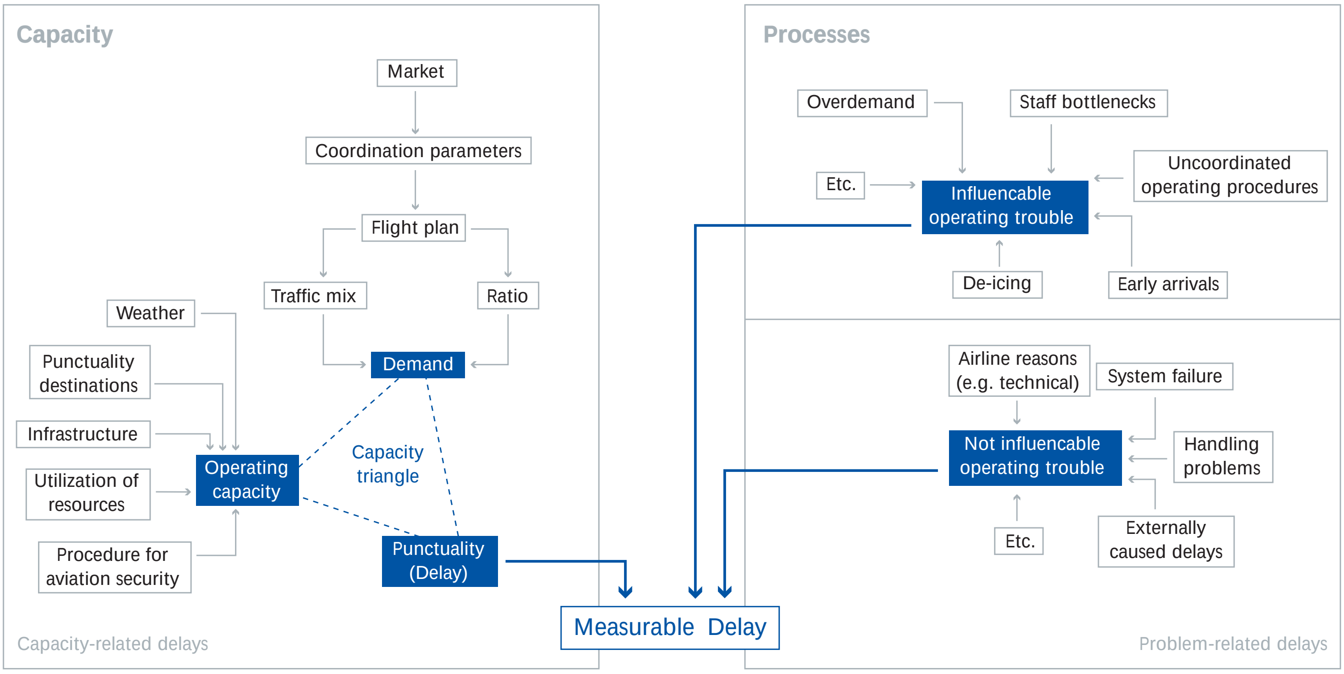
Weather

Air Traffic Flow Management Restrictions (ATFM)

Airport and Governmental Authorities
- *Immigrations, customs, health, desinfection or aircraft*
- *Restriction at destination airport, airport and/or runway closed due to obstructions, industrial action, political unrest, noise abatement, night curfew, special flight; (excluding weather)*

Reactionary
- *Aircraft rotation, late arrival of aircraft from another flight or previous sector*
- *Cabin crew rotation, awaiting cabin crew from another flight (including deadheading crew members)*

Capacity – demand – punctuality



Expansion is also a MUST for punctuality

Our existing capacity bottleneck will continue to exert an influence on punctuality. Expansion of Frankfurt Airport is therefore also absolutely necessary for punctuality.

Challenges at Frankfurt Airport

Frankfurt Airport is operating at the limits of its capacity. This affects the take-off and landing runway system, the number of ramp and gate positions and the terminal areas. 2006 from around the end of March, a number of key factors were responsible for significantly disrupting punctuality on a temporary basis:

- ***Weather conditions:*** *Very difficult weather conditions exert an exponential effect on lack of punctuality, particularly at an airport operating at the limit of capacity. Action has been agreed with Lufthansa and with Deutsche Flugsicherung. Some of the measures have already been implemented and others will bring about further improvements next year.*
- ***Remodelling for the A380:*** *At the end of March, we had to close a number of terminal positions on a temporary basis and as a result the aircraft had to be increasingly handled on the apron. The necessary modifications to positions for accommodating the A380 form the main reason for this issue. However, each time an aircraft is handled on the apron, the process takes longer for passenger and baggage transport.*
- ***Short-term change to parking positions:*** *Up until a few minutes before landing, aircraft are still being reallocated to their parking position on account of the strains being placed on capacity. This means that, for example, the aircraft is allocated to a terminal position and handling staff are making their way*

CAPMAN: Innovation to counteract lack of punctuality

Even minor capacity bottlenecks in the take-off and landing runway system exert a significantly negative effect on the punctuality of air traffic. Today, bottleneck situations are predicted at a late stage and only very imprecise information is available on their scope. There is no forecasting tool that permits quantitative statements on available capacity. It is therefore not possible to react appropriately at an early stage with suitable management measures. Consequently, the available capacities are not exploited to full effect.

The CAPMAN system (Capacity Manager) developed in cooperation with Dresden Technical University is designed to identify emerging bottleneck situations at an early stage, for example reduced capacities on account of deterioration in the weather, and provide precise forecasts. A cooperative process between all the involved parties – airport, air-traffic control and the airlines – will use this information to adopt countermeasures at an early stage in order to use the remaining take-off and landing runway resources as efficiently as possible.

CAPMAN is a tool that allows the best possible use of operating capacity at the airport. It comprises four modules that calculate and forecast operating capacity, traffic demand, concrete take-off and landing capacity slots for individual time intervals, and achievable punctuality rates.

The system is continuously supplied with the airport's live operating data. If CAPMAN is combined with the traffic control systems of the system partners, it is possible to harness previously untapped capacity reserves and hence improve the traffic flow and punctuality as well as the reliability of connecting flights for passengers.

During the winter season of 2006/2007, CAPMAN-FRA is being tested and calibrated in stage I. The planned stages II and III (link-up with existing operating systems) will be launched on the basis of experience gained in stage I.

CAPMAN can be used at any airport and we therefore applied for an international patent on the invention in spring 2006. The first public presentation of the system was held at the ILA Berlin Air Show in May 2006.

there. If the aircraft parked at that position fails to leave the position punctually – for example because baggage still has to be unloaded, because passengers are missing – the aircraft is ordered to go to a different position. If, for example, a ramp position is then far away from the original parking position, the team with the ground handling vehicle can no longer get to the position punctually.

- ***New security regulations:*** *EU security regulations have been tightened a number of times. Of course, they relate to all airports, but they exert a particularly tough impact on an airport like FRA operating at the limits of its capacity. In view of our limited terminal areas, new procedures such as security gate or similar measures can only be implemented with difficulty.*

- ***Building sites for modernization and fire-protection measures:*** *Additionally to the high utilization of our terminals, several construction sites in different parts of the terminals intensify the situation even more. Some of this building work is necessary to accommodate the changing requirements of our customers, e.g. modernization of retail areas. However, the key issues are generally fire-protection measures, regulations introduced by the EU relating to separation of Schengen and Non-Schengen passengers, or the automated 100% baggage screening, and increase in the size of gate areas to accommodate the A380. We would like to complete the building projects much faster. The problem is that we are not in a position to simply close large areas of the terminal, because they are already operating at full capacity, but on the other hand we have had to remove flammable materials due to fire prevention – also in the interests of our passengers – as quickly as possible. This means that the ceilings are open for long periods of time.*

What have we done to improve the situation?
This year, we have recruited some 450 more employees in the area of aircraft and baggage handling alone. We have also ordered air-conditioned buses and a substantial amount of new equipment. A direct passenger transfer service has also been implemented with separate and accelerated handling of transfer baggage. Another ten bus gates have also come onstream between Terminal 1 and 2. We have also appointed new staff in the area of security.

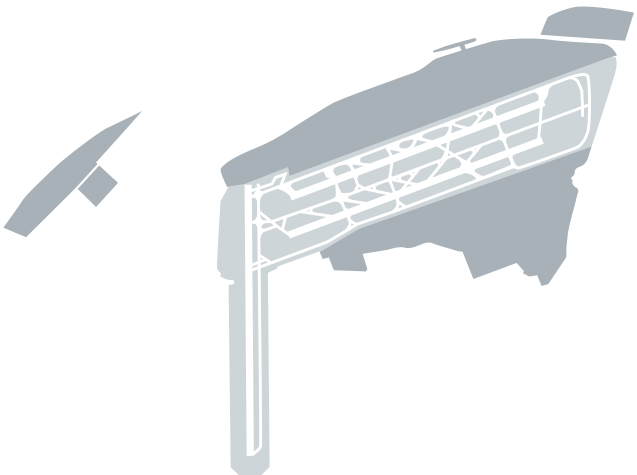
The first positions in Terminal 1B will shortly return to operation – albeit still with restrictions. The positions in the C/D-Link will go into operations between the middle and end of next year.

Nevertheless, the number of cranes gives an indication of the amount of building work being carried out. We have a full building program over the next few years, although they will not impact so heavily on passengers because they will be increasingly carried out outside the current terminal facilities. The most important projects are the new construction of Hall C, the complete new construction of the C-Pier, and a new pier in area A. These measures mean that we will increasingly be in a position to offer our customers a better product.

Punctuality:
Flight on time

Frankfurt Airport has 53% connecting passengers, and this makes it the airport with the biggest proportion of connecting passengers in Europe (by comparison: London-Heathrow 37%, Paris-Charles de Gaulle 32%, Amsterdam-Schiphol 42%). Punctuality is a key competitive factor for us because smooth and rapid "turnover" of passengers with short connecting times is a cornerstone of our success as a hub airport. Our hub system means that we are dependent on the punctuality of feeder flights. By comparison with all other European hub airports, Frankfurt has one of the shortest Minimum Connecting Times, and this is also heavily dependent on punctuality. However, the high utilization of the available capacity at the airport makes the system even more susceptible to lack of punctuality. There is virtually no scope for catching up on delays. Quite the contrary, lack of punctuality accumulates and intensifies as the day progresses.

Lack of punctuality also results in position problems. If a position should actually be occupied by the next aircraft down the line, but handling of the previous aircraft has not yet been completed, the problems intensify around the lateness. That is why our optimized system is particularly sensitive if aircraft arrive late.



"The needs of our customers are changing – and with them the challenges for us as an international airport. We have the vision of an Airport City which goes way beyond the basic activity of boarding and handling an aircraft. We want to develop into an independent commercial location."

Christoph Hommerich, Vice President Property Management, Fraport AG

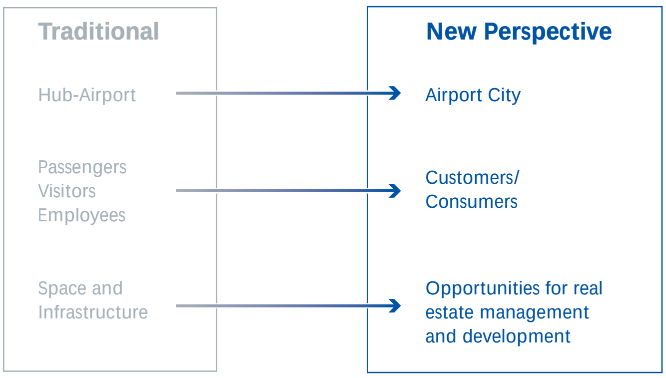
Second corporate pillar

Frankfurt Airport has all the key assets for undergoing even more substantial development as a commercial and corporate center. The airport is the center of a unique traffic network, it has an attractive infrastructure and is close to Frankfurt – European financial center, exhibition and commercial metropolis, and located within a strong economic region with a large catchment area.

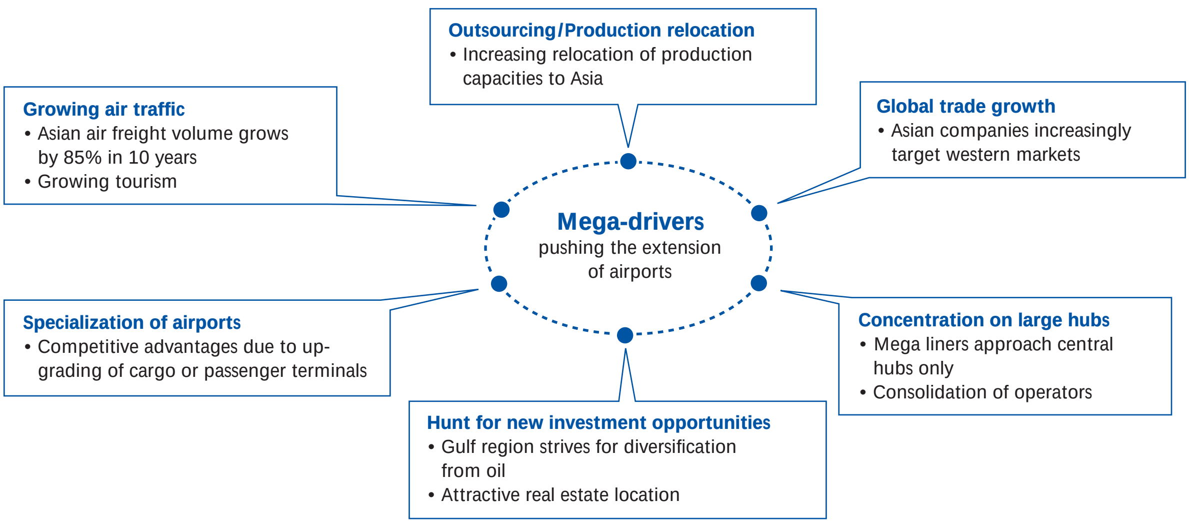
The demand for property relating to aviation will undoubtedly play a decisive role in determining the use of the property portfolio in the future. However, analysts have demonstrated that a market for different uses of space at the airport will come into being over the years to come. Companies, particularly from the IT, consultancy and tourism sectors are showing interest in our location. The forecast for 2020 predicts a workforce of 111,740 employees at Frankfurt Airport. The needs and requirements of all users will be incorporated in our planning for the Airport City development.

Against the background of these findings, we drew up a new real estate strategy in 2006. We will develop our real estate alongside our aviation operation as our second core business mainstay, with the objective of a substantial increase in value.

Airports in alteration



Several economic developments promote the formation of airport cities



Source: ACI, Airbus Global Market Forecast 2004, IATA, Boeing World Air Cargo Forecast 04/05, Homepage World Tourism Organization; WTO World Tourism Barometer (01/2006), A.T. Kearney.

Mönchhof site

The Mönchhof site has an area of 110 hectares, making it the biggest integrated commercial area to be developed in the Rhine-Main region. Developing such a large logistic site located near to the airport gives us a competitive advantage compared with other European airports that lack comparable opportunities.

The site benefits from the potential of the entire Rhine-Main area, one of the most productive and dynamic regions in Europe, as well as from the direct link to the international transport hub at Frankfurt Airport and the Airport City with shops, hotels and international logistics companies.

The Mönchhof site is particularly favourably located at one of Europe's transport hubs surrounded by all the relevant types of transport, in particular road, air and rail transport. This means the site can be reached easily by all forms of transport. The river Main, the A3 and A67 highway links, and the federal road B43 are located on the doorstep. The city centers of Frankfurt, Mainz, Wiesbaden and Darmstadt are only a maximum of 30 kilometers away by highway.

Also, the landscape in this region forms an attractive setting: it lays on the banks of the river Main and provides an attractive environment with varied green spaces.

The concept for exploiting the site is based on logistics, large-scale commercial uses and companies operating businesses related to the airport. Development of the site aims at creating up to 5,000 jobs. So, the site gets also attractive for complementary service providers, such as hotels, restaurants and other service facilities.

Development plans for an area of approximately 840,000 square meters have already been approved. Plans for developing a further 260,000 square meters are in the pipeline. This will create integrated areas for the development of logistics and distribution centers measuring up to 70,000 square meters that can be covered with buildings within a short space of time. The site also has smaller units that can be marketed from 5,000 square meters on. The net area of land currently available for development is approximately 500,000 square meters and might also form the basis for future expansion to reach approximately 725,000 square meters.

CargoCity South

Frankfurt Airport is currently the 8th biggest cargo handling facility in the world and the biggest freight handling facility in Europe[1]. With a growth of 8.9% in 2006 a freight volume of 2.031 million tons was achieved. The forecast freight volume is 3.088 million tons by 2020. This is equivalent to an average growth in airfreight of 3% per year. In addition, the cargo center also handles a substantial volume of land freight.

The CargoCity South developed by Fraport celebrated its tenth anniversary in 2006. Covering an area of 98 hectares, this complex remains a worldwide-acknowledged role for how to make commercial use of a site located close to an airport. The

[1] Source: ACI.

Airrail Center

The end of 2006 saw the launch of construction for the Airrail Center Frankfurt. A spectacular and futuristic building approximately 660 meters in length and with a direct link to the terminal is being constructed on the roof of the long-distance train station.

Nine stories are being built on the existing platform with a gross floor area of approximately 200,000 square meters. High-quality office, retail and gastronomy facilities will be created here, as well as two hotels with maximum mobility and comfort.

The Airrail Center Frankfurt is a joint-venture project between IVG Immobilien AG and Fraport AG. The latter holds a share of less than 20% in the overall project. In June 2006, a hotel management contract with a term of 20 years was concluded with the international Hilton Group for a prestige hotel with 247 rooms, and a medium-range hotel with 314 rooms. The opening of both hotels is scheduled for the first quarter of 2009.

The Airrail Center Frankfurt provides a setting for a wide range of different facilities with its unusual combination of intermodular transport network, outstanding architecture and comprehensive services. Among others a medical center with an innovative concept is opting to take advantage of this site too. At the beginning of 2007 the internationally operating consulting company KPMG could be attracted as an additional lessee for about 30,000 square meters of high value office space. Thus the pre-lease ratio accounts already about 50% at the beginning of construction.

With its remarkable design and unique size the Airrail Center Frankfurt will be one of the most impressive buildings in the region, as well as an icon for the Airport City. Building work started in November 2006 with completion planned for the end of 2009.

logistic infrastructure of CargoCity South is outstanding. Road and rail links in close proximity to the apron and short distances ensure fast cargo handling. Fraport has received international awards for its achievement a number of times, most recently in spring 2006 when it was granted the ACE Award for Excellence by the trade magazine Air Cargo World.

Almost all major logistics companies make use of tailor-made facilities, including Panalpina, Dachser, DHL Danzas, Yusen, LUG and Kühne + Nagel, as well as Nippon Express, Swissport and WFS. On the reference date December 31 2006, 7,428 people were employed at CargoCity South alone. Growth in staff again increased by 14.7%, a development that has a positive knock-on effect in the region.

Only a few of the available sites at CargoCity South have not yet been allocated by Fraport. The latest customer survey indicates that two thirds of our cargo customers intend to expand their business activities at the Frankfurt location and are planning to make more use of office and storage areas. Taking into account the productivity per unit area, a further 21.5 hectares of space will be required in the cargo center by 2020. This naturally assumes the planned expansion of the airport and further development of the infrastructure, including CargoCity South.

Gateway Gardens

Between the B43 and the A3 Gateway Gardens, the former residential accommodation for families of the US Air Force, is located. The City of Frankfurt has sold the residential complex covering 35 hectares to a consortium in which Fraport has a 25% stake. The consortium is now working on plans to develop Gateway Gardens along the lines of the concept of the Airport City.

The complex shall be provided with direct highway and airport links, and the next years shall see the creation of high-quality, modern office and service areas, hotels, conference and congress facilities, gastronomy and retail areas. The aim is to turn the area with its versatile potential for multiple uses into a platform for international companies.

Companies related to the airport who benefit from the advantages of this site but do not require direct access to the apron are right at the top of the list of prospective customers for this area. Initial construction work is planned for 2007. The Lufthansa subsidiary LSG Sky Chefs is scheduled to move into its new facility on a plot covering approximately 55,500 square meters in spring 2008. The foundation stone for the building was laid in September 2006.

In the next stage, the site to the west of Gateway Gardens with a gross area of approximately 80,000 square meters will be developed for a hotel park, gastronomy and retail facilities, and offices.

Retail

The high volume of passengers amounting to more than 52 million passengers annually means that Frankfurt Airport is a high-frequency site for retail and luxury goods. Customers with high levels of disposable income and a willingness to purchase, long opening times and attractive marketplaces guarantee the position of Frankfurt Airport as an outstanding, successful site with above-average sales. Instead of having a restricted catchment area, the airport offers a continuous daily flow of 110,000 customers on average with high levels of purchasing power from all over the world.

We perceive substantial scope for growth in retailing. The existing terminals are being modernized and additional retail areas are being created at the same time. In 2006, we opened two successful new marketplaces at Terminal 1 – the Shopping Avenue (retail outlets geared to trend, sport and lifestyle) and the Shopping Boulevard (exclusive pricing and luxury articles).

The Travel Value Shop celebrated its re-opening in a new dimension and with a new concept on the Schengen floor of Terminal B. Covering an area of approximately 700 square meters, it has now become the biggest Duty Free/Travel Value shop in Terminal 1. These are all investments that are paying off: we increased retail revenue by 14.6% overall in 2006 and by 13.3% per passenger.

The comprehensive program of modernization and restructuring measures in Terminals 1 and 2 will have expanded retail space to some 33,550 square meters and the shopping area to around 22,000 square meters by 2008. This will be achieved by closing the gap between the terminal areas A and B, expanding Hall C and redesigning Terminal 2. Furthermore, we are also working on developing a completely new concept for Level 0 in Terminal 1, the level located below the airport. This is already one of the most frequented areas of the airport. A further 3,000 square meters of retail area are planned at the root of Pier-A in the west of Terminal 1 once the pier has been completed. We want to create a total of some 39,500 square meters retail space and around 27,000 square meters of shopping area by 2011. Terminal 3 will also offer even more opportunities for innovative retail concepts with additional 15,000 square meters. Overall we want to be in a position to offer more than 40,000 square meters of shopping area by 2015.

Real estate:
Second corporate pillar

The site of Frankfurt Airport measures 19.4 square kilometers and this makes it bigger than Frankfurt's city center. A total of 52 million passengers take off and land here every year. Additionally, a large number of visitors come to visit the airport.

Frankfurt Airport can be reached within a maximum of three hours from any destination within Europe. Frankfurt Airport offers more non-stop connections all over the world than any other airport in Europe (number of non-stop connections for comparison: Frankfurt Airport 241, London-Heathrow 170, Paris-Charles de Gaulle 223, Amsterdam-Schiphol 217). At the same time, the intermodal links between aviation, rail and highway network make Frankfurt one of the most attractive commercial sites in Europe. More than 500 companies are located directly at the airport. With more than 68,000 employees, the Airport City Frankfurt is the biggest regional workplace in Germany.

Despite the size of the airport, the space available is not unlimited. It is therefore all the more important that we attempt to achieve maximum productivity from the area available in our property development. To fully exploit the opportunities for growth we not only need to market existing areas as efficiently as possible but we also need to develop new resources in close proximity to the airport to bring forward the Airport City.


Flughafen
Frankfurt


RELAY


Welcome to the World Cup


Frankfurt
Airport

The football world visiting FRA

World champion-like service with an own terminal for National teams and fans was offered by Frankfurt Airport as the only Airport in Germany for the FIFA World Cup. For this purpose, the passenger terminal of the former US Air Base was reactivated. As "World Cup Terminal", it was part of a bundle of measures, which the airport offered during the Football World Cup to bring together smooth processes and an ideal service for the additional World Cup passengers and that created a World Cup atmosphere at the airport. 16 out of the 32 national teams traveled via the World Cup Terminal, some of them several times. All in all, 35 times a national team was served in Frankfurt, 26 of them in the World Cup Terminal. With some additional 360,000 passengers and 270 special aircraft, Frankfurt Airport was the most frequented during World Cup.

Financial report

Group management report

Consolidated financial statements and Group notes

Miscellaneous notes

Group management report

Highlights and key figures

Dear Sir or Madam, dear Shareholders,

2006 was a successful fiscal year for Fraport. In spite of the known challenges – omission of revenue from military traffic and price concessions in the new Lufthansa ground handling contract – revenue and EBITDA increased compared with the previous year. The net profit rose disproportionately in comparison with revenue in particular due to one-off effects in the tax result and a payment received for the terminal project in Manila.

Business highlights in 2006:

- **Passenger traffic Group-wide increased by 2.3%, in Frankfurt by 1.1%.**
- **Airfreight tonnage in Frankfurt grew by 8.7%, the historic record for one day being 8,477 tons.**
- **Increase of 2.6% in revenue to € 2,143.9 million.**
- **Improvement by 6.6% in EBITDA* to € 578.4 million.**
- **Net profit clearly up by € 67.4 million to € 228.9 million due to one-off effects.**
- **New all-time-high of the Fraport share of € 66.77 in 2006.**

We will be proposing to the 2007 Annual General Meeting that about € 105.2 million are distributed in dividends. This would be an increase in the dividend for fiscal 2006 to € 1.15 per share; the dividend paid for 2005 totaled 90 cents per share.

We completed our sustained efficiency program “WM 2005” as planned in 2006. The “Focus Competition” project, which has been launched successfully, is intended to increase further efficiencies in all areas, in particular flight and terminal operations, IT and facility management.

** Since January 1, 2006, other taxes have been recognized under other operating expenses. The figures of the previous year were adjusted for comparison purposes.*

At the end of 2006 we signed a letter of intent with Celanese AG/Ticona GmbH. The aim of this letter is to close the production site of Ticona in Kelsterbach until June 30, 2011 on the basis of final agreements still to be negotiated, and to transfer the plots of land at the Kelsterbach site to Fraport after dismantling all factory equipment. Any land reclamation required for commercial use will be made by Ticona/Celanese. The land needed for the new landing runway is already to be transferred promptly after the conclusion of the final agreements. After conclusion of the final negotiations Ticona/Celanese will withdraw its objections and action against Frankfurt Airport and its expansion. Hence, a major risk for the timely initial operation of the northwest landing runway will be eliminated.

We will pay a consideration of € 650.0 million to Ticona/Celanese. An initial installment of € 20.0 million was already paid in 2006 for preparation of the relocation of the chemical plant in Kelsterbach. The remainder is to be paid in different tranches between 2008 and 2011.

Key income statement figures

€ million	2005	2006	Change in %
Revenue	2,089.8	2,143.9	2.6
Total revenue	2,141.7	2,250.3	5.1
EBITDA	542.5	578.4	6.6
EBIT	306.6	330.4	7.8
EBT	285.4	340.2	19.2
Group profit for the year	161.5	228.9	41.7
Profit for the year attributable to shareholders of Fraport AG	161.2	229.3	42.2
Earnings per share in € (basic)	1.78	2.51	41.0

Key balance sheet and cash flow statement figures

€ million	2005	2006	Change in %
Shareholders' equity	2,157.9	2,346.1	8.7
Equity ratio[1] in %	52.1	51.7	–
Total assets	3,951.6	4,294.5	8.7
Capital employed[2]	2,264.1	2,452.4	8.3
Gearing in %[3]	9.1	9.5	–
Operating cash flow	493.7	484.9	–1.8
Free cash flow[4]	25.5	33.8	32.5
Capital expenditures	682.4	591.4	–13.3

Key profitability ratios

%	2005	2006
Return on shareholders' equity[5]	7.5	9.8
Return on revenue[6]	13.7	15.9
EBITDA margin[7]	26.0	27.0
EBIT margin[8]	14.7	15.4
ROCE[9]	13.5	13.5

Employees

2005	2006	Change in %
25,781	28,246	9.6

Since January 1, 2006, other taxes have been recognized under other operating expenses. The figures of the previous year were adjusted for comparison purposes.

Major key figures for measuring the performance of Fraport is revenue which reflects passenger and cargo volume and the EBITDA which reflects the operating business.

We use profitability ratios derived from the income statement and their change over time to control our corporate performance. With the continuing airport expansion and the related capital expenditure and an increased debt-to-equity ratio the key figures derived from the balance sheet and the cash flow statement will become increasingly important to us.

[1] Shareholders' equity/total assets; shareholders' equity less minority interests and the proposed dividend.
[2] Net financial debt + shareholders' equity; shareholders' equity less the proposed dividend.
[3] Net debt/shareholders' equity; shareholders' equity less minority interests and the proposed dividend.
[4] Cash flow from operating activities – capital expenditure for intangible assets and for property, plant and equipment – investment property.
[5] Group profit/shareholders' equity.
[6] EBT/revenue.
[7] EBITDA/revenue.
[8] EBIT/revenue.
[9] EBIT/capital employed.

Strategy and value management

Strategy

The aviation industry faces many different challenges in a market environment that is going through a process of constant change. Our corporate vision forms the basis for successful operation in this business environment.

"We professionally develop mobility, making it an exciting experience for our customers. As an airport group we are the most strongly performing player in all business segments of the industry. For Fraport, airports are worlds of excitement and diversity as well as intermodal hubs. We systematically link different modes of transportation. At all our locations process efficiency and innovation is our hallmark. Our success is based on competitive integrated services, which flexibly meet our customers' requirements. Our top priority is safety and security. In pursuing our business, we create sustainable value for the benefit of our shareholders, employees, and the regions where we are located."

Our primary goals are based on this vision: value creation, strong performance and sustainability. The three pillars of our strategy remain unchanged: Consolidation of the integrated business model at Frankfurt Airport as well as growth in Frankfurt and elsewhere.

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

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

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

The **External Activities** segment is responsible for controlling the development of the Group outside of the main site in Frankfurt. We are striving to export our management and service provision skills to national and international markets with high growth potential. Service, management and consultancy contracts are our priority; we make flanking capital investments as far as this is necessary.

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

Consolidation of the integrated business model in Frankfurt

The first pillar of our strategy is the maintenance and further development of our integrated business model at the Frankfurt location. To improve our competitive edge – intermodality, efficiency, reliability and punctuality – we will expand our hub skills by making use of our strong position in Aviation and Ground Handling and by intensifying the business relationship with our customers. Our prime goals in all business and service areas are productivity and efficiency, combined with a strong focus on service and customer orientation. To optimize measures to reach these goals we continuously offer programs to achieve sustained efficiency improvements and cost reduction. We initiated the Group-wide project “WM 2005 – Creating Value for the Future” in 2001. This program was successfully completed in mid-2006, exceeding the target of € 150 million on EBITDA basis by reaching approximately € 155 million. As regards the project “We are making Fraport fit” initiated in 2005 the internally-agreed personnel policy measures are currently undergoing implementation. We launched the “Focus Competition” project in 2006, which is intended to increase efficiencies in flight and terminal operation, IT and facility management. Potential savings result, for example, from stopping non-value adding activities, optimizing structures to reduce redundancies, introducing more economical production methods and processes and adjusting management scope and hierarchies. In addition, key central and service areas were analyzed with the same objective. The savings potential identified will progressively improve earnings from 2007 onwards and will be realized in full by 2010.

Growth at the Frankfurt location

The second strategic pillar of our strategy confirms our intention to maintain and further develop Frankfurt Airport as an international hub compared with its international competitors.

To meet the great demand of our customers we work persistently to increase existing capacities, e.g. by shifting short-distance flights to the railway, by using new air traffic control technologies and building facilities to handle the A380. Expansion of the capacity at Frankfurt Airport by building another landing runway and a third passenger terminal are crucial for Frankfurt Airport to further participate in global air traffic growth.

We believe that not only air traffic but also the non-aviation business at Frankfurt Airport has considerable growth potential. Our self-image as an airport operator has changed: Airports are no longer infrastructure providers alone; instead, they are developing into cosmopolitan “airport cities” to an increasing extent. In view of this, we are expanding our retail business, i.e. the range of shops, restaurants and services, and are improving the quality of the airport as a first-class business and real estate location.

The projects include the marketing of the Mönchhof site and the construction of the Airrail Center superstructure on the roof of the long-distance train station, to offer space for offices, retail shops and hotels.

Another project is the development of Gateway Gardens, the former housing area of the US armed forces in the northeast of Frankfurt Airport, into a prime location for office and commercial space.

External activities

The ambitious growth targets of our Group at the Frankfurt location are supplemented by the activities of our third strategic pillar. Our aim in the “external activities” business is to export our management and service provision skills to national and international markets with high growth potential.

In this process we do not consider ourselves to be a financial investor; instead, we acquire investments only if Fraport can operate at the respective locations and utilize its know-how. Service, management and consultancy agreements are supplemented by equity investments in particular in foreign airports and terminal operations.

In 2006, based on concession agreements, we took over management of the international airport in Delhi and of the airports at the Black Sea tourist resorts of Varna and Bourgas in Bulgaria. At the beginning of 2006, we were able to sell our 50% interest in TCR in the course of optimizing our investment portfolio; TCR’s business is the leasing of ground handling equipment at airports in Belgium, Great Britain, France and the Netherlands.

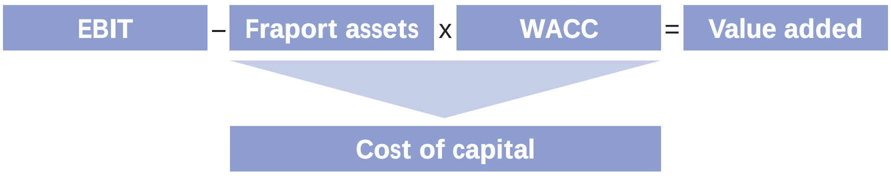
We aim to increase our investment in the Lima airport. The purchase contracts were signed at the end of 2006. The grantor of the concession and of the lending banks have not yet given their approval. Conclusion of the agreements is expected for spring 2007. We will fully consolidate this investment as soon as we have been given approval.

Value management

The creation of sustained value is the only way to increase the long-term value of our company in the interests of our shareholders. It is a central element of our vision and our strategic corporate objectives. In order to reach these objectives, we have implemented a value oriented control system, with the help of which we bring all segments and business units into line with our maxim.

Fraport value added – a central key indicator

We use Fraport value added as a central target and control indicator. This indicator shows, if we have earned our capital costs and have created additional value. Basis of these calculations are the earnings before interest and tax (EBIT). We then deduct from these earnings the capital costs before tax, which are determined by multiplying the weighted average cost of capital with Fraport assets.



Weighted Average Cost of Capital (WACC)

The weighted average cost of capital is the minimum interest rate required by the capital market and is deduced at Fraport as the weighted average cost of equity and debt capital (WACC)[1]. The cost of equity corresponds to the return on their investment expected by our shareholders and is determined using the “Capital Asset Pricing Model” (CAPM). The cost of debt is calculated as the addition of a risk-free interest rate with a company-specific risk premium defined by the investment grade status.

The cost of capital determined in this way from the capital market amounted to 10.0% before tax for Fraport in 2006 also. The WACC is reviewed annually and is adjusted if there has been a major change in the interest rate and/or our risk and financing structure.

Determination of Fraport assets

“Fraport assets“ are defined as the company’s interest-bearing capital employed which consists of our operating assets and our working capital. Depreciable assets are generally recognized at half of their historical cost and not at residual carrying amounts.[2] We have chosen to adopt this procedure because – in contrast to the calculation of other key figures, such as EVA™, it excludes that “value is created”, if the asset basis decreases solely due to depreciation charges. We also avoid the misallocation of scarce funds, which would occur in the case of value-oriented control on the basis of residual book values because of our company’s high property, plant and equipment intensity and the fact that the airport industry is heavily affected by investment cycles.

[1] WACC = Weighted average cost of capital.

[2] Pursuant to IFRS accounting principles we do not amortize goodwill; instead, goodwill is tested for impairment. Goodwill is not recognized at half of its cost within the scope of our value management concept; it is recognized at current carrying amounts used for impairment testing.

Calculation of “Fraport assets”

Goodwill
\+ Other intangible assets
\+ Property, plant and equipment
– On-account payments and construction in progress
\+ Inventories
\+ Trade accounts receivable
– Trade accounts payable.

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

Return on Fraport assets (ROFRA)

In order to be able to compare divisions of different sizes with each other, we take the “Return on Fraport assets” (ROFRA) key ratio into account in addition to the Fraport value added. The ROFRA is determined by relating the operating result to the Fraport assets. ROFRA shows us whether the division creates value (ROFRA > WACC) or destructs value (ROFRA < WACC).

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

Since the Fraport value added is a central target and control indicator of our business management, we have linked a major part of the variable, performance-related compensation elements for our senior executives to its development.

Economic value added in 2006

	Fraport Group		Aviation		Retail & Properties		Ground Handling		External Activities[1]	
€ million	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**
EBIT	306.6	330.4	92.4	57.5	179.6	219.6	51.8	34.6	–4.0	29.8
Fraport assets	2,848.3	2,802.8	937.4	932.7	1,241.2	1,221.7	366.7	362.1	355.7	346.2
Cost of capital before taxes	284.8	280.3	93.7	93.3	124.1	122.2	36.7	36.2	35.6	34.6
Value added before taxes	21.8	50.1	–1.3	–35.8	55.5	97.4	15.1	–1.6	–39.6	–4.8
ROFRA	10.8%	11.8%	9.9%	6.2%	14.5%	18.0%	14.1%	9.6%	–1.1%	8.6%

[1] External Activities EBIT and Fraport assets are adjusted for investments accounted for using the equity method and financial investments with regard to not-integrated participations.

In 2006 Fraport increased its **Group value added** significantly by € 28.3 million to € 50.1 million. The reason for this positive development of value added was the increase in our earnings before interest and tax (EBIT) by € 23.8 million with a slight reduction of our capital costs. The segments Retail & Properties and External Activities were major contributors to this development, which more than compensated for the declines in the Aviation and Ground Handling segments.

The **Return on Fraport assets (ROFRA)** generated by the Group increased in 2006 to 11.8% up from 10.8% in the previous year. This means that we again exceeded the relevant cost capital for the Group of 10.0% substantially and succeeded once more in creating value.

The value added of the Group segment **Aviation** dropped by € 34.5 million to € –35.8 million. The revenue reduction caused by the omission of military traffic, the increase in operating expense also due to increased capital expenditure costs and the increase in depreciation and amortization expense could not be offset by higher traffic volumes and a price increase. The investments did not face income yet.

The positive development of the value added of our Group segment **Retail & Properties** by € 41.9 million to € 97.4 million is primarily accounted for by an increased EBIT as retail and parking revenue increased, additional services were offered such as the provision of information systems and the consumption of area utilization, and by a decline in depreciation and amortization expense, whereas capital costs slightly decreased.

In the **Ground Handling** segment the decrease in the EBIT due to price concessions and slight losses in market share, an increase in operating expense from higher staff requirements and an increase in investment costs, with capital costs remaining unchanged, resulted in a reduction of the value added by € 16.7 million to € –1.6 million.

The Group segment **External Activities** improved its value added by € 34.8 million to € –4.8 million resulting from an increase in the EBIT due to a payment for the terminal project in Manila and the sale of the 50 per cent subsidiary TCR. The latter also led to a reduction of capital costs.

For a detailed explanation of the individual segments please see “segment reporting” on pages 54 et seq.

Innovation management

Being a pure service company Fraport does not engage in research & development in the narrow sense. Nonetheless, knowledge and innovation skills are vital factors which determine Fraport’s success in the face of global competition and form the basis for sustainable growth. Fraport has therefore embodied innovations in its corporate vision with the aim to develop pioneering products and to bring these to market maturity.

For example, Fraport cooperates with various partners to further increase the Airport’s capacity within the established system. Examples are procedural developments enabling optimization of take-off and landing frequencies without adversely impacting safety. In addition, we offer solutions for taxi traffic using innovative control systems, in order to manage growing traffic on the apron, as well.

To meet the growing requirements in ground services, Fraport is continually developing innovative IT-based solutions to make ramp and baggage processes even more efficient. Together with airline partners we implement changes of check-in procedures and passenger guidance systems and drive forward the integration of check-in and security control by introducing innovative concepts. This is also a field, in which Fraport as a service provider gives top priority to customer benefits by optimizing processes.

In 2006 Fraport filed seven patents relating to the airport operation and two industrial property rights applied for in previous years were granted in this fiscal year.

For detailed information on individual innovative projects please see our home page www.fraport.com.

Organization

The business activities of the Fraport Group are divided into four segments: “Aviation”, “Retail & Properties”, “Ground Handling” and “External Activities”.

The strategic business units of Fraport AG in Frankfurt are clearly assigned to the Aviation, Retail & Properties and Ground Handling segments. In addition, the segments include investments integrated in the business processes at the Frankfurt site.

The **External Activities** segment of the Group mainly includes the investments which carry out their business operations outside of Frankfurt or are not involved in the business processes at the Frankfurt site.

The strategic business unit Traffic and Terminal Management, Airport Expansion, Security is allocated to the **Aviation** segment. This segment is responsible for flight and terminal operations as well as airport and aviation security at Frankfurt. It is also responsible for the planned airport expansion program.

The **Retail & Properties** segment consists of the strategic business unit Retail and Properties and the service units Information and Telecommunication as well as real estate and facility management. This segment thus is responsible for our business operations in the areas of retailing, parking facility management, real estate rental and marketing.

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

The profit attributable to minority interests that is included in the investments accounted for using the equity method or with their acquisition costs are shown in the financial result.

To structure the business efficiently and to strengthen direct operating management by the Executive Board, the strategic business and service units as well as the segments are assigned directly to a member of the Executive Board.

*Fraport management organization**

Dr Wilhelm Bender Chairman	**Professor Manfred Schölch** Vice Chairman	**Herbert Mai**	**Dr Stefan Schulte**
Ground Services	**Traffic and Terminal Management, Airport Expansion, Security**	**Retail & Properties**	
Marketing, sales support, boards and committees *Corporate communications* *Central purchasing, construction contracts*	*Legal affairs*	*Human resources*	*Real estate and facility management* *Information and telecommunication* *Global investments and management* *Controlling, finance, accounting*
Segment responsibility			
Ground Handling	**Aviation**	**Retail & Properties**	**External Activities**

** Excluding staff positions.*

The Supervisory Board of Fraport AG approved personnel changes in the Executive Board effective as of April 1, 2007. The current Executive Board member for Finance and Construction, Dr Stefan Schulte will take the position of the Vice Chairman Professor Manfred Schölch who will leave the company effective March 31, 2007. Responsibility for the Finance department will be assumed by Dr Matthias Zieschang, currently a member of the Executive Board for Finance and Control at DB Netz AG.

The appointment and dismissal of the Executive Board is made in compliance with §§ 84 and 85 of the German Stock Corporation Act (AktG). Amendments of the Statutes are made in accordance with §§ 133 and 179 AktG.

Business development 2006

Business environment and development of air traffic

World economy

2006 was another very good year for the world economy, which grew by an unexpected 5.2%[3] (forecast before a year: 4.5%) and thus approximately 1 percentage point above the ten-year average. Global trade growth of 9.5%[4] was also higher than the long-term average. The dynamic development of the world economy favored the air transport industry.

The world economy was burdened by high raw material prices which declined slightly in the 4th quarter. The increases in the price of crude oil were particularly clear: The world market price per barrel (Brent oil) went up on an annual average from some US-$ 55 in 2005 to US-$ 64 in 2006[5]. Most airlines responded to this by adding a fuel surcharge to the ticket prices. This surcharge did not have any obvious adverse effect on passenger volume growth in 2006.

This growth was again mainly driven by the developing Asian countries (9.0%) and Central and Eastern Europe including the new EU member states (6.4%). The favorable situation of the world economy is now also reflected in the Euro zone: Growth in this region amounted to 2.7%, growth in the 27 countries that form the extended European Union reached 3.1%[6]. The US economy recorded sound growth of 3.3%, too. As an international hub, Frankfurt Airport benefited from this solid global economic growth (see also the subsequent table), reflected in particular in a boom in air freight lasting for three years.

The economy in Germany

After moderate growth of 0.9% in the previous year the forecasts for the Federal Republic of Germany were continuously revised upwards during the year. Instead of growing at 1.7% forecasted at the beginning of the year, the German gross domestic product[7] increased by 2.7% in 2006: This has been the third strongest growth figure, since there are all-German data. Growth driver number one was again the net export.

[3] DekaBank, Deutsche Girozentrale Frankfurt, on January 31, 2007.
[4] DekaBank, Deutsche Girozentrale Frankfurt, December 2006.
[5] DekaBank, Deutsche Girozentrale Frankfurt, on January 31, 2007.
[6] DekaBank, Deutsche Girozentrale Frankfurt, on January 31, 2007.
[7] Federal Statistical Office, January 12, 2007.

Gross Domestic Product (GDP)/world trade

Real changes year over year in %

%	2005	2006
Germany	0.9	2.7
Euro zone	1.4	2.7
EU 25/27	1.7	3.1
Central and Eastern Europe	5.6	6.4
USA	3.2	3.3
Japan	2.7	2.0
China	10.2	10.7
India	8.5	8.9
World	4.8	5.2
World trade	**7.3**	**9.5**

Source: DekaBank November 15, 2006 for 2005 and January 31, 2007 for 2006, December 2006 for world trade, Federal Statistical Office Germany, February 13, 2007.

Development of air traffic

The trend in air traffic followed the growth of the world economy which remained one of the most dynamic branches of the economy. According to estimates of the Airports Council International (ACI)[8] global passenger volume increased by 4.9% in 2006 as expected, the passenger volume at European airports was up by 6.2%. Airfreight tonnage increased worldwide by 5.8%, in Europe by 3.6%.

Passenger traffic in Germany confirmed the forecasts with growth of 5.3%[9] in the year under review. The growth drivers apart from the low-cost segment in European traffic were the intercontinental flight connections offered at some other German airports in addition to those of the Frankfurt hub. Airfreight growth at German airports was significantly above the previous year's forecast and again above the global level at 9.3%[9] in the year under review.

Development of the Group airports

	Passengers[1]		Cargo (airfreight + airmail) (t)		Movements	
	2006	Change from 2005 in %	2006	Change from 2005 in %	2006	Change from 2005 in %
Frankfurt Main	52,810,683	1.1	2,127,797	8.4	489,406	–0.2
Antalya[2]	5,106,781	1.0	n.a.	n.a	32,306	–1.9
Frankfurt-Hahn	3,704,179	20.4	112,293	11.0	39,610	6.2
Hanover[4]	5,699,298	1.1	15,657	–4.4	87,869	–1.2
Lima[3,4]	6,038,922	6.7	196,930	11.2	77,319	5.5
Saarbrücken	420,216	–13.6	8	–84.7	15,027	5.8
Group	**73,780,079**	**2.3**	**2,606,567**	**9.3**	**741,537**	**0.6**

[1] Only commercial traffic in + out + transit.
[2] International Terminal 1.
[3] Internal data from Lima.
[4] Associated companies.
Source: ACI reports.

[8] ACI, February 2007.
[9] German Airport Association (Arbeitsgemeinschaft Deutscher Verkehrsflughäfen ADV), January 2007.

Passengers

With its central geographical location, a large catchment area and Lufthansa's use of Frankfurt as the base for its operations, our main location, the Frankfurt hub, is well positioned. It has more direct connections all over the world than any other European hub. Due to capacity bottlenecks it participated only unproportionately in the continuing growth dynamic of international passenger traffic in 2006.

In total, in 2006 some 52.8 million passengers used Frankfurt Airport, which is a year-on-year increase of 1.1%.

Capacity bottlenecks were an obstacle to providing demand-oriented flight offerings; so this result was therefore significantly below general market growth. We already adjusted our forecast, which was 2% at the beginning of the year, to about 1% at the beginning of the second half of the fiscal year.

An increasing number of direct flights from other German airports both in the low-cost segment and in the North America market and the ongoing expansion of the LH hub in Munich were reflected in the annual passenger numbers.

A major contributor to growth was in particular traffic to the Far East (+6.0%). New destinations and increased frequency on the routes to China, India and Pakistan stimulated demand. The return to normality of the regions hit by the catastrophic flood in 2005 also promoted growth.

European traffic, too, contributed to growth in the result for the year. Aside from Northern Europe (+5.8%) especially Southern Europe developed favorably (+5.1%). The FIFA World Cup and a prospering city tourism supported by the "betterFly" fares of our major customer were the reasons for this development. Demand for tourist destinations in the eastern Mediterranean remained lower due to the crisis of predominantly Islamic vacation destinations. As a result, Southeastern Europe was the only European region to lose volumes. Some of the demand was shifted to the Western Mediterranean, favoring in particular the Canary Islands (+10.6%).

Domestic traffic suffered again a clear deficit (–3.8%). Weather-related flight cancellations, short term thinning of flight connections during school vacation and public holidays and the changes in the market described above weakened all domestic feeder functions.

The proportion of connecting passengers remained almost unchanged at 53% in 2006.

In 2006, Frankfurt was the third-busiest European airport by passenger figures, after London-Heathrow and Paris-Charles de Gaulle. Frankfurt Airport was in 8th position worldwide[10].

The number of passengers at the low-cost airport Frankfurt-Hahn increased by 20.4% to 3.7 million. Our main customer in Frankfurt-Hahn, Ryanair, stationed more aircraft there and increased the number of destinations and flight frequencies again clearly. The flight services were supplemented by connections offered by Wizz Air and Iceland Express as well as charter flights during the FIFA World Cup.

Hanover-Langenhagen Airport has also been attracting low-cost traffic to an increasing extent since 2003. Here again, the FIFA World Cup had a positive impact on incoming tourism. Yet, it is also one of the most important German holiday airports and suffered from the weaker demand for tourist travel. Hanover recorded an increase in passenger numbers in the year under review by 1.1% to 5.7 million.

[10] Airports Council International (ACI), cumulated between January and October 2006, January 17, 2007.

Declines in the main tourist routes to Antalya and Mallorca could not be offset in Saarbrücken by scheduled flights. Passenger volume decreased by 13.6% to 0.4 million.

Traffic growth in Antalya was marked by the allocation of the airlines to the two terminals. After the redistribution the drastic decreases in the Fraport terminal were reversed in May 2006 and positive growth rates were achieved; as a result, the entire year ended with an increase of 1% and a passenger volume of 5.1 million. In Lima, both international and domestic passenger traffic proved to be growth drivers. Connecting passenger traffic increased disproportionately by 16%. With 6.0 million passengers in 2006, the previous year's value was exceeded by 6.7%.

Cargo

The ongoing general expansion of the world economy and a substantial increase in cargo traffic capacity favored cargo volume (airfreight + airmail) at all freight-relevant Group airports.

The cargo volume at Frankfurt Airport (airfreight + airmail) grew by 8.4% to 2,128 thousand tons, significantly more than expected. Therewith we remained the number one among the European airports in the cargo business. The airfreight tonnage handled increased by as much as 8.9% to about 2,031 thousand tons and therefore developed faster than the overall growth rate in global air traffic[11]. A historic record for a single day of 8,477 tons of airfreight was set on September 17, 2006.

More airfreight was transported to and from Asia in particular (+14%), so that the proportion of volume accounted for by Asia increased in Frankfurt from 53% to 55%. North American traffic, with a share of some 21% the second largest market in Frankfurt, developed well (+7%), volumes accounted for by Europe grew moderately (+2%), thereof growth of Eastern Europe was again disproportionately strong (+27%).

Airmail handling declined as anticipated by the planned abandonment of the overnight German airmail network; it dropped by a total of 2.1% to 96.5 thousand tons. The volume of foreign mail handled increased by contrast by 3.0%.

The cargo volume flown in Frankfurt-Hahn rose by 11% to 112 thousand tons.

The growth was attributable to an expansion of capacities and more frequent flights by existing cargo service providers and in particular new cargo flights by Aeroflot.

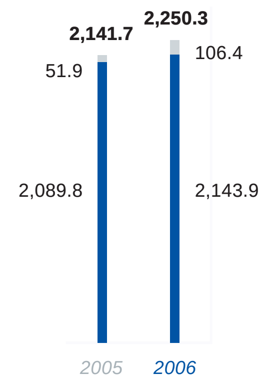
Aircraft movements

The number of aircraft movements in the Group increased moderately in 2006 compared with the growth rates in passenger and cargo volumes. Declines in general aviation at German airports, the discontinuation of military charter flights (DoD) in Frankfurt as well as a consolidation of airlines in the form of increasing seat load factors had an impact on this trend. The number of cargo aircraft flights grew disproportionately by comparison with the total movements in Frankfurt (9.3%), at Frankfurt-Hahn Airport (17.6%) and in Lima as well.

[11] Global air traffic +5.8%, Europe +3.6%, source: ACI, February 2007.

Revenue and earnings development

Revenue and total revenue
€ million



Revenue at Fraport Group rose by 2.6% in the fiscal year 2006 to € 2,143.9 million. Earnings improved also: EBITDA was up by 6.6% to € 578.4 million, while the Group profit for the year exceeded the previous year's level by 41.7% rising to € 228.9 million. This development was in particular due to positive one-off effects in the tax result and a payment received for the terminal project in Manila.

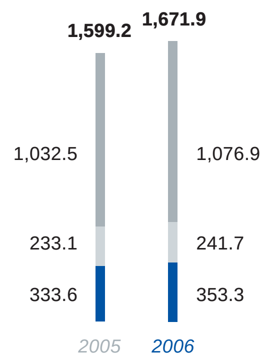
Revenue and earnings development

€ million	2005	2006	Change in %
Revenue	2,089.8	2,143.9	2.6
EBITDA	542.5	578.4	6.6
EBIT	306.6	330.4	7.8
EBT	285.4	340.2	19.2
Group profit for the year	161.5	228.9	41.7
Profit for the year attributable to shareholders of Fraport AG	161.2	229.3	42.2

Revenue in fiscal 2006 increased by 2.6% to € 2,143.9 million. This was mainly due to increased revenue from security services due to business expansions as well as new security regulations and a rise in retail income. The other revenue declined mainly due to the sale of our 50% subsidiary TCR.

Higher **other operating income** resulted from the release of provisions, the successful sale of the 50% subsidiary TCR and the payment of compensation due for the terminal project in Manila. Trade accounts payable established in previous years were recognized in income in the current fiscal year 2006 after claims had been settled. Other operating income was up by € 52.1 million to € 83.3 million. On the whole, total revenue exceeded the previous year's value by 5.1% and totaled € 2,250.3 million in 2006.

Operating expenses
€ million



Operating expenses (non-staff costs and personnel expenses) increased in the period under review by 4.5% to € 1,671.9 million. At € 1,076.9 million, **personnel expenses** were 4.3% higher than the comparable figure of the previous year. The main contributor to the increase was ICTS Europe with a 18.6% increase in staff numbers. Throughout the Group, Fraport employed an average of 28,246 employees in the fiscal year 2006, 9.6% more than in the same period last year. Group personnel expenses and non-staff expenses as a percentage of revenue were at 50.2% and 27.8% respectively, and therefore were at last year's level.

Non-staff costs cover cost of materials and other operating expenses. Key factors which led to the increase in cost of materials by 5.9% to € 353.3 million were the heavy onset of winter at the beginning of the year, higher costs due to the full consolidation of Antalya, higher costs in Frankfurt-Hahn due to traffic volume as well as the outsourcing of the computer center effective July 1, 2005. Other operating expenses totaled € 241.7 million up 3.7% from the previous year. This increase was mainly caused by higher costs for capital expenditure projects, higher costs relating to the full consolidation of Antalya and at ICTS for its business expansion. By contrast, lower consulting costs were incurred in connection with the Manila project as well as lower provisions for risks related to security and the environment.

On the whole, **EBITDA** increased by 6.6% to € 578.4 million, whereby it should be noted that extraordinary effects were a major factor contributing to the increase in EBITDA. The EBITDA margin increased from 26.0% to 27.0%.

Depreciation and amortization reflected the impact of contrary effects. An increase resulted from shorter useful lives adopted due to planned demolition measures, the full consolidation of Antalya and a write-down of software no longer fully used. There was also a term-related impairment write-down of the concession in Antalya, which is to expire in September 2007. Reducing effects resulted from longer useful lives as well as the omission of depreciation and amortization of buildings and related infrastructure at the Frankfurt site from the previous year. On the whole, depreciation and amortization rose from € 235.9 million last year to € 248.0 million due to the acquisition of assets.

EBIT (operating profit) thus totaled € 330.4 million, compared with € 306.6 million in the previous year. The EBIT margin improved by 0.7 percentage points to 15.4%.

The **financial result** was € 9.8 million, vs. the result for the previous year at € –21.2 million. Changes in the interest result by € –2.8 million to € –25.9 million were mainly accounted for by a loan of Fraport Immobilienservice und -entwicklungsgesellschaft mbH. Results from investments accounted for using the equity method declined by € 2.1 million to € 12.4 million mainly due to loss of income from Portway, since this company was successfully sold in 2006. The other financial result increased by € 35.0 million to € 23.7 million. This resulted from a payment for the terminal project on the Philippines and the change in foreign currency gains and losses in long-term financing for Antalya as well as from foreign currency effects and lower losses incurred in relation to the fair value measurement of investment securities.

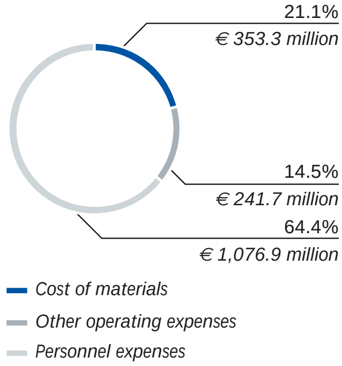
In the fiscal year 2006 Fraport Group generated a **profit from ordinary activities** in the amount of € 340.2 million. This is a year-on-year increase of € 54.8 million or 19.2%.

Because the credit balance from the corporation tax reduction of Fraport AG was recognized at present value on the basis of an amendment to the law and because of a tax-optimized investment strategy, the effective tax rate of Fraport Group was reduced from 43.4% to 32.7%.

The increase in the **net profit for the year** by 41.7% or € 67.4 million to € 228.9 million is also a result of the improved tax rate.

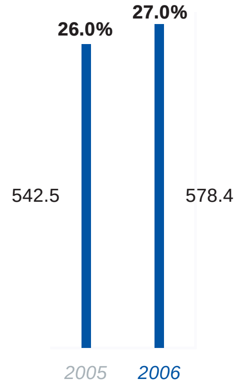
We will be proposing to the 2007 Annual General Meeting that about € 105.2 million are distributed in dividends. This means that a **dividend** of € 1.15 per share would be paid. In fiscal 2005 90 cents per share were paid.

Operating expenses



EBITDA and EBITDA margin

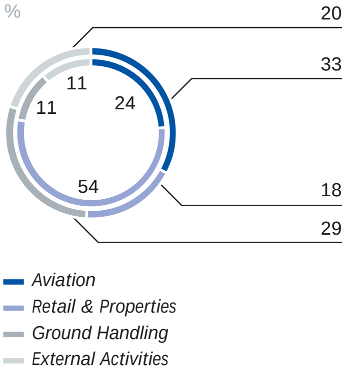
€ million



Segment reporting

Segment contributions to Group revenue (outside) and EBITDA (inside)

%



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 20% and 18% each. These values are largely unchanged in comparison with those from the previous year.

Aviation

€ million	2005	2006	Change in %
Revenue	688.9	701.1	1.8
EBITDA	156.3	140.0	–10.4
EBIT	92.4	57.5	–37.8
Employees	3,314	3,254	–1.8

As expected, sales revenue in the Aviation segment increased as expected compared with the previous year. In the fiscal year 2006 revenue in the Aviation segment rose by 1.8% to € 701.1 million compared with the previous year. The drop in revenue from military traffic was more than compensated for by the 2.2% price increase agreed with the airlines, passenger growth and by the rise in security fees for the 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.

The reversal of individual allowances and provisions and the offsetting of internal services such as security services provided in connection with critical parts led also to an increase in total revenue.

Frankfurt Airport traffic figures

	2005	2006	Change in %[1]
Passengers (million)	52.2	52.8	1.1
Cargo (thousand tonnes)[2]	1,963.1	2,127.8	8.4
Aircraft movements (thousand)[3]	490,147	489,406	–0.2
Passengers per aircraft movement[4]	116.6	117.2	0.5
Maximum take-off weight (thousand tonnes)[3]	28,160.3	27,973.5	–0.7
Seat load factor (percentage)	71.7	73.2	2.1

[1] Change rates are based on non-rounded figures.
[2] Airfreight + airmail, excluding transit.
[3] Excluding military flights.
[4] Passenger flights in regular service and civil charter traffic.

Operating expenses were at € 636.9 million, up 8.9% from the previous year. Whereas personnel expenses dropped due to increased productivity in the security sector, non-staff costs rose mainly due to an increased use of outside staff to comply with the extended security regulations, an increase in costs for capital expenditure projects as well as the heavy winter at the beginning of the year.

The EBITDA was therefore at € 140.0 million, 10.4% below the previous year's value. Increased depreciation and amortization charges incurred because of shorter useful lives due to planned demolition and additional property, plant and equipment caused EBIT to drop at a proportionately greater rate by € 34.9 million to € 57.5 million.

Retail & Properties

€ million	2005	2006	Change in %
Revenue	374.0	385.1	3.0
EBITDA	289.5	314.6	8.7
EBIT	179.6	219.6	22.3
Employees	2,907	2,860	–1.6

Segment revenue totaled € 385.1 million and thus rose by 3.0% above the previous year's level. As expected, the reductions in revenue from real estate due to the fact that Lufthansa and the US Air Base cease to be customers of our subsidiary Energy Air 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.

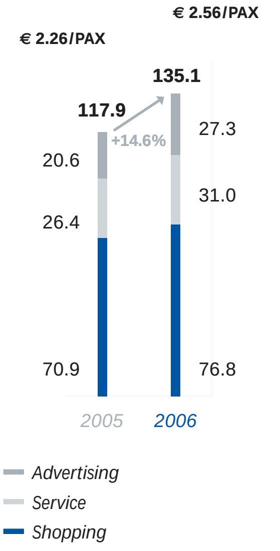
In the period under review retail revenue per passenger increased in comparison with the previous year from € 2.26 to € 2.56. This resulted from new openings in the food and beverages and financial services areas, concentrated sales promotion measures in the shopping sector and increased advertising in connection with the FIFA World Cup as well as new advertising formats.

The offsetting of additional services, such as the provision of information systems and revenue from consumption of area utilization had a positive effect on total revenue.

Personnel expenses fell due to a decline in staff numbers by spin-off of the computer center and increased productivity in Facility Management. Non-staff costs mainly rose due to the spin-off of the computer center as of July 1, 2005, increased fuel and energy costs as well as higher costs for capital expenditure projects.

On the whole, EBITDA rose to € 314.6 million. Compared with the previous year's level this corresponds to an increase of 8.7%. Due to a decrease in depreciation and amortization due to the assets' longer useful lives and an impairment loss recognized in the previous year, EBIT increased by 22.3% to € 219.6 million.

Retail
€ million



Ground Handling

€ million	2005	2006	Change in %
Revenue	632.1	624.1	–1.3
EBITDA	74.6	63.0	–15.5
EBIT	51.8	34.6	–33.2
Employees	7,395	7,865	6.4

As expected, revenue from the Ground Handling segment totaled € 624.1 million down by 1.3% from the previous year's level. Here, there was an impact from contrary effects. Increased traffic resulted in revenue growth. The development of volume and revenue in the cargo sector was also very pleasant. Revenue was reduced by price concessions in connection with the new Lufthansa ground handling contract as well as slight losses of market share of 0.7 percentage points to 87.9%.

The other income rose due to the release of provisions established in the previous year on the basis of the new Lufthansa ground handling contract.

The increase in operating expenses compared with the previous year resulted from an increase in the materials used, increased maintenance costs due to higher traffic volume as well as increased costs for capital expenditure projects and higher costs in relation to IT innovations. Due to significantly increased staff numbers required to handle increased freight tonnage and training and quality measures in preparation for the summer peak in flight traffic as well as the remodeling and modernization measures taken in the terminals, personnel expenses in the segment totaled € 358.5 million up by 2.0% from the previous year.

Hence, segment earnings dropped year over year as we had forecasted. EBITDA dropped from € 74.6 million to € 63.0 million, while EBIT declined at a higher percentage to € 34.6 million due to increased depreciation and amortization charges from an increase in additions to assets.

External Activities

€ million	2005	2006	Change in %
Revenue	394.8	433.6	9.8
EBITDA	22.1	60.8	>100
EBIT	–17.2	18.7	–
Employees	12,165	14,267	17.3

Segment revenue in the fiscal year 2006 rose by 9.8% to € 433.6 million. In particular, ICTS Europe, which specializes in security services, was able to increase its revenue significantly again by growing its business in the Netherlands, France and the UK. Revenue from Frankfurt-Hahn airport also increased thanks to growth in passenger numbers and cargo volume. Declines in revenue were due to the omission of revenue from TCR which was sold successfully in May of this year.

The negative base effect in Antalya due to the loss of revenue by the opening of a second, competitive terminal in April 2005 has been eliminated, since traffic has been more evenly distributed since May of this year, so that, despite an overall drop in traffic at Antalya Airport, revenue increased taking into account exchange rate fluctuations and the proportionate consolidation in the previous year.

The other operating income increased due to the sale of the 50% subsidiary TCR in May of this year and a payment of the compensation due for the terminal project in Manila.

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

EBITDA increased from a total of € 22.1 million to € 60.8 million, while EBIT rose in the same proportion to € 18.7 million.

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

Investments

The Fraport consolidated Group consists of about 90 companies in Germany and abroad. The business figures for the key investments are shown below. The values disclosed have been calculated in compliance with IFRS and are based on the single-entity financial statements.

The wholly-owned subsidiary **ICTS** increased its revenue by 14.5% from € 341.8 million to € 391.4 million by expanding its business in the Netherlands, France and the UK and as a result of stricter security regulations at Frankfurt Airport. Operating expenses increased in line with revenue. EBITDA totaled € 27.8 million, up by 18.8% from € 23.4 million recognized in the previous year.

Taking into account the decrease in overall traffic in **Antalya** and the continuing unequal division of traffic between the two competing terminals until April, overall passenger numbers rose by 1.0% compared with the previous year.

Revenue in the fiscal year 2006 rose by 3.8% from € 52.6 million to € 54.6 million. EBITDA totaled € 26.9 million up from € 19.4 million in the previous year.

The company has been fully consolidated since October 2005, while in the first three quarters of 2005 it was consolidated proportionately at 50%.

The continuing positive passenger and cargo volume in **Frankfurt-Hahn** led to a 17.9% increase in revenue in the fiscal year 2006 from € 36.9 million to € 43.5 million. Operating expenses increased due to the volume of traffic, higher material and maintenance expenses as well as increased supply services. On the whole, EBITDA rose from € –2.6 million to € 0.4 million. Hence, on EBITDA level, break even could be reached.

Hanover-Langenhagen and Lima airports respectively their operating companies are accounted for using the equity method.

Revenue in **Hanover** increased due to positive passenger volume growth and the introduction of a security charge by 3.3%[12] from € 131.9 million to € 136.3 million. In spite of the disproportionate increase in purchase prices for media, additional cost for aviation security and costs of de-icing activities due to the strong onset of winter at the beginning of the year EBITDA rose by 8.4% from € 39.2 million to € 42.5 million.

Revenue and results in **Lima** developed positively in connection with the increased volume of traffic. Revenue rose by 10.4% from € 72.1 million to € 79.6 million, while EBITDA totaled € 18.7 million, up 16.1% from € 16.1 million in the previous year. In addition to the positive development of air traffic, the main reasons for the rise in revenue and EBITDA were an increase in airport fees and a favorable development in the non-aviation sectors in 2006.

Lima received the “2006 World Airport Award” as the second best airport in South America. The survey conducted by Skytrax, a British research organization, took into consideration the opinion of 7.2 million passengers from 90 countries who were queried regarding just under 40 aspects of passenger satisfaction.

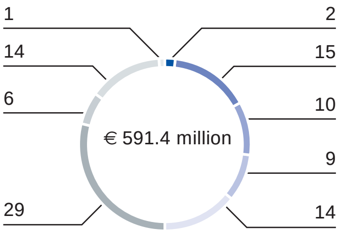
[12] *The previous year’s report contains data from the single-entity financial statements. The current data are Group data.*

Asset and financial situation

Capital expenditures

Capital expenditure

%



- *Administration and IT*
- *Financial investments*
- *Total capital expenditures in investments*
- *Investment property*
- *Expansion*
- *Terminal buidlings*
- *Aircraft movement*
- *Other buldings/equipment/ infrastructure*
- *Planning and miscellaneous*

Note: Because of the standardization of the investment categories in planning and reporting, the breakdown of capital expenditure is not comparable with that of the previous year.

In 2006 Fraport Group invested a total of € 591.4 million. Of this amount, € 443.9 million were accounted for by capital expenditure for property, plant and equipment, while intangible assets accounted for € 7.2 million and € 140.3 million were attributable to financial assets and investment property. The investment rate[13] was 27.6%.

Total capital expenditure dropped by 13.3% compared with the previous year's value. This decline is attributable to lower amounts invested in financial assets.

The total amount of € 451.1 million for **capital expenditure for property, plant and equipment and intangible assets** includes € 171.2 million for the modernization and the progressive expansion of the existing terminals in Frankfurt. This includes the remodeling work in preparation for the Airbus A380, the implementation of EU security directives, the upgrading of the terminals and other buildings as well as the reconstruction of the runways. In the period under review, € 83.6 million were invested in the planned airport expansion, among other things for activities in connection with the zoning procedure and measures taken to create the technical basis for the planned expansion of the airport. The amount also includes the first installment of € 20.0 million paid to Ticona GmbH for preparing the relocation of the chemical operations in Kelsterbach.

€ 31.6 million were invested for property, plant and equipment at the Frankfurt-Hahn location, primarily in the expansion of the landing runway and apron areas as well as the terminals.

Additional capital expenditure was incurred for our investments in Antalya, Varna and Bourgas, as well as for Fraport Immobilienservices und -entwicklungsgesellschaft mbH & Co. KG.

The capital expenditures for **investments accounted for using the equity method and other financial assets** dropped by € 110.3 million to € 86.9 million. This was mainly due to lower investments in securities and loans.

Further additions totaling € 53.4 million are accounted for by **investment property**. They result from the – result neutral - adjustment of the carrying amount of the superstructure on the roof of the long-distance train station.

Cash flow statement

The **cash flow from operating activities** totaled € 484.9 million in the fiscal year 2006. It results from cash inflows from operational activities in the amount of € 641.6 million, cash outflows for taxes on income in the amount of € 137.6 million and from financing activities in the amount of € 19.1 million. Although Group results were up by € 68.1 million the cash flow from operating activities dropped by € 11.9 million compared with the previous year due to changes in receivables and financial assets, provisions, accruals and liabilities.

The **cash flow used in investing activities** amounted to € 499.4 million and was € 118.8 million lower than in the previous year. This decline mainly resulted from a reduction in financial investments made in the previous year in asset management as well as the absence of capital expenditure for investment property. In the previous year the Mönchhof site was acquired.

[13] *Calculation: Capital expenditure/revenue.*

More cash was used for the acquisition of property, plant and equipment (€ 443.9 million in 2006; € 426.1 million in 2005). The increase in capital expenditures related in particular to the expansion of Frankfurt Airport and the modernization and expansion of the terminals. Aside cash was received from the sale of the TCR shares.

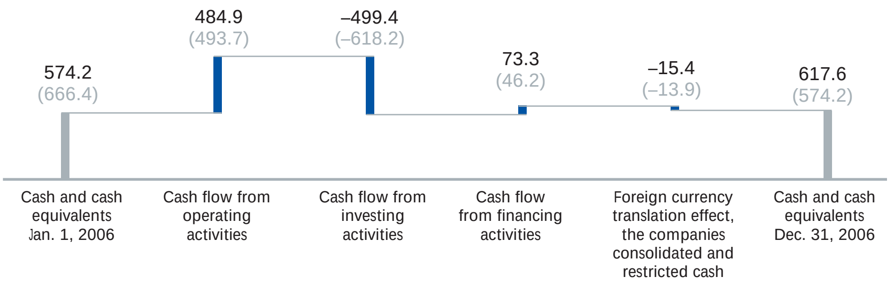
The **free cash flow** available to the company is the balance of the cash flow from operating activities, the capital expenditure for intangible assets and for property, plant and equipment and capital expenditures for investment property. In the fiscal year 2006 free cash flow totaled € 33.8 million, compared with € 25.5 million in the previous year.

The **cash flow used in financing activities** in the year under review totaled € 73.3 million. An increase in dividend payments faced an increase in loan finance.

Cash and cash equivalents therefore increased by € 43.4 million to € 617.6 million in the period from January 1 to December 31, 2006.

Change in cash and cash equivalents

€ million; in brackets: figure for the previous year



Balance sheet structure

Total assets and liabilities rose by 8.7% to € 4,294.5 million from the previous year.

The **non-current assets** increased by 9.0% to € 3,379.2 million. This is attributable essentially to the additional capital expenditures for airport expansion and to the remodeling and modernization measures taken in the terminals at the Frankfurt location. Also, the securities portfolio in other financial assets rose and other receivables and financial assets increased due to the corporation tax credit resulting from the amendments to the law. Reductions of goodwill, in particular with regard to our investment in Antalya, and the transfer of the plots of land at the Mönchhof site into inventories had a contrary effect.

The increase in **current assets** by 7.3% to € 915.3 million is mainly accounted for by an increase in inventories due to the land of Fraport Immobilienservice und -entwicklungsgesellschaft mbH held for sale and an increase in cash and cash equivalents due to short-term securities made.

Net profit for the year rose from € 161.5 million in 2005 to € 228.9 million. The **shareholders' equity** rose mainly therefrom by 8.7% to € 2,346.1 million. The **equity-to-assets ratio**[14] fell from 52.1% to 51.7%.

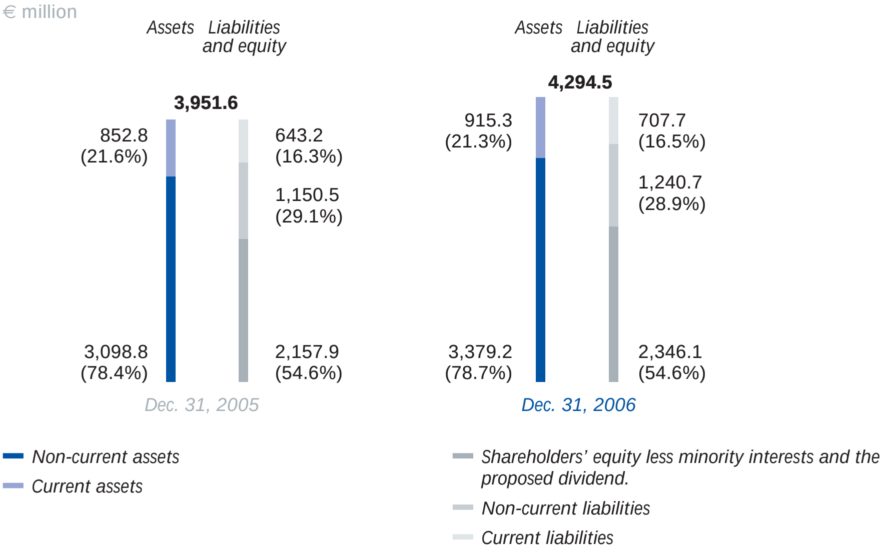
The **non-current and current liabilities** increased by 8.6% to € 1,948.4 million. This is mainly attributable to an increase in loans payable as a result of an increase in investing activities, higher trade accounts payable and an increase in deferred tax liabilities. Other liabilities also increased slightly.

[14] Shareholders' equity less minority interests and the proposed dividend.

Net financial liabilities as of December 31, 2006 totaled € 211.5 million. As of the 2005 balance sheet date financial liabilities exceeded cash and cash equivalents by € 188.3 million. **Gearing**[15], the ratio between net financial debt and equity, amounted to 9.5% (previous year: 9.1%)

Balance sheet structure

€ million



Key balance sheet figures

		2005	2006
Net financial debt (financial debt – cash and cash equivalents)	€ million	188.3	211.5
Gearing (net financial debt/shareholders' equity[1])	%	9.1	9.5
Debt ratio (net financial debt/total assets)	%	4.8	4.9
Dynamic debt ratio (net financial debt/cash flow[2])	%	38.1	43.6
Working capital (current assets – trade accounts payable – other current liabilities)	€ million	571.7	568.1
Intensitiy of investments (non-current assets/total assets)	%	78.4	78.7

[1] *Shareholders' equity less minority interests and the proposed dividend.*
[2] *Cash flow from operating activities.*

Finance management

The Fraport finance management on Group level comprises financing as such, financial settlement as well as Corporate Finance/Treasury.

The Fraport finance management operates in the competing target system of liquidity, risk minimization, profitability and flexibility. The **securing of liquidity** has top priority in finance management with the aim to realize a term-congruent and to the company's planning and project horizon adjusted fixed maturity. To secure liquidity, a number of short and long-term credit lines, independent of one another and granted by several banks are available in sufficient amounts. Liquidity is secured by the control of the centralized liquidity management and optimized by a cash pooling arrangement.

[15] *Shareholders' equity less minority interests and the proposed dividend.*

As regards **profitability** we aim to minimize interest expenses including transaction cost so as to optimize performance while giving **risk minimization** priority. The processes implemented to achieve these goals thereby reflect the principles of finance management such as dual control, segregation of functions between front and back office functions and transparency. Since we do not aim to make profits from speculative transactions or hold open risk positions, for instances, finance management is to be considered as a service function for our core business service centers. We have invested the cash and cash equivalents still available from going public in line with the guidelines stated above within the scope of a newly implemented asset management.

To ensure a **flexible** finance management we are currently using bilateral credit lines which are classified in the notes to the consolidated financial statements. The investments made so far were financed with these loans and by the company's cash flow. Since the foreseeable airport capacity expansion will require additional borrowing, we will probably expand the range of funding sources to finance this project. We use interest rate derivatives to hedge the interest rate risk from future financing requirements.

Fraport is currently not assessed by a rating agency, as Fraport has not yet been engaged in borrowing on the capital market that would have required an external rating. Considering the foreseeable airport expansion as well as the comprehensive maintenance to be undertaken, funds will be needed that may have to be externally financed. We therefore consider the option to initiate a rating process.

Within the scope of investment financing we will be guided by the debt targets communicated in the capital market.

The Fraport Share and Investor Relations

The German stock market experienced a considerable upswing in 2006. After a temporary slump in the middle of the year, the most important indices recovered and continued to increase. The German Share Index (DAX) yielded 22% over the entire year; the MDAX even outperformed this value yielding 28.6%.

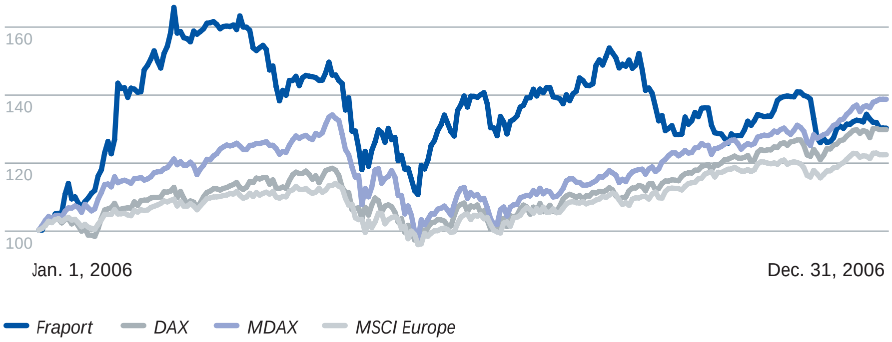
The Fraport share is listed among other indices in the MDAX, the Deutsche Börse index for medium-sized companies, in the FTSE World Europe, in the FTSE EuroMid and in the Prime Standard, the high-quality segment for transparency requirements of the Frankfurt Stock Exchange. Our share is also listed in the Dow Jones STOXX 600 index and the relevant industry index, Industrial Goods & Services.

We were satisfied with our share performance in the year under review. The share price increased considerably at the beginning of the year reaching an all-time high of € 66.77 in the first quarter. The share closed the fiscal year 2006 at € 54.02. During the period under review 209,183 shares were traded on average each trading day in the Xetra Trading System of the Frankfurt Stock Exchange – the major trading place of our share. This is a year over year increase of 95.7%.

Investors who held Fraport shares throughout the year enjoyed an overall yield of 22.3% in 2006. The share therefore performed at DAX level and underperformed the MDAX by 6.3 percentage points. We outperformed the MSCI industry index by 5.8 percentage points.

Share price development

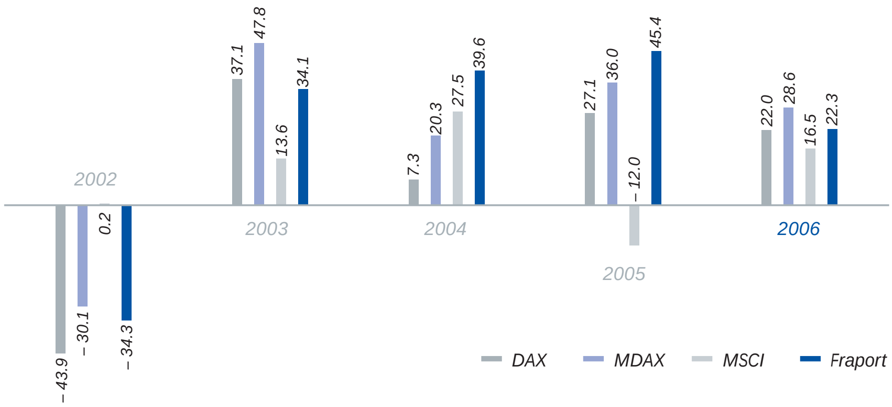
Index = 100



Long-term investors also enjoyed the good performance of our share in the previous years. Shareholders who had invested in Fraport at the end of 2001 and have reinvested the dividend received into the share (less tax credit) achieved a capital gain of 113.2% which corresponds to an annual average return of 16.4% (compared with Dax: 5.0%, MDAX: 16.8%, MSCI: 8.3%).

Five-year overview: share performance

(Delta to previous year in %)



Market capitalization at the end of the year totaled € 4,935.7 million. This means that the shareholders' investment increased by € 846.3 million compared with the previous year.

The following table gives you the most important information on our share.

Key figures about the Fraport share

ISIN	DE 000 577 330 3		
Security identification number (WKN)	577330		
Reuters ticker code	FRAG.DE		
Bloomberg ticker code	FRA		
		2005	**2006**
Fraport AG capital stock (acc. to IFRS)	€ million	910.8	913.7
Total number of shares on Dec. 31	number	91,192,355	91,478,347
Number of floating shares[1] on Dec. 31	number	91,078,430	91,368,619
Number of floating shares (weighted average of period under review)	number	90,800,771	91,228,810
Absolute share of capital stock	per share, €	10.00	10.00
Year-end price	€	44.90	54.02
Highest price[2]	€	44.90	66.77
Lowest price[3]	€	29.59	44.90
Annual performance[4]	%	45.4	22.3
Beta relative to the MDAX		0.68	0.85
Market capitalization[5]	€ million	4,089	4,936
Average trading volume per day	number	106,898	209,183
Earnings per share (basic)	€	1.75	2.48
Earnings per share (diluted)	€	1.78	2.51
Price-earnings ratio[6]		25.2	21.5
Dividend per share[7]	€	0.90	1.15
Total dividend payment	€ million	82.1	105.2
Dividend yield on Dec. 31[8]	%	2.0	2.1

[1] Total number of shares on the balance sheet date, minus treasury shares.
[2] Closing price on December 30, 2005 and February 27, 2006.
[3] Closing price on January 31, 2005 and January 2, 2006.
[4] Percentage increase in the overall yield in the period under review.
[5] Year-end price multiplied by the number of floating shares on the balance sheet date.
[6] Relating to the year-end price.
[7] Proposed dividend (2006).
[8] Dividend per share/year-end price.

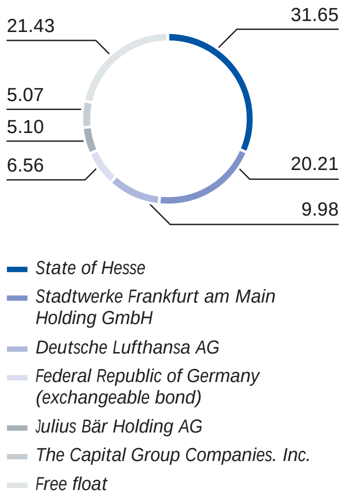
Shareholder structure

The largest shareholders of Fraport AG continue to be the State of Hesse and the Stadtwerke Frankfurt am Main Holding GmbH. Deutsche Lufthansa AG reported a stake of 9.99% in Fraport AG in its interim financial statements for the first six months of 2006. Julius Bär Holding AG and The Capital Group Companies, Inc. held 5.11% on November 3, 2005 and 5.08% on April 6, 2006 respectively according to the statutory reports to be filed when the 5% level is exceeded. On October 26, 2005, the Federal Republic of Germany placed its shareholding of 18.16% with financial investors in two tranches. 11.58% were sold directly in the context of an accelerated bookbuilding process. The second tranche is a combination of call options and an exchangeable bond with a term of 17 months. The buyers of this tranche have the right to acquire the remaining German Federal Government shares in March 2007.

The remaining shares are in free float. When the remaining government shares are placed in March 2007, the free float will be increased accordingly.

Shareholder structure[1]

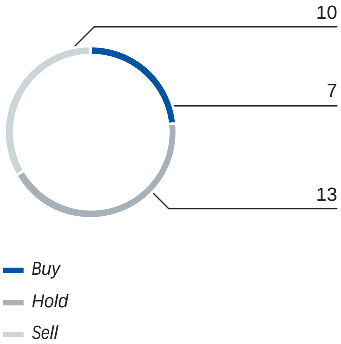
on December 31, 2006 in %



[1] The relative shares held by the Federal Republic of Germany, Julius Bär Holding AG and The Capital Group Companies, Inc. were adjusted to the current total number of shares existing as of December 31, 2006 and thus differ from the numbers given at the time of reporting an excess of the limit level and publication of the six-month interim report of Deutsche Lufthansa.

Analysts' recommendations

on December 31, 2006



Source: Bloomberg, January 2, 2007.

As regards voting power and the transfer of shares, the Federal Republic of Germany, the State of Hesse and the Stadtwerke Frankfurt am Main Holding GmbH are subject to the restrictions stipulated in the consortium agreement signed between these shareholders.

Notes pursuant to § 289 paragraph 4, § 315 paragraph 4 HGB and explanation thereof

The company's capital stock in the amount of € 914,783,470.00[16] consists of 91,478,347 no par value bearer shares. There are no different share classes.

Due to the interests held by the Federal Republic of Germany (6.56%; 2005: 6.58%), the State of Hesse (31.65%; 2005: 31.75%) and Stadtwerke Frankfurt am Main Holding GmbH (20.21%; 2005: 20.27%) and the consortium agreement concluded between these shareholders on April 18/23, 2001, Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (Fraport AG) is a dependent public enterprise. No control or profit transfer agreement exists.

The largest individual shareholders of Fraport AG continue to be the State of Hesse and the Stadtwerke Frankfurt am Main Holding GmbH which own each more than 10% of the voting rights.

The appointment and dismissal of the Executive Board members is made in compliance with the relevant regulations of the German Stock Corporation Act (§§ 84, 85 AktG). Amendments to the Statutes are made in compliance with §§ 133 and 179 AktG. Pursuant to § 179 paragraph 1 sentence 2 AktG in conjunction with § 11 paragraph 3 of our company Statutes the Supervisory Board is entitled to amend the Statutes only insofar as the frame is concerned. Other amendments to the Statutes require the resolution of the Annual General Meeting passed according to § 18 paragraph 1 of the Statutes by a simple majority of votes cast and the share capital represented upon resolution. If, by way of exception, law requires a higher capital majority (e.g. when changing the statutory object of a company, § 179 paragraph 2 sentence 2 AktG, or when creating restricted authorized capital, § 193 paragraph 1 sentence 1 AktG), the resolution of the Annual General Meeting will have to be passed by a majority of votes cast and a three-quarter majority of the represented share capital.

By resolution at the Annual General Meeting held on June 1, 2005 the Executive Board, pursuant to §§ 202 et seq. AktG, is authorized to increase the capital stock by up to € 9.5 million by May 31, 2010 upon the approval of the Supervisory Board. The statutory subscription rights of the shareholders may be excluded. In 2006, € 749,670 of the authorized capital were used for the issue of shares within the scope of the employee share plan. As of December 31, 2006 authorized capital remains in the amount of € 8.8 million which can be used to the issue new shares in return for cash for the purpose of issuing shares to the employees of the company and the companies it controls (for details see the notes to the consolidated financial statements).

[16] *December 31, 2006.*

At the Annual General Meeting held on March 14, 2001 a restricted authorized capital increase in the amount of € 13.9 million was approved under §§ 192 et seq. AktG. The purpose of the restricted authorized capital was expanded at the Annual General Meeting held on June 1, 2005. In addition to satisfying subscription rights issued but not yet exercised arising from the Fraport Management Stock Options Plan (MSOP 2001) adopted at the Annual General Meeting held on March 14, 2001, the restricted capital increase also serves to satisfy subscription rights arising from the adopted Fraport Management Stock Options Plan 2005 (MSOP 2005). The Executive Board and the Supervisory Board are authorized to issue up to 1,515,000 stock options to beneficiaries entitled to subscribe by August 31, 2009 in accordance with the authorization and the conditions regulating the allocation of stock options. The authorization to grant subscription rights in accordance with MSOP 2001 was cancelled at the Annual General Meeting held on June 1, 2005.

Restricted authorized capital totaled € 6.3 million as of December 31, 2006 (originally € 13.9 million). € 2.1 million (211,025 options) of the subscription rights already granted were exercised in 2006.

The Executive Board is entitled upon resolution of the Annual General Meeting 2006 to purchase treasury shares of up to a total of 3% of capital stock. In case the subscription rights are excluded, treasury shares can be used only to to serve subscription rights under the MSOP 2005. Due to the authorization granted no treasury shares were purchased in 2006. Treasury shares were used in 2006 to service a total of 4,197 subscription rights.

The provisions set out under §§ 289 paragraph 4 and 315 paragraph 4 HGB are rules customarily applied by similar listed companies and are not intended to hamper any takeover attempts.

Dividend policy

The Supervisory Board and Executive Board of Fraport AG will propose the Annual General Meeting that a resolution be passed to pay a dividend of € 1.15 per share (previous year: € 0.90). The dividend payout ratio would then be 42.4% of the Fraport AG profit for the year of € 248.0 million (HGB) and 45.9% of the Group profit for the year of € 229.3 million. The comparative figures for the previous year were 42.6% and 50.8% respectively.

Investor Relations

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

In 2006 we informed institutional investors about the current business situation and future prospects of our company at numerous personal meetings, 41 roadshows and four conferences in Germany and abroad. The main event along with three conference calls on quarterly results, one conference call held to discuss the annual results and the Annual General Meeting was the Investor Day, which took place for the fourth time. At the same time as analysts and institutional investors, our private investors could also inform themselves in the Internet on the subject matters discussed at the Investor Day and access extensive information material.

In addition, we informed private investors, customer advisors and asset managers within the scope of lectures, guided tours and conferences. We are planning to continue the intensive communication with our private shareholders in 2007, as well.

More than 1,700 shareholders and shareholders' representatives accepted the invitation to the fifth Annual General Meeting that was held at the Jahrhunderthalle in Frankfurt-Höchst. 81.8% of the capital stock was represented by the shareholders who attended the Annual General Meeting.

The conduct of the business by the Executive Board and the Supervisory Board was approved with almost 100% of the votes. Counterproposals made by shareholders were rejected.

In July our investor relations achieved third place among the 50 MDAX companies in the "Best IR in Germany" competition; in a European comparison financial analysts elected Mr Hommerich, the head of the IR department as the "best IR Professional" in the transportation sector. For this purpose the London Institutional Investor Research Group (IIRG) conducted a Pan-European survey and analyzed the opinions of 947 analysts and 431 fund managers.

The share of Fraport AG was accepted for the first time on September 18, 2006 to the Dow Jones STOXX Sustainability Index (DJSI STOXX). This index is the most important European sustainability index which only lists companies whose sustainable management is exemplary in terms of economic efficiency, environmental issues and its involvement in social and cultural matters. The DJSI STOXX thus takes into account the growing interest of funds, which make their investment decisions on the basis of these sustainability criteria. This also makes Fraport shares attractive to other international investor groups. In Europe this index currently has 162 members, 20 of them in Germany.

Fraport was the only German company in 2006 to be listed in the FTSE4Good-Index this year and is thus represented in the two leading sustainability indices.

A wide range of information is available on our web site (www.fraport.com) under the "Investor Relations" heading. Aside from information about shares, it also contains up-to-date news, dates, events, information for the Annual General Meeting as well as financial and air traffic data.

Employee share plan

Since the IPO in 2001, Fraport employees have been entitled to subscribe Fraport shares 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 cash contributions, and then passes them on to its employees.

In the period under review 6,541 employees chose one of the offered share models and subscribed 74,967 new shares. The issue price for the shares, which was calculated from the average Xetra closing price in the period from April 6 to 21, 2006 minus an allowance of € 1.00, amounted to € 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 program began.

Compensation paid to the Executive Board and the Supervisory Board

The Presidential Committee of the Supervisory Board is responsible for determining compensation for Executive Board members. The compensation for Executive Board members consists of a fixed annual gross salary and remuneration in kind and of bonuses related to growth, earnings and performance as well as long-term incentive elements. In addition, the Executive Board members are entitled to pension benefits.

Fixed elements

During the term of their employment agreement (generally five years) the Executive Board members receive a constant fixed annual salary.

In addition the compensation for Executive Board members includes compensation in kind and other remuneration. Compensation in kind is the pecuniary benefit subject to wage tax for example from using a company car with chauffeur. This compensation in kind is generally available to all Executive Board members in the same way, the amount of the compensation depends on the personal situation.

Performance-related elements

Each year the budgeted revenue is achieved, each Executive Board member are paid a bonus of 50% of his or her fixed salary. An additional bonus in the same amount is paid to each Executive Board member, if the budgeted EBITDA is also achieved. If the target is exceeded the bonuses are increased by 10% for each 1% of the excess. If the company fails to achieve the budgeted values the Supervisory Board may decide on the respective bonus reduction.

Stock options that act as a long-term incentive are granted in addition to the bonuses within the scope of the stock option plan (MSOP, see the notes to the consolidated financial statements).

Pension benefits

The Executive Board members are entitled to pension benefits and provision for surviving dependants. An Executive Board member is generally entitled to retirement benefits if he or she becomes permanently disabled or retires from office during the duration of or upon expiry of his or her employment agreement. If an Executive Board member dies, benefits are paid for his or her surviving dependants. These amount to 60% of the pension for the widow or widower and children receive 12% each.

The pension of an Executive Board member is determined by the percentage of a contractually agreed fixed basis of assessment, with the percentage rising annually by 1.5% or 2.0% up to a limit of 75% in proportion to the time a member is appointed.

Income from employment and pension payments from earlier or later service periods will be deducted from the pensions due on retirement until completion of the age of 60, if, without such deduction, the total of these emoluments and the pension would exceed 75% of the fixed annual gross salary (100% of the fixed salary if Fraport AG wishes the employment to be terminated or not be extended.) Effective January 1 of each year, the pensions may be adjusted as appears fair, taking into account the interests of the former Executive Board member and the company’s performance. The adjustment obligation is deemed to be met, if the adjustment does not fall below the increase in the cost-of-living index of all private households in Germany.

The claim of the former Executive Board members to pensions is also determined by the percentage of a fixed contractually agreed basis of assessment.

No other benefits have been promised to Executive Board members, in case of the termination of employment (for further details see the notes to the consolidated financial statements).

The members of the Supervisory Board only receive a fixed remuneration (for details see the notes to the consolidated financial statements).

Employees

The Fraport Group had an average of 28,246 employees (without apprentices and staff exempted from their normal duties) in the past fiscal year, 9.6% more than in 2005. In this period an average of 17,528 people were employed in Frankfurt, 6.9% more than in the previous year.

	2005	2006	Change in %
Fraport Group	25,781	28,246	9.6
of which in Frankfurt	16,390	17,528	6.9
Investments	13,611	16,293	19.7
of which ICTS	10,823	12,836	18.6

In comparison with the employee figures published in the previous year's report the calculation was changed on the 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 divisions. The resulting change in employee numbers in comparison with the same quarter in the previous year is shown in the table.

Segments	2005 (Accounting to 2005)	2005 (Accounting from 2006)	2006	Change in %
Aviation	3,508	3,314	3,254	–1.8
Retail & Properties	2,996	2,907	2,860	–1.6
Ground Handling	7,111	7,395	7,865	6.4
External Activities	12,166	12,165	14,267	17.3

The increase in employee numbers in the Group was mainly attributable to the External Activities segment, in which the number of employees grew significantly vs. the previous year. This was due to the expansion of the business of ICTS Europe, which specializes in security services. Higher freight tonnage and training measures in preparation for the summer peak in flight traffic as well as the remodeling and modernization measures in the terminals resulted in increased employee numbers in the Ground Handling segment compared with last year. The number of employees in the Retail & Properties segment declined due to the spin-off of the computer center as of July 1, 2005 and staff fluctuation in Facility Management. Staff numbers in the Aviation segment also fell due to increased productivity in the area of air security.

The figures quoted do not include the apprentices or employees of our Group exempted from their normal duties to carry out special assignments. The average number of apprentices at Fraport AG was 309 in the period under review, six more than in the previous year.

The number of employees in joint ventures corresponds with the interest share held.

Compensation system and company old-age pension scheme

The TVöD, the civil service collective agreement is in effect at Fraport AG. A performance-oriented compensation component was already introduced at Fraport in 2001 with the "Performance, success, recognition" (LEA) company agreement. A new system for calculating performance-related payment (LBB) should be introduced in 2007. Another form of employee profit sharing is the "Cafeteria System".

Fraport AG covers the collectively agreed company pension scheme by means of insurance with the Zusatzversorgungskasse Wiesbaden (ZVK). ZVK operates essentially on a pay-as-you-go financing basis. A part of the old-age pension scheme for senior executives and employees who are paid outside collective agreements is also covered by ZVK supplemented by direct, employee-financed pension benefits from Fraport AG.

There are different collective agreement systems in the Fraport Group outside the parent company, depending on the location and the type of business in which the investment operates. Fraport AG advises the investments about issues relating to collective agreements and is involved in the development and negotiation of collective agreements.

Personnel management and development

To improve the contribution of the personnel management to the achievement of our corporate goals, our management philosophy is expressed in five management principles. They cover the aspects self-guidance, employee management and corporate management.

We have been assessing our employees' satisfaction regularly since 2000. We use a so called "barometer" to assess eight dimensions similar to school grades. The overall grade in 2006 was 3.16.

We offer our employees an extensive program of advanced training as part of our "Fraport College" giving them the opportunity to train and improve their knowledge for such topics as occupational safety, business administration, IT, specialized airport knowledge, leadership, conduct as well as languages and thus secure the sustainability of our company. We control the strategic development of our management via the "Fraport Academy". Potential candidates are identified and given appropriate challenges and encouragement. We also offer vocational studies, mentoring programs and two Master of Business Administration (MBA) programs, which candidates can complete while working at the company and from which they can choose depending on the emphases of the courses. We spent € 7.1 million on training in the fiscal year 2006. We invested additional funds for training and qualification in the divisions.

Fraport management principles

- *We keep the whole picture in mind!*
- *We are performance oriented!*
- *We stand by our company!*
- *We are open-minded and fair!*
- *We are on the move!*

Family support and equal opportunities

Many items that were stipulated in the German Non-Discrimination Act in force since 2006 have been practiced daily at Fraport for a long time. This not only applies to the integration of disabled employees or employees from other cultural groups but also to equal opportunities for men and women. The principle of equal opportunities is specified for Fraport in a company agreement and is taken into account in all personnel decisions. In 2005 Fraport received a special award within the scope of the "Forum for Women in Business and Commerce" for its promotion of the compatibility of family and job, increasing the number of women in executive positions as well as overcoming bias and role clichés. 19.0% of the workforce at Fraport AG were women in fiscal 2006, the proportion of women working in executive positions was 18.1%. The part-time employment (not including partial retirement) lay at 8.0%.[17]

With "Fluggi-Land" we help our employees to better reconcile family life and job. On 365 days a year between 6 a.m. and 10 p.m. the employees' children are offered a varied and appropriate program whenever the service is needed. In 2006, the "Kinder-Arche" was opened, the nursery of Fraport AG and three other companies which is open from Mondays through Fridays between 7 a.m. and 6 p.m. for children between eight weeks and three years of age. Apart from being cared for by professional teams of teachers the children are educated both in German and English.

A right to equal opportunities have also disabled people. For the first time since the company's existence, the number of seriously disabled people employed by Fraport AG exceeded the seven per cent mark reaching a rate of 7.13% at the end of 2006, thus well exceeding the obligatory 5% rate.

Idea and knowledge management

We promote the ideas of our employees to improve processes and save costs. Our idea management team is responsible for reviewing suggestions submitted for improvements, for identifying new projects and for cooperating closely with research institutes. Many new products created by new ideas have already been filed as utility model or

[17] *The rates are based on the total number of employees at Fraport AG.*

patent applications as well. In 2006 a potential of € 0.6 million was utilized from the implementation of our employees' ideas. The employee participation rate was at 8% and the premiums paid totaled € 0.2 million.

Since knowledge has become a decisive competitive factor, the "Knowledge Management Program" was launched in 2006. Processes, information systems and forms of cooperation for processing and passing on knowledge are tested and introduced here.

Health promotion and occupational safety

By creating high standards in job and health protection we want to deliver value-creating advantages. Since 2004, we have been putting into practice company-wide the corporate health promotion measures developed and successfully tested within the scope of a model project as part of our executives' daily responsibility. We are guided in the process by physical, psychic and social well-being. We carry out regular interviews to verify whether these principles are put into practice; these are used as a basis for receiving insurance premium refunds from the AOK health insurance company along with determining any potential for improvement. In 2006, our company and the employees insured with AOK thus were able to benefit from a reduction of premiums of 1.2% (€ 1.0 million each).

In 2006, the average annual percentage of employees away sick at Fraport AG was 5.6% (previous year 5.7%).

We aim to fully meet all the requirements set by the German occupational safety legislation in our entrepreneurial activities. The aims of occupational safety are to avoid accidents at work and job-related health risks and to create an ergonomic and humane working environment. Our modern preventive measures follow a holistic approach, which includes safety-related occupational medicine and health protection measures.

We consider the repeated decline of accidents at Fraport AG in 2006 as a result of our continuing improvement efforts. The number of accidents dropped by 12.7% compared with last year, accident-related days of absence dropped by 8.5%.

You will find detailed information about the topic "Employees" in our "Personnel and Social Report" which can be obtained directly from Fraport and on our home page (www.fraport.com), too.

Sustainability

Fraport is guided in its actions by the principle of sustained development. As a worldwide leading airport operator we want to make a major contribution to satisfying modern mobility needs without limiting future generations to shape their lives according to their own preferences. The sustainability vision at Fraport applies to all stakeholders, i.e. customers, the region, employees and shareholders.

Customers

Our customers have a right to top quality, reliability and security of our aviation services. At Frankfurt Airport we regularly review satisfaction of our customer groups airlines, freight, passengers and retail. Our "Fraport Customer Barometer" helps to measure customer satisfaction and is used to determine trends in customer expectations and their level of demands. The surveys have been performed since 2000 enabling us to measure the success of improving our services offered and to compare trends in the long term.

The measuring system used is a flexible tool that can be adjusted at any time to a modified range of services. The results are obtained for our major customer groups and are an indicator showing where measures were successfully put into practice or where more action is required. We are then able to take further steps to meet our customers' expectations even better. This is also a measure which helps us to eliminate weaknesses goal-oriented and to develop new offerings.

Region

As an important economic force and creator of jobs Fraport takes responsibility in the Rhine-Main region, for example, in environmental and social matters.

Environmental protection

Due to its size and its importance in terms of traffic, Frankfurt Airport has a variety of environmental effects. Therefore, Fraport integrated environmental management into the company's strategic management. Our environmental management system has been validated in accordance with EMAS (European Directive on Eco Management and Audit Scheme) and has been certified on the basis of the ISO 14001 standard that applies all over the world.

Our measures go beyond legal requirements. For us, environmental protection does not stop at the airport fence, it affects the entire region. For our outstanding approach to environmental management we received the first ACI Europe Best Airports Award in 2006 from the Airports Council International.

We publicly disclose our past and future environmental protection measures in the "Environmental Statement" certified by environmental auditors. In this year's competition of the German Chamber of Public Accountants (Wirtschaftsprüferkammer) for the best environmental and sustainability reporting in Germany Fraport was awarded the "German Environmental Reporting Award (DURA) 2005" in the category "Best Environmental Report".

Passive noise abatement

Approximately € 76 million have been budgeted for passive noise abatement measures, noise reduction measures on buildings, of about 17,500 households in 15 towns and municipalities. In January 2005 Fraport launched its voluntary property purchase and compensation program "Fraport Casa" which covers more than 1,200 buildings.

Corporate Citizenship

Under the motto "Active for the Region" Fraport is involved in educational, cultural and sports events, social projects and is committed to keep nature intact so as to maintain the regions's attractiveness and capability.

On the whole, Fraport made available approximately € 6.4 million for its social commitment. We spent just under € 5.7 million of this amount for sponsoring in sports, art, culture and society. Donations in cash and in kind totaled just under € 0.7 million. We contributed € 2.0 million in 2006 into the Environment Fund for the promotion of environmental projects in the region. From its establishment in 1997 until 2006 this Fund spent € 20.5 million to support more than 440 individual projects.

Employees

Our commitment to our employees is a major element of our corporate culture. As we reward our employees' hard work and systematically improve our attractiveness as an employer we are able to fully capitalize on the performance potential of Fraport.

For more details on this topic see "Employees" on page 68 et seq.

Shareholders

In order to be efficient and profitable for our shareholders in the long term, we rely on transparency, a sound and forward-looking Corporate governance and a set of values which are binding for all employees. For more details on this topic see “Corporate governance” on page 161 et seq.

The value management of Fraport AG aims to make all employees and business partners aware of ensuring a correct business conduct at all times. To do this, we have established clear rules that are systematically applied in everyday life.

The risk management system of the Fraport Group aims to recognize early on the risks arising from our business, to measure and to control them. Controlled risk handling is our primary goal, since risks can only be taken, if risks and opportunities are in a reasonable proportion to one another.

For more details on this topic see “The Fraport Share and Investor Relations” on page 61 et seq.

Further information

Detailed information can be found in our Sustainability Report. This report can be directly obtained from Fraport and is also published on our web site. Further information about environmental issues and on social engagement is available in the Internet, as well. (www.fraport.com).

Dependency report

Due to the interests held by the Federal Republic of Germany (6.56%; 2005: 6.58%), the State of Hesse (31.65%; 2005: 31.75%) and Stadtwerke Frankfurt am Main Holding GmbH (20.21%; 2005: 20.27%) and the consortium agreement concluded between these shareholders on April 18/23, 2001, Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (Fraport AG) is a dependent public enterprise. No control or profit transfer agreements exist.

On October 26, 2005, the Federal Republic of Germany placed its shareholding of 18.16% with financial investors in two tranches. The first tranche was sold directly. The second tranche is a combination of call options and an exchangeable note with a term of 17 months. The buyers of this tranche have the right to acquire the remaining German Federal Government shares (6.56%) in March 2007. The voting rights for these shares will be exercised by the Federal Republic of Germany until then. Therefore a dependent relationship with respect to the Federal Republic of Germany continues to exist.

The Executive Board of Fraport AG therefore compiles a report on the relationships to affiliated companies in accordance with § 312 of the German Stock Companies Act (AktG). At the end of the report, the Executive Board of Fraport AG made the following statement: “The Executive Board declares that under the circumstances known to us at the time, we received fair and adequate compensation for each and every legal transaction conducted. No action was taken or not taken at the behest or in the interests of the Federal Republic of Germany, the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH and companies affiliated with them in the year under review.”

Risks and opportunities

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

Risk policy principles

Fraport actively looks for opportunities and seizes them whenever the potential benefits of doing so are in an acceptable relationship to the risks involved. Controlled risk exposure is the primary objective of our risk management system.

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

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

The risk management system

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

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

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

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

The risk management system is documented in writing in a separate guideline. It complies with the requirements of the Law on Control and Transparency within businesses (KonTraG). The proper operation of the early-risk-recognition-system is audited by the accountants appointed to audit the annual financial statements of Fraport AG. Beyond that the proper operation of the risk management system is verified regularly by the internal auditing department.

Evaluation of risks

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

The RMC aggregates the risk reports from the divisions and evaluates the risk situation Fraport AG faces at company level on the basis of a "risk map". Risks are reported to the Executive Board when they are classified as material according to systematic evaluation standards used throughout the Group. Risks which jeopardize the company as a going concern and exceed defined thresholds in the potential damage they may cause and in the probability of their occurrence are considered to be "material". A distinction is made here between gross assessment and net assessment, that means after appropriate countermeasures have been taken.

Risk management at investments

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

Business risks

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

General economic risks

Economic fluctuations can have a considerable impact on Fraport's business development. According to calculations made by DekaBank, the world economy grew by 5.2%[18] in 2006. This growth had a positive effect in particular on the development of cargo traffic. The strong demand in passenger traffic by contrast can not be fully satisfied due to the capacity bottlenecks in Frankfurt. Ticket prices have increased with surcharge since 2004 due to a drastic raise in prices for oil and kerosene[19], these surcharges will not necessarily be reduced even if energy prices go down. In times of crisis and war, we face the direct threat of flight cancellations and route shutdowns. Limitation of the demand risk is only possible to a limited extent. As an international air traffic hub, Frankfurt Airport has benefited in the past from the fact that the airlines concentrate their business on the hubs in times of crisis. This explains why we have been able up to now to compensate for the effects of crises within a relatively short period of time.

Exchange rate fluctuations, as far as they influence passengers' shopping behavior, can impact our earnings development particularly in the retail business. The buildings and space we currently rent are used mainly by airlines or companies whose business depends to a large extent on the development of air traffic at Frankfurt Airport. This section of the real estate business is therefore not directly dependent on general property developments. If we develop and market commercial areas more intensively in future, as is planned, management of these areas will be based more closely on the general market conditions.

[18] DekaBank, Deutsche Girozentrale Frankfurt, January 2007.
[19] Datastream, graphic in Handelsblatt, January 23, 2007.

Market risks

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

The low-cost segment is continuing to increase the competitive and cost pressure on the traditional carriers and their hub systems with its above-average growth rates achieved in continental traffic. Beyond that, the creation of new hub systems in the Middle East may lead to a shift in the global flows of transfer passengers. There is the danger that the airlines will use alternative locations and routes outside Frankfurt. This risk would even increase with a further delay of the airport expansion.

The capacity bottleneck in Frankfurt is a major reason why Frankfurt is unable to participate fully in air traffic growth.

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

In recent Annual Reports, we already explained the risk of a possible restriction on revenue from sales-related airport concession fees charged to companies which operate at Frankfurt Airport in accordance with the German Regulations on Ground Services at Airports (BADV). According to a ruling by the European Court of Justice of October 16, 2003, an airport is not allowed to charge concession fees as specified in the BADV from a supplier of ground and other services above and beyond charges for using specific airport facilities. A ruling by the Higher Regional Court of Frankfurt am Main of March 16, 2004 does not, however, contain any indication that the charging of a concession fee in return for providing access to the market must be considered illegal. If there is a change in court rulings on this subject, it is possible that fees already paid might have to be reimbursed. In accordance with BADV, what is known as a “cost-based usage fee” was introduced for future charges for services on January 1, 2006.

The Air Traffic Noise Act was adopted on December 14, 2006 in the German Bundestag. There is the risk in this context that Fraport will have to participate in appropriate measures at the Frankfurt location.

Preparatory measures prior to the construction of the Airrail Center were started in December 2006. The risk that there could be less demand for the floor space of the superstructure to be constructed on the roof of the long-distance railway station has been clearly reduced for Fraport due to the current lease situation with some 50% of the space already being rented.

The EU basically adheres to its planned liberalization of ground handling services which it had already announced in 2002. It declared in October 2006, however, that it would first request a report on the current state of realization of the planned liberalization projects in the single member states. It is not foreseeable, when the next step in the liberalization process will be made. In case this project is realized, we can not exclude that there will be an impact on the business model and the economic development of ground handling services.

Aviation security services in accordance with § 5 of the German aviation security legislation are provided at the Frankfurt location on behalf of the German Ministry of the Interior by employees of Fraport AG, which in turn has subcontracted some of the services to FIS, subsidiary of ICTS Europe. Currently, the EU Commission has filed a complaint with the German government claiming that this contract was given directly to Fraport through security service providers without prior public tender. There is the risk that Fraport could lose the contract which could have a considerable adverse economic effect on Fraport AG.

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

Due to new security regulations in international air traffic the size of carry-on baggage and in particular liquids in carry-on baggage could be further limited. This could have an adverse impact on our aviation revenue and in particular on retail revenue, because this is largely generated by flight passengers.

Risks in connection with the planned expansion of the airport

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

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

To further reduce the airport expansion risks a letter of intent was signed in November 2006 with Ticona/Celanese. According to this letter of intent the chemical company will close its plant in Kelsterbach by the middle of 2011, end of 2011 the latest, for which Fraport will pay € 650 million, remove the aeronautical obstacles thereafter and transfer the entire area to Fraport by 2015.

If the alternative we prefer – the northwest landing runway – can not be realized, the recoverability of the capital expenditures already made could be impaired significantly in an amount of € 343.1 million.

Financial risks

With regard to its balance sheet items and planned transactions Fraport is subject in particular to interest rate and currency exchange risks. We cover interest and foreign currency exchange rate risks by establishing naturally hedged positions, in which the values or flows of funds of original financial instruments offset each other in their timing and amount, and/or by using derivative financial instruments to hedge the business transactions. The scope, responsibilities and controls for the use of derivatives are specified in binding internal guidelines. The existence of a risk which needs to be hedged is the prerequisite for the use of derivatives. To review risk exposures, our risk control department regularly performs simulation calculations applying various worst-case and market scenarios. The Executive Board is kept informed regularly on the results. Treasury is responsible for the efficient market risk management. Only those risks are controlled which affect the company's cash flows. There can only be open derivative positions in connection with hedging transactions in which the hedged items are cancelled or have not been carried out contrary to planning. Interest rate derivatives are used exclusively to optimize loan terms and to limit risks of changes in interest rates in the context of financing strategies. Derivatives are not used for trading or speculative purposes.

Interest rate risks arise in particular from the capital requirements for the planned capacity expansion. Within the scope of our interest rate risk management policy, we conclueded interest rate derivatives at the end of 2004 and in 2006 to hedge the interest rate risk in view of the medium-term capital requirements and to take advantage of the historically low level of interest rates on the market at the present time. Following the commitment to these interest rate hedging positions, there is the risk that the market interest rate level decreases with a negative fair value of the interest rate hedging instruments as a result. The consequence of this would be that the provisions for future losses would have to be recognized. The provisions for anticipated losses recognized in the meantime will be realized if the derivatives are closed and/or if the planned funding requirements do not materialize.

There are no foreign currency exchange rate risks worth mentioning at the moment.

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

Legal risks

Manila project

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

In 2003, Fraport AG commenced arbitration proceedings against the Republic of the Philippines at the International Center for the Settlement of Investment Disputes (ICSID) on the basis of the German – Philippine investment protection treaty. Within the framework of these arbitration proceedings, Fraport is pursuing a conviction of the Republic of the Philippines to pay compensation.

The Philippine government disputes the responsibility of the arbitration court and the justification of the request for arbitration. It has also submitted a contingent counterclaim against Fraport AG that has not yet been completely quantified. It is Fraport's conviction that its capital expenditures were made legally and that the demands of the Philippine government are unjustified.

At the beginning of January 2006, the hearing at the ICSID Arbitration Court in Washington D.C. covering fundamental questions relating to the jurisdiction of the Arbitration Court and the liability of the Republic of the Philippines (subject matter of the first stage of proceedings). Following the expected ruling from the Arbitration Court regarding jurisdiction and liability, the second stage of proceedings then may be required to determine the amount of Fraport AG's claim for damages. The outcome and the duration of the arbitration proceedings are open.

As regards the expropriation proceedings opened on December 21, 2004 by the Philippine government against PIATCO the government's appeal made against the ruling of the Philippine Supreme Court of December 19, 2005 failed to succeed. In that decision, the Supreme Court confirmed in the major points the order of the expropriation court to make a payment towards the compensation for the expropriation to PIATCO. Nevertheless, several orders of the expropriation court were required until the airport authority MIAA finally paid the sum of approximately PHP 3 billion to PIATCO on September 11, 2006, after several unsuccessful other appeals of the government and third parties and thereupon the court enforced again the writ of possession in favor of the government issued on December 21, 2004. The expropriation court will now have to continue the proceedings to define the compensation payable to PIATCO. At the same time, several other appeals are pending, in which various intervening parties deny among other things the admissibility of the expropriation proceedings on the whole, and/or contest PIATCO's claims to compensation for other reasons.

In 2002 Fraport AG sued PIATCO for the repayment of a loan in the amount of US-$ 28 million. Thereupon, PIATCO cross-sued Fraport AG for damages and the payment of costs in the amount of PHP 1.57 billion (approximately US-$ 30 million). In September 2006 PIATCO and Fraport submitted a joint motion before the court to end the claims and counterclaims, since PIATCO had repaid most of the loan in dispute. In the meantime thereupon the court has declared the case to be closed.

At the beginning of 2003, the shareholders and directors of PIATCO decided – against the votes of Fraport AG and the PIATCO directors it appointed – to prepare legal action for damages against Fraport AG and its directors because of alleged improper and harmful action against the company. Fraport AG rejected these accusations. It is also disputed whether these resolutions are legally valid. So far, PIATCO has not further pursued these claims asserted.

As we had reported already last year, various criminal proceedings and investigations have also been initiated against current and former board members and employees of Fraport AG on the Philippines, in which Fraport AG is not a directly involved or affected party. The outcome of these proceedings and investigations could influence the ICSID arbitration proceedings and/or question the legality of Fraport AG's capital expenditures on the Philippines and could, in the case of a conviction, serve as the basis for proceedings to seize the Fraport AG assets on the Philippines. With reference to the accusations made in the proceedings that the company is aware of, Fraport AG is of the opinion that these accusations are false.

The investigations mentioned in our last management report which were initiated by the Philippine National Bureau of Investigation against Fraport AG and various individuals from the Fraport AG organization on the suspicion of a violation of the "Anti-Dummy Law" were discontinued at the end of 2006. This decision of the Philippine Ministry of Justice is not yet legal and absolute.

As already mentioned in our last management report, a Philippine law firm as well as a former minister have brought legal action for damages amounting in each case to PHP 100 million (about € 1.5 million) against Fraport AG, two board members and two Philippine lawyers of Fraport AG because of alleged defamation. A request for seizure of the assets of Fraport AG on the Philippines was granted. The two plaintiffs have initiated a criminal complaint about the same matter whereupon three criminal proceedings were opened accordingly. The court has already rejected the charge in one of these three proceedings. The decision is not yet legal and absolute. Fraport AG rejects these accusations.

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

Further legal risks

Fraport AG could be required to pay damages in a legal dispute between the new company owning the partial heritable rights to the Sheraton building at Frankfurt Airport and the previous shareholder, which sold the rights. The former buyer is now claiming that the building has faults that are attributable to inadequate building management by Fraport AG. As a result, the recoverability of the partial heritable building rights is doubtful. We consider the risk that Fraport could be required to pay compensation to be minor.

As already reported on December 31, 2003 DB Station & Service AG filed a claim against Fraport AG relating to services provided in advance in connection with the project to build a superstructure on the roof of the high-speed train station at Frankfurt Airport. In June 2004, DB Station & Service AG filed a suit in connection with this matter concerning a partial amount of the claims submitted totaling about € 30 million plus interest. To a large extent a consensus was reached about a settlement of this suit in December 2005. The legal dispute was settled in agreement with both parties in March 2006. In August 2004, DB Station & Service AG filed another suit for payment of about € 52 million plus interest. The matter in dispute is currently under negotiation for settlement including input from experts; the outcome of the dispute could result in a payment to be made by Fraport.

Risks attributable to investments and projects

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

Our concession to operate the international terminal in Antalya expires mid of September 2007. The opening of the second international terminal in April 2005 led to a substantial reduction in passenger volume for the company operating Terminal 1 in which Fraport holds an interest in the first half of 2006. Since May 2006 the passengers are more evenly distributed between the two terminals. The risk remains, however, that air traffic may not be divided up uniformly and that this will affect company revenue.

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

The EU Commission has received a complaint claiming that the Frankfurt-Hahn Airport may have received government grants as part of its operations and may have granted these on to the Irish airline Ryanair. The EU Commission submitted a request for information to the German Federal Government in September 2006 to pursue this issue. The Federal Government responded to this request by notification in December 2006. Deutsche Lufthansa AG filed a lawsuit in November 2006 with the Regional Court in Bad Kreuznach against the Flughafen Frankfurt-Hahn GmbH. In this lawsuit, Flughafen Frankfurt-Hahn GmbH is requested to reclaim the grants allegedly given to Ryanair.

The business relationship with the Irish airline Ryanair makes a substantial contribution to the economic development of Flughafen Frankfurt-Hahn GmbH, Lautzenhausen. A detraction of this business relationship would have a significant adverse impact on Frankfurt-Hahn Airport.

Other risks

Our business operations in Frankfurt could be affected by events such as accidents, terrorist attacks, fire or technical problems. Fraport AG's insurance coverage covers the normal risks airport companies face. It especially includes occurrences of damage that lead to the loss or damage of property, including any consequential business interruption costs. Claims for damages by third parties arising from Fraport AG's corporate liability risks are covered, as well. Since January 2003, the risk in connection with liability claims by third parties attributable to war and terrorist attacks have been covered by private insurance companies up to a maximum of US-$ 1 billion. This also applies to Fraport AG's majority-owned investments in Germany and abroad which are covered by the Fraport corporate liability insurance policy.

All of the IT systems of critical importance to the company are always installed on a redundant basis and are optionally housed at separate locations. It goes without saying that residual risks resulting from the architecture and operation of the IT facilities can not, however, be completely eliminated. However, no significant risks are known at the present time.

Due to the ongoing development of new technologies and the expansion program, there is a latent fundamental risk potential for IT systems. Fraport AG takes account of this situation by applying an active IT security management. The requirements for IT security are specified in the IT security policy and security guidelines which must be followed Group-wide. Compliance with these guidelines is verified regularly. Insurance coverage is obtained for damage claims relating to residual risks to the extent that this is possible and appropriate.

An outbreak of avian flu, particularly in Western Europe, could lead to significant shortfalls in air traffic. An emergency plan has been prepared in order to ensure stable operating processes at Frankfurt Airport.

Overall risk evaluation

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

Business opportunities

Opportunities from the development of the general conditions

Overall economic developments and their impact on air traffic development, on the one hand, and exploitation of growth potential in connection with the airport expansion program and the development of the non-aviation businesses, on the other hand, are major opportunities available to the company.

We will participate in the air traffic development forecast by IATA via the planned expansion of the airport. More than 120 coordinated aircraft movements per hour can be reached with the planned addition of a landing runway and a passenger terminal. Experts' reports confirm that about 100,000 additional direct and indirect jobs will be created by the airport expansion program, 80% of them in the region. With a volume of about € 4 billion (adjusted for inflation; based on the price level in 2000) this is the largest privately financed investment project in Germany.

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

Opportunities in corporate strategy

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

The Executive Board decided in August 2006 to expand the real estate business as another core business area. The objective is to more efficiently manage real estate in inventory, to develop additional real estate projects and to strengthen the overall attractiveness of the location of Frankfurt Airport. A focus is on creating a professional asset management system to improve operating, utilization and marketing concepts. Fraport believes that this will contribute additionally to earnings by optimizing costs and revenue. The establishment of a commercial project development system is planned to generate additional revenue through the realization of marketable real estate projects within and outside the airport area.

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

We continue to be interested in expanding our international investment business, particularly in our core business of the management and operation of airports. We will continue further bids for projects that are in line with our strategy and that we expect to create value.

Other opportunities

Fraport AG is emphatically pursuing the arbitration proceedings that have been in progress against the Philippines since 2003 at the International Center for the Settlement of Investment Disputes (ICSID) on the basis of the German – Philippine investment protection treaty. In this context, we have claimed damages of US-$ 425 million plus further items which have not been quantified yet. We are, however, also pursuing other routes to obtain compensation for our investments, which have already been written off completely.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Outlook

Airport expansion

The process of expanding Frankfurt Airport has made further progress. The hearing of the objections to the Airport expansion project was concluded at the end of March 2006. As expected, the hearings resulted in a number of adjustments and additions required to be made in the application documents. The current update of the zoning application is the result of additional requirements demanded by the Zoning and Planning Authorities. The key issue was the updating of the air traffic forecast up to 2020 and the associated impact forecasts. The new forecast continues to underline the urgent need to expand the airport with the northwest landing runway. If a less steep growth curve is used in the model, 88.6 million passengers (including transit) and 3.16 million tons of cargo and mail are predicted for 2020, indicating a need for 701,000 aircraft movements per year. An additional outlay of the updated records will be given in spring 2007. According to what we know today we expect the new landing runway to go into operation in 2011.

The schedule for our further planning is such that construction will start on the airport grounds immediately after the zoning permit is available; construction outside the airport grounds will begin after the conclusion of the summary proceedings before the Hessian Higher Administrative Court (VGH).

Parallel to the zoning procedure, the amendment to the Regional Development Plan of the State (Landesentwicklungsplan – LEP), a significant regional planning prerequisite for the official zoning resolution on the expansion of the airport was approved by the State Government on September 12, 2006. The approval required of the Hessian State Parliament is expected prior to the summer break in 2007. The major goal of the change is the amendment to the regional planning determinations to indentify the area for construction of the new landing runway northwest of the airport as priority area.

Fraport AG and Celanese AG/Ticona GmbH signed a letter of intent at the end of November 2006, with the aim to close the production plant of Ticona at its site in Kelsterbach by June 30, 2011 on the basis of agreements to be finally negotiated and to transfer the plots of land in Kelsterbach to Fraport after removal of all of the plant facilities and to transfer the land required for the landing runway immediately after conclusion of the final agreements. Any land reclamation required will be made by Ticona/Celanese. After conclusion of the final negotiations, Ticona/Celanese will withdraw its objections and legal action against the operation and expansion of Frankfurt Airport. Hence, a major risk for the timely initial operation of the northwest landing runway will be eliminated.

Fraport AG will pay a consideration of € 650 million to Ticona/Celanese. € 20 million were already paid in 2006 to enable Ticona/Celanese to start planning the relocation of the plant without delay. The remainder is to be paid in several tranches between 2008 and 2011.

It is intended that the Ticona employees, who will not be taken over after the relocation of the plant, will be employed by an employment company to be established by Fraport, in which the State of Hesse should also own an interest. The objective is to take over these employees into Fraport Group.

It is planned to negotiate the final agreements on the basis of the letter of intent in the first quarter 2007. A resolution of the Annual General Meeting on May 30, 2007 over the final contracts under submission of a binding offer of Ticona/Celanese is in regard to the Business Judgement Rule not necessary and thus not planned seeing the cleary economic and strategic advantage.

FRA-North

To improve control, we combined the construction measures with which the existing terminals are being optimized not only for the A380 but also to satisfy the more exacting security requirements and product requirements of our customers in the "FRA North" project. We also aim to optimize the retail areas and terminal capacities. More detailed plans for the measures required in the existing passenger facilities were made in the past year.

The construction of the extension to Hall C is proceeding per plan. The CD-link that connects Terminal 1 and Terminal 2 was officially closed for conversion purposes on June 12, 2006. Three new positions are to be built for the new generation of widebody aircraft, as well as four new bus gates. In addition new retail space areas are planned. The first construction phase is due for completion at the end of 2007, while the second phase is to start operation in mid-2008.

The first position for the new Terminal 2 concept – handling of the A380 – was completed at the end of September 2006. With the delivery of a third passenger bridge in October 2006 Frankfurt Airport has its first complete A380 gate with the related parking position. The second construction phase started with the building of more gates and the expansion of the related bridge structure as well as the construction of the frame for the retail pavilions to expand retail areas and the work for the new lounge to be used by passengers with restricted mobility, as well as the area used by the German Federal Police.

The more southerly of the two parallel runways at Frankfurt Airport is being resurfaced in 15-meter sections and in a total of five construction stages at night. Since the beginning of the work in 2005 a runway length of about 2,500 meters has been reconstructed, thereof about 1,900 meters in 2006. The remaining 1,500 meters will be resurfaced in 2007 in two construction stages.

With the redesign of the two central market places in Terminal 1, the Shopping Avenue and the Shopping Boulevard, the retail facilities in Frankfurt were further amended and enlarged in the fiscal year 2006. New shop concepts and new brands offer an exceptional shopping experience.

In August "Käfer's" restaurant in the shopping avenue was reopened after a comprehensive refurbishment. At the end of September the now largest Travel Value Shop of the airport went into operation again after having been significantly extended and with a new concept in use for the Area B-Schengen.

It is our goal to create more retail space also in 2007. With the construction of a superstructure bridging the gap between the buildings in the A and B areas and an expansion of Departure Hall C, additional retail space will be created. More airport shopping space will also be created in 2007 in Terminal 2.

Real estate

The Executive Board of Fraport decided to expand the real estate business as another core business area. Strategically important real estate projects were launched successfully, for instance the construction of the Airrail superstructure on the roof of the long-distance train station being started at the beginning of 2007; the civic center with some 4,000 square meters of usable space was completed after a construction period of only six months and has started operations.

The new real estate strategy approved by the Executive Board in 2006 consists mainly of three steps: a more efficient management of existing space, the realization of new land development concepts within the scope of real estate project development and finally an increase in entrepreneurial flexibility by controlling real estate assets in accordance with a portfolio approach.

In the business unit Retail and Properties, which is responsible for real estate development and marketing at Fraport AG, all functions, which enable an efficient management of the real estate portfolio and its further development will be combined. This includes a real estate master plan based on the existing general expansion plan, the commercial project development and the facility management. The objective of the restructuring is the creation of an internal organizational unit which operates like an independent real estate company.

Acquisition projects

The global trend towards the privatization of airports and the outsourcing of management services is continuing. Based on the requirement of value creation with limited capital investment Fraport will participate in selected tenders, in which the competencies of the airport operator represent a competitive edge. We will pursue in particular projects which will generate growth within the scope of the current portfolio such as, for example, another potential purchase of shares in Lima or the renewed tender in Antalya and which offer large potential for traffic growth and increased profitability. Here in particular Eastern and Southeastern Europe should be mentioned, China and India and also some airports in South and Central America.

Business prospects for 2007 and 2008

Our forecast of the future developments is based on the assumption that international air traffic will not be affected by such external shocks as terrorist attacks, wars or epidemics.

Economic development and air traffic

The dynamic global economy will also not slow down materially in 2007. Leading national and international economic institutes and banks[20] are forecasting that the world economy will record a more moderate growth of real gross domestic product compared with the previous year of between 4 and 4.5%. This growth will again be driven by the fast-developing Asian countries (just under 8%), Latin America (about 4%) and – again – Central and Eastern Europe (about 5%). The prospects for the major industrialized countries USA (about 2.5%), Japan (about 2%) but also the EU countries (about 2.3%) are more moderate. The same applies to the German economy which is expected to grow between 1 and 2.3% more slowly than in the previous year. According to the experts, the positive world economic cycle (between about 4.3 and 4.6%) will continue in 2008 as well – even at a slightly higher level. Global trade[21], which has stimulated the German export economy and the economy as a whole up to now, should maintain its dynamic growth of between 7.5 and 8.0%. In connection with the favorable global economic environment and the national structural improvements in business prospects in Germany will brighten up in 2008.

In addition to raw material prices, exchange rate developments and a reluctant consumer spending pattern, particularly in Europe and Germany, there continue to be latent risks for the economy and travel patterns, such as terrorism, epidemics or natural catastrophes.

Conditions for German aviation

Due to the traffic structure at Frankfurt Airport, the VAT increase on January 1, 2007 is not likely to have a material effect on air traffic development at the airport. The taxation of kerosene, although still debated, is considered to be unlikely in 2006 and 2008.

The German Bundestag adopted the new Air Traffic Noise Act at the end of 2006. This Act is expected to take effect in 2007. The effects on Fraport can not yet be specified concretely at the present time.

[20] DekaBank, January 31, 2007; Deutsche Bank, February 9, 2007; OECD, November 2006; DIHK, February 15, 2007.
[21] OECD, November 2006; DekaBank, December 2006.

Although the European Commission initially put aside a further liberalization of Ground Handling services at the end of 2006, this topic will continue to be discussed in the medium term. Since the further development is not yet foreseeable the effects can not yet be estimated.

At the beginning of 2007 the European Commission published a legislative initiative to create a uniform legal framework for airport fees in European air traffic. We will have to wait and see, to what extent this initiative will have an impact on the fees in the medium term.

The separation of arriving and departing passengers from "Schengen" and "Non-Schengen" countries will be successively put into practice at Frankfurt Airport and is expected to be completed by the end of 2008. The new provisions on carrying liquid materials in carry-on baggage were successfully implemented. To what extent there will be additional rules regarding carry-on baggage in 2007 is still to be decided by the European Commission.

In December 2005 the EU Parliament passed a directive supporting the rights of passengers with restricted mobility. After a transitional period of two years, care of these passengers will be the sole responsibility of the airport operators. The consequences to be expected from the necessary building modifications and additional personnel required is currently investigated concretely.

Development of air traffic

The IATA[22] expects an increase in passenger volume in international air traffic by 4.9% in 2007 and by 4.7% in 2008. For Europe, values of 4.5% and 4.4% are expected, for Germany an increase of 3.7% is expected for each of these years. Slightly higher values are expected for airfreight on a global level. With values of 6.1% in 2006, 5.8% in 2007 and 5.6% in 2008, ICAO[23] does not expect a slow-down of the dynamic growth in worldwide air traffic (international air traffic plus domestic air traffic in relation to passenger kilometers). The ACI forecast[24] expect a worldwide increase in passenger volume of 5.7% in 2007 and 5.0% in 2008, with Europe being slightly below these rates (5.4% and 4.6%). Airfreight should even perform better with a worldwide increase of 6.4% and 6.1% and an increase by 6.6% and 5.6% in Europe.

We expect an only moderate increase in passenger numbers for Frankfurt Airport in 2007 (above 1%), airfreight should increase significantly (about 4%) in view of the ongoing favorable conditions for the global exchange of goods. Intercontinental air traffic and Eastern Europe remain major contributors to growth in Frankfurt.

Additional flight routes of Ryanair are expected to drive growth at Frankfurt-Hahn airport. We expect also, that cargo and aircraft movements per year will develop favorably due to the expansion of existing and new carriers.

As regards Hanover, the air traffic forecasts predict a continued expansion of capacities and route networks in particular of low-cost airlines. In September 2007 the concession for operating Terminal 1 in Antalya will end; as a result, a decline will be registered there.

We expect positive passenger volume developments at our airport in Lima due to the recovery of domestic flights and in particular due to the increase in flight frequencies to North America. In addition, we assume an increase in the seat load factor and in average seat capacities.

The business of the two airports in Varna and Bourgas in Bulgaria is made up of tourist air flights. Here, we expect also a satisfactory development. A favorable development in airfreight is also expected.

[22] *International Air Transport Association, October 2006.*
[23] *International Civil Aviation Organisation, August 2006.*
[24] *Airports Council International, February 2007.*

Group segments in 2007

As regards the **Aviation** Group segment, the increase in air traffic in Frankfurt will probably not be able to compensate the revenue decline in the security business. This decline is caused by cost reductions due to the introduction of an automatic, multi-stage baggage control system as well as due to increases in productivity due to reorganization which are passed on to the airlines and the German Federal Ministry of the Interior. As regards personnel expenses, these cost reductions should more than compensated by the effects from collective labor agreements. The reorganization results in reduced non-staff costs due to the fact that less outside staff is used. Contrary, there is an increase in expenses from capital expenditure programs for the airport expansion. Depreciation and amortization expense will also be affected by the capital expenditures mentioned. In total, the segment result – also with regard to one-off extraordinary effects in connection with the release of provisions and accruals in fiscal 2006 – is expected to fall below the previous year’s result.

As regards the **Retail & Properties** segment, the expansion of the retail business especially due to additional areas should have a further positive impact. Rental revenue is expected to decline again due to the demolition of buildings, which will be more than compensated by winning back Lufthansa as an electricity customer. Personnel expenses are expected to increase due to the fact that more staff should be needed in connection with the IT centralization and the control of capital expenditure programs as well as in regard to the integrated investments. Non-staff costs should be affected by increased energy prices, the supply of Lufthansa with energy and the comprehensive cost portions resulting from capital expenditure projects. In total, the EBITDA presumably will be below the previous year’s value. The shorter remaining useful lives resulting from the demolition of buildings result in an increase in depreciation and amortization expenses; the segment result will therefore be below the previous year’s amount.

As regards the **Ground Handling** segment, we expect an increase in infrastructure fees due to the air traffic development as well as additional fees from 100% baggage screening because of a cost deficit in the previous year. The expected increase in the market share for aircraft handling will probably not be able to entirely compensate the price reductions due to existing agreements and the increased market pressure. In connection with a reduction of other operating income from the release of provisions and accruals in fiscal 2006, we expect a total revenue which should be significantly below last year’s amount. We should be able to reduce total costs due to a strict cost management and expect an overall segment result below last year’s level, but which should nevertheless range on a good level.

The EU Commission planned to adopt a draft in December 2006 on the revision of its ground handling directive, which could result in a further opening of the market. The Commission has put aside this draft for the time being.

As regards the **External Activities** segment, we expect an increase in revenue caused by the initial consolidation of the new subsidiary Twin Star and the full consolidation of Lima Airport after the acquisition of additional shares which still requires the approval from the licensor of the concession and the banks. In addition, ICTS and Frankfurt-Hahn Airport should achieve positive developments.

As regards ICTS, an increase in revenue is to be expected from its business expansion. Due to the introduction of a multi-stage baggage control facility at Frankfurt Airport, the business volume of ICTS will decline here. The forecasts for Frankfurt-Hahn Airport predict air traffic growth and an increase in revenue in connection with the expansion of the Ryanair services at this site.

This increase will probably face a revenue decline from the termination of the concession agreement with Antalya.

The development of personnel requirements in the segment should be in line with the revenue development. Non-staff costs in the segment should increase clearly in particular due to the full consolidation of Lima, since the company handles the operations by the use of outside staff and external services. In addition, the business-related non-staff costs at ICTS and Frankfurt-Hahn Airport should increase.

In total, we expect a slight decline in EBITDA compared with last year due to extraordinary effects in 2006. The segment result is expected to be at last year's level.

Group key figures for 2007

We expect a Group-wide increase in **revenue** in 2007 for the reasons mentioned. **Other income** is expected to drop clearly, since this item was affected in 2006 by comprehensive extraordinary effects.

Personnel expenses should increase moderately. In response to the noticeable market pressure we strive for continuing increases in productivity. These efforts are supported also by our "Focus Competition" and the "Strategic Options in the Security Sector" optimization projects described above. ICTS Europe, Frankfurt-Hahn Airport and the ground handling subsidiary Airport Personal Services will post an increase in personnel expenses due to their planned business expansion. Additional costs will be incurred due to the initial consolidation of Twin Star and the investment in Lima.

Non-staff costs are expected to increase clearly. This is mainly the result of the mentioned increase in the companies included in consolidation. The comprehensive capital expenditure program at the Frankfurt location is expected to increase the cost of the capital expenditure projects strongly. We expect to nearly offset this increase at the Frankfurt site by the respective cost reductions on the basis of our strict cost management. We also continue to aim to increase the efficiency of our services. Within the scope of our "Focus Competition" project we identified cost reduction potential in administration and in central functions in the total amount of € 25 million by 2010 in non-staff and personnel expenses. The realization of the saving potentials has begun in the concrete projects.

Due to the positive one-off effects in the **EBITDA** in 2006, EBITDA is expected to be reduced in fiscal 2007. After deducting the one-off effects in EBITDA 2006, EBITDA in fiscal 2007 should be on or slightly above previous year's level especially because of the initial consolidation of the investments Twin Star and Lima Airport.

The effect on income is expected to be intensified by slightly increasing **depreciation** based on shorter useful lives in connection with the airport expansion plans on **EBIT** level.

The **Group result** is expected to be burdened by a reduced **financial result**. This decline results from the fact, that in 2006 a payment was made for the terminal project in Manila. In addition to this, there is an increase in planned financing costs from the terminal expansion in Lima and a loss on income from our Spanish investment Ineuropa Handling U.T.E. due to the termination of the concessions. The interest result is expected to adversely affect income due to the expected borrowing for capital expenditures within the scope of the airport expansion.

Preview 2008

The relevant surveys of the industry continue to assume that global air traffic will increase in the coming years. This should also be the case at our Group airports; at Frankfurt Airport, however, due to the capacity limitations described, not to the same extent.

We expect the revenue trends of 2007 to continue in the **Aviation** segment to a lesser extent, with the airport fees having to be refixed. Non-staff costs in the years to come should reflect the increase in air traffic and airport expansion activities. We want to strive to counteract this trend by implementing our “Focus Competition” project and by utilizing efficiency potential in the security business.

The **Retail & Properties** segment should benefit from a further increase in the retail space and retail revenue. Demand for more personnel will probably increase due to the increased business volume of the integrated investments of the segment. The development of non-staff costs reflects the cost portions of comprehensive capital expenditure activities. Since the increase in segment revenue should exceed the increase in operating expenses, EBITDA is expected to increase. EBIT is expected to develop similarly.

As regards the **Ground Handling** segment, revenue related to infrastructure fees is expected to grow in line with air traffic and remain stable in relation to ground handling services. The EU Commission planned to adopt a draft in December 2006 on the revision of its ground handling services directive, which could result in a further opening of the market. The Commission has put aside this draft for the time being. However, we expect the heavy cost and market pressure to remain and strive to improve the cost situation. The optimized mix of personnel should have a favorable impact on segment personnel expenses. In total, we want to continuously improve the segment’s productivity in the years to come. The profit margin in this segment should consolidated at a good level.

From today’s point of view, a positive development is expected in the **External Activities** segment. However, new investments and the increasing or decreasing of existing investments could have a major impact on consolidation. In total, we expect an increase in revenue and earnings.

Capital expenditures

The capital expenditure planned for 2007 is determined by an unchanged need to modernize the existing terminals, the modification of the flight handling facilities and the aircraft movement areas for the A380, the capital expenditures for capacity expansion for example in the C and CD areas, and the adjustments required due to the EU safety regulations at the Frankfurt location.

The approval of the Frankfurt Airport capacity expansion expected by the end of 2007 will lead to a substantial increase in capital expenditures because of preparatory work in the form of demolition and replacement measures.

The letter of intent signed by Fraport AG and Celanese AG/Ticona GmbH in November 2006 stipulates on the basis of agreements to be finally negotiated, that the production plant of Ticona at its site in Kelsterbach be closed, and the entire area be transferred to Fraport after the removal of all factory equipment and any land reclamation required. Fraport will pay a consideration of € 650.0 million to Ticona/Celanese. A payment of € 200.0 million is planned for 2008.

The total investment volume estimated for building a new landing runway as well as passenger handling and other operating facilities, including the payments to Ticona and inflation adjustments (based on the price level in 2000), is estimated to exceed € 4 billion until 2020. Between 2000 and the end of 2006 we already invested € 405.7 million within the scope of preparations made, of which € 62.6 million were charged to expense.

Financial investments could increase in the years 2007 and 2008 depending on the success of acquisition projects. The global trend towards the privatization of airports and the outsourcing of management services is continuing. Fraport will be actively involved in this process. The strategic focus is on the creation of value with limited capital investment. In view of the particularly good growth prospects, we are mainly interested in projects in Eastern Europe, India and China.

Asset and financial situation

Fraport will have a very sound balance sheet in 2007 and 2008 as well. The capital expenditure projects planned for the Frankfurt location will result in changes in the balance sheet structure, and reflect an increase in financing requirements from borrowing and lead to a more equal proportion between equity and debt. The Group equity will continue to improve due to positive net profits. Overall, total assets and liabilities are expected to increase in the years to come due to this development.

Whereas non-current assets, mainly intangible assets and property, plant and equipment, will increase in connection with the planned airport expansion in Frankfurt, we expect current assets to remain stable.

Also in the long-term, the planned balance sheet structure should meet the liquidity requirements of an investment grade status.

In addition to retaining earnings, further equity increases are planned only by the issue of new shares within the scope of the employee share and share option program. The Group has available sufficient funds to finance the planned capital expenditures in 2007 and 2008.

Dividend policy

We intend, unless any major adverse developments occur, to distribute a dividend to the Fraport shareholders in a dimension roughly equal to the dividend proposed for the fiscal year 2006 also in the coming years.

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

Consolidated income statement
for the year 2006

€ million	Note	2005	2006
Revenue	(6)	**2,089.8**	**2,143.9**
Change in work-in-process	(7)	0.1	0.0
Other internal work capitalized	(8)	20.6	23.1
Other operating income	(9)	31.2	83.3
Total revenue		**2,141.7**	**2,250.3**
Cost of materials	(10)	–333.6	–353.3
Personnel expenses	(11)	–1,032.5	–1,076.9
Depreciation and amortization of tangible and intangible non-current assets and investment property	(12)	–235.9	–248.0
Other operating expenses	(13)	–233.1	–241.7
EBIT (Operating profit)		**306.6**	**330.4**
Interest income		17.0	19.0
Interest expenses	(14)	–40.1	–44.9
Share of profit or loss of investments accounted for using the equity method	(15)	8.2	5.6
Income from investments	(16)	6.3	6.8
Impairment of financial assets	(17)	–1.3	–0.4
Other financial results	(18)	–11.3	23.7
Financial result		**–21.2**	**9.8**
EBT (Result from ordinary operations)		**285.4**	**340.2**
Taxes on income	(19)	–123.9	–111.3
Group profit		**161.5**	**228.9**
Profit attributable to minority interests		**0.3**	**–0.4**
Profit attributable to equity holders of Fraport AG		**161.2**	**229.3**
Transfer to revenue reserves		–79.1	–124.1
Group retained earnings		**82.1**	**105.2**
Earnings per € 10 share in €	(20)		
basic		1.78	2.51
diluted		1.75	2.48
EBITDA		**542.5**	**578.4**
EBIT		**306.6**	**330.4**

Consolidated balance sheet
as of December 31, 2006

Assets

€ million	Note	Dec. 31, 2005	Dec. 31, 2006
Non-current assets			
Goodwill	(21)	108.3	97.1
Other intangible assets	(22)	50.2	42.3
Property, plant and equipment	(23)	2,587.3	2,729.2
Investment property	(24)	37.4	66.9
Investments accounted for using the equity method	(25)	53.6	56.2
Other financial assets	(26)	209.5	302.1
Other receivables and other assets	(27)	33.2	36.8
Income tax receivables	(28)	–	32.2
Deferred tax assets	(29)	19.3	16.4
		3,098.8	**3,379.2**
Current assets			
Inventories	(30)	14.4	32.9
Trade accounts receivables	(31)	190.0	185.5
Other receivables and other assets	(27)	71.5	62.3
Income tax receivables	(28)	–	2.0
Cash and cash equivalents	(32)	574.2	632.5
		850.1	**915.2**
Non-current assets held for sale	(33)	2.7	0.1
		852.8	**915.3**
		3,951.6	**4,294.5**

Liabilities & equity

€ million	Note	Dec. 31, 2005	Dec. 31, 2006
Shareholders' equity			
Issued capital	(34)	910.7	913.7
Capital reserve	(34)	550.5	558.8
Revenue reserves	(34)	599.2	746.3
Group retained earnings	(34)	82.1	105.2
Issued capital and reserve attributable to equity holders of Fraport AG	(34)	2,142.5	2,324.0
Minority interests, presented within equity	(35)	15.4	22.1
		2,157.9	**2,346.1**
Non-current liabilities			
Financial liabilities	(36)	622.4	718.8
Other liabilities	(37)	115.4	106.1
Deferred tax liablities	(38)	112.2	127.6
Provisions for pensions and similar obligations	(39)	21.4	20.6
Provisions for income taxes	(40)	167.0	166.2
Other provisions and accruals	(41)	112.1	101.4
		1,150.5	**1,240.7**
Current liabilities			
Financial liabilities	(36)	140.1	125.2
Trade accounts payable	(42)	173.3	229.0
Other liabilities	(37)	105.1	118.1
Provisions for income taxes	(40)	18.5	16.4
Other provisions and accruals	(41)	206.2	218.8
		643.2	**707.5**
Liabilities in connection with assets held for sale	(43)	–	0.2
		643.2	**707.7**
		3,951.6	**4,294.5**

Consolidated cash flow statement
for the year 2006

€ million	Note	2005	2006
Profit attributable to equity holders of Fraport AG		**161.2**	**229.3**
Taxes on income		123.9	111.3
Profit attributable to minority interests		0.3	–0.4
Adjustments for:			
Depreciation/write-ups (non-current assets)		241.3	248.4
Interest results		23.1	25.9
Income from investments		–6.3	–6.8
Gains/losses from disposals on non-current assets		4.7	–5.6
Unrealized foreign currency results		8.0	0.3
Changes in investments accounted for using the equity method		–6.7	–5.6
Changes in inventories		–2.3	2.9
Changes in receivables and other assets		–12.1	–29.2
Changes in provisions		51.5	39.9
Changes in liabilities (w/o financial liabilities and provisions)		66.9	31.2
Operational activities		**653.5**	**641.6**
Financial activities			
Interest paid		–40.1	–44.9
Interest received		17.0	19.0
Dividends received		6.3	6.8
Taxes on income paid		–143.0	–137.6
Cash flow from operating activities	(45)	**493.7**	**484.9**
Capital expenditure for intangible assets		–9.3	–7.2
Capital expenditure for property, plant and equipment		–426.1	–443.9
Capital expenditure for investments accounted for using the equity method		0.0	–0.6
Investment property		–32.8	–
Changes in consolidation		11.4	–
Acquisition of subsidiaries		–2.5	–
Disposal of joint ventures		0.8	13.2
Other financial investments (long-term)		–191.7	–80.5
Proceeds from disposal of non-current assets		32.0	19.6
Cash flow used in investing activities	(45)	**–618.2**	**–499.4**
Dividends paid to shareholders of Fraport AG		–67.9	–82.0
Dividends paid to minority shareholders		–1.2	–0.7
Capital increase		20.8	15.7
Change in financial liabilities		94.5	140.3
Cash flow from financing activities	(45)	**46.2**	**73.3**
Changes in consolidation		–11.4	–
Foreign currency translation effect on cash and cash equivalents		–2.5	–0.5
Restricted cash		–	–14.9
Change in cash and cash equivalents		**–92.2**	**43.4**
Cash and cash equivalents at Jan. 1		666.4	574.2
Cash and cash equivalents at Dec. 31	(45)	**574.2**	**617.6**

Changes in consolidated shareholders' equity

				Revenue reserves							
€ million	**Note**	**Issued capital**	**Capital reserve**	**Legal reserve**	**Revenue reserves**	**Foreign currency reserve**	**Revaluation reserve**	**Group retained earnings**	**Equity attributable to share-holders of Fraport AG**	**Equity attributable to minority interests**	**Total**
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		–	–	–	–	6.8	–	–	6.8	–	6.8
Fair value of financial assets held for sale		–	–	–	–	–	0.5	–	0.5	–	0.5
Fair value changes of derivatives		–	–	–	–	–	–4.6	–	–4.6	–0.5	–5.1
Net gain (+)/Net costs (–) directly included in equity		0.0	0.0	0.0	0.0	6.8	–4.1	0.0	2.7	–0.5	2.2
Capital increase Frankfurt-Hahn airport		–	–	–	–	–	–	–	0.0	6.4	6.4
Issue of shares for employee share plan		1.2	2.6	–	–	–	–	–	3.8	–	3.8
Transfer of treasury shares		0.1	0.1	–	–	–	–	–	0.2	–	0.2
Management stock option plan											
Capital increase for exercise of options		4.3	6.3	–	–	–	–	–	10.6	–	10.6
Value of performed services		–	2.2	–	–	–	–	–	2.2	–	2.2
Distribution		–	–	–	–	–	–	–67.9	–67.9	–1.2	–69.1
Group profit for the year		–	–	–	79.1	–	–	82.1	161.2	0.3	161.5
Consolidation activity/ other changes		–	–	–	–1.0	–	–	–0.1	–1.1	–0.4	–1.5
Balance at Dec. 31, 2005	(34), (35)	**910.7**	**550.5**	**36.5**	**577.8**	**–7.8**	**–7.3**	**82.1**	**2,142.5**	**15.4**	**2,157.9**
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		–	–	–	–	2.3	–	–	2.3	–	2.3
Fair value of financial assets held for sale		–	–	–	–	–	12.3	–	12.3	–	12.3
Fair value changes of derivatives		–	–	–	–	–	8.0	–	8.0	–	8.0
Net gain (+)/Net costs (–) directly included in equity		0.0	0.0	0.0	0.0	2.3	20.3	0.0	22.6	0.0	22.6
Capital increase Frankfurt-Hahn airport		–	–	–	–	–	–	–	0.0	6.4	6.4
Issue of shares for employee share 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											
Capital increase for exercise of options		2.1	2.7	–	–	–	–	–	4.8	–	4.8
Value of performed services		–	1.8	–	–	–	–	–	1.8	–	1.8
Distribution		–	–	–	–	–	–	–82.0	–82.0	–0.7	–82.7
Group profit for the year		–	–	–	124.1	–	–	105.2	229.3	–0.4	228.9
Consolidation activity/ other changes		–	–	–	0.4	–	–	–0.1	0.3	1.4	1.7
Balance at Dec. 31, 2006	(34), (35)	**913.7**	**558.8**	**36.5**	**702.3**	**–5.5**	**13.0**	**105.2**	**2,324.0**	**22.1**	**2,346.1**

Consolidated statement of movements in non-current assets

€ million	Goodwill	Other intangible assets	Intangible assets (total)	Land, land rights and buildings including buildings on leased land	Technical equip-ment and machinery	Other equipment, operating and office equipment	On-account payments and con-struction in process
Accumulated acquisition costs/ production costs							
As at Jan. 1, 2006	213.4	111.4	324.8	3,356.0	1,568.7	381.7	466.2
Changes due to foreign currency differences	0.0	–0.5	–0.5	–2.7	0.0	–0.2	–0.1
Changes in consolidation	–2.1	–0.5	–2.6	–3.6	–2.1	–49.6	–0.4
Additions	0.0	7.2	7.2	105.2	52.7	42.6	243.4
Disposals	0.0	–6.2	–6.2	–73.2	–107.2	–32.2	–25.1
Reclassifications	0.0	1.6	1.6	32.9	46.6	4.2	–84.9
As at Dec. 31, 2006	**211.3**	**113.0**	**324.3**	**3,414.6**	**1,558.7**	**346.5**	**599.1**
Accumulated depreciation							
As at Jan. 1, 2006	105.1	61.2	166.3	1,605.4	1,323.2	256.7	0.0
Changes in consolidation	–1.0	–0.4	–1.4	–0.9	–1.4	–18.6	0.0
Additions	10.1	15.8	25.9	140.3	48.3	33.2	0.0
Disposals	0.0	–5.9	–5.9	–65.0	–99.4	–32.1	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at Dec. 31, 2006	**114.2**	**70.7**	**184.9**	**1,679.8**	**1,270.7**	**239.2**	**0.0**
Net book values							
As at Dec. 31, 2006	**97.1**	**42.3**	**139.4**	**1,734.8**	**288.0**	**107.3**	**599.1**
Accumulated acquisition costs/ production costs							
As at Jan. 1, 2005	211.4	133.2	344.6	3,250.5	1,575.7	354.2	302.1
Changes due to foreign currency differences	0.0	0.1	0.1	0.0	0.0	0.1	0.3
Changes in consolidation	0.0	–36.2	–36.2	9.9	0.0	0.2	0.0
Additions	2.1	9.3	11.4	135.6	29.3	44.0	232.1
Disposals	–0.1	–7.2	–7.3	–12.8	–61.6	–18.3	–10.6
Reclassifications	0.0	12.2	12.2	–27.2	25.3	1.5	–57.7
As at Dec. 31, 2005	**213.4**	**111.4**	**324.8**	**3,356.0**	**1,568.7**	**381.7**	**466.2**
Accumulated depreciation							
As at Jan. 1, 2005	94.6	80.7	175.3	1,545.2	1,308.4	247.4	0.0
Changes in consolidation	0.0	–28.3	–28.3	0.0	0.0	0.0	0.0
Additions	10.5	14.9	25.4	113.5	58.8	27.4	0.0
Disposals	0.0	–6.1	–6.1	–7.6	–44.0	–18.1	0.0
Reclassifications	0.0	0.0	0.0	–45.7	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at Dec. 31, 2005	**105.1**	**61.2**	**166.3**	**1,605.4**	**1,323.2**	**256.7**	**0.0**
Net book values							
As at Dec. 31, 2005	**108.3**	**50.2**	**158.5**	**1,750.6**	**245.5**	**125.0**	**466.2**

	Property, plant and equipment (total)	Investment property	Investments accounted for using the equity method	Other investments	Securities held for sale	At fair value securities	Loan to investments*	Other loans	Other financial assets (total)
	5,772.6	95.6	108.6	15.2	15.1	180.0	77.5	13.0	300.8
	–3.0	0.0	–2.2	0.0	0.0	0.0	–0.1	0.0	–0.1
	–55.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	443.9	53.4	6.4	4.5	46.8	20.9	0.1	8.2	80.5
	–237.7	0.0	–1.6	–1.4	0.0	0.0	–6.9	–1.5	–9.8
	–1.2	–23.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	5,918.9	**125.4**	**111.2**	**18.3**	**61.9**	**200.9**	**70.6**	**19.7**	**371.4**
	3,185.3	58.2	55.0	13.9	–0.6	5.2	69.2	3.6	91.3
	–20.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	221.8	0.3	0.0	0.0	0.0	1.9	0.0	0.4	2.3
	–196.5	0.0	0.0	–1.4	0.0	0.0	–1.7	–0.3	–3.4
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	–18.6	–2.3	0.0	0.0	–20.9
	3,189.7	**58.5**	**55.0**	**12.5**	**–19.2**	**4.8**	**67.5**	**3.7**	**69.3**
	2,729.2	**66.9**	**56.2**	**5.8**	**81.1**	**196.1**	**3.1**	**16.0**	**302.1**
	5,482.5	0.0	105.6	15.3	30.7	0.0	78.2	14.1	138.3
	0.4	0.0	2.5	0.0	0.0	0.0	–0.3	0.0	–0.3
	10.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	441.0	32.8	5.5	0.0	10.3	180.0	0.0	1.4	191.7
	–103.3	0.0	–1.3	–0.1	0.0	0.0	–0.4	–2.5	–3.0
	–58.1	62.8	–3.7	0.0	–25.9	0.0	0.0	0.0	–25.9
	5,772.6	**95.6**	**108.6**	**15.2**	**15.1**	**180.0**	**77.5**	**13.0**	**300.8**
	3,101.0	0.0	58.7	14.0	–0.2	0.0	69.4	2.5	85.7
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	199.7	10.8	0.0	0.0	0.0	5.2	0.0	1.3	6.5
	–69.7	0.0	0.0	0.0	0.0	0.0	–0.2	–0.2	–0.4
	–45.7	47.4	–1.0	0.0	0.6	0.0	0.0	0.0	0.6
	0.0	0.0	–2.7	–0.1	–1.0	0.0	0.0	0.0	–1.1
	3,185.3	**58.2**	**55.0**	**13.9**	**–0.6**	**5.2**	**69.2**	**3.6**	**91.3**
	2,587.3	**37.4**	**53.6**	**1.3**	**15.7**	**174.8**	**8.3**	**9.4**	**209.5**

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

Segment reporting

(Note 44)

Primary segment reporting

€ million		Aviation	Retail & Properties	Ground Handling	External Activities	Adjustments	Group
Revenue	2006	701.1	385.1	624.1	433.6	–	2,143.9
	2005	688.9	374.0	632.1	394.8	–	2,089.8
Other operating income	2006	31.4	22.3	23.4	29.3	–	106.4
	2005	19.0	12.7	7.7	12.5	–	51.9
Third-party revenue	**2006**	**732.5**	**407.4**	**647.5**	**462.9**	**–**	**2,250.3**
	2005	**707.9**	**386.7**	**639.8**	**407.3**	**–**	**2,141.7**
Inter-segment revenue	2006	44.4	390.2	18.1	119.0	–571.7	–
	2005	33.5	356.3	16.5	97.0	–503.3	–
Total revenue	2006	776.9	797.6	665.6	581.9	–571.7	2,250.3
	2005	741.4	743.0	656.3	504.3	–503.3	2,141.7
Segment profit (loss) / EBIT	**2006**	**57.5**	**219.6**	**34.6**	**18.7**	**–**	**330.4**
	2005	**92.4**	**179.6**	**51.8**	**–17.2**	**–**	**306.6**
Depreciation and amortization of segment assets	2006	82.5	95.0	28.4	42.1	–	248.0
	2005	63.9	109.9	22.8	39.3	–	235.9
EBITDA	**2006**	**140.0**	**314.6**	**63.0**	**60.8**	**–**	**578.4**
	2005	**156.3**	**289.5**	**74.6**	**22.1**	**–**	**542.5**
Share of results of investments accounted for using the equity method	2006	0.0	0.1	1.2	4.3	–	5.6
	2005	0.0	0.0	1.3	6.9	–	8.2
Income from investments	2006	0.0	0.0	0.0	6.8	–	6.8
	2005	0.0	0.0	0.0	6.3	–	6.3
Book values of segment assets	2006	1,766.2	1,429.0	552.3	496.4	50.6	4,294.5
	2005	1,583.3	1,471.0	377.1	500.9	19.3	3,951.6
Segment liabilities	2006	513.9	682.1	163.2	279.0	310.2	1,948.4
	2005	443.6	620.2	145.2	287.0	297.7	1,793.7
Acquisition cost of additions to property, plant and equipment, intangible assets and investment property	2006	224.2	168.8	61.3	50.2	–	504.5
	2005	204.4	173.0	47.7	60.1	–	485.2
Other significant non-cash expenses	2006	39.1	50.2	12.3	15.9	–	117.5
	2005	42.3	54.8	13.1	31.8	–	142.0
Acquisitions of investments accounted for using the equity method	2006	0.0	0.1	1.9	54.2	–	56.2
	2005	0.0	0.1	2.1	51.4	–	53.6

Secondary segment reporting

€ million		Germany	Rest of Europe	Asia	Rest of World	Adjustments	Group
Revenue	2006	1,821.5	254.2	56.7	11.5	–	2,143.9
	2005	1,798.5	248.1	32.0	11.2	–	2,089.8
Other operating income	2006	104.1	2.0	0.0	0.3	–	106.4
	2005	48.3	–0.2	3.7	0.1	–	51.9
Third-party revenue	**2006**	**1,925.6**	**256.2**	**56.7**	**11.8**	**–**	**2,250.3**
	2005	**1,846.8**	**247.9**	**35.7**	**11.3**	**–**	**2,141.7**
Book values of segment assets	2006	3,970.4	187.9	59.2	26.4	50.6	4,294.5
	2005	3,631.1	210.8	63.0	27.4	19.3	3,951.6
Acquisition cost of additions to property, plant and equipment, intangible assets and investment property	2006	489.6	12.7	2.1	0.1	–	504.5
	2005	465.8	15.4	3.8	0.2	–	485.2

Group notes

Notes to consolidation and accounting policies

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

The consolidated financial statements of Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (referred to hereinafter as Fraport AG), for the year that ended on December 31, 2006 have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB). The aims in preparing the consolidated financial statements on the basis of internationally recognized accounting standards are to improve international comparability and to increase the transparency of our Company for external recipients.

We have applied the International Financial Reporting Standards (IFRS) for the consolidated financial statements and the interpretations about them issued by the International Financial Reporting Interpretations Committee (IFRIC) binding on the balance sheet date completely and without any restrictions in recognition, measurement and disclosure in the 2006 consolidated financial statements. Pursuant to § 315 a paragraph 1 of the German Commercial Code (HGB) the supplementary disclosures in the notes to the financial statements were provided applying §§ 313, 314 German Commercial Code (HGB).

As a capital market oriented company, Fraport AG must prepare its consolidated financial statements in accordance with IFRS pursuant to Directive (EC) No. 1606/2002 of the European Parliament and the Council dated July 19, 2002. The Accounting Law Reform Act (BilReG) incorporated the regulations of the EU directive in German commercial law within § 315 a of the German Commercial Code (HGB).

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

(2) Major events in the Fraport Group

Letter of intent between Fraport and Ticona/Celanese
Fraport AG and Celanese AG/Ticona GmbH signed a letter of intent on November 29, 2006, with the aim to close the manufacturing operations of Ticona at its site in Kelsterbach by the middle of 2011, end of 2011 at the latest, on the basis of agreements to be finally negotiated, to remove aeronautical obstacles thereafter and transfer the entire area to Fraport by 2015. The land required for the new landing runway is to be transferred to Fraport immediately after signing the final agreements. Fraport AG will pay a total consideration of € 650 million to Celanese AG/Ticona GmbH. As agreed, an installment of € 20 million was paid to Ticona/Celanese in the current fiscal year and recognized as prepayments under property, plant and equipment. The remainder is to be paid in different tranches between 2008 and 2011.

After transfer of the land the property value will be recognized; the remainder will increase the cost of the new landing runway and will be depreciated after the runway has been handed over ready for operation.

(3) Companies included in consolidation and balance sheet date

The consolidated financial statements include Fraport AG as well as all subsidiaries (in full) and joint ventures (on a proportionate basis). Associated companies are accounted for using the equity method in the consolidated financial statements.

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

The consolidated financial statements of Fraport AG are dominated by the parent company. The companies included in the consolidated financial statements changed as follows during the fiscal year 2006:

	Germany	Other countries	Total
Fraport AG	**1**		**1**
Fully consolidated subsidiaries			
Dec. 31, 2005	20	46	66
Additions	2	4	6
Disposals		–3	–3
Dec. 31, 2006	**22**	**47**	**69**
Joint ventures using proportionate consolidation			
Dec. 31, 2005	6	9	15
Additions	1		1
Disposals	–1	–6	–7
Dec. 31, 2006	**6**	**3**	**9**
Companies consolidated excluding associates at Dec. 31, 2005	**27**	**55**	**82**
Companies consolidated excluding associates at Dec. 31, 2006	**29**	**50**	**79**
Investments in associates using the equity method of accounting			
Dec. 31, 2005	4	2	6
Additions	2	1	3
Dec. 31, 2006	**6**	**3**	**9**
Group companies including associates at Dec. 31, 2005	**31**	**57**	**88**
Group companies including associates at Dec. 31, 2006	**35**	**53**	**88**

The additions to the fully consolidated subsidiaries are the newly established companies Fraport Sicherheit Projekt GmbH, Frankfurt am Main, FIS Deutschland Flug- und Industriesicherheit Service GmbH, Kelsterbach, Fraport Twin Star Airport Management AD, Varna (Bulgaria), ACR Gulf Ltd., London (Great Britain), ICTS Denmark ApS, Copenhagen (Denmark) and Fraport Airport Operations India Private Limited, Bangalore (India).

The disposals consist of GuardOne (UK) Ltd., London (Great Britain) and Globale Marine Cable Systems Ltd. Nigeria, Port Harcourt Rivers State (Nigeria) which were closed and were released from the ICTS sub-group effective June 30, 2006. Effective November 8, 2006 Fraport Ground Services USA Inc., Jacksonville (USA) was closed and deconsolidated from the Fraport Group. The deconsolidation of the companies resulted in minor losses upon disposal.

The addition to the joint ventures involve the Terminal for Kids gGmbH, Frankfurt am Main. Disposals of joint ventures consist of the seven companies of the TCR sub-group. The deconsolidation of the TCR sub-group gave rise to a profit of € 9.5 million. The total selling price of € 15.0 million was paid in cash.

Of the associated companies, Asia Security Management Ltd., Bangkok (Thailand), European Center for Aviation Development – ECAD GmbH, Darmstadt, ZIV – Zentrum für integrierte Verkehrssysteme GmbH, Darmstadt were accounted for the first time in the Fraport consolidated financial statements using the equity method.

The share property (cf. 152 et seq) includes all the main subsidiaries, joint ventures and associated companies with information from the last annual financial statements according to the IFRS rules (revenue, shareholders' equity, profit/loss for the year and number of employees). The complete list of the Group's shareholdings in accordance with § 313 paragraphs 2 and 3 HGB and § 285 No. 11 and No. 11a will be filed with the Commercial Register maintained at the local court of Frankfurt am Main (Department B, No. 7042) as an appendix to the notes to the annual financial statements of Fraport AG.

Fraport AG holds 52% of the shares in the NICE company. However, the company is included in the Fraport Group on a proportionate basis due to the contractually agreed joint management. The exercise of control of commercial business activity and the existence of the company require in each case unanimous consent from both partners.

Fraport AG owns a 40% interest in the GCS company. Based on the control contractually agreed and factually applied the company is fully consolidated.

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

€ million	Dec. 31, 2005	Dec. 31, 2006
Non-current assets	15.9	–36.1
Current assets	3.9	–7.2
Cash and cash equivalents	11.5	–1.8
Non-current liabilities	–11.1	–34.9
Current liabilities	–5.6	–4.7

The changes in the companies consolidated in the fiscal year relate to the sale of TCR. The effect of the newly consolidated companies on the result for the year before consolidation adjustments was a loss of € 4.4 million (previous year: a profit of € 1.3 million).

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

€ million	2005	2006
Non-current assets	42.3	8.6
Current assets	20.4	11.4
Shareholders' equity	15.8	11.5
Non-current liabilities	35.3	2.0
Current liabilities	11.6	6.5
Income[1]	84.4	51.8
Expenses[1]	79.2	48.9

[1] Antalya was included in the previous year until September 30, 2005.

Interests acquired and new companies established

Terminal for Kids gGmbH

On March 27, 2006, the joint venture Medical Airport Service GmbH, Kelsterbach, established the 100% subsidiary Terminal for Kids gGmbH, Frankfurt am Main. The capital investment is € 25,000. The business purpose of the company is to promote the involvement of both the corporate and public sector in child care. The company was included in the consolidated financial statements as of April 1, 2006.

Fraport Airport Operations India Private Limited

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

Fraport Sicherheit Projekt GmbH

The Fraport Sicherheit Projekt GmbH company, Frankfurt am Main, was established on July 26, 2006 being a wholly-owned subsidiary of Fraport AG with a capital investment of € 25,000. The company's purpose is to provide security services. The company was included for the first time in the Fraport consolidated financial statements at the time of its establishment.

Fraport Twin Star Airport Management AD

After Fraport AG had been contracted by the Bulgarian government to modernize, expand and operate the airports in Varna and Bourgas, the Fraport Twin Star Airport Management AD company, Varna was established on August 11, 2006 together with the Bulgarian company "BM Star" EOOD, Sofia. Fraport AG, as the syndicate leader, holds 60% of the equity shares in the amount of € 614,000 in the company. The company was included for the first time in the Fraport consolidated financial statements at the time of its establishment.

ACR Gulf Ltd.

On January 3, 2006 ICTS Europe established the ACR Gulf Ltd. company, London. ICTS Europe acquired 100% of the shares of nominally 1 GBP. The company was consolidated in the ICTS sub-group on June 30, 2006, after it commenced its business activities in the field of security service operations.

ICTS Denmark ApS

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

Asia Security Management Ltd.

On August 4, 2006, ICTS Europe acquired 30.5% equity shares in the amount of € 641,000 in the newly established Asia Security Management Ltd. company, Bangkok. The company is active in the field of security services. It was accounted for using the equity method in the ICTS sub-group as of September 30, 2006.

FIS Deutschland Flug- und Industriesicherheit Service GmbH

On December 4, 2006 ICTS Europe established the wholly-owned subsidiary FIS Deutschland Flug- und Industriesicherheit Service GmbH, Kelsterbach. The company's share capital totals € 25,000. FIS Deutschland provides security services. The company was included for the first time in the ICTS sub-group at the time of its establishment.

Further changes

Effective as of January 1, 2006 the European Center for Aviation Development – ECAD – GmbH, Darmstadt and ZIV – Zentrum für integrierte Verkehrssysteme GmbH, Darmstadt were accounted for in the Fraport consolidated financial statements using the equity method.

ECAD, in which Fraport AG has held an interest of 25% (€ 6,300) since the end of 2005 provides services in aviation science and research.

Fraport AG holds a total investment of 32.5% in ZIV company following the acquisition of additional equity shares in September 2005. An allowance was recognized in 2004 for the acquisition cost of the investment in the amount of some € 1.2 million. ZIV operates in applied research and the application of knowledge and research results in regional traffic management.

On December 8, 2004, Fraport AG and the Adler Real Estate GmbH signed a dependent sales contract on the limited partner's share (proportion of voting rights) of approximately 19.7% in Airrail Center Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Oberhaching (Airrail). After the terms included in the sales agreement were complied with in December 2006, Fraport AG joined the company as a limited partner. The business activities of Airrail comprise the purchase and sale, building development, administration and leasing of land, in particular the construction of multi-functional real estate (offices, retail shops, food, beverages and hotel areas as well as garages) on the platform above the long-distance train station at the Frankfurt Airport. Shares in the commercial partnership are recognized in accordance with IAS 32 as a financial instrument.

End of 2006 Fraport AG has signed a contract with the co-partner over the purchase of additional shares of LAP. The transaction is subject to the approval on the part of the licensor and the lending banks. After takeover of control LAP will be fully consolidated within the Fraport Group.

(4) Consolidation principles

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

Goodwill is recognized for the excess of the cost of the investment measured at present value over the identifiable assets and liabilities. Any excess of fair value over cost on the liabilities side is recognized in net income. Goodwill is annually tested for impairment. If goodwill is impaired, write-downs are made to the recoverable amount.

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

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

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

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

We refer to the statements in note 5 regarding changes in consolidation and accounting policies based on the new IFRS regulations.

Foreign currency translation

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

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

The following exchange rates were used for currency translation purposes:

Unit/currency in €	Exchange rate on the balance sheet date Dec. 31, 2005	Average exchange rate 2005	Exchange rate on the balance sheet date Dec. 31, 2006	Average exchange rate 2006
1 Turkish lira (TRY)	0.6299	–	0.5401	0.5562
100 Philippine pesos (PHP)	1.5944	1.4869	1.5493	1.5533
1 US dollar (US-$)	0.8477	0.8380	0.7593	0.7964
1 Swedish crown (SEK)	0.1065	0.1077	0.1106	0.1081
1 pound sterling (GBP)	1.4592	1.4624	1.4892	1.4669
1 Hong Kong dollar (HKD)	0.1093	0.1033	0.0980	0.1025
1 New sol (PEN)	0.2465	0.2439	0.2372	0.2433
1 Swiss franc (CHF)	0.6430	0.6459	0.6223	0.6358
1 Norwegian crown (NOK)	0.1252	0.1249	0.1214	0.1243
1 yuan renminbi (CNY)	0.1050	0.0980	0.0969	0.0997

Financial reporting in hyperinflationary economies

Effective January 1, 2006, the principles of financial reporting in hyperinflationary economies (IAS 29) were no longer used for Antalya, our company in Turkey. The criteria for classifying Turkey as a hyperinflationary economy no longer applied in the fiscal year. Foreign currency translation of the Antalya annual financial statements for the year ended 2006 was made in compliance with IAS 21. The fact that IAS 29 ceased to be applied did not have any major impact on assets or earnings.

In previous years the Antalya financial statements were remeasured in accordance with the historical cost approach. The price index last used on December 31, 2005 (Turkish countrywide wholesale price index "WPI") and the relevant conversion factor was 8,785.7 and 1.0454 respectively.

(5) Accounting policies

Consistent accounting and measurement policies

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

Change in the recognition of other taxes

Since January 1, 2006, other taxes have been recorded under other operating expenses in the operating result. In the fiscal year 2006 other taxes amounted to € 6.8 million, compared with € 5.0 million in the previous year. The figures of the previous year were adjusted for comparison purposes. The effects of the changes in the recognition of other taxes on the operating result, EBIT and EBITDA are shown in the following overview:

€ million	2005	2005 adjusted	2006
Other operating expenses	228.1	233.1	241.7
EBITDA	547.5	542.5	578.4
EBIT	311.6	306.6	330.4
Result from ordinary operations	290.4	285.4	340.2

Recognition of income and expense

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

Goodwill

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

Intangible assets

Intangible assets (IAS 38) are recognized at cost and amortized over their expected useful lives using the straight-line method. Borrowing costs are recognized directly as an expense (IAS 23).

Property, plant and equipment

Property, plant and equipment (IAS 16) are measured at cost and subsequently at cost less any straight-line depreciation. Production costs essentially include all direct costs including all costs that can be allocated directly as well as appropriate overhead. Borrowing costs are recognized directly as an expense (IAS 23).

Fraport AG determines and recognizes the acquisition costs of the equipment and facilities used for an interim period in connection with the takeover of the US Air Base proportionately using the discounted future earnings method based on estimated revenue from the use thereof until the final completion of the terminal construction, taking into account an annual interest rate of 5.0%.

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

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

Investment property

Investment property is property held to earn rentals or for long-term capital appreciation and not for own requirements as well as land held for a currently undetermined future use.

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

Investment property is measured initially at cost. Borrowing costs are not recognized as part of cost; they are recognized in the period in which they are incurred. Investment property is measured at cost less amortization and impairment losses, where applicable after initial recognition.

Impairment

An impairment loss is recognized for assets on the balance sheet date when the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is defined as the higher of the net selling price and the value in use. The value in use is the present value of the estimated future cash flows of funds from the use and subsequent disposal of the asset.

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

Finance lease

Economic ownership of leased assets is attributed to the lessee according to IAS 17 if the lessee substantially bears all the risks and rewards incidental to ownership of leased assets. If economic ownership can be attributed to the Fraport Group as lessee, the lease is recognized at the present value of the minimum lease payments at the inception of the lease plus any incidental costs that are paid. The asset is depreciated over its useful life or the lease term, if this is shorter. If economic ownership can not be attributed to the Fraport Group as the lessor, a receivable equivalent to the present value of the lease payments is recognized.

Investments accounted for using the equity method

Investments accounted for using the equity method are recognized at the proportionate equity plus any goodwill.

Other financial assets

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

Loans and other investments are measured at amortized cost at the balance sheet date. Financial assets that are held for sale and other securities are generally measured at fair value. However, if the latter can not be determined reliably, these assets are also measured at cost. Changes in fair value are recognized in equity (IAS 39).

Inventories

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

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

Property held for sale within the ordinary course of business is also measured at the lower of cost or realizable value. Net realizable value is the estimated selling price less the costs incurred until the sale and discounted over the planned selling period. Estimated sales proceeds are determined using current market prices for similar property less an allowance for sales risks.

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

If a write-down made in previous periods is no longer necessary, the write-down is reversed (IAS 2).

Receivables and other assets

Receivables and other assets are measured at cost at the settlement date, i.e. at the time they are created or when economic ownership is transferred. Long-term low-interest or interest free receivables are recognized at their present value at the time of origination or acquisition.

In subsequent measurement, the receivables and other assets are measured at amortized cost, provided they are not held for trading. Appropriate allowances are recognized measured by the probable risk of default. Receivables in foreign currencies are translated at the exchange rate at the balance sheet date.

In the case of financial instruments, such as trade accounts receivable and other current assets, the fair value is not specified if the carrying amount is a reasonable approximation of the fair value.

Cash and cash equivalents

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

Equity instruments

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

Deferred tax

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

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

Deferred taxes are measured on the basis of the tax rate applicable in the country concerned. To calculate deferred tax of German companies a corporation tax rate of 25% (previous year 25%) was taken as a basis as of December 31, 2006 plus a solidarity surcharge of 5.5% (previous year 5.5%) on the corporation tax paid. As a result, a combined income tax rate of some 40% including trade tax has been applied to German companies for the calculation of deferred tax.

Any effects from changes in tax rates and tax law already decided at the balance sheet date, are generally taken to profit or loss. Deferred taxes not affecting profit or loss are recognized in the revaluation surplus.

Provisions for pensions and similar obligations

The provisions for pensions have been calculated in accordance with IAS 19, applying actuarial methods and a discount rate of 4.4% p.a. (previous year: 4.0% p.a.). The calculations did not include salary increases for the active members of the Executive Board. As far as former members of the Executive Board are concerned, pension increase assumptions are based on German legislation about the adjustment of salary and pension payments by the federal and state governments for 2003/2004 (BBVAnpG). The calculation of pension was based on the 2005 mortality tables of Professor K. Heubeck.

Tax liabilities

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

Other provisions

Other provisions and accruals are recognized in the amount required to settle the obligations. They are recognized to the extent that there is a current commitment to third parties. It is also required that they are the result of a past event and that an outflow of resources is more likely than not to be needed to settle the obligation (IAS 37).

Provisions for internal costs are not recognized.

Long-term provisions which are not due to be settled within twelve months after the balance sheet date are discounted to their present value at a capital market interest rate that is adequate in view of the term involved, taking future cost increases into account, provided that the effect of the time value of money is material.

Liabilities

Liabilities are recognized in the amount of the consideration received. Subsequent measurement is made at amortized cost. Liabilities in foreign currencies are translated at the exchange rate on the balance sheet date.

Finance lease liabilities are stated at the present value of the minimum lease payments.

As regards financial instruments, such as trade accounts payable, there is no disclosure of fair value if the carrying amount is a reasonable approximation of the fair value.

Derivative financial instruments, hedging transactions

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

Share options

The options issued on shares of Fraport AG in connection with the restricted authorized capital have been recognized and measured in accordance with IFRS 2 since January 1, 2005. The measurement of the share-based payments is based on fair value.

New standards

IFRIC 4 "Determining whether an Arrangement contains a Lease" was published on December 2, 2004. IFRIC 4 provides guidance for determining whether contractual arrangements such as service or outsourcing arrangements are leases that should be accounted for in accordance with IAS 17. IFRIC 4 applies to fiscal years beginning 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 applies to accounting in the financial statements 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 fiscal years beginning 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 revised IAS 19 was published on December 16, 2004. A further elective right was introduced for the accounting for actuarial gains and losses. Actuarial gains and losses can now be recognized in equity immediately without affecting net income. In the Fraport Group, actuarial gains and losses are recognized directly as expense in accordance with the elective right in IAS 19.92 in conjunction with IAS 19.93.

On August 18, 2005 the IASB published IFRS 7 “Financial Instruments; Disclosures”. IFRS 7 replaces IAS 30 and parts of IAS 32 and redefines disclosure obligations for financial instruments. The standard should be applied by businesses from all sectors, with the extent of reporting required depending on the intensity of use of financial instruments and their contribution to risk. IFRS 7 applies to fiscal 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 adopted the following changes to IAS 39 in 2005: “Foreign Currency Risk of Intragroup Transactions“ on April 14, “Fair Value Option” on June 16 and “Financial Guarantees” on August 18. The changes from August 18 relate to IAS 39 and IFRS 4 and require that obligations as part of financial guarantees should be recognized as liability in the balance sheet of the company with the obligation. The changes to IAS 39 apply to fiscal years that begin on or after January 1, 2006. The application of the revised 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 approved in November 2005. IFRIC 7 contains guidance on how IAS 29 should be applied in the first year an entity identifies the existence of hyperinflation. IFRIC 7 applies to fiscal years beginning 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 the IASB adopted changes to IAS 21 “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 equity in the consolidated financial statements. The revised IAS 21 applies to fiscal years beginning on or after January 1, 2006. The application of the revised standard does not have any major impact on the asset, financial and earnings situation of the Fraport Group.

IFRIC issued the interpretation IFRIC 8 “Scope of IFRS 2” on January 12, 2006. IFRIC 8 clarifies that IFRS 2 applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 applies to fiscal years beginning on or after May 1, 2006.

IFRIC 9 “Reassessment of Embedded Derivatives” was published on March 1, 2006. IAS 39 “Financial Instruments: Recognition and Measurement” requires that a business, when it becomes contract party, should check whether a contract contains an embedded derivative that should be separated from the main contract and accounted for as a separate derivative.IFRIC 9 looks at the question of whether, according to IAS 39, such an assessment is to be made only when the company becomes a party in the hybrid contract or throughout the term of the contract. IFRIC 9 applies to fiscal years beginning on or after June 1, 2006.

IFRIC 8 and IFRIC 9 were not yet applied in these annual financial statements. The future application of these interpretations will not have any major impact on the asset, financial and earnings situation of the Fraport Group.

IFRIC issued the interpretation IFRIC 10 “Interim Financial Reporting and Impairment” on June 20, 2006. According to IFRIC 10 impairment losses recognized in a previous interim period which must not be reversed under IAS 36 and/or IAS 39, must not be reversed in future financial statements. IFRIC 10 applies to fiscal years beginning on or after November 1, 2006. The Fraport Group complies with the obligation of not reversing any impairment loss as set out under IAS 36 and IAS 39 in its interim and annual financial statements.

The International Financial Reporting Interpretations Committee issued the interpretation IFRIC 11 “Group and Treasury Share Transactions” on November 2, 2006 and IFRIC 12 “Service Concession Arrangements” on November 30, 2006.

IFRIC 11 provides guidance on applying IFRS 2 to share-based payments involving an entity’s own equity instruments or involving the equity instruments of another group company. IFRIC 11 will apply to fiscal years beginning on or after March 1, 2007. An earlier application is recommended.

IFRIC 12 provides guidance on the accounting for service arrangements by companies providing public services for government bodies. IFRIC 12 will apply to fiscal years beginning on or after January 1, 2008. An earlier application is recommended.

IFRIC 11 and IFRIC 12 were not yet applied in these annual financial statements. The future application of IFRIC 11 will not have any major impact on the asset, financial and earnings situation of the Fraport Group.

The effects of IFRIC 12 are still under review. Currently, the interpretation could affect the asset situation in particular.

The IASB published IFRS 8 “Operating Segments” on November 30, 2006. IFRS 8 replaces IAS 14 and adjusts the provisions to those of SFAS 131. IFRS 8 takes the management approach as a basis for segment reporting. The disclosures in the notes were enlarged. IFRS 8 will apply to fiscal years beginning on or after January 1, 2009. An earlier application is permitted. We have not yet applied IFRS 8 in these annual financial statements. The future application of these interpretations will not have any major impact on the asset, financial and earnings situation of the Fraport Group.

Notes to the consolidated income statement

(6) Revenue

€ million	2005	2006
Aviation		
Airport fees	525.6	540.1
Security services	141.1	137.4
Other revenue	22.2	23.6
	688.9	**701.1**
Retail & Properties		
Real Estate	157.0	146.9
Retail	117.9	135.1
Parking	53.2	55.6
Other revenue	45.9	47.5
	374.0	**385.1**
Ground Handling		
Ground handling services	428.4	419.9
Infrastructure fees	192.3	192.5
Other revenue	11.4	11.7
	632.1	**624.1**
External Activities	**394.8**	**433.6**
	2,089.8	**2,143.9**

Further explanatory notes can be found in segment reporting (note 44).

The segment Retail & Properties includes proceeds from operating leases. The revenue-related surface rentals recognized in the fiscal year total € 110.3 million (previous year: € 101.3 million).

The operating leases mainly relate to the leasing of buildings and land. The terms of the building lease contracts always end in 2009. Purchase options were not agreed. The residual term of heritable building rights contracts is 48 years on average. No purchase options exist for them as well.

The gross carrying amount of the leased buildings and land amounts to € 250.8 million. Accumulated depreciation amounting to € 194.6 million was carried out and the depreciation charges amounted to € 9.4 million for the fiscal year.

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

	Remaining term			Total	Remaining term			Total
€ million	**< 1 year**	**1–5 years**	**> 5 years**	**2005**	**< 1 year**	**1–5 years**	**> 5 years**	**2006**
Minimum lease payments	71.2	141.0	487.8	**700.0**	59.8	169.1	470.9	**699.8**

(7) Change in finished goods and work in process

€ million	2005	2006
Change in finished goods and work in process	0.1	0.0

(8) Other internal work capitalized

€ million	2005	2006
Other internal work capitalized	20.6	23.1

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

(9) Other operating income

€ million	2005	2006
Release of provisions and accruals	9.9	36.1
Income from deconsolidation	0.8	9.5
Other income relating to previous years	1.2	7.9
Receipts from the Manila project (pro rata; see also note 18)	–	6.1
Derecognition of liabilities	–	5.5
Gains from disposal of non-current assets (excluding financial assets)	2.3	2.3
Income from compensation payments	2.9	2.2
Release of special items for investment grants	2.2	1.7
Release of write-downs	0.3	1.2
Other items	11.6	10.8
	31.2	**83.3**

The release of provisions and accruals relates in particular to a provision recognized in the previous year for a new ground-handling contract, and other current provisions and accruals recognized for discounts and reimbursements as well as provisions and accruals recognized for personnel matters.

The income from deconsolidation relates to the sale of TCR.

(10) Cost of materials

€ million	2005	2006
Cost of raw materials, consumables, supplies	–75.8	–79.4
Cost of purchased services	–257.8	–273.9
	–333.6	**–353.3**

(11) Personnel expenses and number of employees

€ million	2005	2006
Wages and salaries	–835.2	–874.5
Social security and welfare expenses	–160.7	–170.3
Pension expenses	–36.6	–32.1
	–1,032.5	**–1,076.9**

€ 41.7 million of the increase in personnel expenses relate to ICTS, which expanded its business in the security services field. On a yearly average basis, the companies in the ICTS Group deployed 2,013 more employees.

Personnel expenses of Fraport AG were lower compared with the previous year since the average number of employees was reduced by 268 members of permanent staff.

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

Employer’s contributions to statutory pension insurance are included in social-security deductions.

Average number of employees	2005	2006
Permanent staff	25,007	27,411
Temporary staff (interns, students)	774	835
	25,781	**28,246**

The average number of staff employed during the fiscal year (excluding apprentices and employees exempted from normal duties) was 28,126 at the consolidated companies (previous year: 25,410) and 120 (previous year: 371) in the companies using the proportionate consolidation.

(12) Depreciation and amortization of tangible and intangible non-current assets and investment property

€ million	2005	2006
Depreciation and amortization of tangible and intangible non-current assets and investment property	–235.9	–248.0

Depreciation

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

	Years
Other intangible assets	3–25 years
Buildings (structural parts)	30–80 years
Technical buildings	20–40 years
Building equipment	12–38 years
Ground equipment	5–33 years
Take-off/landing runways	20 years
Aprons	50 years
Taxiways	20 years
Other technical equipment and machinery	3–33 years
Vehicles	5–14 years
Other equipment, operating and office equipment	4–25 years

Low-value assets each costing less than € 410 are fully written off in the year of acquisition and shown as a disposal.

The useful life of investment property is identical to the useful life of real estate in property, plant and equipment. Depreciation expenses were incurred in the total amount of € 0.3 million.

The reassessment of useful lives (extension) made in the year under review, by taking into account the useful lives assessed for comparable international airports resulted in the reduction of depreciation by € 21.2 million. In addition, the useful lives were adjusted to the expected demolition deadlines mainly due to the capital expenditures planned for the increase in capacities and comprehensive remodeling planned in the terminal. These adjustments resulted in additional depreciation of € 29.5 million.

Impairment

Depreciation and amortization include impairment losses as set out in IAS 36 of € 10.1 million for goodwill (previous year: € 10.5 million), of € 3.4 million for other intangible assets and € 7.5 million for property, plant and equipment. In the previous year, impairment losses of € 10.0 million were recognized for investment property.

The measurement of assets reflects future earnings expectations. The recoverable amount is the higher of the value in use or the net selling price. Only the value in use was applied in the reporting year. Determination of the future cash flow is based on the medium-term planning figures. The planning period generally covers six years; the perpetual annuity is generally calculated using the unchanged planning figures of the sixth period. A growth rate (of between 0.0% and 1.5%) based on the planning assumptions is taken into account in the perpetual annuity. The discounting factor includes the weighted average cost of capital (WACC). Discount rates after tax of 6.1% to 9.4% were used in the fiscal year (pre-tax between 10.0% and 13.3%).

Impairment losses for other intangible assets and property, plant and equipment have been recognized because it is likely that the assets' use will be permanently restricted.

Impairment of goodwill relates to the External Activities segment, impairment of other intangible assets relates to the Aviation segment. For further details on the impairment of goodwill we refer to note 21. The impairment of property, plant and equipment relates to the Retail & Properties segment (€ 6.0 million) and the External Activities segment (€ 1.5 million).

(13) Other operating expenses

€ million	2005	2006
Rental and lease expenses	–34.9	–30.8
Consulting, legal and auditing expenses	–28.1	–26.0
Insurance premiums	–23.4	–24.6
Losses from disposals of non-current assets	–7.4	–19.8
Advertising costs	–16.4	–18.0
Other taxes (see note 5)	–5.0	–6.8
Write-downs of trade accounts receivable	–6.8	–3.2
Other items	–111.1	–112.5
(of which unrelated to the period)	(–1.1)	(–2.6)
	–233.1	**–241.7**

The increase in losses from disposals of non-current assets is mainly the result of an increase in demolition and scrapping in connection with comprehensive remodeling and expansion projects and the derecognition of planning services no longer usable.

Since January 1, 2006, other taxes have been recognized under other operating expenses in the operating result. In the fiscal year 2006 other taxes amounted to € 6.8 million, compared with € 5.0 million in the previous year. The figures of the previous year were adjusted for comparison purposes. The other taxes primarily consist of real estate tax (€ 4.0 million, previous year: € 4.2 million).

The consulting, legal and audit expenses include auditor fees amounting to € 2.4 million (previous year: € 2.3 million). They are comprised as follows:

2006 € million	Fraport AG	Consolidated companies
Audit	0.8	0.3
Other certification or valuation services	0.2	–
Tax advisory services	–	–
Other services	1.0	0.1
	2.0	**0.4**

(14) Interest result

€ million	2005	2006
Other interest and similar income	17.0	19.0
Interest and similar expenses	–40.1	–44.9

Interest expenses include a loss of € 2.6 million on the net monetary position from accounting for hyperinflationary economies (previous year: € 3.8 million) due to adjustments in property, plant and equipment.

(15) Results of investments accounted for using the equity method

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

€ million	2005	2006
Hanover Airport	2.0	2.5
LAP	2.2	2.0
ASG	1.2	1.0
ACF	0.1	0.2
Gateway Gardens	–	0.1
Asia Security Management (ICTS sub-group)	–	–0.2
Portway	2.7	–
	8.2	**5.6**

(16) Income from investments

The income from investments can be broken down as follows:

€ million	2005	2006
Ineuropa Handling UTE	6.3	6.8

(17) Impairment of financial assets

The impairments of financial assets relate to the following company:

€ million	2005	2006
Hessische Flugplatz GmbH Egelsbach (Darlehen)	–1.3	–0.4

(18) Other financial results

The other financial results can be broken down as follows:

€ million	2005	2006
Income		
Income from Manila project (pro rata)	–	18.0
Income from securities and loans	4.2	5.5
Foreign currency gains, unrealized	0.1	2.4
Foreign currency gains, realized	0.4	2.2
Measurement of derivatives	–	2.8
Fair value measurement of securities in non-current assets	–	2.3
	4.7	**33.2**
Expenses		
Foreign currency losses, unrealized	–8.1	–2.7
Foreign currency losses, realized	–1.1	–1.6
Interests of minority shareholders in GCS	–1.1	–0.9
Measurement of derivatives	–0.5	–2.4
Fair value measurement of securities in non-current assets	–5.2	–1.9
	–16.0	**–9.5**
Total other financial result	**–11.3**	**23.7**

In September 2006 the Philippine government made a payment in the amount of PHP 3,002 million to the terminal company PIATCO in which Fraport AG holds an interest of 30%. Of this amount Fraport AG received some € 24.1 million in September and October 2006. The payments received relate to receivables in the amount of € 6.1 million (see note 13) and loans in the amount of € 18 million which were written down in the fiscal year 2002 within the scope of the overall write-off of the Manila project.

(19) Taxes on income

Income tax expense can be broken down as follows:

€ million	**2005**	**2006**
Current taxes on income	–143.6	–105.1
Deferred taxes on income	19.7	–6.2
	–123.9	**–111.3**

The tax expenses include the corporation and trade income taxes of the companies in Germany as well as comparable taxes on income at the companies outside Germany. The actual taxes result from the taxable profits or losses of the fiscal year to which the local tax rates of the respective group company are applied.

Deferred tax is generally calculated using local tax rates. To calculate deferred tax of German companies a corporation tax rate of 25% (previous year: 25%) was taken as a basis as of December 31, 2006 plus a solidarity surcharge of 5.5% (previous year: 5.5%) on the corporation tax paid. As a result, a tax rate of some 40% including trade tax is applied to German companies for the calculation of deferred tax; this rate is consistently used for domestic subsidiaries as a convenience.

With the enforcement in 2003 of the Tax Benefits Reduction Act (Steuervergünstigungsabbaugesetz) the legal provisions for the use of the corporation tax credit were changed, which resulted from the corporation tax imputation system applicable until 2001. In the fiscal year 2006 the IFRS financial statements of Fraport AG reflect a corporation tax reduction of € 3.1 million.

On December 12, 2006, the revised § 37 of the German Corporation Tax Act (KStG) became legally effective in connection with the amendments based upon the departmental draft of SE-Introductory Legislation (SEStEG) ("Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerlicher Vorschriften").

Pursuant to § 37 (4) KStG (revised) the corporation tax credit balance of Fraport AG was last assessed on December 31, 2006. Fraport AG is entitled to an annual refund of one tenth of its corporation tax credit within the refund period between 2008 and 2017 under § 37 (5) KStG (revised). The refund claim generally accrues after expiry of December 31, 2006 and is non-interest bearing. The first installment will be refunded in 2008 and is payable on September 30 of each year.

The corporation tax credit totals some € 40.2 million on December 31, 2006, discounted at an interest rate of 3.75% due to its long-term nature. The present value of this claim to tax refund is some € 32.2 million. Since the Act is substantively enacted by the end of 2006, the entire refund claim must be recognized in profit until December 31, 2006. This refund claim is substantially an overpayment in the meaning of IAS 12.12.

Deferred taxes are recognized for all temporary differences between the IFRS financial statements and their tax bases and for the carryforward of unused tax losses. The Fraport Group had unused tax losses carried forward in the amount of some € 12.4 million (previous year: € 4.6 million) as of December 31, 2006. Taking into account minimum taxation under current law, losses may be carried forward in Germany for an unlimited period. The use of tax losses outside Germany is governed by national law. Losses outside Germany can generally be carried forward between 15 and 20 years. The recoverability of deferred tax assets depends essentially on the probability of the future use of the losses carried forward. This depends on whether future taxable profit will be available in the periods, in which the carryforward of unused tax losses can be utilized.

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

Deferred tax is recognized for the following temporary differences between the carrying amounts of the assets and liabilities accounted for under IFRS and their tax base:

	2005		2006	
€ million	**Assets**	**Liabilities & equity**	**Assets**	**Liabilities & equity**
Property, plant and equipment	4.3	–142.0	0.6	–134.4
Financial assets	13.2	–	12.3	–
Receivables and other assets	1.2	–	6.0	–3.8
Prepaid expenses	–	–3.6	–	–3.7
Pension provisions	0.6	–	0.5	–0.7
Other provisions	11.8	–	4.9	–
Liabilities	13.7	–7.4	16.0	–13.2
Other balance sheet items	5.9	–3.4	–	–6.4
Losses carried forward	2.5	–	1.0	–
Total individual financial statements	**53.2**	**–156.4**	**41.3**	**–162.2**
Offsetting	–44.6	44.6	–34.9	34.9
Consolidation adjustments	10.7	–0.4	10.0	–0.3
Consolidated balance sheet	**19.3**	**–112.2**	**16.4**	**–127.6**

In the fiscal year deferred taxes in the amount of € 12.6 million (previous year: € 4.2 million) from the change in the fair values of financial derivatives and securities were recognized in equity. No other deferred tax was included in equity.

No deferred tax liabilities were recognized for future dividends that may be paid from retained earnings of subsidiaries and joint ventures. The unrecognized amount is immaterial.

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

€ million	2005	2006
Earnings before taxes on income	285.4	340.2
Trade tax on income in Germany	–62.5	–63.6
Earnings after trade tax on income	**222.9**	**276.7**
Expected tax income/expense[1]	–58.8	–73.0
Tax effects on differences in tax rates outside Germany	–2.3	–3.3
Taxes on non-deductible expenses	–1.1	–1.9
Permanent differences including non-deductible tax audit provisions	–12.8	–14.0
Tax effect on consolidation adjustments that affect earnings	–4.6	–8.2
Tax effect on tax-free income and taxable income of previous years	19.0	24.3
Corporation tax credit	–	35.2
Losses carryforward not effective for tax purposes	–1.8	–3.1
Other	1.0	–3.7
Trade tax on income in Germany	–62.5	–63.6
Taxes on income according to the income statement	**–123.9**	**–111.3**

[1] *Tax income/expense expected with a corporation tax at 25.0% plus a solidarity surcharge of 5.5%.*

The tax rate for Group at December 31, 2006 is 32.7% (previous year: 43.4%). Adjusted by the special effect of recognizing the present value of the corporation tax credit of Fraport AG (see above) the effective tax rate for the Group is 42.2%.

(20) Earnings per share

	2005		2006	
	basic	**diluted**	**basic**	**diluted**
Profit for the year in € million attributable to shareholders of Fraport AG	161.2	161.2	229.3	229.3
Weighted average number of shares	90,800,771	92,110,740	91,228,810	92,511,493
Earnings per € 10 share in €	1.78	1.75	2.51	2.48

The basic earnings per share for the fiscal year 2006 are calculated using the weighted average number of issued shares with a share in capital stock of € 10 each. Due to the capital increases as well as the acquisition and transfer of treasury shares, the number of outstanding shares during the period rose from 91,078,430 to 91,368,619 on December 31, 2006. With a weighted average number of 91,228,810 outstanding shares, the basic earnings per € 10 share amounted to € 2.51.

As a result of the rights granted to employees to buy shares (authorized capital) within the framework of a company agreement (employee share plan) and of the issue of subscription rights in connection with the 2006 share option plan (restricted authorized capital), the diluted number of shares amounts to 92,511,493 and the diluted earnings per € 10 share are therefore € 2.48.

Notes to the consolidated balance sheet

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

(21) Goodwill

Goodwill arising from consolidation is as follows:

€ million	Carrying amount Jan. 1, 2006	Disposals	Impairment losses in acc. with IAS 36	Carrying amount Dec. 31, 2006
ICTS	92.6			92.6
Antalya	8.1		–8.1	0.0
Media	0.3			0.3
Sub-group ICTS	6.2		–2.0	4.2
Sub-group TCR	1.1	–1.1		0.0
	108.3	**–1.1**	**–10.1**	**97.1**

(22) Other intangible assets

€ million	Dec. 31, 2005	Dec. 31, 2006
Other intangible assets	50.2	42.3

Acquired intangible assets are measured at cost. They are amortized over their useful lives using the straight line method. Impairment losses are recognized in accordance with IAS 36 where necessary. Other intangible assets essentially relate to IT programs.

(23) Property, plant and equipment

€ million	Dec. 31, 2005	Dec. 31, 2006
Land, land rights and buildings, including buildings on leased property	1,750.6	1,734.8
Technical equipment and machinery	245.5	288.0
Other equipment, operating and office equipment	125.0	107.3
Construction in progress	466.2	599.1
	2,587.3	**2,729.2**

Property, plant and equipment are recognized at cost less straight-line depreciation and any impairment losses under IAS 36 where applicable. Subsequent cost is capitalized. In the case of internally produced property, plant and equipment, cost is determined on the basis of the costs directly attributable to the assets. Financing costs are not capitalized.

Economic ownership of leased assets is attributed to the lessee according to IAS 17 if the lessee has substantially all the risks and rewards. Assets from finance leases totaling € 6.8 million (previous year: € 24.4 million) are recognized in other equipment, operating and office equipment in the year under review:

€ million	2005	2006
Capitalized lease payments at the time of acquisition	34.5	9.5
Accumulated depreciation	–10.1	–2.7
Carrying amount Dec. 31	**24.4**	**6.8**

Leased assets primarily relate to special vehicles with a lease term from 2004 to 2012. At the end of the lease term, there is the option to buy the asset at its residual value or at an agreed fixed price. The change in the carrying amount of the assets from finance leases results from the sale of TCR.

(24) Investment property

€ million	Dec. 31, 2005	Dec. 31, 2006
Investment property	37.4	66.9

Investment property essentially relates to land acquired for the purpose of achieving rental income. Due to the current rental situation the value to be attributed of the area to be built upon the long distance train station has become concrete. The carrying amount of this area was increased by € 53.4 million without affecting net income. In the year under review € 22.4 million were transferred to inventories (see note 30) and € 1.2 million to property, plant and equipment. These transfers became necessary in particular because the use of the plots of land on the Mönchhof site acquired in 2004/2005 became more specific in 2006.

According to internal valuation, the present value of the investment property to be attributed corresponds to the book value at the balance sheet date.

We expect there will be restrictions on the salability of the land still to be designated of the Mönchhof site. The land will be exposed to a variety of risks after the construction of the landing runway due to airport operations. According to internal valuations, the fair value of investment property corresponds to the carrying amount at the balance sheet date. A market value opinion as of December 31, 2006 was not available.

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

(25) Investments accounted for using the equity method

€ million	Dec. 31, 2005	Dec. 31, 2006
Hanover Airport	31.2	33.7
LAP	20.2	20.0
ASG	1.4	1.0
ACF	0.7	0.8
Gateway Gardens	0.1	0.2
Asia Security Management	0.0	0.5
	53.6	**56.2**

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

The additions consist of 30.5% of the shares in Asia Security Management Ltd. and the changes in value using the equity method.

The disposals consist essentially of the ASG dividend payment (€ 1.4 million).

The overview of significant subsidiaries, joint ventures and associates as well as the following table contain additional financial information about associated companies.

€ million	Dec. 31, 2005	Dec. 31, 2006
Assets	588.4	596.7
Shareholders' equity	195.6	202.4
Liabilities	392.8	394.3
Total income	270.7	303.7
Result of the accounting period	12.8	15.7

(26) Other financial assets

€ million	Dec. 31, 2005	Dec. 31, 2006
Available-for-sale financial assets		
Securities in non-current assets	15.7	81.1
Other investments	1.3	5.8
At fair value		
Securities	174.8	196.1
Loans		
Loans to investments	8.3	3.1
Other loans	9.4	16.0
	209.5	**302.1**

The additions to the securities in the category non-current assets available for sale involve the cash investments made as part of asset management in the amount of € 46.8 million. In addition, the further increase in securities is the result of fair value measurement at the balance sheet date.

The additions to the securities at fair value primarily involve another investment in a promissory note loan totaling € 20.0 million with a term of 5 years.

Two promissory note loans totaling some € 100 million have an S&P rating of AAA and hence have a very low default risk. The other three promissory note loans and a bond include a contractually agreed capital repayment. The default risk is hence restricted to the counterparty risk of the banks.

Additions to the other loans relate in particular to shares in and loans granted to Airrail KG (see note 3) Shares in the commercial partnership are recognized in accordance with IAS 32 as a financial instrument.

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

€ million	Remaining term < 1 year	Remaining term > 1 year	Total Dec. 31, 2005	Remaining term < 1 year	Remaining term > 1 year	Total Dec. 31, 2006
From joint ventures	0.2	–	0.2	–	–	–
From associated companies	2.2	–	2.2	1.4	–	1.4
From other investments	1.4	–	1.4	1.2	–	1.2
Other assets	55.7	8.8	64.5	47.3	7.8	55.1
Prepaid expenses	12.0	24.4	36.4	12.4	29.0	41.4
	71.5	**33.2**	**104.7**	**62.3**	**36.8**	**99.1**

A major item in the other assets is an account receivable from the State of Hesse based on a contract concluded in 2001 in connection with the restoration of what used to be an ammunition disposal site covering an amount of € 7.2 million that Fraport AG has paid initially (the original amount according to the contract was € 23.0 million in 2002). The State of Hesse is making the repayments in annual installments until 2009.

Positive fair values of derivative financial instruments amounting to € 3.8 million are included in the other assets.

Prepaid expenses essentially relate to grants given for building costs.

(28) Income tax receivable

€ million	Remaining term < 1 year	Remaining term > 1 year	Total Dec. 31, 2005	Remaining term < 1 year	Remaining term > 1 year	Total Dec. 31, 2006
Income tax receivable	**–**	**–**	**–**	**2.0**	**32.2**	**34.2**

The major item in income tax receivable relates to the corporation tax credit recognized in the fiscal year (see note 19). The present value recognized for the corporation tax credit is some € 32.2 million at the balance sheet date.

(29) Deferred tax assets

€ million	Dec. 31, 2005	Dec. 31, 2006
Deferred tax assets	19.3	16.4

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

(30) Inventories

€ million	Dec. 31, 2005	Dec. 31, 2006
Land and buildings for sale	–	21.4
Raw materials, consumables and supplies	12.5	10.5
Work in process	0.0	0.9
Finished goods	1.8	0.0
On-account payments	0.1	0.1
	14.4	**32.9**

In the year under review € 22.4 million of investment property were transferred to inventories. These transfers relate to those plots of land on the Mönchhof site held for sale within the normal business cycle of ten years. Fraport Immo has been entrusted with the sale of this real estate. The land held for sale was transferred to a subsidiary of Fraport Immo in 2006, allocated to the Retail & Properties segment.

The real estate in inventories was recognized at the balance sheet date in an amount of € 21.4 million as a result of the development measures undertaken in the year under review (€ 0.4 million), subsequent incidental acquisition cost (€ 0.1 million) and reduction in the share of the ground water decontamination obligation included in the carrying amount (€ –1.5 million) primarily based upon an updated cost estimate.

The net realizable value of the real estate held for sale was estimated at the balance sheet date. An external market value opinion dated December 4, 2006 was taken as a basis for determining the estimated selling price. In addition to the risks taken into account in the opinion further deductions were recognized in particular for as yet unknown risks arising from contaminated sites and selling risks. Target figures were taken as a basis for determining the development and selling costs required for the full marketability. The net realizable value was calculated on the basis of the DCF method over a planned selling period of ten years and taking a discount factor of 5%. The net selling price determined exceeds the carrying amount.

The carrying amounts of the real estate planned for sale within twelve months after the balance sheet date are immaterial.

In the year under review maintenance costs of € 0.7 million were incurred for real estate planned for sale, € 0.3 million were incurred for the disposal of real estate.

The other inventories are measured at cost on the basis of the weighted average cost method. Pursuant to IAS 2 costs of conversion comprise direct costs and production overhead.

(31) Trade accounts receivable

€ million	Dec. 31, 2005	Dec. 31, 2006
Third parties	190.0	185.5

(32) Cash and cash equivalents

€ million	Dec. 31, 2005	Dec. 31, 2006
Cash and cash equivalents	574.2	632.5

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

The other credit balances are essentially overnight deposits.

Bank balances at Antalya are subject to a drawing restriction amounting to € 14.9 million.

(33) Non-current assets held for sale

€ million	Dec. 31, 2005	Dec. 31, 2006
Non-current assets held for sale	2.7	0.1

The non-current assets held for sale are assets of ARS which were transferred to assets held for sale as they are intended to be sold. The shares in the associate Portway were recognized here in the previous year. ARS is to be allocated to the Retail & Properties segment, Portway is to be allocated to the segment External Activities.

(34) Shareholders' equity attributable to shareholders of Fraport AG

€ million	Dec. 31, 2005	Dec. 31, 2006
Subscribed capital	910.7	913.7
Capital reserves	550.5	558.8
Revenue reserves	599.2	746.3
Group retained earnings	82.1	105.2
	2,142.5	**2,324.0**

Subscribed capital

The subscribed capital increased by some € 3.0 million in 2006.

Of this amount € 0.8 million relate to the use of some of the authorized capital after the capital increase in return for the injection of cash to issue shares in connection with the employee share plan.

Shares have been created in the current fiscal year to satisfy the stock options as part of the restricted authorized capital of € 2.1 million. The conditions for exercising the subscription rights for the 4th tranche were met in fiscal 2006.

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

Number of shares in free float and treasury shares

The subscribed capital consists of 91,478,347 (previous year: 91,192,355) bearer shares with no par value, each of which accounts for € 10.00 of the capital stock.

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

	Subscribed capital Number	Floating shares Number	Treasury shares Number	Treasury shares Amount of capital stock in €	Treasury shares Share in capital stock in %
On Jan. 1, 2006	**91,192,355**	**91,078,430**	**113,925**	**1,139,250**	**0.125**
Employee share plan: Capital increase (May 24, 2006)	74,967	74,967			
Management stock options plan (MSOP): Capital increases in 2006	211,025	211,025			
Executive Board compensation: Transfer of shares to members of the Executive Board		4,197	–4,197	–41,970	0.005
On Dec. 31, 2006	**91,478,347**	**91,368,619**	**109,728**	**1,097,280**	**0.120**

The new shares issued on the basis of the employee share plan were transferred to the employees at a price of € 58.69 on May 24, 2006.

The shares that form part of the contractual compensation paid to the Executive Board members were calculated on the basis of a value of € 65.94.

Authorized capital

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

Of this authorized capital € 749,670 were used for the issue of shares within the scope of the employee share plan.

	Number of shares	Value per share in €
Authorized capital I as of December 31, 2005 (2005/1)	950,000	10.0
Use of authorized capital I Employee investment plan	–74,967	10.0
Remaining authorized capital I as of December 31, 2006	**875,033**	**10.0**

As of December 31, 2006 authorized capital I remains in the amount of € 8.8 million which could be used to issue new shares in return for cash for the purpose of issuing shares to the employees of the company and the companies it controls. The company's existing shareholders' subscription rights can be excluded.

Restricted authorized capital

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

Restricted authorized capital totals € 6.3 million as of December 31, 2006 (originally € 13.9 million). € 2.1 million (211,025 options) of the subscription rights already granted were exercised in 2006.

The capital increase to satisfy subscription rights within the framework of the 2001 stock option plan is only being made to the extent that the holders of subscription rights (members of the Executive Board and managers of Fraport AG deployed in Germany as well as the directors and managers of Fraport AG's affiliated companies) exercise their subscription rights and the company does not satisfy the share options with treasury shares or by delivery of shares by third parties.

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

A total of 1,287,750 stock options were issued from the MSOP 2001 and 2005 by the balance sheet date.

Capital reserves

The change in the capital reserves is the result of an increase of € 3.7 million consisting of the excess issue amount (€ 48.69 per share) of the total of 74,967 new shares issued in the context of the employee share plan and the excess issue amount of € 2.7 million (1st tranche: € 21.55/3rd tranche: € 8.69/4th tranche: € 13.1 per share) of the total of 211,025 shares issued as part of the restricted authorized capital to satisfy the stock options.

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

Personnel expenses amounting to € 1.8 million (previous year: € 2.2 million) were incurred in the year under review. This amount was recognized in capital reserves.

Revenue reserves

The revenue reserves consist not only of the reserves of Fraport AG (including the statutory reserves of € 36.5 million) but also the revenue reserves and retained earnings of the subsidiaries incorporated in the consolidated financial statements as well as effects of consolidation adjustments. The currency translation differences total € –5.5 million (previous year: € –7.8 million). This figure includes currency translation differences of € –9.2 million from accounting for the Philippine companies at equity, which are not charged to Group earnings until the companies are disposed of in accordance with IAS 21. The reserves for derivatives measurement amount to € 12.4 million (previous year: € –7.3 million). The substantially higher value recognized for the other revenue reserves compared to the financial statements of Fraport AG is due mainly to the higher measurement of property, plant and equipment.

Group retained earnings

The Group retained earnings correspond to the retained earnings of Fraport AG. The proposed dividend amounts to € 1.15 per share (previous year: € 0.90 per share).

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

(35) Shareholders' equity attributable to minority interests

€ million	Dec. 31, 2005	Dec. 31, 2006
Shareholders' equity attributable to minority interests (excluding the attributable profit for the year)	15.1	22.5
Profit for the year attributable to minority interests	0.3	–0.4
	15.4	**22.1**

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

(36) Non-current and current financial liabilities

	Remaining term			Total	Remaining term			Total
€ million	< 1 year	1–5 years	> 5 years	Dec. 31, 2005	< 1 year	1–5 years	> 5 years	Dec. 31, 2006
Liabilitites to banks	140.1	344.3	272.9	757.3	125.2	303.4	415.4	844.0
Others	–	–	5.2	5.2	–	–	–	–
	140.1	**344.3**	**278.1**	**762.5**	**125.2**	**303.4**	**415.4**	**844.0**

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

Term from–to	Currency	Interest rate in %	Dec. 31, 2005 € million	Dec. 31, 2006 million €
Fixed-interest loans				
2004–2014	€	4.44	50.0	50.0
1998–2008	€	4.60	38.3	38.3
1998–2010	€	4.83	35.8	35.8
2006–2016	€	4.53	–	30.0
1999–2028	€	5.10	30.3	29.0
1999–2028	€	4.15	30.3	29.0
1999–2011	€	4.72	25.6	26.5
1999–2009	€	4.61	25.6	25.6
1996–2006	€	6.80	25.6	25.6
1998–2008	€	4.60	25.6	25.6
1998–2008	€	4.57	25.6	25.6
1999–2009	€	4.56	25.6	25.6
1998–2008	€	4.60	25.6	25.6
2006–2016	€	4.59	–	25.0
2006–2016	€	4.59	–	25.0
Variable-interest loans				
2006–2016	CHF	2.35	–	45.4

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

The financial liabilities include **lease liabilities** of € 6.2 million (previous year: € 20.7 million) (see note 23).

The following lease payments are due from the leases:

€ million	Remaining term < 1 year	1–5 years	> 5 years	Total Dec. 31, 2005	Remaining term < 1 year	1–5 years	> 5 years	Total Dec. 31, 2006
Lease payments	5.0	16.7	1.5	23.2	1.9	5.0	0.1	7.0
Discount amounts	0.2	1.9	0.4	2.5	0.2	0.6	0.0	0.8
Present values	4.8	14.8	1.1	20.7	1.7	4.4	0.1	6.2

The discounting rates are some 4.0%. The longest leases end in 2013. The lease payments disclosed are minimum lease payments.

(37) Non-current and current liabilities

€ million	Remaining term < 1 year	> 1 year	Total Dec. 31, 2005	Remaining term < 1 year	> 1 year	Total Dec. 31, 2006
Prepayments for orders	0.1	–	0.1	0.4	–	0.4
To joint ventures	1.4	–	1.4	2.6	0.1	2.7
To associated companies	3.3	–	3.3	0.6	–	0.6
To investments	0.5	–	0.5	3.8	–	3.8
Grants for assets	–	29.0	29.0	–	32.7	32.7
Other deferred income	8.6	55.8	64.4	7.7	50.7	58.4
Other liabilities	91.2	30.6	121.8	103.0	22.6	125.6
	105.1	**115.4**	**220.5**	**118.1**	**106.1**	**224.2**

The other liabilities consist essentially of wage and church tax, unpaid social security contributions, liabilities from deferred interest in connection with interest rate caps, negative fair values of derivatives and liabilities to company employees.

Grants for non-current assets include public authority's grants in the amount of € 23.8 million (previous year: € 10.6 million) and from other grantors in the amount of € 8.9 million (previous year: € 18.4 million). The public authorities grants relate in particular to capital expenditures incurred for baggage controls and the expansion at Frankfurt-Hahn Airport. The investment grants are released in accordance with the straight-line method on the basis of the useful lives of the assets for which the grants were given.

Deferred income is income received and relating to future accounting periods.

(38) Deferred tax liabilities

€ million	Dec. 31, 2005	Dec. 31, 2006
Deferred tax liabilities	112.2	127.6

Deferred tax liabilities are recognized in compliance with IAS 12 using the temporary concept. Further explanations of deferred tax liabilities can be found in note 19 “Taxes on income”. Most of the deferred tax liabilities have a remaining term of more than one year.

(39) Pension obligations

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

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

The pension obligations essentially include 16 vested rights to pension benefits promised in individual agreements to the members of the Fraport AG Executive Board and their dependants. 155 further benefits (57 of them non-vested) become payable to senior executives and employees not covered by collective agreements in connection with the Fraport AG company benefit plan. The present value of non-vested benefits totals € 0.3 million.

Measurement is based on the provisions under IAS 19. The pension obligations on December 31, 2006 have been calculated on the basis of actuarial opinions of November 9 and November 20, 2006. The calculations are based on Professor Dr Klaus Heubeck's fundamental biometric data (RT 2005 G).

There are commitments to employee-financed pension benefits of € 1.2 million for senior executives (12 vested rights) of Fraport AG. The calculation is based on an actuarial opinion dated November 20, 2006.

In the previous year, a reinsurance policy was concluded to reduce actuarial risks and to protect pension obligations for the active members of the Executive Board against insolvency. The reinsurance claims are recognized at the asset value the insurance company reported (€ 10.6 million, previous year € 10.0 million). Of this amount the present value of the defined benefit obligation attributable to the active members of the Executive Board has been offset against the asset of the reinsurance policy. The anticipated return on the reinsurance claims for the next fiscal year amounts to approximately 2.75%.

A sensitivity analysis with variations in the discount rates of +/– 0.5% on the pension obligation of Fraport AG shows an increase in the obligation by € 1.4 million (3.9%) and/or a lower obligation of € 1.2 million (4.9%).

Fraport AG has insured its employees for purposes of granting a company pension under the statutory insurance scheme based on a collective agreement (Altersvorsorge-TV-Kommunal – (ATV-K)) with the Zusatzversorgungskasse (top-up provision insurance scheme) for local authority and municipal employers in Wiesbaden (ZVK). The contributions will be collected based on a pay-as-you-go model. The contribution rate of the ZVK Wiesbaden is 6.2%; of which the employer pays 5.7%, with the contribution paid by the employee amounting to 0.5%. In addition, a tax-free reorganization charge of 1.4% is levied by the employer in accordance with section 63 of the ZVK Bylaws (ZVKS). An additional contribution of 9% is also paid for some employees included in the statutory social security insurance scheme (generally employees in partial retirement and senior managers) for the consideration subject to ZVK that exceeds the BAT-I upper limit defined in the collective agreement. There is currently no indication that the reorganization charge will increase in 2007. However, it should be anticipated that there will be increases in contributions in the future. Consideration subject to pay-as-you-go contributions totals € 422.6 million.

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

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

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

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

(40) Non-current and current income tax provisions

€ million	Remaining term < 1 year	Remaining term > 1 year	Total Dec. 31, 2005	Remaining term < 1 year	Remaining term > 1 year	Total Dec. 31, 2006
Income tax provisions	18.5	167.0	185.5	16.4	166.2	182.6

(41) Non-current and current other provisions and accruals

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

€ million	Jan. 1, 2006	Use	Release	Addition	Fair value of plan assets IAS 19.102-104	Dec. 31, 2006
Personnel	94.2	–28.4	–5.5	46.5	–0.8	106.0
of which non-current	39.5					48.6
of which current	54.7					57.4

The personnel provisions and accruals contain obligations from the performance- and success-based compensation program LEA (German abbreviation for “Performance – Success – Recognition”), arrangements for partial retirement and early retirement in connection with early termination of the employment contracts.

€ million	Jan. 1, 2006	Use	Relase	Addi-tions	Changes from currency translation differences	Dec. 31, 2006
Environment	31.2	–14.2	0.0	17.8	0.0	34.8
Other	192.9	–36.4	–30.6	53.8	–0.3	179.4
	224.1	**–50.6**	**–30.6**	**71.6**	**–0.3**	**214.2**
of which non-current	72.6					52.8
of which current	151.5					161.4

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

The other provisions and accruals include the provision of € 45.4 million recognized in 2003 for the refinancing of the passive noise abatement program at Fraport AG. The provision recognized as of the balance sheet date covers the cost volume of the measures expected.

(42) Trade accounts payable

€ million	Dec. 31, 2005	Dec. 31, 2006
To third parties	173.3	229.0

(43) Liabilities in the context of assets held for sale

€ million	Dec. 31, 2005	Dec. 31, 2006
Liabilities in the context of assets held for sale	–	0.2

Liabilities in the context of assets held for sale relate to ARS.

Notes to segment reporting

(44) Notes to segment reporting

Segment reporting in accordance with IAS 14 is based on the internal financial reporting system to the Executive Board of the parent company attached as Appendix 2 to the notes.

We report by the segments Aviation, Retail & Properties, Ground Handling and External Activities.

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

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

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

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

Goodwill from consolidation of subsidiaries and the appropriate depreciation and amortization charges have been allocated clearly to the segments on the basis of our structure.

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

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

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

The depreciation and amortization charges made in relation to the segment assets include impairment write-downs of goodwill and depreciation of property, plant and equipment totaling € 21.0 million in accordance with IAS 36. Impairment of goodwill in the amount of € 10.1 million burdened the External Activities segment. The impairment of other intangible assets totaling € 3.4 million refers to the Aviation segment. The impairment of property, plant and equipment burdens Retail & Properties (€ 6.0 million) and External Activities (€ 1.5 million).

The adaption of the carrying amount of the area upon the long distance train station of € 53.4 million was recognized in the segment Retail & Properties.

The segment assets of Retail & Properties include real estate inventories of € 21.4 million.

The recognition of other taxes was changed in the fiscal year. Since January 1, 2006, other taxes have been recognized under other operating expenses. The comparative data for 2005 were adjusted accordingly and have the following impact on the EBIT and EBITDA:

	EBIT			EBITDA		
€ million	**2005**	**2005 adjusted**	**2006**	**2005**	**2005 adjusted**	**2006**
Aviation	94.2	92.4	57.5	158.1	156.3	140.0
Retail & Properties	182.2	179.6	219.6	292.1	289.5	314.6
Ground Handling	52.1	51.8	34.6	74.9	74.6	63.0
External Activities	–16.9	–17.2	18.7	22.4	22.1	60.8
Group	**311.6**	**306.6**	**330.4**	**547.5**	**542.5**	**578.4**

Further explanations about segment reporting can be found in the management report.

Notes to the consolidated cash flow statement

(45) Notes to the consolidated cash flow statement

Cash flow from operating activities

Cash flow from operating activities (€ 484.9 million) is the balance of cash inflows of € 641.6 million (previous year: € 653.5 million) from operational activities. They are compared with cash outflows of € 19.1 million (previous year: € 16.8 million) from financing activities and € 137.6 million (previous year: € 143.0 million) relating to income tax. Although Group net income increased, cash flow from operating activities was down by € 8.8 million due to the changes in receivables, financial assets, provisions, accruals and liabilities.

Cash flow used in investing activities/cash flow from financing activities

Capital expenditure on intangible assets and property, plant and equipment rose slightly year on year by € 15.7 million. As in the previous year this was attributable primarily to capital expenditure at Frankfurt Airport for the building program and the expansion of the terminals.

Expenditure for other investments made as part of asset management was reduced in the year under review.

The sale of joint ventures relates to the sale of the TCR group.

Cash flow from financing activities totals € 73.3 million, which is mainly attributable to borrowing.

Long-term loans totaling some € 52.9 million were repaid in fiscal 2006. The inflow from taking out new loans and term money totals some € 162.5 million in the same period.

Notes to the sale of consolidated joint ventures

€ million	2006
Cash and cash equivalents	1.8
Current assets	7.2
Non-current assets	36.1
Current liabilities	–4.7
Non-current liabilities	–34.9
Gain on disposal	9.5
Total selling price	**15.0**
Selling price paid with cash and cash equivalents	15.0
less cash and cash equivalents sold	–1.8
Sale of consolidated joint ventures	**13.2**

Cash and cash equivalents
The cash and cash equivalents consist of cash, bank balances and checks. These are current balance sheet items maturing in three months or less. These funds come originally from the proceeds of the IPO. Bank balances at Antalya are subject to a drawing restriction amounting to € 14.9 million in the context of returning the Antalya terminal.

Miscellaneous notes

(46) Contingent liabilities

Contingent liabilities arise from guarantees totaling € 3.3 million and from warranty contracts in the amount of € 125.8 million on December 31, 2006. The latter consist essentially of contract fulfillment guarantees totaling € 109.2 million. The performance guarantees include a joint and several liability to the Hong Kong airport authority in connection with the Tradeport Hong Kong Ltd. investment project amounting to € 30.4 million (US-$ 40.0 million), for which there is a recourse claim on the other guarantors in the amount of € 14.4 million (US-$ 19.0 million).

A contract guarantee was signed between GMR Holdings Private Ltd., Fraport AG and ICICI Bank Ltd. in the amount of € 51.5 million (INR 3,000 million) to modernize, expand and operate the Delhi Airport excluding a recourse to Fraport AG. If, however, the party to the contract GMR Holdings Private Ltd. fails to perform under the contract, liability of Fraport AG may not be excluded – given the fact that Fraport AG is party to the contract.

In the context of operating the airports in Varna and Bourgas Fraport AG guaranteed contractual performance of its newly established subsidiary Fraport Twin Star Airport Management AD over the amount of € 9.0 million.

Fraport AG is held liable in the amount of € 13.5 million for rentals payable by Lufthansa Cargo Aktiengesellschaft to Tectum 26. Vermögensverwaltungs GmbH, if Lufthansa Cargo Aktiengesellschaft exercises an extraordinary right to terminate the contract.

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

(47) Other financial commitments

Order commitments

€ million	Dec. 31, 2005	Dec. 31, 2006
Orders for capital expenditure on property, plant and equipment, intangible assets and investment property	351.3	536.9
Orders for energy supply	461.5	434.8
	812.8	**971.7**

Operating Leases

€ million	Dec. 31, 2005	Dec. 31, 2006
Leases		
Up to one year	8.2	14.1
More than one and up to five years	14.3	15.0
More than five years	27.8	31.1
	50.3	**60.2**

In view of their substance, the leases qualify as operating leases, i.e. the leased asset is attributable to the lessor. The contracts concerned are primarily building rental contracts as well as the lease of software and hardware. The basic lease terms for buildings always end in 2007.

Other commitments

The payment commitments mentioned in the previous year in the context of the Manila commitment were reversed upon a shareholders' resolution of Piatco in September 2006.

(48) Stock Options

Management Stock Options Plan 2001

No additional stock options were granted under the MSOP 2001.

In the fiscal year, the requirements for the exercise of rights from the 4th tranche were met for the first time when the vesting period ended on April 16, 2006 and the exercise price of € 26.57 was exceeded; the second tranche had been fully exercised already. The requirements for the 1st and 3rd tranche had already been met in the previous year. A total of 211,025 stock options were exercised during the fiscal year.

Only some 6% of the options granted in the 4th tranche can be exercised under the MSOP 2001 which corresponds to 12,950 options. All other tranches are fully exercised as of December 31, 2006.

Further explanations relating to restricted authorized capital are included in note 34.

Fraport Management Stock Options Plan 2005

On June 1, 2005, the Annual General Meeting of Fraport AG passed a resolution to adopt the main points of the MSOP 2005 and the necessary capital measures to implement the plan. On the whole, a total volume of share options amounting to 1,515,000 share options will be issued to all entitled employees up until August 31, 2009 within the scope of Fraport MSOP 2005.

The share options can be granted to entitled employees once a year in up to five annual tranches.

In contrast to the previous plan, the new plan not only includes an absolute exercise limit, but also a limit linked to the relative exercise that is linked to the performance of a specific stock basket. The resulting profit attributable to the beneficiary arising from the exercise of stock options is also limited.

The option rights for the MSOP 2005 can only be exercised after a vesting period of three years within a further period of two years.

The share options arising from the MSOP 2005 can only be exercised if the closing price of the Fraport share on the trading day that immediately precedes that day of exercise ("measurement day") exceeds the original exercise price by at least 20%.

In accordance with the above-mentioned resolution, the subscription rights can be satisfied either with shares issued on the basis of the restricted authorized capital from 2001 or with treasury shares or with shares bought from third parties. Options from the MSOP 2005 can also be paid in cash.

Fraport AG issued 216,400 option rights for the entire fiscal year 2006 in accordance with the regulations of the new share option plan.

Further explanations relating to restricted authorized capital are included in note 34.

Development in the subscription rights issued:

€ million	Total	Weighted average of exercise price	Executive Board	Directors of affiliated companies	Senior managers of Fraport AG
Rights issued on Jan. 1, 2006	419,775	22.45	132,000	45,500	242,275
Issued in 2006	216,400	73.27	50,000	37,650	128,750
Exercised in 2006	211,025	23.08	–82,000	–20,000	–109,025
Expired in 2006	–17,500	73.27	0	–2,500	–15,000
Total rights issued on Dec. 31, 2006	**407,650**	**46.92**	**100,000**	**60,650**	**247,000**

Of the outstanding options 12,950 can be exercised (previous year: 8,825). The weighted average share price of the fiscal year is € 56.62 (previous year: 36.14). The key data for the tranches issued in the years 2001 to 2006 are shown in the table below:

	Grant date	End of vesting period	End of exercise period	Exercise threshold in €	Exercise price in €	Fair value[2] in €
MSOP 2001:						
Tranche 2001	June 11, 2001	June 11, 2003	June 11, 2006	36.28	31.55	5.95
Tranche 2002	May 15, 2002	May 15, 2004	May 15, 2007	29.49	25.64	4.22
Tranche 2003	May 16, 2003	May 16, 2005	May 16, 2008	21.49	18.69	5.82
Tranche 2004	April 16, 2004	April 16, 2006	April 16, 2009	26.57	23.10	6.20
MSOP 2005:						
Tranche 2005	June 6, 2005	June 6, 2008	March 25, 2010	39.49	32.91[1]	10.96
Tranche 2006	April 18, 2006	April 18, 2009	March 26, 2011	75.60	63.00[1]	19.27

[1] Original exercise price at the grant date, subject to an adjustment by the relative performance goal.
[2] At the grant date.

Personnel expenses amounting to € 1.8 million (previous year: € 2.2 million) were incurred in the year under review. This amount was recognized in capital reserves.

The recognition of the share options in profit is based on the fair value of each option of a tranche. To determine fair value a Monte-Carlo simulation is used. In the process, the log-normal distributed processes of the Fraport share price and the MSOP basket price are simulated to mirror the respective performance goals of the Fraport share and the comparative index and the increase in the closing price of the Fraport share by at least 20% vs. the original exercise price.

The calculation of whether the Fraport share outperforms or underperforms the index is made on the basis of a total shareholder return, i.e. on the basis of the respective share performance taking into account cash dividends, rights issues, capital adjustments and other exceptional rights. Furthermore, the Monte-Carlo simulation considers the possibility of an early exercise under consideration of the blocked-periods and the so called early exercise method of the eligible persons.

The fair value of all options to be measured in fiscal 2006 was calculated on the following basis.

Interest rate
Basis of the calculations at the grant date was a continuous zero interest rate. The interest rates were calculated from the interest rate structures of government bonds maturing between one and ten years.

Dividends
Discreet dividends are used in the Monte-Carlo simulation. Calculation basis for future dividend payments are public estimates made by ten banks. The arithmetic means of these estimates were taken to determine the dividends. For the years to come a rise of 5% per year is assumed.

Volatilities and correlation
To ensure an objective procedure, historic data is used to measure volatilities and correlations. They are determined on the basis of daily XETRA closing rates of the Fraport share and the daily rates of the MSOP basket index. The price history of the index was calculated using the current weighting of the index per grant date and taking the historical closing rates of the index components.

The time frame for determining volatilities and correlations is the remaining maturity of the options and/or the period for which the data are available since January 1, 2001.

The fair values at the grant date are as follows:

	Grant date	Fair value in €
MSOP 2001:		
Tranche 2004	April 16, 2004	6.20
MSOP 2005:		
Tranche 2005	June 6, 2005	10.96
Tranche 2006	April 18, 2006	19.27

The following volatilities and correlations were used for the calculation:

	Grant date	Volatility Fraport	Volatility MSOP Basket	Correlation Fraport/MSOP Basket
MSOP 2001:				
Tranche 2004	April 16, 2004	43.06%	n.a.	n.a.
MSOP 2005:				
Tranche 2005	Juni 6, 2005	34.04%	22.55%	0.2880
Tranche 2006	April 18, 2006	32.34%	20.78%	0.2925

The following calculations were taken to measure the 4th tranche MSOP 2001. The calculation was made at the grant date, using a continuous zero interest rate of 3.31%. As a basis for the dividend estimates were used € 0.75 for 2005, € 0.84 for 2006 and € 0.92 for 2007.

The following dividend estimates were taken to measure the 1st tranche MSOP 2005. The calculation was made at the grant date using a continuous zero interest rate of 2.57%. At the time of determining the fair value, dividends were estimated to be € 0.86 for the payment in 2006 and € 0.94 for the payment in 2007.

The calculation for measuring the 2nd tranche MSOP 2005 was made using a continuous zero interest rate of 3.65%. Dividend estimates were € 1.00 for 2007 and € 1.10 for 2008.

(49) Notes to the evidence of investments in accordance with the German Securities Trading Act

The total voting rights held by the Federal Republic of Germany, the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH in Fraport AG Frankfurt Airport Services Worldwide calculated in accordance with § 22 paragraph 2 of German Securities Trading Act (WpHG) amount to 58.42%. They are attributed as follows: the Federal Republic of Germany 6.56%, the State of Hesse 31.65%, and the Stadtwerke Frankfurt am Main Holding GmbH 20.21%.

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

Deutsche Lufthansa AG, Julius Bär Holding AG and Capital Research and Management Company informed us, that the voting rights they hold in our Company have each exceeded the threshold of 5%.

Deutsche Lufthansa AG holds voting rights of 9.98%, Julius Bär Holding AG holds 5.10%. 5.07% of the voting rights are held by Capital Research and Management Company.

(50) Derivative financial instruments

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

€ million	Nominal volume		Fair value		Credit risk	
	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006
Interest rate swaps	350.7	393.2	–19.3	–4.0	0.0	0.0
CMS-Floors	50.0	50.0	4.2	2.6	4.2	2.6
Interest rate caps (beneficiary)	102.2	0.0	0.0	0.0	0.0	0.0
Interest rate caps (obligor)	102.2	0.0	0.0	0.0	0.0	0.0

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

€ million	Other assets		Other liabilities	
	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006
Interest rate swaps – cash flow hedges	0.0	1.0	–14.2	–2.1
Interest rate swaps – trading	0.0	0.2	–5.1	–3.4
CMS-Floor – trading	4.2	2.6	0.0	0.0
Interest rate caps (beneficiary) – trading	0.0	0.0	0.0	0.0
Interest rate caps (obligor) – trading	0.0	0.0	0.0	0.0

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

20 interest rate swaps and two CMS floors were signed in previous years and in the current year to secure the currently low interest rate level for variable-rate, existing and planned borrowing. Also, an option was sold for an interest rate swap to reduce borrowing costs. The value is included in the fair value of the interest rate swaps.

Twelve of the existing interest rate swaps were concluded for existing variable interest liabilities. Eight of the interest swaps were concluded to hedge the interest rate for part of the future cash requirements and thus to reduce the risk of changes in interest rates arising from these positions.

16 interest rate swaps and forward interest rate swaps altogether are accounted for as cash flow hedges under IAS 39. Changes in the fair value of these instruments are recognized in equity. Three forward interest rate swaps, one interest rate swap and two CMS floors also relate to future capital requirements; they are classified as “held for trading”. All the changes in value relating to contracts classified in this way are included in profit or loss. The fair values of the interest rate swaps and CMS floors are included as other assets or other liabilities.

All the swaps are denominated in Euros, with the exception of an US-$ interest rate swap with a nominal volume of US-$ 20.0 million.

The interest rate swaps have a remaining term of less than one year and up to twelve years. Interest rate swaps at a nominal value of € 15.2 million have a remaining term of up to two years, while the rest have a term of more than five years.

The fixed interest rates paid under the interest rate swaps were between 3.795% and 6.58% throughout 2006 for Euros and 6.71% for US-$. The variable interest rates received are based on EURIBOR and US-$-LIBOR. The fixing was between 2.14% and 3.835% in the year under review for Euros and 4.51% and 5.27% for US-$. The variable interest rates received will be adjusted within the next year.

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

Two interest rate caps from 1996 were liquidated in 2001 by buying two further interest rate caps (countertrades), because a funding requirement that was originally expected no longer exists. These derivative instruments neutralize each other completely in their effect on conclusion of the countertrade transactions. The interest rate caps expired effective March 20, 2006.

A credit risk (counterparty risk) arises from positive fair values of derivative transactions that have been concluded. The total of all the positive fair values of the derivatives corresponds to the maximum default risk of these business transactions. In accordance with the interest rate and foreign currency risk management rules, derivative contracts are only concluded with banks that have an excellent credit rating so as to minimize the default and counterparty risks.

Hedging strategy and risk management

We cover interest and foreign currency risks by establishing naturally hedged positions, in which the values or flows of funds of original financial instruments offset each other in their timing and amount, and/or by using derivative financial instruments to hedge the business transactions. The scope, responsibilities and controls for the use of derivatives are specified in binding internal guidelines. The existence of a risk that needs to be hedged is the precondition for the use of derivatives. There can only be open derivative positions in connection with hedging transactions in which the hedged items are cancelled or are not carried out contrary to planning. Interest rate derivatives are used exclusively to optimize loan terms and to limit risks of changes in interest rates in the context of financing strategies with matching maturities. Derivatives are not used for trading or speculative purposes. Within the scope of our interest rate and foreign currency policy, we used derivatives in previous years and in the current year to hedge interest rate positions, in order to take advantage of the low level of interest rates at the present time with respect to the capital requirement that is becoming apparent in the medium term. Following the commitment to these interest rate hedging positions, there is now the risk that the market interest rate level will decrease and that the negative fair value of the interest rate hedging instruments will drop as a result. Fraport does not see any further interest rate and foreign currency risks that are worth mentioning at the present time.

(51) Related party disclosures

Under IAS 24 (Related Party Disclosures) Fraport must disclose relationships to related parties which have control over the Fraport Group or which Fraport Group controls, unless they are already included in the consolidated financial statements of Fraport AG. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This is assumed if one shareholder owns more than half of the voting rights in Fraport AG or has this option by statute or contractual agreement.

The shareholdings of the Federal Republic of Germany, the State of Hesse and the Stadtwerke Frankfurt am Main Holding GmbH and the consortium agreement signed between these shareholders mean that Fraport AG is a company controlled by these shareholders.

Fraport AG has numerous business relationships with the Federal Republic of Germany, the State of Hesse and the City of Frankfurt, and their majority-owned investments. The related companies and authorities with material business relations include the Federal Police, Deutsche Telekom AG, DB Station&Service AG, Mainova AG, Messe Frankfurt Venue GmbH & Co. KG and the Kreditanstalt für Wiederaufbau (German Bank for Reconstruction).

The disclosure requirements under IAS 24 also extend to include business transactions with associates as well as business transactions with persons who exercise a significant influence on the financial and business policy decisions of Fraport AG, including close relatives or intermediate companies.

All transactions between the related parties have been verifiably concluded at conditions customary in the market as between unrelated third parties.

The following table shows the scope of the business relationships:

	Majority shareholders					
€ million	**Federal Republic of Germany**	**State of Hesse**	**Stadtwerke Frankfurt am Main Holding GmbH**	**Joint ventures**	**Associated companies**	**Companies controlled by majority shareholders**
Revenue						
2005	196.6	0.2	0.1	3.2	8.1	16.5
2006	159.5	0.1	0.1	2.8	3.1	16.3
Purchased goods and services						
2005	–	0.8	0.9	5.0	43.2	92.0
2006	–	0.8	2.8	5.4	28.9	104.5
Interest						
2005	–	0.5	–	–	–	–4.6
2006	–	0.4	–	0.1	–	–3.7
Accounts receivable						
2005	18.6	9.7	–	0.2	2.2	5.0[1]
2006	6.0	6.9	–	–	1.4	1.1
Accounts payable						
2005	–	–	0.4	1.4	3.3	21.7
2006	–	–	0.3	2.7	0.6	54.6
Financial liabilities						
2005	–	–	–	–	–	86.7
2006	–	–	–	–	–	83.0

[1] *Of which written down € 2.2 million.*

The second-tier managers (senior vice presidents and executive vice presidents) were granted total payments of € 1,514 thousand (previous year: € 807 thousand).

For information about relationships to members of the Executive Board and the Supervisory Board see note 55.

(52) Service concessions

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

Fraport AG

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

The right to operate the airport is linked to various obligations that are specified in the permit. Fraport AG is required, among other things, to keep the airport in good operating condition at all times, to provide and maintain the equipment and signs needed to monitor and control air traffic at the airport and to guarantee the availability of fire protection systems that take account of the special operating conditions. In a supplement added on July 16, 1999, the restrictions on night flights that were initially made in 1971 and have been updated since as a supplement to the airport permit were tightened and restrictions on the operation of “chapter 2 aircraft” at Frankfurt Main Airport for civil aviation purposes during the daytime were introduced. The operating permit was restricted and specified in communications of April 26, 2001, September 24, 2001, November 25, 2002, August 5, 2005 and April 5, 2006 to the effect that Fraport AG is required to take active and passive noise abatement measures.

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

- A distinction has to be made in the airport fees that require approval in accordance with § 43 paragraph 1 of the German air transport authorization regulations (LuftVZO) between landing and takeoff fees, passenger and slot fees, fees to finance noise abatement measures, and since 2005 security fees. The amount of the fees is specified in a related fee table.

  The fee table applicable in 2006 and approved by the Hessian Ministry of Economics, Transport and Regional Development (HMWVL) was published in the Air Transport Bulletin (NfL) on November 24, 2005 and came into force retroactively as of January 1, 2004. Fraport AG and the airlines concluded a “general agreement about airport fees” on April 30, 2002, in which the airport fees were initially fixed on a longer-term basis until December 31, 2006. There is also a “public contract about the specification and adjustment of regulated airport fees” between the State of Hesse – represented by the HMWVL – and Fraport AG of October 29, 2002 that also applies until December 31, 2006. The airport fees accounted for 32.1% of Fraport AG’s revenue in the year under review.

- As regards the other fees not requiring approval a distinction is made between fees for central ground handling service infrastructure facilities and fees for ground handling services. In accordance with EU regulations, ground services on the apron were opened up to competition on November 1, 1999 (opened up in practice on April 15, 2000) by issuing a permit to another external ground handling company along with Fraport AG. There is still no competition (monopoly sector) in the field of services in the area of the central ground handling service infrastructure facilities. 32.7% of the revenue generated by Fraport AG in 2006 was accounted for by ground handling service and infrastructure fees.

Above and beyond the traffic fees, Fraport AG generates revenue essentially from revenue-based payments, renting, parking and security services. The proceeds from these operations – which do not require approval – accounted for 35.2% of Fraport AG‘s total revenue in the year under review.

Flughafen Frankfurt-Hahn GmbH

Flughafen Frankfurt-Hahn GmbH received approval to share use of the Hahn military airfield for civil aviation purposes in accordance with the relevant German aviation legislation on July 14, 1993 (with subsequent amendments). The permit was issued by the Ministry of Economics and Transport of the State of Rhineland-Palatinate. The permit does not expire at any specific time. The company was in particular required to take passive noise abatement measures.

The operations at Frankfurt-Hahn Airport are based on a fee table dated June 1, 2006. Approval to charge landing, takeoff, passenger and slot fees (airport fees) was issued by the Rhineland-Palatinate State Road and Transport Authorities/Air Transport Department in accordance with § 43 paragraph 1 of the German air transport authorization regulations (LuftVZO).

The airport fees accounted for 26.9% of the revenue generated in the fiscal year.

Revenue from ground handling services and provision for the infrastructure (13.1%) represented another portion of the traffic fees for which no approval is required.

Apart from the traffic fees, other revenue is generated – mainly from rentals and for security services – making up some 60.0% of the revenue.

Antalya Havalimani Uluslararasi Terminal Işletmeciliği A.Ş.

The international terminal at Antalya Airport is a BOT project (build, operate, transfer) that is based on a concession contract with the Turkish concession authorities DHMI. According to this contract, Antalya has the right to use all the assets listed in the concession contract in order to be able to operate the terminal up to September 14, 2007.

Antalya is obliged in this context to provide the terminal services in compliance with the international standards as well as the procedures and principles specified in the concession contract. With respect to the assets provided for use, Antalya is committed to carrying out maintenance and (major) repair work and to replace the assets by new ones when their useful life is over.

The company generates revenue not only from passenger fees but also in connection with retail outlets. The amount of the passenger fees is specified by DHMI. Depending on the number of passengers, up to two thirds of the passenger fees have to be passed on to DHMI as regular concession charges. A charge of about one third is to be paid on a certain part of the proceeds from the retail operations. If the passenger figures do not reach a guaranteed minimum level of about 2 million per year, DHMI reimburses the company appropriate compensation on the basis of the current passenger fee in US-$.

When the term of the contract ends, Antalya is required to return all the assets specified in the concession contract to DHMI in a proper, fully operative condition.

The concession contract specifies that Antalya has to issue an annual guarantee to DHMI for 1% of the revenue anticipated in the year in question, with reimbursement to Antalya one month after the complete return of the terminal facilities. Antalya is also obliged to give DHMI a guarantee covering the annual depreciation charge every year. Antalya is required to make payments to DHMI equivalent to the non-renewed production costs when the terminal is returned.

Fraport Twin Star Airport Management AD

Fraport Twin Star Airport Management AD and the Republic of Bulgaria, represented by its minister of transport, signed a concession agreement on September 10, 2006 on the operation and management of the Bulgarian airports in Varna and Bourgas on the Black Sea.

According to the concession agreement the franchisees are granted the right to use the existing infrastructure and are obligated to provide various airport services, to improve services in line with international standards, national laws and the provisions stipulated in the concession agreement. In addition they are obliged to invest in the expansion and a capacity increase of the airports in Varna and Bourgas.

The concession agreement starts on November 10, 2006 and has a duration of 35 years.

The company undertakes to procure a performance bond to the grantor, issued by a bank rated BB or higher, in the annual amount of € 15.0 million in the first ten years and in the annual amount of € 7.5 million during the remaining term of the agreement.

Aside from regulated passenger, landing and parking fees, Fraport Twin Star generates revenue from unregulated ground handling services and commercial activities. In return, the company pays an annual concession charge of 19.2% of total revenue, at least 19.2% of BGN 57 million adjusted by increases or decreases in inflation rates since 2003 to the Bulgarian government.

Fraport Twin Star paid an additional non-recurring concession charge in the amount of € 3.0 million to the franchisor after conclusion of the agreement.

(53) Statement issued by the Executive Board and the Supervisory Board of Fraport AG in accordance with § 161 of the AktG

On December 15, 2006, the Executive Board and the Supervisory Board of Fraport AG issued the statement of compliance with the Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and made it available to the public on a permanent basis on the company web site.

(54) Notes to the Executive Board and the Supervisory Board

Compensation report

The Presidential Committee of the Supervisory Board is responsible for determining compensation for Executive Board members.

The compensation for Executive Board members consists of the following fixed elements and performance-based elements:

- fixed annual gross salary and compensation in kind

- a bonus related to growth, earnings and performance and long-term incentive elements

In addition, the Executive Board members are entitled to pension benefits.

Fixed elements

During the term of their employment agreement (generally five years) the Executive Board members receive a constant fixed annual salary during the above-stated period.

In addition the compensation for Executive Board members includes compensation in kind and other remuneration. Compensation in kind is the pecuniary benefit subject to wage tax from using a company car with chauffeur. This compensation in kind is generally available to all Executive Board members in the same way, the amount of the compensation is depending on the personal situation.

Performance-related elements

Each year the revenue budgeted is achieved the Executive Board member will be paid a bonus of 50% of his or her fixed salary. An additional bonus in the same amount will be paid to each Executive Board member, if the budgeted EBITDA is also achieved. If the target is exceeded the bonuses are increased by 10% for each 1% of the excess. If the company fails to achieve its target the Supervisory Board may decide on the respective bonus reduction.

Stock options that act as a long-term incentive are granted in addition to the bonus within the scope of the stock option plan (MSOP, see the information provided in note 48).

Pension benefits

The Executive Board members are entitled to pension benefits and provision for surviving dependants. An Executive Board member is generally entitled to retirement benefits if he or she becomes permanently disabled or retires from office during the duration or upon expiry of his or her employment agreement. If an Executive Board member dies, benefits are paid for his or her surviving dependants. These amount to 60% of the pension for the widow or the widower, children receive 12% each.

Income from employment and pension payments from earlier or later service periods until the age of 60 will be deducted from the pensions due on retirement, if, without such deduction, the total of these emoluments and the pension exceeded 75% of the fixed annual gross salary (100% of the fixed salary if Fraport AG wishes the employment to be terminated or not extended.) Effective January 1 of each year, the pensions may be adjusted as appears fair, taking into account the interests of the former Executive Board member and the Company’s performance. The obligation to adjust is deemed to be met, if the adjustment does not fall below the increase in the cost-of-living index of all private households in Germany.

The pension of an Executive Board member is defined by the percentage of a contractually agreed basis of assessment, with the percentage rising annually by 1.5% or 2.0% up to a limit of 75% dependent on the duration of time a member is appointed.

The contractually agreed basis of assessment for Dr Bender is 90% of his fixed annual gross salary, that for Professor Schölch is 93.33%. The claim to pension is 75% of the above-stated basis of assessment as of December 31, 2006.

Dr Schulte has a claim to 34.5% of his fixed annual gross salary as of December 31, 2006. Mr. Mai is entitled to 45% of his contractually agreed basis of assessment as of December 31, 2006, i.e. 80.43% of his fixed annual gross salary. In case they are incapable of working the pension as a proportion of their former salary for Dr Schulte and Mr. Mai is at least 55% of their respective fixed annual gross salaries or the contractually agreed basis of assessment.

The claim of the former Executive Board members to pensions was also defined by a percentage of a fixed contractually agreed basis of assessment.

No other benefits have been promised to Executive Board members, in case of the termination of employment.

The fixed annual remuneration also covers any activity performed by an Executive Board member for companies, in which Fraport holds an indirect or a direct interest of more than 25% of the shares (other Board functions at group companies). If an Executive Board member has such other Board functions at group companies, the remuneration he or she receives from such investee is credited against the bonus. The emoluments paid to Dr Bender for his activities as member of the Supervisory Board of Hanover Langenhagen GmbH Airport were credited against his bonus payments in 2006.

Compensation paid to the Executive Board 2006

Compensation was paid to the members of the Executive Board as follows:

€ '000	Fixed payments	Remunera-tion in kind and others	Bonus 2006	Change in bonus provision	Total
Dr Wilhelm Bender Chairman	350.0	62.2	473.0	–10.4	874.8
Professor Manfred Schölch Vice Chairman	300.0	39.0	405.0	–8.8	735.2
Herbert Mai	218.8	29.4	296.0	–9.1	535.1
Dr Stefan Schulte	300.0	21.1	405.0	–9.9	716.2
	1,168.8	**151.7**	**1,579.0**	**–38.2**	**2,861.3**
Professor Barbara Jakubeit (until October 31, 2005)	–	3.3[1]	–	–85.3	–82.0
Total	**1,168.8**	**155.0**	**1,579.0**	**–123.5**	**2,779.3**

[1] *Remuneration in kind from 2005.*

The bonus payments include payments on account for fiscal 2006 and the addition to the bonus provision in 2006. Reduced amounts from the reversal of the provision recognized in the fiscal year 2005, which were not paid out, have been recognized in the provision. The Supervisory Board will decide in fiscal 2007 on the final amount of the bonus to be paid for 2006.

Further granted long-term incentive elements apply to the following Executive Board members:

	MSOP 2005 1st tranche (2005) Number	MSOP 2005 2nd tranche (2006) Number	Total portfolio Number	Expense in 2006 in € '000
Dr Wilhelm Bender Chairman	20,000	20,000	40,000	184.4
Professor Manfred Schölch Vice Chairman	0	0	0	18.7
Herbert Mai	15,000	15,000	30,000	138.3
Dr Stefan Schulte	15,000	15,000	30,000	138.3
Total	**50,000**	**50,000**	**100,000**	**479.7**

The expense has been incurred for share options recognized in profit under IFRS 2. It relates to the 1st and 2nd tranche from the MSOP 2005 which are still in the portfolio, and also costs relating to the 4th tranche from the MSOP 2001. Costs from stock options in the amount of € 16.5 thousand were incurred for former Executive Board members.

Pension obligations

There are also future pension obligations of € 23,109.8 thousand. A total provision of € 14,561.1 thousand has been recognized to cover pension obligations to former members of the Executive Board and their dependants. Pension payments totaled € 1,099.6 thousand in 2006.

The transactions carried out by the members of the Executive Board, their spouses and their first-degree relatives in 2006 with Fraport AG shares and options were published in accordance with § 15a of the German Securities Trading Act (WpHG).

Compensation paid to the Supervisory Board 2006

The compensation paid to the Supervisory Board was determined in the Annual General Meeting on the basis of § 12 of the Fraport AG Company Statutes. Each member of the Supervisory Board receives € 15,000 per complete meeting year and the Chairman receives twice this amount, while the Vice Chairman and the Committee Chairmen receive one-and-a-half times this amount. € 400 are also paid to each member per meeting and any expenses incurred are reimbursed (note 56).

(55) Executive Board

Members of the Executive Board	Membership in mandatory supervisory boards and comparable control bodies
Chairman **Dr Wilhelm Bender**	**Chairman of the Supervisory Board:** – Flughafen Hannover-Langenhagen GmbH (until March 16, 2006) **Member of the Supervisory Board:** – Flughafen Hannover-Langenhagen GmbH (since March 17, 2006) – Lufthansa CityLine GmbH – NOVA Allgemeine Versicherung AG/SIGNAL IDUNA Allgemeine Versicherung AG – ThyssenKrupp Services AG – FrankfurtRheinMain GmbH International Marketing of the Region
Vice Chairman *Infrastructure and legal affairs* **Professor Manfred Schölch**	**Chairman of the Supervisory Board:** – Flughafen Frankfurt-Hahn GmbH **Vice Chairman of the Supervisory Board:** – Deutsche VerkehrsBank AG **Member of the Supervisory Board:** – Gateway Gardens Projektentwicklungs GmbH (until January 30, 2006) – ZIV – Zentrum für integrierte Verkehrssysteme GmbH (until February 7, 2006)
Labor relations **Herbert Mai**	**Chairman of the Supervisory Board:** – Fraport Cargo Services GmbH (FCS) **Member of the Supervisory Board:** – FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH – Gateway Gardens Projektentwicklungs GmbH (since February 7, 2006) **Member of the Shareholders' Committee:** – MIRUS Grundstücks-Verwaltungsgesellschaft KG
Finance and construction **Dr Stefan Schulte**	**Chairman of the Supervisory Board:** – FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH – ICTS Europe Holding B. V. **Member of the Supervisory Board:** – DELVAG Luftversicherungs AG – DELVAG Rückversicherungs AG – Flughafen Frankfurt-Hahn GmbH – Frankfurter Sparkasse AG **Member of corporate control bodies:** – Shanghai Frankfurt Airport Consulting Services Co., Ltd. (Vice-Chairman of the Board of Directors)

(56) Supervisory Board

Members of the Supervisory Board	Supervisory and comparable control bodies
Chairman **Karlheinz Weimar** Minister of Finance of the State of Hesse (Compensation in 2006: € 38,150)	**Chairman of the Supervisory Board:** – Flughafen Kassel GmbH **Vice Chairman of the Administrative Board:** – Landesbank Hessen-Thüringen Girozentrale **Member of the Administrative Board:** – Investitionsbank Hessen AG **Member of the Supervisory Board:** – FIZ Frankfurter Innovationszentrum Biotechnologie GmbH – Future Capital AG – HA Hessen Agentur GmbH – Messe Frankfurt GmbH **Advisory Board member with the assignments of a Supervisory Board:** – Höchster Porzellan-Manufaktur GmbH
Vice Chairman **Gerold Schaub** Vice Chairman ver.di trade union Hesse (Compensation in 2006: € 35,050)	**Member of the Supervisory Board:** – Lufthansa Systems Group GmbH
Dr Manfred Bischoff Chairman of the Board EADS N. V. (Compensation in 2006: € 21,950)	**Chairman of the Supervisory Board:** – DaimlerChrysler Luft- und Raumfahrt-Holding AG **Member of the Supervisory Board und Boards:** – DaimlerChrysler AG – Voith AG – SMS GmbH – Royal KPN N. V. – Nortel Networks Corporation and Nortel Networks Limited – Unicredit S. p. a.
Jörg-Uwe Hahn FDP floor leader in the Hessian State Parliament Member of the State Parliament (Compensation in 2006: € 33,450)	**Member of the Supervisory Board:** – Flughafen Frankfurt-Hahn GmbH – TaunusFilm GmbH **Member of the Broadcasting Corporation Board:** – Hessischer Rundfunk

Dr Joachim v. Harbou
President of the Chamber
of Industry and Commerce
Frankfurt am Main
(Compensation in 2006:
€ 31,850)

Chairman of the Supervisory Board:
- ISF Internationale Schule Frankfurt-Rhein-Main Geschäftsführungs GmbH

Member of the Supervisory Board:
- Nestlé Deutschland AG
- FIZ Frankfurter Innovationszentrum Biotechnologie GmbH
- TechnologieStiftung Hessen GmbH
- Städtische Bühnen Frankfurt am Main GmbH

Chairman of the Advisory Board:
- Hebel Projektbau GmbH & Co. KG
- Viessmann Werke GmbH & Co. KG

Member of the Advisory Board:
- Corpus Immobiliengruppe GmbH & Co. KG
- IVG Immobilien AG
- Eintracht Frankfurt Fußball AG

Member of the Broadcasting Corporation Board:
- Hessischer Rundfunk

Jörg Hennerkes
State Secretary in
Federal Ministry of Transport,
Building and Urban Affairs
(since May 31, 2006)
(Compensation in 2006:
€ 12,625)

Member of the Supervisory Board:
- Deutsche Bahn AG (since February 1, 2006)
- DFS Deutsche Flugsicherung GmbH (since March 1, 2006)

Helmut Hofmann
Member of the Works Council
(Compensation in 2006:
€ 26,350)

Lothar Klemm
Former Hessian Government
Minister
Member of the State Parliament
(Compensation in 2006:
€ 24,350)

Chairman of the Supervisory Board:
- MANIA Technologie AG
- ZIV – Zentrum für integrierte Verkehrssysteme GmbH
- FunkTicket AG

Member of the Supervisory Board:
- IQB Career Services AG

Wolfgang Mayrhuber
Chairman of the Executive Board
Deutsche Lufthansa AG
(since May 31, 2006)
(Compensation in 2006:
€ 10,750)

Chairman of the Supervisory Board:
- Lufthansa Cargo AG

Member of the Supervisory Board:
- BMW AG
- Münchener Rückversicherungs Gesellschaft
- Eurowings Luftverkehrs AG
- Lufthansa Service Holding AG
- Lufthansa Technik AG
- Thomas Cook AG

Member of the Administrative Board:
- Swiss International Air Lines AG

Member of the Supervisory Board:
- HEICO Corporation, Miami, Florida

Zafer Memisoglu
Member of the Works Council
(Compensation in 2006:
€ 24,750)

Member of the Supervisory Board:
- Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG

Ralf Nagel
Former State Secretary
(until March 27, 2006)
(Compensation in 2006:
€ 5,090)

Member of the Supervisory Board:
- Deutsche Bahn AG (until January 31, 2006)
- Chairman of the Advisory Board der DFS Deutsche Flugsicherung GmbH (until July 5, 2006)

Adelheid Riedel-Ciesla
Trade union representative
of ver.di (since March 9, 2006)
(Compensation in 2006:
€ 20,425)

Gabriele Rieken
Member of the Works Council
(Compensation in 2006:
€ 23,950)

Harald Rose
Trade union representative
of ver.di
(Compensation in 2006:
€ 23,950)

Vice Chairman of the Supervisory Board:
- FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH

Petra Rossbrey
Head of Airport Facility
Management, Fraport
(Compensation in 2006:
€ 24,750)

Dr h. c. Petra Roth
Lord Mayor of
Frankfurt am Main
(Compensation in 2006:
€ 23,550)

Chairman of the Supervisory Board:
- Frankfurter Aufbau AG
- Mainova AG
- ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH
- Messe Frankfurt GmbH
- Stadtwerke Frankfurt am Main Holding GmbH
- Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH

Member of corporate control bodies:
- Alte Oper Frankfurt Konzert- und Kongress-zentrum GmbH
- Gas-Union GmbH
- Rhein-Main-Verkehrsverbund GmbH
- Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH
- FIZ Frankfurter Innovationszentrum Biotechnologie GmbH
- Städtische Bühnen Frankfurt am Main GmbH
- The Forsythe Company gGmbH
- Landesbank Hessen-Thüringen Girozentrale
- Nassauische Sparkasse

Member of the Advisory Board:
- E.ON Ruhrgas AG
- THÜGA AG

Werner Schmidt
Member of the works council
(Compensation in 2006:
€ 24,350)

Vice Chairman of the Executive Board:
– Arbeitsgemeinschaft unabhängiger Flughafenbeschäftigter (AUF e. V.)
– Komba-Gewerkschaft, Kreisverband Flughafen Frankfurt/M.
Member of the Supervisory Board:
– SMW Abwasser GmbH
Member of the Association Council:
– Riedwerke Kreis Groß-Gerau

Dr Jürgen Siewert
Assistant State Secretary
(until May 31, 2006)
(Compensation in 2006:
€ 10,215)

Member of the Supervisory Board:
– T-Systems Enterprise Services GmbH
– T-Systems Business Services GmbH
– Duisburger Hafen AG
– DB Fernverkehr AG

Edgar Stejskal
Chairman of the Group works council
(Compensation in 2006:
€ 25,150)

Member of the Supervisory Board:
– Airmail Center Frankfurt GmbH

Christian Strenger
(Compensation in 2006:
€ 23,950)

Chairman of the Supervisory Board:
– The Germany Funds (USA)
Member of the Supervisory Board:
– DWS Investment GmbH

Achim Vandreike
Former Mayor of
Frankfurt am Main
(Compensation in 2006:
€ 24,750)

Member of the Supervisory Board:
– ABG Frankfurt Holding Wohnungsbau und Beteiligungsgesellschaft mbH (until June 30, 2006)
– Messe Frankfurt GmbH (until June 30, 2006)
– Frankfurter Aufbau AG (until June 30, 2006)
– Eintracht Frankfurt Fußball AG
Member of corporate control bodies:
– Bäderbetriebe Frankfurt GmbH (until June 30, 2006)
– Waldstadion Frankfurt am Main Gesellschaft für Projektentwicklungen mbH (until June 30, 2006)
– Stadion GmbH (until June 30, 2006)
– Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH (until June 30, 2006)
– Nassauische Heimstätte Wohnungsbau- und Entwicklungsgesellschaft mbH (until June 30, 2006)
– Gateway Gardens Projektentwicklungs GmbH (until June 30, 2006)

Peter Wichtel
Chairman of the Works Council
(Compensation in 2006:
€ 31,850)

Member of the Executive Board:
– Unfallkasse Hessen
Member of the Supervisory Board:
– gedas operational services GmbH & Co. KG

Significant subsidiary companies, joint ventures and associated companies

		Place of incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of em-ployees
Subsidiary companies								
Germany								
Airport Assekuranz Vermittlungs-GmbH	AAV	Frankfurt a. M.	2005	100.00	494	442	1,993	10
			2006	100.00	613	561	2,085	11
Airport Cater Service GmbH	ACS	Frankfurt a. M.	2005	100.00	26	0	17,099	139
			2006	100.00	26	0	18,039	148
Airport Retail Solutions GmbH	ARS	Frankfurt a. M.	2005[1]	51.00	–8	0	0	0
			2006[1]	51.00	–8	0	0	0
AirIT Airport IT Services Hahn AG	AirIT Hahn	Lautzenhausen	2005	100.00	836	119	1,774	10
			2006	100.00	779	13	2,098	10
APS Airport Personal Services GmbH	APS	Frankfurt a. M.	2005	100.00	1,462	912	21,223	716
			2006	100.00	1,620	1,070	36,550	1,234
Energy Air GmbH	Energy Air	Frankfurt a. M.	2005	100.00	2,483	2,431	82,967	0
			2006	100.00	1,259	1,184	73,154	0
Flughafen Frankfurt-Hahn GmbH	Flughafen Frankfurt-Hahn	Lautzenhausen	2005[2]	65.00	72,757	–15,940	36,859	288
			2006[2]	65.00	74,716	–15,751	43,480	307
Flughafen Saarbrücken Betriebsgesell-schaft mbH	Flughafen Saarbrücken	Saarbrücken	2005	51.00	840	2	10,269	146
			2006	51.00	590	–250	9,350	146
Fraport Cargo Services GmbH	FCS	Frankfurt a. M.	2005	100.00	10,456	3,015	53,704	159
			2006	100.00	15,587	5,130	61,149	200
Fraport Immobilienservice und -entwicklungs GmbH & Co. KG	Fraport Immo	Flörsheim a. M.	2005[3]	100.00	7,285	259	842	4
			2006[2,3]	100.00	11,525	1,234	2,226	7
Fraport Objekt Mönchhof GmbH	Fraport OGM	Flörsheim a. M.	2005	100.00	24	–1	0	0
			2006	100.00	21	–3	1	0
Fraport Objekte 162 163 GmbH	Fraport OG 162	Flörsheim a. M.	2005	100.00	24	–1	0	0
			2006	100.00	21	–3	1	0
Fraport Real Estate Mönchhof GmbH & Co. KG	Fraport Mönchhof	Flörsheim a. M.	2005[3]	100.00	25	0	0	0
			2006[3]	100.00	3,576	–949	168	0
Fraport Real Estate 162 163 GmbH & Co. KG	Fraport 162 163	Flörsheim a. M.	2005[3]	100.00	6,825	–1	0	0
			2006[3]	100.00	6,825	1,708	7,357	0
Fraport Real Estate Verwaltungs GmbH	Fraport RE	Flörsheim a. M.	2005	100.00	18	–7	1	0
			2006	100.00	15	–3	1	0
Fraport Sicherheit Projekt GmbH	Fraport Sicherheit	Frankfurt a. M.						
			2006[4]	100.00	25	0	0	0
Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG	GCS	Frankfurt a. M.	2005[3]	40.00	2,828	1,803	24,188	596
			2006[3]	40.00	2,587	1,562	23,705	609
Hahn Campus Management GmbH	Hahn Campus	Lautzenhausen	2005	65.00	25	0	420	7
			2006	65.00	23	–1	304	8
Media Frankfurt GmbH	Media	Frankfurt a. M.	2005	51.00	2,035	1,464	21,083	24
			2006	51.00	3,083	2,571	28,545	26
Verwaltungsgesellschaft für Cleaning Service mbH	VCS	Frankfurt a. M.	2005	100.00	31	0	364	1
			2006	100.00	31	0	346	2
Rest of Europe								
ICTS Europe Holdings B.V., Amstelveen (Sub-group)	ICTS	The Nether-lands	2005[5]	100.00	43,781	12,359	341,759	10,823
			2006[5]	100.00	47,022	13,141	391,421	12,836
ACR Gulf Ltd., London	ACR Gulf	Great Britain	2006[4,6]	100.00	–108	–106	39	0
CIVAS UK Ltd., London	CIVAS UK	Great Britain	2005[6]	100.00	–19	0	0	0
			2006[6]	100.00	–19	0	0	0
CIVAS USA Inc., Delaware	CIVAS USA	USA	2005[6]	100.00	–45	0	0	0
			2006[6]	100.00	–40	0	0	0
Consultants on Targeted Security Netherlands B.V., Amsterdam	CTS	The Nether-lands	2005[6]	100.00	12	0	0	0
			2006[6]	100.00	–22	–33	4	1

Significant subsidiary companies, joint ventures and associated companies

		Place of incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of em-ployees
Rest of Europe (continue)								
Diag-Nose SAS, Paris	Diag-Nose France	France	2005[6]	100.00	47	441	1,615	16
			2006[6]	100.00	598	551	2,770	17
Diag-Nose Israel Ltd., Lod	Diag-Nose Israel	Israel	2005[6]	100.00	26	8	268	0
			2006[6]	100.00	12	–14	501	10
Emerald Airport Services Europe S.A., Brüssel	Emerald	Belgium	2005[6]	100.00	49	0	0	0
			2006[6]	100.00	45	–4	0	0
FIS Deutschland Flug- und Industrie-sicherheit Service GmbH, Kelsterbach	FIS Deutschland	Germany						
			2006[4,6]	100.00	24	–1	0	0
FIS Flug- und Industriesicher-heit Service- und Beratungs-GmbH, Kelsterbach	FIS	Germany	2005[6]	100.00	14,111	8,607	136,343	4,111
			2006[6]	100.00	15,505	10,380	161,850	5,100
ICTS (UK) Ltd., London	ICTS UK	Great Britain	2005[6]	100.00	4,066	711	62,499	2,338
			2006[6]	100.00	4,869	708	70,948	2,511
ICTS Albania SH.P.K., Tirana	ICTS Albania	Albania	2005[6]	100.00	72	40	712	60
			2006[6]	100.00	212	141	1,198	68
ICTS Belgium SPRL, Brüssel	ICTS Belgium	Belgium	2005[6]	100.00	366	22	2,697	90
			2006[6]	100.00	465	98	3,588	108
ICTS Denmark ApS, Kopenhagen	ICTS Denmark	Denmark						
			2006[4,6]	100.00	44	27	466	16
ICTS Europe Holdings B. V., Amsterdam	ICTS Holding	The Nether-lands	2005[6]	100.00	44,648	1,825	9,633	14
			2006[6]	100.00	47,581	1,438	11,515	17
ICTS France S.A., Paris	ICTS France	France	2005[6]	100.00	–133	–315	76,149	2,132
			2006[6]	100.00	–739	–1,256	85,776	2,494
ICTS Greece Ltd., Athen	ICTS Greece	Greece	2005[6]	100.00	–806	–593	2,472	133
			2006[6]	100.00	–128	678	4,003	187
ICTS Hellas S.A., Athen	ICTS Hellas	Greece	2005[6]	100.00	127	100	3,978	212
			2006[6]	100.00	–14	–141	2,431	163
ICTS Hispania S.A., Madrid	ICTS Spain	Spain	2005[6]	100.00	1,514	–977	11,302	393
			2006[6]	100.00	1,185	–329	9,269	362
ICTS Italia Srl, Rom	ICTS Italia	Italy	2005[6]	100.00	3,560	912	11,858	395
			2006[6]	100.00	2,709	499	12,312	437
ICTS Norway A/S, Gardermoen	ICTS Norway	Norway	2005[6]	100.00	4	–52	613	21
			2006[6]	100.00	29	25	768	20
ICTS Security Consultants Ltd., Zürich	ICTS Schweiz	Switzerland	2005[6]	100.00	1,314	763	7,460	226
			2006[6]	100.00	1,111	587	7,134	217
ICTS Sweden AB, Stockholm	ICTS Sweden	Sweden	2005[6]	100.00	244	–50	563	22
			2006[6]	100.00	261	8	1,191	40
ICTSP-Portugal Consultadoria de Aviacao Comercial, S.A., Lissabon	ICTS Portugal	Portugal	2005[6]	100.00	966	1,265	5,750	193
			2006[6]	100.00	601	300	2,380	148
International Aviation Security (UK) Ltd., London	IAS UK	Great Britain	2005[6]	100.00	–118	0	0	0
			2006[6]	100.00	–118	0	0	0
International Aviation Security Lda., Lissabon	IAS Portugal	Portugal	2005[6]	95.00	1	0	0	0
			2006[6]	95.00	1	0	0	0
LIS GmbH, Sicherheitsberatung für Luftfahrt und Industrieanlagen, Ebenfurth	LIS	Austria	2005[6]	100.00	9	–17	1,336	51
			2006[6]	100.00	–168	–242	718	26
New Age Aviation Security US Inc., Virginia	NAAS	USA	2005[6]	75.00	–400	–318	824	5
			2006[6]	75.00	–894	–563	1,049	7
Security Partners Ltd., Moskau	SP Russia	Russia	2005[6]	100.00	–23	–23	39	6
			2006[6]	100.00	21	44	251	7

Significant subsidiary companies, joint ventures and associated companies

		Place of incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of em-ployees
Rest of Europe (continue)								
Security Partners Ozel Guvenlik, Koruma, Egitim ve Danismanlik Hizmetleri A.Ş., Antalya	SP Turkey	Turkey	2005[6]	100.00	54	–9	0	0
			2006[6]	100.00	692	668	2,981	137
Underwater Security Consultants UK Ltd., London	MUSC	Great Britain	2005[6]	50.10	422	–613	1,305	12
			2006[6]	50.10	–950	–1,360	1,451	11
ICTS Netherlands Airport Services VOF, Amsterdam (joint venture)	ICTS NAS	The Nether-lands	2005[6]	50.00	1,000	633	16,266	393
			2006[6]	50.00	1,688	1,038	23,024	732
Asia Security Management Ltd., Bangkok (associated company)	Asia Security	Thailand						
			2006[4,6]	30.50	465	–176	n. a.	n. a.
Flughafen Frankfurt Main (Greece) Monoprosopi EPE, Athen	Hellas	Greece	2005	100.00	132	31	148	0
			2006	100.00	122	–10	0	0
Fraport Ground Services Austria GmbH	FGS Austria	Austria	2005	100.00	483	–886	10,990	191
			2006	100.00	581	98	11,826	202
Fraport Malta Ltd.	Fraport Malta	Malta	2005	100.00	2	0	0	0
			2006	100.00	26,153	–37	0	0
Fraport Malta Business Services Ltd.	Malta Business	Malta	2005	100.00	2	0	0	0
			2006	100.00	25,581	370	0	0
Fraport Twin Star Management AD, Varna	Fraport Twin Star	Bulgaria						
			2006[4]	60.00	–230	–4,251	599	154
America								
Air-Transport IT Services, Inc., Delaware	Air-Transport IT	USA	2005[7]	100.00	–1,412	–728	6,731	41
			2006[7]	100.00	–1,599	–351	7,602	44
Decision Support Technologies, Inc., Florida	DST	USA	2005[1,7]	100.00	0	0	0	0
			2006[1,7]	100.00	0	0	0	0
Fraport Peru S. A. C., Lima	Fraport Peru	Peru	2005	99.99	345	328	1,758	6
			2006	99.99	222	217	1,326	5
Fraport Ground Services USA Inc., Jacksonville	Jacksonville	USA	2005[1]	100.00	137	–464	750	34
			2006[1,8]	100.00	–3	–75	66	3
Asia								
Antalya Havalimani Uluslararasi Terminal Işletmeciliği Anomin Sirketi, Istanbul	Antalya	Turkey	2005	100.00	49,757	–924	52,590	365
			2006	100.00	42,096	8,446	54,640	223
Fraport (Philippines) Services Inc., Manila	Fraport Philippines	Philippines	2005[1]	99.99	–3,009	0	0	0
			2006[1]	99.99	–2,929	0	0	0
Joint Ventures								
Germany								
AirIT International GmbH	AirIT International	Frankfurt a. M.	2005	50.00	556	143	1,700	2
			2006	50.00	227	–329	116	1
AirITSystems Hannover GmbH	AirIT Hannover	Hanover	2005	50.00	3,568	907	11,785	58
			2006	50.00	3,051	1,003	12,773	66
FSG Flughafen-Service GmbH	FSG	Frankfurt a. M.	2005	33.33	161	85	4,161	0
			2006	33.33	168	93	4,225	0
Medical Airport Service GmbH	MAS	Kelsterbach	2005	50.00	1,365	465	5,301	55
			2006	50.00	1,812	680	7,272	79
NICE Aircraft Services & Support GmbH	NICE	Frankfurt a. M.	2005	52.00	9,833	2,793	17,040	10
			2006	52.00	11,326	2,213	16,258	12
Terminal for Kids gGmbH	Terminal for Kids	Frankfurt a. M.						
			2006[4]	50.00	38	13	347	4

Significant subsidiary companies, joint ventures and associated companies

		Place of incorporation		Share of capital %	Share-holders' equity € '000	Profit after tax € '000	Revenue € '000	Average number of em-ployees
Joint ventures								
Rest of Europe								
S. A. TCR International N. V., Brüssel (Sub-group)	TCR	Belgium	2005	50.00	10,406	2,467	48,852	248
			2006[9]	50.00	0	729	14,839	77
Asia								
Pantares Tradeport Asia Ltd., Hong Kong	Pantares Tradeport	China	2005	50.00	3,344	–4,306	0	0
			2006	50.00	2,370	–716	0	0
Shanghai Frankfurt Airport Consulting Service Co. Ltd., Shanghai	Shanghai	China	2005	50.00	220	2	182	0
			2006	50.00	209	6	261	0
Associated companies								
Germany								
Airmail Center Frankfurt GmbH	ACF	Frankfurt a. M.	2005	40.00	1,613	329	15,368	25
			2006	40.00	2,057	443	16,565	26
ASG Airport Service Gesellschaft mbH	ASG	Frankfurt a. M.	2005	49.00	2,930	2,380	33,605	816
			2006	49.00	2,152	2,151	32,405	767
European Center for Aviation Develop-ment – ECAD GmbH	ECAD	Darmstadt						
			2006[10]	25.00	44	–8	152	5
Flughafen Hannover-Langenhagen GmbH	Flughafen Hannover	Hanover	2005[11]	30.00	136,196	6,826	131,930	1,117
			2006[11]	30.00	144,309	8,328	136,309	1,285
Grundstücksgesellschaft Gateway Gardens GmbH	Gateway Gardens	Frankfurt a. M.	2005	25.00	269	–27	0	0
			2006	25.00	620	1,558	25,487	0
ZIV – Zentrum für integrierte Verkehrs-systeme GmbH	ZIV	Darmstadt						
			2006[10]	32.50	62	34	1,561	19
America								
Lima Airport Partners S. R. L., Lima	LAP	Peru	2005	42.75	47,253	5,134	72,063	283
			2006	42.75	46,694	4,582	79,650	317
Asia								
Tradeport Hong Kong Ltd., Hong Kong	Tradeport Hong Kong	China	2005	18.75	9,152	–1,732	5,401	83
			2006	18.75	6,322	–1,525	6,647	68

n. a. = not available
[1] Inactive.
[2] IFRS-results before consolidation.
[3] In the equity capital of shares in consolidated partnerships capital shares as well as shares in profit and loss of the limited partner are recognized (according to IAS32 these are debt).
[4] Established in 2006.
[5] Consolidated financial statements of ICTS.
[6] Data from individual financial statements of the ICTS companies.
[7] Consolidated financial statements Air-Transport and DST.
[8] De-consolidation on November 8, 2006.
[9] De-consolidation on May 19, 2006.
[10] First time equity measurement as at December 31, 2006.
[11] Data corresponding to consolidated financial statements (Annual Report 2005 corresponding to individual financial statements).

Frankfurt am Main, March 2, 2007

Fraport AG
Frankfurt Airport Services Worldwide

The Executive Board

Dr Bender　Professor Schölch　Mai　Dr Schulte

Auditor’s report

We have audited the consolidated financial statements prepared by the Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2006 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (“Handelsgesetzbuch”: German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company’s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 2, 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wagner	ppa. Hauptmann
German Public Auditor	German Public Auditor

Report of the Supervisory Board

During the entire year under review the Supervisory Board performed all tasks incumbent on it under the applicable law and the Company's Statutes. It was kept informed by the Executive Board regularly, promptly and comprehensively in the form of written and oral reports about the intended business policy, fundamental issues relating to the future business management and corporate planning, the situation and development of the company and the Group as well as important business transactions and discussed these subjects with the Executive Board. The Executive Board coordinated the strategic orientation of the company with the Supervisory Board. The Chairman of the Executive Board also maintained regular contact with the Chairman of the Supervisory Board and informed him about current developments in the business as well as about major business transactions. The Supervisory Board was directly involved in all decisions which were of vital importance to the company.

In the fiscal year 2006, the Supervisory Board convened nine times altogether. All members of the Supervisory Board attended at least half the number of the meetings.

Focus of attention of the Supervisory Board

The development of the business of the Fraport Group and its investments, with particular emphasis on traffic and revenue development at Rhine/Main Airport, was the subject of regular Supervisory Board discussions.

Along with this regular reporting, the following subjects were discussed particularly intensively:

- The progress of the zoning procedure with regard to the planned expansion of the take-off and landing runway system and the construction of a third terminal in Frankfurt was in the focus of the Supervisory Board again, just as the plans to adjust and expand the existing terminals.

- Of particular importance in this context was the planned contract to relocate the production plant of Ticona/Celanese and to acquire the land concerned. In its meeting held on December 15, 2006 the Supervisory Board approved the respective letter of intent signed.

- Within the scope of its discussing the strategic orientation of the company the Supervisory Board thoroughly dealt with the areas of security and ground handling services.

- In pursuance of the Group's internationalization strategy, the Supervisory Board approved the further participation in tenders with regard to the concessions obtained to operate airports. It was a pleasure for the Supervisory Board to see that the concession was awarded for the operation of the Delhi airport and that the permit was given to operate the Bulgarian airports Varna and Bourgas.

- As regards the investment in Manila, the Supervisory Board approved again the efforts made in court and out of court to appropriately settle the compensation arrangements with the Philippine government in connection with the construction of Terminal 3 at Manila Airport. The Board was satisfied to take note of the fact, that the Philippine government made an initial payment on the compensation in September 2006, of which just under US-$ 31 million were transmitted to the accounts of Fraport. The continuation of the arbitration proceedings heard before the World Bank in Washington to enforce existing claims is continued to be pushed ahead.

- Within the scope of the current Management Stock Option Plan 2001 the Supervisory Board decided in addition, to serve the participants' claims to exercise their options due under the 2004 tranche from restricted authorized capital.

Work of the committees

The Supervisory Board continued its proven work in the five committees formed to increase the efficiency of its activities and to prepare the Supervisory Board meetings. In isolated instances, the Supervisory Board's decision-making authority was transferred to the committees. The committee chairmen kept the Supervisory Board's full session regularly informed on the committees' work.

The Presidential Committee convened two times in the year under review. The issues it discussed included the Executive Board matters arising in fiscal 2006, especially the succession of the retiring Executive Board member and the determination of the performance-related compensation elements.

The finance and audit committee convened six times in the period under review discussing major business transactions, the annual financial statements and consolidated financial statements, the proposal on the appropriation of profits and the dividend amount to be paid, risk management and the independence of the external auditors required by the German Corporate Governance Code. It further discussed the focuses of analysis to be audited. It also commented on the 2007 business plan of Fraport AG (preparation in compliance with HGB) and the 2007 Group plan (preparation in compliance with IFRSs). Further points of focus in the committee meetings were the topics risk and asset management.

The investment and capital expenditure committee discussed in five meetings the continuing business development of the investment portfolio and the investing activities in the fiscal year 2006. The focus of discussion in this context was the expansion of the investment business to China and India, which are important growth markets along with Southeastern Europe. The committee also discussed the examination of the settlement of capital expenditures incurred in fiscal 2005 and commented on the investment plan included in the scope of the business plan 2007.

The human resources committee convened four times in the period under review. In preparation of its resolutions to be passed in the area of human resources, it commented on the personnel situation in the Group, the Fraport Management Guidelines, the enforcement of the German Non-Discrimination Act and its realization at Fraport AG, as well as general policy matters in connection with the Law on Collective Bargaining, the compensation systems and the employee share plan.

It was not necessary in the fiscal year 2006 to summon the mediation committee to be formed in compliance with the rules of the German Co-Determination Act.

Corporate governance and statement of compliance

On June 12, 2006 the German Government Commission published an amendment to the German Corporate Governance Code. In its meeting held on September 15, 2006, the Supervisory Board decided that it would adopt the recommendations and suggestions made and that the Fraport Code would be adjusted accordingly.

The statement of compliance with the German Corporate Governance Code required under § 161 of the German Stock Corporation Act (AktG) for 2006 was submitted by the Executive Board and the Supervisory Board on December 15, 2006.

In the period under review, the Supervisory Board reviewed the efficiency of its work on the basis of a questionnaire which was prepared and assessed together with an external advisor. The results were discussed in detail in the meeting held on December 15, 2006. Major topics were the monitoring function of the Supervisory Board over the Executive Board, the reporting of the Executive Board to the Supervisory Board and the work in the committees.

For further details on Corporate Governance at Fraport and the wording of the current statement of compliance please see page 161 et seq. The Fraport Code, the current and previous years' statements of compliance are also available in the Internet under www.fraport.com.

Annual and consolidated financial statements

PricewaterhouseCoopers Aktiengesellschaft-Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Fraport AG and the consolidated financial statements as of December 31, 2006 as well as the management report of Fraport AG and the Group management report and expressed an unqualified opinion on them. The Supervisory Board had assigned the audit engagement in compliance with the resolution passed at the Annual General Meeting held on May 31, 2006.

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) and were audited. The auditor of the financial statements confirmed that the consolidated financial statements and the Group management report met the requirements for exempting the company from preparing financial statements under German law. The auditor further confirmed that an early-risk-recognition-system in compliance with legal provisions is in operation, allowing the early recognition of developments which could jeopardize the company as a going concern.

The documents mentioned and the Executive Board's proposal for the appropriation of the retained earnings were submitted without delay by the Executive Board to the Supervisory Board. The Supervisory Board's finance and audit committee intensively dealt with these documents and the Supervisory Board itself reviewed them as well. The audit reports of PricewaterhouseCoopers were available to all members of the Supervisory Board and were discussed thoroughly at the balance sheet meeting held by the Supervisory Board in the presence of the auditor, who reported on the major findings of his audit. The Supervisory Board approved the audit results. No objections are to be raised after the final review made by the finance and the audit committee and the Supervisory Board's own assessment. The Supervisory Board approved the annual financial statements, which are hereby adopted.

The Supervisory Board approved the proposal of the Executive Board to pay out of the retained earnings a dividend of € 1.15 for each no-par value share entitled to dividend.

In the management report and in the notes of the company and the Group the Executive Board made disclosures in compliance with § 289 paragraph 4 and § 315 paragraph 4 of the German Commercial Code especially with regard to the rules for appointing and dismissing members of the Executive Board and the amendments to the provisions in the Company's Statutes required in this process as well as on the authority of the Executive Board in particular with regard to issue and buy back shares. The existing authorized capital should enable the company to issue new shares to the employees of the company and its affiliated companies in return for cash; there is no other way to issue shares with the subscription rights being excluded. The authorization to buy and use own shares enables the company to service subscription rights within the scope of the Fraport Management Stock Option Plan; here again, there is no other way to exclude the subscription right. As the authorization to buy treasury shares, the restricted authorized capital is used only for servicing the subscription rights within the scope of the Fraport Management Stock Option Plan. The facts set out in the management report and the notes relate to rules which are customarily applied by similar listed companies and are not intended to hamper any takeover attempts.

The report on the relationship with affiliated companies pursuant to § 312 of the German Stock Corporation Act (AktG) was available to the Supervisory Board. The conclusion of the report contains the following declaration of the Executive Board, which is also included in the management report:

“The Executive Board declares that under the circumstances known to us at the time, we received fair and adequate compensation for each and every legal transaction conducted. No action was taken or not taken at the behest or in the interests of the Federal Republic of Germany, the State of Hesse and Stadtwerke Frankfurt am Main Holding GmbH and companies affiliated with them in the year under review.”

The auditor audited the report on the relationship with affiliated companies with due care and issued the following opinion:

“Based on our audit duly performed and our assessment we confirm that

1. the actual information given in the report is correct,

the consideration given by the company for legal transactions specified herein was not unreasonably high."

The auditor took part in the discussions of the Supervisory Board concerning the report on the relationship with affiliated companies and reported on the major findings of his audit. After its own examination, the Supervisory Board agrees with the opinion of the auditor and does not raise any objections against the declaration of the Executive Board made at the end of the report on the relationship with affiliated companies and its inclusion in the management report.

Personal particulars

In the year under review, personnel changes occurred in the Supervisory Board of the company. Thus, Mrs Adelheid Riedl-Ciesla was appointed by the court to replace the outgoing employees’ representative 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, Chairman of the Executive Board 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, Construction and Urban Development.

The Supervisory Board of Fraport AG in addition approved personnel changes in the Executive Board. The Vice Chairman of the Executive Board, Professor Manfred Schölch, will leave the Executive Board as of March 31, 2007. As of April 1, 2007, the current Executive Board member for Finance and Construction, Dr Stefan Schulte will take the position of the Vice Chairman. The finance position will be filled by Dr Matthias Zieschang.

The Supervisory Board expresses its gratitude to the outgoing members of the Supervisory Board for their valuable commitment and their constructive support of the company and the Executive Board. The Supervisory Board further wishes to express its gratitude to the Executive Board and the employees for their successful work in 2006.

Frankfurt am Main, March 2007

Karlheinz Weimar
(Chairman of the Supervisory Board)

Corporate governance

The term "corporate governance" stands for responsible company management and control, the aim of which is the sustained creation of value. In this context, efficient co-operation between the Executive Board and the Supervisory Board is just as important as the respect for shareholders' interests and open and transparent corporate communication.

Corporate governance has high priority for Fraport. We therefore welcome the ongoing national and international action in this field and took further measures in 2006 to supplement our own Fraport code of conduct in accordance with the German Corporate Governance Code (DCGC).

Statement of compliance

In their meeting held on December 15, 2006 the Executive Board and the Supervisory Board of Fraport AG have declared pursuant to § 161 of the German Stock Corporation Act (AktG) that the **recommendations** of the Government Commission of the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance-Kodex) as amended on June 12, 2006 have been and will be complied with, with the following exception:

- Compensation for members of the Supervisory Board does not include a performance-oriented, variable element (No. 5.4.7 (2) DCGC).

This statement of compliance was immediately made available permanently to the shareholders on the company's web site.

The Supervisory Board considers this exception to be appropriate until further notice.

Supervisory Board Remuneration

In accordance with § 12 of our Company Statutes the members of the Supervisory Board continue to receive a fixed remuneration and a meeting attendance fee only. In 2006, total compensation for each member was as follows:

Member of the Supervisory Board	Compensation in 2006 in €	Member of the Supervisory Board	Compensation in 2006 in €
State Government Minister Karlheinz Weimar	38,150	Adelheid Riedel-Ciesla[4]	20,425
Gerold Schaub	35,050	Gabriele Rieken	23,950
Dr Manfred Bischoff	21,950	Harald Rose	23,950
Jörg-Uwe Hahn	33,450	Petra Rossbrey	24,750
Dr Joachim v. Harbou	31,850	Lord Mayor Dr h. c. Petra Roth	23,550
State Secretary Jörg Hennerkes[1]	12,625	Werner Schmidt	24,350
Helmut Hofmann	26,350	Dr Jürgen Siewert[5]	10,215
Lothar Klemm	24,350	Edgar Stejskal	25,150
Wolfgang Mayrhuber[2]	10,750	Christian Strenger	23,950
Zafer Memisoglu	24,750	Former Mayor Achim Vandreike	24,750
Former State Secretary Ralf Nagel[3]	5,090	Peter Wichtel	31,850

[1] Since May 31, 2006. [2] Since May 31, 2006. [3] Until March 27, 2006. [4] Since March 9, 2006. [5] Until May 31, 2006.

Executive Board compensation report

The Presidential Committee of the Supervisory Board is responsible for determining compensation for Executive Board members in detail.

The compensation for Executive Board members consists of the following fixed elements and performance-based elements:

- Fixed annual gross salary and compensation in kind

- A bonus related to growth, earnings and performance and long-term incentive components.

In addition, the Executive Board members are entitled to pension benefits.

Fixed elements

During the term of their employment agreement (generally five years) the Executive Board members receive a fixed annual salary during the above-stated period.

In addition the compensation for Executive Board members includes compensation in kind and other remuneration. Compensation in kind is the pecuniary benefit subject to wage tax from using a company car with chauffeur. This compensation in kind is generally available to all Executive Board members in the same way, the amount of the compensation depends on the personal situation.

Performance-related elements

Each year the revenue budgeted is achieved, each Executive Board member will be paid a bonus of 50% of his or her fixed salary. An additional bonus in the same amount will be paid to each Executive Board member, if the budgeted EBITDA is also achieved. If the target is exceeded the bonuses are increased by 10% for each 1% of the excess. If the company fails to achieve its target the Supervisory Board may decide on a corresponding reduction of the respective bonuses.

Stock options which act as a long-term incentive are granted in addition to the bonus within the scope of the stock option plan (MSOP, cf. the information provided in note 48).

Pension benefits

The Executive Board members are entitled to pension benefits and provision for surviving dependants. An Executive Board member is generally entitled to retirement benefits if he or she becomes permanently disabled or retires from office during the duration of or upon expiry of his or her employment agreement. If an Executive Board member dies, benefits are paid for his or her surviving dependants. These amount to 60% of the pension for the widower or widow and children receive 12% each.

Income from employment and pension payments from earlier or possible later service periods until completing the age of 60 will be deducted from the pensions due on retirement, if, without such deduction, the total of these emoluments and the pension would exceed 75% of the fixed annual gross salary (100% of the fixed salary if Fraport AG should decide to terminate or not extend the employment agreement). Effective January 1 of each year, the pensions may be adjusted as appears fair, taking into account the interests of the former Executive Board member and the company's performance. The adjustment obligation is deemed to be met, if the adjustment does not fall below the increase in the cost-of-living index of all private households in Germany.

The pension of an Executive Board member is determined by the percentage of a contractually agreed basis of assessment, with the percentage increasing annually by 1.5% or 2.0% up to a limit of 75% in proportion to the duration of time a member is appointed.

The contractually agreed basis of assessment for Dr Bender is 90% of his fixed annual gross salary, that for Professor Schölch is 93.33%. The claim to pension is 75% of the above-stated basis of assessment as of December 31, 2006.

Dr Schulte has a claim to 34.5% of his fixed annual gross salary as of December 31, 2006. Mr Mai is entitled to 45% of his contractually agreed basis of assessment as of December 31, 2006, i.e. 80.43% of his fixed annual gross salary. In case they become incapable of working the pension as a proportion of their former salary for Dr Schulte and Mr Mai would be at least 55% of their respective fixed annual gross salaries or the contractually agreed basis of assessment.

The claim to pensions of the former Executive Board members is also determined by a percentage of a contractually agreed fixed basis of assessment.

No other benefits have been promised to Executive Board members, in case of the termination of employment.

The fixed annual remuneration also covers any activity performed by an Executive Board member for companies, in which Fraport holds an indirect or a direct interest of more than 25% of the shares (other Board functions at Group companies). If an Executive Board member has such other Board functions at group companies, the remuneration he or she receives from such subsidiary is credited against the bonus. The emoluments paid to Dr Bender for his activities as a member of the Supervisory Board of Hanover Langenhagen GmbH Airport were credited to his bonus payments in 2006.

Compensation paid to the Executive Board 2006

Compensation was paid to the members of the Executive Board as follows:

Fixed salaries, bonuses, compensation in kind and other benefits

€ '000	Fixed payment	Compensation in kind and other compensation	Bonus 2006	Change in provision for bonus	Total
Dr Wilhelm Bender Chairman	350.0	62.2	473.0	–10.4	874.8
Professor Manfred Schölch Deputy Chairman	300.0	39.0	405.0	–8.8	735.2
Herbert Mai	218.8	29.4	296.0	–9.1	535.1
Dr Stefan Schulte	300.0	21.1	405.0	–9.9	716.2
	1,168.8	**151.7**	**1,579.0**	**–38.2**	**2,861.3**
Professor Barbara Jakubeit (until October 31, 2005)	–	3.3[1]	–	–85.3	–82.0
Total	**1,168.8**	**155.0**	**1,579.0**	**–123.5**	**2,779.3**

[1] *Compensation in kind from 2005.*

The bonus payments include payments on account for fiscal 2006 and the addition to the bonus provision in 2006. Reduced amounts from the release of the provisions recognized in the fiscal year 2005, which were not paid out, have been recognized in the increase/decrease in the provision. The Supervisory Board will decide in fiscal 2007 on the final amount of the bonus to be paid for 2006.

The following Executive Board members receive in addition long-term incentive elements:

MSOP

	MSOP 2005 1st tranche Number	MSOP 2005 2st tranche Number	Total Number	Expense in 2006 in € '000
Dr Wilhelm Bender Chairman	20,000	20,000	40,000	184.4
Professor Manfred Schölch Deputy Chairman	0	0	0	18.7
Herbert Mai	15,000	15,000	30,000	138.3
Dr Stefan Schulte	15,000	15,000	30,000	138.3
Total	**50,000**	**50,000**	**100,000**	**497.7[1]**

[1] *The expense has been incurred for share options recognized in profit under IFRS 2. Besides the 1. and 2. tranche of the MSOP 2005 which are still in holding, these are also expenses for the 4. tranche of MSOP 2001. For former members of the Executive Board there were expenses from stock options in the amount of € 16.5 thousand.*

Pension obligations

There are also future pension obligations of € 23,109.8 thousand. A total provision of € 14,561.1 thousand has been recognized to cover pension obligations to former members of the Executive Board and their dependants. Pension payments totaled € 1,099.6 thousand in 2006.

For the members of the Executive Board the following additions to pension provisions were made: Dr Wilhelm Bender € 196.9 thousand, Professor Manfred Schölch € 86.8 thousand, Dr Stefan Schulte € 100.9 thousand. Because of the conclusion of a new 5 year contract a release of € 362.1 thousand was made for Mr Herbert Mai.

Share ownership of corporate bodies

Pursuant to Code no. 6.6 and the regulations set out in the Securities Trading Act we publish without undue delay and notification on transactions carried out by senior executives and person closely related to them with Fraport shares and options.

In 2006, the Executive Board members received shares as compensation in the following amounts: Dr Bender € 76,754.16, Professor Schölch € 65,742.18, Mr Mai € 40,553.10, Dr Schulte € 65,742.18 and Professor Jakubeit € 27,958.56.

The Supervisory Board member Mrs Petra Rossbrey and her husband Mr Andreas Helfer exercised options in 2006 in the amount of € 127,689.88 and € 84,006.50 respectively. The Executive Board members exercised options in the following amounts: Dr Bender € 590,028.00, Professor Schölch € 489,600.00, Mr Mai € 476,440.00, Dr Schulte € 432,000.00 and Professor Jakubeit € 432,000.00. Senior Executive Vice President Peter Schmitz and the two "Generalbevollmächtigte" (fully authorized representatives) Messrs Christian Häfner and Volker Zintel exercised options with a value of € 172,800.00, € 143,394.00 and € 138,240.00 respectively.

In 2006, the sale of shares resulted in revenue of € 60,874.84 for Dr Bender, € 65,004.40 for Professor Schölch, € 60,593.00 for Mr Mai and € 39,638.39 for Dr Schulte.

The shares owned by all members of the Executive Board and the Supervisory Board account for less than 1% of all shares issued by Fraport.

Suggestions of the DCGC

Of the 20 **suggestions** made by the German Corporate Governance Code Fraport did not implement four:

- For first-time appointments the maximum possible appointment period of five years should not be the rule (No. 5.1.2 (2) DCGC).

All Executive Board members were appointed for five years when they were appointed for the first time. By doing so the company demonstrates its willingness to enter a long-term cooperation. A first-time appointment for five years is still very common and is the appointment period many potential Executive Board members expect.

- Performance-related compensation of members of the Supervisory Board should contain components based on the long-term performance of the company (No. 5.4.7 (2) DCGC).

As already stated, § 12 of the Statutes stipulates a fixed salary and a meeting attendance fee only.

- The company should make it possible for shareholders to follow the Annual General Meeting using modern communication media (such as the internet) (No. 2.3.4 DCGC).

For security and cost reasons Fraport transmitted only the welcoming speech of the Chairman of the Supervisory Board and the full text of the speech held by the Chairman of the Executive Board in the internet in 2006.

- A proxy exercising shareholders' voting rights should also be able to be reached during an Annual General Meeting (No. 2.3.3 sentence 2 DCGC).

The shareholders were able to appoint a proxy until the eve of the 2006 Annual General Meeting. Since the transmission of the Meeting ended following the speeches of the Chairmen of the Supervisory and Executive Boards, it was no longer necessary for the proxies to be available for the shareholders who did not take part in the Annual General Meeting.

Economic Advisory Board

The purpose of the Economic Advisory Board is to provide the Executive Board of Fraport AG with advice and support relating to important issues concerning not only the development of the economy and the aviation industry but also business policy. The members are appointed by the Executive Board for three-year periods. The Executive Board attends the meetings of the Economic Advisory Board and the Chairman of the Supervisory Board is invited to take part in the sessions as a permanent guest.

Hilmar Kopper, Chairman
Chairman of the Supervisory Board
DaimlerChrysler AG

Dr Clemens Börsig
Member of the Supervisory Board
Deutsche Bank AG

Dr Werner Brandt
Member of the Executive Board
SAP AG

Dr Reiner Maria Gohlke
Member of the Shareholders' Committee
Bitburger Getränke-Verwaltungs GmbH

Klaus Herms
Chief Executive Officer
Kühne + Nagel International AG

Dieter Kaden
Managing Director
DFS Deutsche Flugsicherung GmbH

Hemjö Klein
Live Holding AG

Dr Peter E. Kruse
Special Representative
Deutsche Post AG

Stefan Lauer
Member of the Executive Board
Deutsche Lufthansa AG

Professor Dr Rolf-Dieter Leister
Infra Beratung AG

Dr Bernd Malmström
Consultant
Deutsche Bahn AG

Dr Günther Merl
Chairman of the Executive Board
Landesbank Hessen-Thüringen

Friedrich von Metzler
Bankhaus B. Metzler seel.
Sohn & Co. KGaA

Dr h. c. Klaus-Peter Müller
Chairman of the Executive Board
Commerzbank AG

Ralf Nagel
Former State Secretary
Putz & Partner Unternehmensberatung AG

Dr Lutz Raettig
Chairman of the Supervisory Board
Morgan Stanley Bank AG

Hans W. Reich

Dr h. c. Nikolaus Schweickart
Chairman of the Executive Board
ALTANA AG

Holger Steltzner
Publisher
Frankfurter Allgemeine Zeitung

Dr Bernd Thiemann
Partner
Drueker & Co. GmbH

Dr Gert Vogt
Sterling Invest AG

Ernst Welteke
Former President of Deutsche Bundesbank,
former Chairman of the Supervisory Board
of Flughafen Frankfurt/Main AG

Permanent Guest:
Karlheinz Weimar,
Finance Minister, State of Hesse
Chairman of the Supervisory Board of
Fraport AG

Seven-year overview

€ million		2000	2001	2002	2003	2004	2005	2006
Revenue		**1,536.2**	**1,580.6**	**1,803.6**	**1,834.3**	**1,998.1**	**2,089.8**	**2,143.9**
Change in work-in-process		–2.9	0.7	–0.8	–0.1	0.0	0.1	0.0
Other internal work capitalized		15.4	18.4	19.2	18.0	21.8	20.6	23.1
Other operating income		58.8	92.5	29.8	35.5	23.8	31.2	83.3
Total revenue		**1,607.5**	**1,692.2**	**1,851.8**	**1,887.7**	**2,043.7**	**2,141.7**	**2,250.3**
Cost of materials		–264.4	–281.7	–275.3	–284.4	–316.2	–333.6	–353.3
Personnel expenses		–633.4	–689.2	–860.1	–933.9	–974.5	–1,032.5	–1,076.9
Other operating expenses		–188.9	–196.3	–219.4	–213.2	–243.4	–233.1	–241.7
Impairment write-downs relating to the Manila project		–	–	–241.7	–	–	–	–
EBITDA		**520.8**	**525.0**	**255.3**	**456.2**	**509.6**	**542.5**	**578.4**
Depreciation and amortization of tangible and intangible non-current assets and investment property		–194.9	–209.3	–214.1	–258.1	–235.1	–235.9	–248.0
EBIT/Operating profit		**325.9**	**315.7**	**41.2**	**198.1**	**274.5**	**306.6**	**330.4**
Interest result		–66.2	–72.9	–34.0	–31.4	–23.1	–23.1	–25.9
Share of profit or loss of investments accounted for using the equity method		–4.3	–25.8	–17.0	0.6	1.8	8.2	5.6
Income from investments		8.5	15.1	4.3	30.9	13.7	6.3	6.8
Impairment of financial assets		–8.7	–3.6	–3.8	0.0	–5.9	–1.3	–0.4
Impairment write-downs relating to the Manila project		–	–59.1	–47.8	–	–	–	–
Other financial results		–1.0	–7.1	16.2	10.5	–2.5	–11.3	23.7
Financial result		**–71.7**	**–153.4**	**–82.1**	**10.6**	**–16.0**	**–21.2**	**9.8**
EBT/Results from ordinary operations		**254.2**	**162.3**	**–40.9**	**208.7**	**258.5**	**285.4**	**340.2**
Taxes on income		–125.2	–60.7	–79.4	–93.3	–120.9	–123.9	–111.3
Group profit		**129.0**	**101.6**	**–120.3**	**115.4**	**137.6**	**161.5**	**228.9**
Profit attributable to minority interests		0.0	0.5	0.5	0.2	1.2	0.3	–0.4
Profit attributable to equity holders of Fraport AG		**129.0**	**101.1**	**–120.8**	**115.2**	**136.4**	**161.2**	**229.3**
Earnings per € 10 share in € (basic)		**2.16**	**1.28**	**–1.34**	**1.28**	**1.51**	**1.78**	**2.51**
Earnings per € 10 share in € (diluted)		**–**	**–**	**–1.33**	**1.26**	**1.48**	**1.75**	**2.48**
Key ratios								
EBITDA margin[1]	%	33.9	33.2	14.2	24.9	25.5	26.0	27.0
EBIT margin[2]	%	21.2	20.0	2.3	10.8	13.7	14.7	15.4
Return on revenue[3]	%	16.5	10.3	–2.3	11.4	12.9	13.7	15.9
ROCE[4]	%	15.1	11.2	1.9	9.4	13.9	13.5	13.5
Net assets[5]	€ million	2,508.0	2,470.6	2,589.7	2,473.8	2,329.0	2,310.7	2,258.9
RONA[6]	%	13.0	12.8	1.6	8.0	11.8	13.3	14.6
Fraport assets[5]	€ million	2,526.8	2,612.1	2,800.4	2,841.5	2,842.8	2,848.3	2,802.8
ROFRA[7]	%	12.9	12.1	1.5	7.0	9.7	10.8	11.8
Average number of employees		14,271	15,526	21,395	23,353	24,182	25,781	28,246

[1] *EBITDA/revenue.*

[2] *EBIT/revenue.*

[3] *EBT/revenue.*

[4] *EBIT/capital employed; capital employed: Net financial debt + shareholders' equity, shareholders' equity less the proposed dividend.*

[5] *cf. chapter "value management".*

[6] *EBIT/net assets.*

[7] *EBIT/Fraport assets.*

€ million	Balance at* Dec. 31, 2000	Balance at* Dec. 31, 2001	Balance at* Dec. 31, 2002	Balance at* Dec. 31, 2003	Balance at Dec. 31, 2004	Balance at Dec. 31, 2005	Balance at Dec. 31, 2006
Goodwill	62.2	45.2	161.0	139.0	116.8	108.3	97.1
Other intangible assets	48.5	54.6	64.1	59.3	52.5	50.2	42.3
Property, plant and equipment	2,447.7	2,435.1	2,403.9	2,376.8	2,381.5	2,587.3	2,729.2
Investment property	0.0	0.0	0.0	0.0	0.0	37.4	66.9
Investments accounted for using the equity method	71.0	126.1	37.3	45.9	46.9	53.6	56.2
Other financial assets	99.8	561.8	32.3	23.6	52.6	209.5	302.1
Other receivables and other assets	43.6	66.0	71.0	114.7	75.2	33.2	36.8
Income tax receivable	–	–	–	–	–	–	32.2
Deferred tax assets	6.0	6.2	8.5	14.5	13.4	19.3	16.4
Non-current assets	**2,778.8**	**3,295.0**	**2,778.1**	**2,773.8**	**2,738.9**	**3,098.8**	**3,379.2**
Inventories	10.3	11.9	13.1	17.1	12.1	14.4	32.9
Trade accounts receivable	135.5	141.3	195.9	181.3	168.6	190.0	185.5
Other receivables and other assets	58.9	149.1	48.5	53.4	64.2	71.5	62.3
Income tax receivable	–	–	–	–	–	–	2.0
Cash and cash equivalents	59.2	74.7	585.1	610.8	666.4	574.2	632.5
Non-current assets held for sale	–	–	–	–	–	2.7	0.1
Current assets	**263.9**	**377.0**	**842.6**	**862.6**	**911.3**	**852.8**	**915.3**
Issued capital	640.0	900.9	900.6	902.2	905.1	910.7	913.7
Capital reserve	0.0	662.4	532.0	533.2	537.6	550.5	558.8
Revenue reserves	302.6	365.0	370.8	445.0	520.1	599.2	746.3
Group retained earnings	76.7	36.0	0.0	39.7	68.0	82.1	105.2
Issued capital and reserve attributable to equity holders of Fraport AG	1,019.3	1,964.3	1,803.4	1,920.1	2,030.8	2,142.5	2,324.0
Minority interests, presented within equity	3.4	4.0	11.5	10.2	10.8	15.4	22.1
Shareholders' equity	**1,022.7**	**1,968.3**	**1,814.9**	**1,930.3**	**2,041.6**	**2,157.9**	**2,346.1**
Financial liabilities	1,014.3	671.8	665.4	591.4	574.1	622.4	718.8
Other liabilities	46.4	97.6	101.5	101.4	104.3	115.4	106.1
Deferred tax liablities	181.9	135.0	158.5	147.5	129.8	112.2	127.6
Provisions for pensions and similar obligations	15.5	17.4	20.3	22.0	25.5	21.4	20.6
Provisions for income taxes	85.9	118.7	72.6	136.7	151.7	167.0	166.2
Other provisions and accruals	119.0	41.3	46.0	136.2	95.3	112.1	101.4
Non-current liabilities	**1,463.0**	**1,081.8**	**1,064.3**	**1,135.2**	**1,080.7**	**1,150.5**	**1,240.7**
Financial liabilities	253.6	298.3	244.3	246.6	86.6	140.1	125.2
Trade accounts payable	113.8	99.0	94.8	79.0	100.4	173.3	229.0
Other liabilities	123.6	117.4	116.1	85.9	111.7	105.1	118.1
Provisions for income taxes	0.0	0.0	14.1	36.8	43.5	18.5	16.4
Other provisions and accruals	66.0	107.2	272.2	122.6	185.7	206.2	218.8
Liabilities in connection with assets held for sale							0.2
Current liabilities	**557.0**	**621.9**	**741.5**	**570.9**	**527.9**	**643.2**	**707.7**
Total assets	**3,042.7**	**3,672.0**	**3,620.7**	**3,636.4**	**3,650.2**	**3,951.6**	**4,294.5**

** Prepaid expenses and deferred income have been allocated to the respective non-current items. Allocation of provisions for taxes on income, other provisions and the deferred investment grants on items in non-current assets has been made in consideration of the respective documents.*

		Balance at* Dec. 31, 2000	Balance at* Dec. 31, 2001	Balance at* Dec. 31, 2002	Balance at* Dec. 31, 2003	Balance at Dec. 31, 2004	Balance at Dec. 31, 2005	Balance at Dec. 31, 2006
Change over the previous year								
Non-current assets	%	–	18.6	–15.7	–0.2	–1.3	13.1	9.0
Shareholders' equity[1]	%	–	104.6	–6.5	4.3	4.4	5.0	7.7
Share of total assets								
Non-current assets	%	91.3	89.7	76.7	76.3	75.0	78.4	78.7
Shareholders' equity[1] (equity ratio)	%	31.0	52.5	49.8	51.7	53.8	52.1	51.7
Key figures								
Net financial debt[2]	€ million	1,208.7	895.4	324.6	227.2	–5.7	188.3	211.5
Capital employed[3]	€ million	2,154.7	2,827.7	2,139.5	2,117.8	1,967.9	2,264.1	2,452.4
Gearing[4]	%	128.2	46.4	18.0	12.1	–0.3	9.1	9.5
Debt ratio[5]	%	39.7	24.4	9.0	6.2	–0.2	4.8	4.9
Dynamic debt ratio[6]	%	441.5	245.5	82.1	50.8	–1.1	38.1	43.6
Working capital[7]	€ million	26.5	160.6	631.7	697.7	699.2	571.7	568.2

** Prepaid expenses and deferred income have been allocated to the respective non-current items. Allocation of provisions for taxes on income, other provisions and the deferred investment grants on items in non-current assets has been made in consideration of the respective documents.*

[1] Shareholders' equity less minority interests and the proposed dividend.

[2] Non current and current liabilities – cash and cash equivalents.

[3] Net financial debt + shareholders' equity; shareholders' equity less the proposed dividend.

[4] Net financial debt/shareholders' equity[1].

[5] Net financial debt/total assets.

[6] Net financial debt/cash flow from operating activities.

[7] Current assets – trade accounts payable – other current liabilities.

Financial calendar

Press conference about the 2006 financial statements	**Tuesday, March 6**
2006 financial statements	**Wednesday, March 28**
Report on the 1 st quarter of 2007	**Wednesday, May 9**
Annual General Meeting	**Wednesday, May 30**
Report on the 1 st half of 2007	**Tuesday, August 7**
Report on the 1 st nine months of 2007	**Tuesday, November 13**

Traffic calendar

Month	
January 2007	Tuesday, February 13, 2007
February 2007	Tuesday, March 13, 2007
March 2007	Monday, April 16, 2007
April 2007	Monday, May 14, 2007
May 2007	Thursday, June 2007
June 2007	Thursday, July 12, 2007
July 2007	Monday, August 13, 2007
August 2007	Thursday, September 13, 2007
September 2007	Friday, October 12, 2007
October 2007	Tuesday, November 13, 2007
November 2007	Thursday, December 13, 2007

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Publisher
Fraport AG
Frankfurt Airport Services Worldwide
60547 Frankfurt am Main
Germany

Telephone: 018053724636
or 01805 FRAINFO
From outside Germany: +49696900
Internet: www.fraport.com

Investor Relations
Telephone: +49 (0) 6969074842
Fax: +49 (0) 6969074843
E-mail: investor.relations@fraport.de

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Kirchhoff Consult AG, Hamburg

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Jens Görlich, Oberursel

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