Fraport
Frankfurt Airport
Services Worldwide

# Annual Report 2000

## FRA Expansion, Internationalization and Change

## *Business Development*

Group results according to IAS

| in DM millions | 1998 | 1999 | 2000 |
|---|---|---|---|
| Consolidated profit for the year | 144.9 | 155.8 | 252.3 |
| Group sales revenue | 2,506.1 | 2,689.0 | 3,004.5 |
| Personnel expense | 1,118.6 | 1,167.1 | 1,238.8 |
| Depreciation and amortization of tangible and intangible non-current assets | 392.9 | 351.1 | 381.1 |
| EBITDA | 899.4 | 861.1 | 1,043.4 |
| Investments* (additions to non-current assets excluding changes to consolidated companies) | n.a. | 731.3 | 671.7 |
| Shareholders' equity | 1,683.2 | 1,800.8 | 1,993.6 |
| Balance sheet total | 5,100.5 | 5,582.4 | 5,951.1 |
| Number of employees (annual average without trainees) | 13,225 | 13,336 | 14,271 |

* Figures available as of 1999

## *Fraport AG*
## *Frankfurt Airport Services Worldwide*

**VS**
Executive Board Chairman

**VI**
Vice Chairman of the Executive Board and Executive Director Aviation Ground Services and Real Estate Management

**VF**
Member of the Executive Board and Executive Director Finance and Traffic and Terminal Management

**Staff functions reporting directly to the E**

- VSB Special Projects
- VSE External Relations
- VSI Investor Relations
- VSP Press and Publications
- VSQ Corporate Quality Management
- VSR Internal Auditing and Business Analysis

- VIF Freight Logistics
- VIR Legal Affairs

**FHB**
Airport Investments & Mergers

**USG**
Corporate Development, Organizational Structure, Boards and Committees

**MAR**
Marketing

**BVD**
Aviation Ground Services

**IFM**
Real Estate and Facility Management

**IUK**
Information Technology and Telecommunications

**VTM**
Traffic and Terminal Management

**CFR**
Controlling, Finance, Accounting

**ZEB**
Central Purchasing/ Construction Contracts

VA
Member of the
Executive Board and
Executive Director
Labor Relations

VE
Member of the
Executive Board and
Executive Director
Airport Development

xecutive Board

VAD Data Protection

VAF Promotion of Equal Opportunities for Woman and Families

VEK Expansion Program Communications and PR

PSL
Human Resources

APF
Airport Expansion Program

Strategic Business Divisions (SGB)

Support Divisions (UB)

As of March 1, 2001

# Contents


| | |
|---|---|
| 1 | *Letter from the Executive Board* |
| 4 | *The Group's Strategy* |
| 16 | *Strategic Business Divisions* |
| 28 | *Financial Report* |
| 30 | *Group Management Report* |
| 46 | *Group Balance Sheet as of December 31, 2000* |
| 47 | *Group Profit and Loss Statement for Fiscal 2000* |
| 75 | *Report of the Supervisory Board* |
| 79 | *Executive Bodies of the Company* |
| 80 | *Economic Advisory Group* |

## *"With Fraport AG's strategic reorientation, we have set high standards for all of our business divisions, shareholdings, and projects."*

***Ladies and Gentlemen,***

FRA expansion, internationalization and change were the determining factors of our extremely successful fiscal year 2000. Three highlights from the reporting period illustrate this: the political vote in the Hesse state parliament favoring expansion of the runway system as a prerequisite for further growth at FRA; the growth of our international presence; and the decision on the new corporate name and branding of Flughafen Frankfurt/Main AG (FAG) – since the beginning of 2001, we operate as "Fraport AG Frankfurt Airport Services Worldwide".

This new name reflects our Company's close relationship with its home location and, at the same time, indicates Fraport AG's strategic reorientation as a modern and globally active service provider.

We are maintaining and developing our strengths as an international hub. We are creating major benefits for our customers by offering a wide range of attractive services. We are integrating air, rail and road networks in an innovative manner. In the future, we also intend to exploit our potential in diverse and imaginative ways.

Competitiveness in such a growing and challenging global airport market requires clear strategies as well as efficient internal organizational and management structures.

To prepare ourselves even better for market challenges, we introduced a comprehensive portfolio analysis in 2000. The process is ongoing, but its basic elements are already compulsory throughout the Company: profitable growth, efficient cost structures and risk management. Greater responsibility for profit performance, along with transparency of the strategic business divisions and business units, was also introduced.

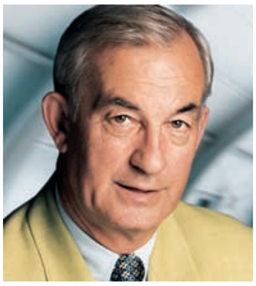
With their expertise and commitment, our employees also contributed substantially to our business success in 2000. Personnel management, development of managers, and change management remain important challenges for the future. During fiscal 2000, we further developed extensive programs to identify and develop individual employee capabilities, to improve leadership and thus motivate staff to support the changes necessary for effectively implementing our corporate strategies. The demands are high; but they will be consciously supported by our employees who are the core strength for the ongoing development of the


Dr. Wilhelm Bender


Prof. Manfred Schölch


Johannes Endler


Prof. Barbara Jakubeit


Hans Georg Michel

Company (in September 2000, our employment level exceeded the 13,000 mark for the first time in our corporate history).

With this Annual Report 2000, we are reporting to you for the first time as a Group, in accordance with IAS (International Accounting Standards). IAS reporting ensures better international comparability and higher transparency.

Since the Group financial statements include the individual statements of the consolidated subsidiaries, the comparability with corporate data published hitherto is only limited. Therefore, the annual report also includes financial data of the Group financial statements, according to IAS, for fiscal 1999.

The Group's sales revenue increased by 11.7 percent over 1999 to DM3,004.5 million. Consolidated profit increased overproportionately by 61.9 percent to DM252.3 million. Thus, 2000 was the most successful year in the Company's history.

Frankfurt Airport's traffic figures for 2000 once again exceeded the previous year's results. Approximately 49.4 million passengers, or 7.6 percent more than in 1999, used FRA in the year under review. Continuing the positive trend set in 1999, airfreight volume jumped by 11.3 percent to about 1.6 million metric tons in 2000. Thus, Frankfurt Airport maintained its leading position in Germany – Europe's largest airfreight market – and remained the number one airfreight hub in all of Europe.

A fifth position on the Executive Board, with responsibility for airport development and expansion, was created during the year under review. Enlarging the Executive Board underscores the enormous importance that Frankfurt Airport's expansion has for the development of Fraport AG. Today, we can state that important partial steps were successfully achieved in 2000. The important political decision in favor of airport expansion came in June, based on the Mediation Group's so-called "mediation package" issued in January. Achieving the broadest possible consensus of society has always guided our corporate activities and is also the basic principle of our expansion philosophy. Three alternative options emerged from the mediation process. Our preference is that building a new landing strip northwest of the existing airport would be the best expansion option. In May 2000, we adopted a clear position by introducing our 10-point program. This program outlines our next steps following the results of the mediation process. Above all, the program contributes to relieving the affected population from aircraft noise. In this respect, protecting quietness at night is a priority.

Certainly in the future, Frankfurt Airport will maintain – and will strengthen as a result of the planned airport expansion – its position as an important investment location and as a reference model for our performance capability in all areas of the airport business. We are on the best path to implementing our core strategy successfully: to become one of the most efficient airport groups and to expand internationally. The number of national and international locations where our Group is operating, through affiliates or subsidiaries, has increased to over 40.

In Germany, we have achieved substantial growth in traffic volume at Frankfurt-Hahn Airport. In the nation's capital, we will also participate in the tender for privatizing Berlin's three airports and expanding Schönefeld Airport.

Abroad, we have been able to expand our business portfolio with important new investments in strategic locations and to manage successfully our existing investments. In the year under review, we have further strengthened our business portfolio also through the international marketing of our specialized know-how in such areas as ground handling and airport security.

Last year, we took a decisive step forward in developing the strategic alliance between Fraport and Schiphol Group. Under the name "Pantares", Fraport and Schiphol Group are joining forces in third-party markets and are marketing their combined know-how worldwide.

The year under review was characterized by many complex preparations required for Fraport AG's planned initial public offering (IPO). The Executive Board was authorized at the Shareholders' General Meeting, with approval of the Supervisory Board, to increase the Company's capital.

Thus, we are well prepared to continue the successful business development of 2000 and to achieve the goals of our business mission. With our new strategic reorientation, we have set high standards for all of our business divisions, investments, and projects – to satisfy our own requirements regarding a sustainable increase in the value of our Company.

Dr. Wilhelm Bender | Prof. Manfred Schölch | Johannes Endler | Prof. Barbara Jakubeit | Hans Georg Michel


Frankfurt am Main Flughafen Fernbahnhof

# The Group's Strategy

*As a modern service provider aiming to be one of the top players, we are entering a global airport market that is characterized by continuous growth. Strategically, we are focusing on projects that offer high potential for value creation.*

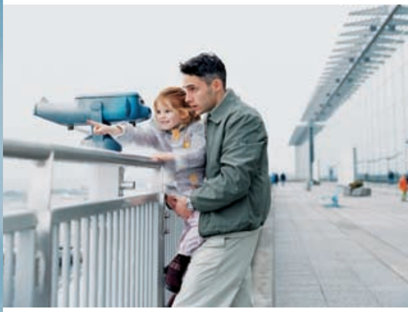
# FRA expansion, internationalization, change

***From an infrastructure provider to a modern service group***

There is a span of about 65 years from Fraport AG's planned IPO back in time to Frankfurt Airport's official opening on July 8, 1936: when a Lufthansa Ju 52 landed at what was then called the Flug- und Luftschiffhafen Rhein-Main (Rhine-Main Air and Airship Port).

The new Fraport name reflects our program. It stands for continuity of success of Flughafen Frankfurt/Main AG (FAG), which has developed Frankfurt Airport into a leading European hub by using the Company's high level of innovativeness, readiness to invest and the right concepts. The new name also signals our new corporate reorientation, which is designed to meet the challenges of the global airport market.

Characterized by continuing growth, this market is eliminating old structures. The process of radical



*Our strategy is to expand to every continent around the world: to the leading centers of business and leisure … a journey into the future.*

change is irrevocable and is being driven by the worldwide forces of liberalization, privatization and increasing competition. Competitors from outside our industry are entering the attractive airport business at an increasing rate. These developments are affecting all participants in the air transport sector, whether they provide services in the air or on the ground.

### *Value-oriented growth*

The goals of our new strategic orientation are defined in our business mission and development plan. Portfolio analysis, introduced at the beginning of 2000, is the basis for examining all business areas in terms of their market and value-creation potential. Where required, business areas are given a new, optimized profile in terms of process organization and organizational structure, with a consistent emphasis on the market and customers. By doing so, we intend to create efficient Group structures for value-oriented growth both at Frankfurt Airport and worldwide. Our goal for Frankfurt Airport is to ensure and strengthen its function as an international transportation hub. The intensity with which we are maintaining our "showcase for the world" is once again confirmed by the multiplicity of projects and initiatives for improving services for airlines, passengers and commercial customers, implemented in the year under review. Our concepts and their implementation increase Frankfurt Airport's attractiveness in the competition against other European hubs. Furthermore, they serve the economic and structural policy interests of the region.

Enlarging our international business is an essential element of our expansion strategy. Our globalization strategy is focused on acquisition and investment projects that offer high potential for value-creation.

### Frankfurt Airport: our reference model

At Frankfurt Airport, we have proven for many years our capability to achieve a high level of productivity at a confined space.

The “Future for FRA” project is a good example of our efforts to exploit the potential for improving productivity despite limited possibilities in the foreseeable future. Together with Deutsche Lufthansa and DFS Deutsche Flugsicherung (German Air Traffic Services), we are working to improve punctuality and increase the capacity of the existing runway system.

Placing greater emphasis on the retail business is an important strategic option defined under our portfolio analysis. During the year under review, we started a series of projects for expanding retail areas further and for optimizing their design and retail mix.

Continuously optimized quality and quality assurance were central themes in the Aviation Ground Services (BVD) strategic business division in the year under review. Toward the end of 2000, this division successfully passed all tests for quality management certification. Quality of service was the decisive factor that enabled BVD essentially to maintain its customer base – and even winning new customers – during the first year of direct competition against a third-party handler at Frankfurt Airport.

Our ProSAP project for corporate-wide conversion to the SAP R/3 standard software made encouraging progress in the reporting year. A first module went into operation in 2000, with additional modules to follow during the current year. In the future, this administrative system will effectively support Fraport AG's financial control of the Group and will lead to greater transparency and cost efficiency of all corporate units by simplifying administrative processes.

The new Real Estate and Facility Management (IFM) strategic business division was created as a result of an optimized focusing of our activities during the year under review. IFM merges the activities of the former FIF (Property and Cargo Development) and GTS (Engineering and Construction, Facilities Management) strategic business divisions and primarily serves as an internal service provider. By combining the expertise of the two divisions, we expect efficiency increases due to leaner processes, as well as even stronger customer orientation.

### Intermodality as a competitive factor

With the preparations for the AIRail Service 2000 pilot project, Frankfurt Airport further enhanced its intermodal capability. In cooperation with Deutsche Bahn and Deutsche Lufthansa, the pilot service was inaugurated on the route between Stuttgart's central railway station (Hauptbahnhof) and Frankfurt Airport in March 2001. Advantages for travelers include integrated train-and-plane ticketing, check-in for the flight already at the Stuttgart central railway station, coordinated flight and rail timetables, and networked information throughout the entire travel chain. The environment will also benefit when, following successful completion of the pilot project, short-haul flights on the Stuttgart–Frankfurt route will be gradually reduced in favor of rail services.

With the inauguration of the new ICE-train line linking Cologne with the Rhine-Main region, it is planned to expand the AIRail Service to Bonn-Siegburg, Cologne, and Düsseldorf. The environmentally friendly integration of land and air transport systems, supported by modern information and communications technology, creates new air passenger potential for our airport in the medium and long term – a result that is welcomed.

### Leading cargo airport

In the reporting year Frankfurt Airport recorded double-digit growth in airfreight. In the age of e-commerce air cargo is one of the growth sectors of the transport industry, also in the long term.

CargoCity South is a first class development area where most of the land has already been leased. Approximately 4,100 people are employed at CargoCity South, far more than the 2,700 employees originally forecast.


*Frequent flyers use our rail services: an integrated ticket, please, to Frankfurt Airport's own train stations – and connecting to a flight.*


Cargo carried in the holds of passenger aircraft considerably supports passenger traffic. Thus, cargo activity is also essential for Frankfurt Airport’s further development of its attractive passenger flight network, for which a high-quality hub is a prerequisite. With the planned expansion of the runway system, Fraport – as a “logistics integrator” on the ground – wants to utilize the opportunities provided by growth in global airfreight traffic and to participate reasonably in the net production value of the logistics and transport growth industries.

### *The signs point to expansion*

Political consensus in favor of airport expansion, reached during the reporting year, has opened up the opportunity for us to grow profitably in the expanding air transport market. Capacity expansion in keeping with demand is of considerable importance for Frankfurt Airport, because natural limitations are placed on our rationalization reserves in view of the predicted air traffic growth rates. Currently, plans call for opening the new runway for landings in 2006 and the new passenger terminal (first phase) as of 2007.

In agreement with the mediators, we consider the target value for FRA’s hourly runway capacity to be 120 aircraft movements. This capacity volume is indispensable for ensuring our competitive position versus competing European hubs in the future and for guaranteeing Frankfurt Airport’s function as the home base of Deutsche Lufthansa and as the most important European hub of the Star Alliance. Fraport also supports the other elements of the mediation package: optimization of the existing runway system, a ban on nighttime flights, an anti-noise package, and the Regional Dialogue Forum.

During the year under review, extensive technical and ecological preliminary studies were made for the three expansion options recommended in the mediation procedure: runway northwest for landings, runway northeast for landings, and runway south for take-offs and landings. Fraport AG’s Supervisory and Executive Boards favor construction of a runway northwest of the airport site. Nevertheless, Fraport will submit all three options for the regional planning procedure. In the subsequent zoning procedure, only one option will have to be examined – the expansion option that has been definitely chosen for implementation.

To increase capacity to over 80 million passengers per year, a new passenger terminal is being planned for the south side of Frankfurt Airport. Some 75

*If planes could talk, they would rave about our heavenly service on the ground.*

additionally required aircraft parking positions as well as taxiways must be designed to new dimensions, for accommodating the next generation of widebody aircraft. With the new runway, space and investment requirements will also arise for new aircraft maintenance hangars, workshops, offices, staging areas for increasing airfreight tonnage, as well as for other necessary operational facilities.

With the current expansion plan, an investment program probably exceeding DM6.5 billion will be initiated over the next few years, which will give strong impetus to the economy and employment in our region.

A major concern of Fraport AG, especially the newly created Executive Board position responsible for airport expansion, is actively to communicate our expansion philosophy and to continue the constructive dialogue with the region.

### *On the way to the global market*

An essential goal of our new development plan is to create shareholder and stakeholder value. This means that all of the business activities we pursue must contribute to the growth and profitability of the entire Company. We intend to create value not only at our home base but also internationally. This requires a highly focused acquisition and investment policy. In the past we have already won contracts for a number of projects. In the meantime, Fraport is operationally active on all continents. Therefore, we believe that we are well on the way to expanding our position as one of the most efficient airport groups in the world.

In November 2000, Fraport was able to expand its international portfolio to South America. As leader of a consortium with two other partners, Fraport won the tender for the privatization of the Jorge Chávez International Airport in Lima, the capital of Peru.

Our investment in Antalya (Turkey) has developed successfully since its commencement in 1999.

Construction cranes dominate the scene at the Ninoy Aquino International Airport (NAIA) in Manila, the Philippines, where building of the new International Passenger Terminal 3 began in June 2000. Our first project in Southeast Asia, this terminal is scheduled to go into operation around the end of 2002.

Our leap to the Australian continent occurred with the acquisition of shares in Brisbane Airport Corporation Ltd. Our alliance partner, Schiphol Group (SG), also holds a share in this company.

From planning and development to constructing and inaugurating the major new Athens-Spata Airport, Fraport AG has contributed its comprehensive know-how developed at Frankfurt Airport.

Under the direction of the respective strategic business divisions, special expertise such as terminal and security services or ground handling was also successfully marketed in 2000. For example, Portway, handling de Portugal s.a., a joint venture with ANA Aeroportos de Portugal S.A., was established in May. VAS Flughafen Bodenverkehrsdienste GmbH, a wholly-owned Fraport subsidiary, started operations at Vienna Airport in August.

## *Progress in Germany*

Frankfurt-Hahn Airport enjoyed public attention as a "growth story" during the reporting year. The Frankfurt-Hahn project allows the Company to build its presence in the low-cost aviation market segment and to complement Frankfurt Airport's capacities for holiday and cargo flights. With double-digit growth in cargo tonnage, Frankfurt-Hahn became Germany's fourth busiest cargo airport in the year under review. Passenger volume was also characterized by strong growth. In April 2000, the new passenger terminal with a capacity of 600,000 passengers per year was inaugurated.

New developments regarding the project for a major airport in Berlin stirred the German airport market. The previously competing bidder consortia, IVG Holding AG (with consortium partners Caisse des Dépôts et Consignations, Dorsch Consult, and Vienna Airport) and Hochtief AG (with consortium partners ABB Calor, Bankgesellschaft Berlin, and Fraport), reached a settlement in the Higher Regional Court of Brandenburg in November 2000. At the same time, the parties renounced possible claims for damages as well as legal objections regarding contract awarding. In the spring of 2001, the antitrust authorities in Bonn and Brussels approved the merger of the two consortia. The new consortium is now working at full speed to adapt the two technical concepts to the zoning procedure already in progress.

*He is one of 50 million passengers we welcome every year. Obviously, he feels right at home thanks to our good service.*

### *Fraport-Schiphol Group alliance takes shape*

The alliance between Fraport and Schiphol Group (SG), which took concrete shape in the year under review, was a development that affected practically all of our strategic business divisions and the markets we serve. From the perspective of both partners, this alliance is considered an optimal match. Both companies are striving for a leading position in the global competition among airport operators. Together, the partners cover the total range of airport services.

In November 2000, the world's first strategic alliance between two important international airports unveiled the Pantares brand name. Under the Pantares umbrella, the partners will work jointly in third-party markets in the future. Analogous to expanding airline alliances, Pantares is generally open to other interested airports.

The very first joint project of the Pantares partners was already a success. In February of the current year, Pantares in a consortium with local partners won the tender for constructing and managing a cargo logistics center at Hong Kong's Chek Lap Kok Airport. Under the Pantares alliance, Fraport and Schiphol Group hold 37.5 percent of the winning Tradeport Hong Kong Ltd. consortium. Hong Kong Land Holdings and Jardine Logistics Services Ltd. also have a 37.5-percent share, while China National Aviation Company Ltd. has the remaining 25 percent.

After approximately one year of close cooperation, the Pantares alliance has shown that entrepreneurial thinking, strategies and the staff of both companies

*Working at the airport is fun. It is the take-off to a great career for bus drivers, technicians, aviation clerks, aircraft handling agents, or passenger service representatives.*

harmonize. Thus, it is likely that the alliance partners will jointly develop their human resources. A management exchange program is being planned.

### *Human resources: our success factor*

As of December 31, 2000, the Fraport Group had 14,271 employees. Along with Deutsche Lufthansa, Fraport is the most important employer at Frankfurt Airport. With a total of about 62,000 employees, Frankfurt Airport is the biggest employment complex, at a single location, in the State of Hesse and in all of Germany.

The magnitude of the challenges involved in Fraport's future positioning is reflected by the wide range of personnel development projects that we have continued or initiated during the year under review. The goal of all activities is to encourage individual capabilities, to optimize existing knowledge and to impart new knowledge.

The Company's planned globalization requires special efforts in recruiting and qualifying management personnel for assuming demanding and responsible tasks, both domestically and internationally. Projects pursuing this purpose include the "management capacities" project, implemented in the reporting year, and the Airport Academy, which started in the spring of 2000 and has been operating successfully since then. The following policy applies for the future of Fraport AG: A performance-oriented and energetic Group staff is the decisive success factor in the global competition for market share and capital.

# Strategic Business Divisions

As part of the introduction of consolidated accounting in accordance with IAS and with a view to this presentation of accounts, Fraport AG's individual business areas and the investments allocated thereto were classified under the Aviation, Non-aviation, Ground Handling and Other business segments.

The Aviation segment encompasses all services immediately connected with air traffic, such as the entire airport infrastructure and organization as well as the complex airport and terminal operations. The Non-aviation segment encompasses business activities not directly related to air traffic, such as the rental of retail, restaurant and office space, the management of parking facilities, etc.

Ground Handling is comprised of so-called airport ground services. These include the wide range of aircraft handling services on the apron and in the terminals, passenger and baggage check-in, as well as all other aircraft-related services, including the fast and expert handling of cargo and mail. The Other segment includes above all information and communications technology, which is of central importance for the smooth functioning of the air transport hub.

These segments on the Group level cover five strategic business divisions on the level of Fraport AG, the most important part of the Group:

– Traffic and Terminal Management (VTM)

– Aviation Ground Services (BVD)

– Real Estate and Facility Management (IFM): formed by the merger of the previously separate Property and Cargo Development (FIF) and the Engineering and Construction, Facilities Management (GTS) divisions.

– Information Technology and Telecommunications (IUK)

– Airport Investments and Mergers (FHB)

# Main developments in the strategic business divisions

## Traffic and Terminal Management

### *Infrastructure development at FRA*

Handling and management of the entire airside and landside operations at Frankfurt Airport (FRA) are combined in the Traffic and Terminal Management (VTM) strategic business division. This also includes the management of space in the passenger terminals, including retail and restaurant space. A second major focus is the marketing of VTM's products and services outside the Frankfurt/Main location.

During the year under review, infrastructure development focused on modernization and capacity expansion of the existing passenger facilities, optimizing transfer processes through improved passenger guidance and the use of the latest information technology, as well as upgrading the runway system to accommodate the next generation of aircraft.

Following conclusion of a replacement program at the end of December 1999, all check-in and ticket counters throughout Terminal 1 sported a new design in the reporting year. Throughout Terminal 2 the gate management system was installed at the end of 2000.

Income from retail business grew overproportionately compared to passenger volume in 2000. This also reflects that Fraport is placing noticeably stronger emphasis on retailing in its planning and development processes. With the aim of further expanding retail areas as well as optimizing their design and retail mix, a series of projects important for FRA's future development was started in 2000. Projects included feasibility studies for the expansion of commercial space in areas with a high volume of visitors, development of the Shopping Mall-A project, as well as conceptualization of a comprehensive retail development plan.

Furthermore, important new retail and gastronomy areas could be opened in 2000. In addition to the expansion of space in Pier A, this includes, above all, more concession space in the new shopping mall in Pier B. In Pier B passengers can enjoy a wide range of shopping and entertainment facilities, including a casino and new restaurants.

Acceptance of the new Travel Value concept increasingly offset the loss of sales percentages resulting from the elimination of duty-free sales for passengers traveling on EU-domestic flights.

In cooperation with Deutsche Lufthansa AG and DFS Deutsche Flugsicherung GmbH, the "Future for FRA" project has been in operation since January 2000. Project themes include improvement of punctuality, utilization of the capacity potential, and joint communication initiatives.

During the reporting year, extensive preparations were made for the AIRail Service 2000 pilot project – which has been implemented in the meantime – regarding integrated air-rail baggage logistics on the Stuttgart–Frankfurt Airport rail route. The goal is to reduce air traffic on this short-haul route in favor of rail services. Upon completion of the ICE-train route linking Cologne with the Rhine-Main region, it is planned to expand the service to other promising catchment areas of Frankfurt Airport, such as North Rhine-Westphalia.

Opened with the beginning of the 2000/2001 timetable, the Check-in T area in the connector building between the long-distance rail station and Terminal 1 was a further step toward networking different transport modes.

As of January 1, 2000, a separate charge was introduced for transfer and transit passengers; it amounts to 90 percent of the charges for originating (non-transfer) passengers on domestic flights. The new regulation takes into consideration that transfer passengers use the airport's infrastructure and services to a much lesser extent than originat-


*In the footsteps of our holiday travelers: moussaka and champagne brunch, land and sea … family fun.*



ing passengers. Furthermore, an assessment limit based on capacity utilization was introduced. In contrast to previous practices, if an airline's seat load factor (in terms of all passenger flights during a calendar year) is higher than 75 percent, then passenger charges do not have be paid for the number of passengers exceeding this level.

To support the use of low-noise aircraft, Fraport applied for the introduction in 2001 of a different charging system that uses noise surcharges based on the actual aircraft noise measured – giving separate accounts for take-offs and landings. These new charges have been in force since January 1, 2001.

Under a contract with Messe Frankfurt GmbH, Fraport has managed a total of 20,000 parking spaces at the Frankfurt trade fair grounds since December 1, 2000. Before that, Fraport has already been managing about 27,000 parking spaces in parking garages at Frankfurt Airport.

In the year under review, investment in the PIATCO (Philippine International Air Terminals Co., Inc.) project company was increased to 30 percent. If indirect investments are taken into account, the share in PIATCO amounts to 52.4 percent. PIATCO is responsible for financing, planning, constructing and operating the new International Passenger Terminal 3 (IPT 3) at Ninoy Aquino International Airport. The operating concession period runs for 25 years, from the commencement of commercial operations. The operating responsibilities for the terminal were transferred to PTI Inc. (Philippine Airport and Ground Services Terminals Inc.), in which Fraport AG owns a 40-percent share. If indirect investments are taken into account, the share in PTI amounts to 64.0 percent. Simultaneously with the transfer of the land to PIATCO, construction of the IPT 3 started on June 15, 2000. With a design-capacity of 13 million passengers per year, the IPT 3 is scheduled to open in December 2002.

In March 2000, Fraport obtained the rights to acquire a further 30-percent dividend in Bayindir Antalya International Terminal Investment and Management Inc., Turkey, in which Fraport has owned a 50-percent share since October 1999. This company operates the international passenger terminal at Antalya Airport (Turkey), as a BOT (Build, Operate, Transfer) project.

Retroactive to January 1, 2000, Fraport acquired 100 percent (previously 49.998 percent) of CIVAS Civil Aviation Security Services GmbH. Effective January 1, 2001, CIVAS itself acquired a 45-percent interest in ICTS Europe B.V., a subsidiary of ICTS International N.V. responsible for Europe. ICTS International N.V. is one of the world's leading companies in the area of aviation security services. The remaining shares of ICTS Europe B.V. will be acquired by 2004.

## Aviation Ground Services

In 2000, Fraport AG handled 223,600 aircraft at Frankfurt Airport, an increase of 2.3 percent over the previous year. Mainly because individual airlines increased their frequencies on routes to the U.S. and the Far East, BVD's Passenger Services business (check-in for various airlines) could be increased to over 7.7 million passengers. This represents an increase of 3.3 percent over the previous year. Correspondingly, Baggage Services were heavily utilized and reached a new record: growing by 4.7 percent to 38.2 million baggage items.

Our Cargo Services were able to participate at an overproportionate rate in the growth of the air cargo business. The tonnage handled at Frankfurt Airport by Fraport amounted to over 408,000 metric tons, an increase of 17.4 percent over 1999.


*We keep traffic moving. Aircraft on the ramp, cars, passengers and baggage … constantly on the move.*

*Flying is multicultural. And our airport is a marketplace and a world of adventure. Designer fashions and playgrounds. Lobsters and open-faced sandwiches. Or simply a cappuccino … chit-chatting, watching, relaxing.*

New services were implemented; the logistics processes of the Cargo Services were further optimized. In the area of time-sensitive export handling, a new acceptance procedure was developed for peak delivery times. A system of time slots for the delivery of trucked cargo allows Fraport to guarantee arrival and handling times, thus minimizing waiting periods.

In April, the third-party handler Acciona Airport Services Frankfurt GmbH started operations at Frankfurt Airport. Through its pricing strategy, Fraport was well prepared for the opening of the market; securing its home-base market position is the declared goal. Thus, Fraport could limit the loss of market share and essentially maintain its customer base during the first year of direct competition at FRA.

In the area of e-commerce, the Airport-Travelnet travel agency, which was launched on the Internet in 1999, has been expanded. Thus, it complements Fraport's existing travel agency activities at Frankfurt Airport. In 2000, the number of airline, hotel and rental car reservations increased.

In November, Deutsche Lufthansa's Hub Control Center (HCC) opened at FRA. Fraport actively supports this center. The goal is to develop even closer networking with the customer and to strengthen the quality of the FRA hub.

In November, the Aviation Ground Services (BVD) strategic business division received certification in accordance with DIN EN ISO 9001:2000. The joint certification also covers VAS Flughafen Bodenverkehrsdienste GmbH, Fraport's subsidiary that provides ground handling services at Vienna Airport.

### *Expanding external business*

In 2000, Fraport continued its expansion strategy in the ground handling market also outside of Frankfurt. Established in Vienna as a wholly-owned subsidiary in May 1999, VAS Flughafen Bodenverkehrsdienste GmbH began operations in August 2000.

The Portuguese airport company ANA is Fraport AG's partner in the joint venture Portway, handling de portugal s.a. (ANA: 60 percent, Fraport AG: 40 percent), which was established at the beginning of May 2000 for providing ground-handling services at Faro, Lisbon and Porto airports.

Fraport AG has a 19.5-percent share in Goldair Aviation Handling S.A., which provides ground-handling services at seven locations in Greece. During fiscal 2000, this company succeeded in obtaining one of the coveted handling licenses at the new Athens-Spata Airport.

TCR International N.V., which Fraport and Brambles Handling Europe BV AG took over in 1999 as equal shareholders, further expanded its activities in Europe. A specialist for the leasing and maintenance of aircraft handing equipment, TCR provides its services in Amsterdam, Brussels, Frankfurt and Paris.

At the end of the reporting year, Fraport was represented with ground handling services at over 20 locations domestically and abroad, providing either ground handling services or related consulting services. EU liberalization of the ground handling market presents Fraport with further opportunities for marketing its specialized expertise in hub operations.


26


*We move cargo and mail … a heavy responsibility.*

## Airport Investments and Mergers

The Airport Investments and Mergers (FHB) strategic business division focuses on acquiring investments in airports on a national and international level, as well as on integrating and managing shareholdings within the Fraport Group. Deutsche AeroConsult GmbH (DACO), a wholly-owned subsidiary of Fraport AG and a specialist in airport consulting around the world, is affiliated with this division.

In 2000, Fraport AG continued its expansion at important locations. As part of a consortium with the U.S. company Bechtel Enterprises International Ltd. and the Peruvian company Cosapi S.A., Fraport won the tender for the operating concession for Lima Airport in the Peruvian capital. The consortium – in which Fraport owns 42.75 percent, Bechtel 42.75 percent, and Cosapi 14.5 percent – will operate and expand Lima Airport over a 30-year period. There is an option for extending the concession period. Fraport also acquired 0.77 percent of the shares in Brisbane Airport Corporation Ltd., the operator of the third largest airport in Australia.

Effective January 1, 2000, Holding Unternehmen Hahn GmbH (the company owning Frankfurt-Hahn Airport) and Flughafen Hahn GmbH (the company operating Frankfurt-Hahn Airport) were merged into Flughafen Hahn GmbH. Fraport has a 74.9-percent share in the new company and the remaining shares are held by the State of Rhineland Palatinate.

DACO's consulting services continued to be in international demand during 2000. In addition to comprehensive airport-management consulting – with emphasis on conceptual planning, project development, operating concepts and training – DACO specializes in the startup of new airports and airport facilities. An example of this is Incheon International Airport in Seoul, South Korea.

## Real Estate and Facility Management

The Real Estate and Facility Management (IFM) strategic business division functions as the owner of Fraport AG's real estate and is responsible for the functioning of technical systems at Frankfurt Airport. This strategic business division was established by merging the previously separate FIF (Property and Cargo Development) and GTS (Engineering and Construction, Facilities Management) divisions.

At the beginning of the reporting year, the so-called "A Island" was completed in Terminal 1. It is the focal point of Departures Hall A and a key site for retailing, banking, as well as first class check-in facilities. Almost unnoticed by passengers and visitors, this area was expanded over a one-year period with more retail outlets and, at the same time, equipped with modern fire protection technology. Similarly, the Pier A-Extension of Terminal 1 was inaugurated at the end of May 2000, providing a total of 13 additional aircraft docking positions for the use of Deutsche Lufthansa AG. In the central area of Terminal 1, parts of the modernized and expanded transit area of Pier B were gradually opened for passenger operations during the year. Completion of the terminal enhancements marks the most productive year of Terminal 1 to date.

Concluded in the previous year, the agreement on the return of land area used by the U.S. Rhein-Main Air Base opens up new development perspectives for Fraport in the southern part of the airport.

During the reporting year, the Freight Logistics business unit thus was able to continue its successful marketing of CargoCity South. An agreement was reached with Kühne & Nagel Group for locating at CargoCity South, where it plans to consolidate its airfreight business. Until mid-2002, the company will construct an airfreight handling complex and office building on an 18,000-square-meter site. Its neighbors will be numerous large international express services and freight forwarders, which have benefited from the locational advantages of CargoCity South for a long time.

Previously separate, the Engineering and Construction, Facilities Management (GTS) strategic business division is primarily an internal service provider for the Group. It provides planning and project management support to the strategic business divisions and holdings of Fraport AG, which are active in the market. Furthermore, the division generates additional sales from external customers, especially at Frankfurt Airport and at other Fraport locations. It also supports the preparation of the expansion planning.

Completed in 2001, the merger of GTS and FIF into the new Real Estate and Facility Management (IFM) strategic business division, will result in leaner processes and an even stronger orientation of the specialized IFM services toward the requirements of customers who are mainly internal.

GTS manages three affiliated or subsidiary companies of Fraport AG: Gesellschaft für Cleaning Service (GCS), in which Fraport holds 40 percent, is active at Frankfurt-Hahn Airport in the area of aircraft cabin and building cleaning. Since its establishment as a wholly-owned subsidiary of Fraport AG in 1999, Energy Air GmbH has gradually taken over the marketing of energy at Frankfurt Airport. Flughafen Service GmbH (FSG), in which Fraport holds one third of the shares, was established in the reporting year as a specialized provider of waste disposal services at airports. Within the context of a European-wide tender, FSG succeeded in winning a seven-year contract for waste disposal services at Frankfurt Airport.

In 2000, we increased Frankfurt Airport's recycling rate to over 80 percent and further reduced waste disposal costs.

# *Information Technology and Telecommunications*

Through its Information Technology and Telecommunications (IUK) strategic business division, Fraport plans, develops and operates IT (information technology) and telecommunications services. It also markets its own IT products developed in-house and consults on IT projects.

As in the previous year, IUK's major focus at Frankfurt Airport was on further developing operational and administrative IT core systems.

AirTIS Airport IT Services Hahn GmbH, a Fraport subsidiary, began operating at Frankfurt-Hahn Airport in 2000. The rapidly growing airport is a major challenge for the still small ICT service provider. An efficient new telecommunications system and a central Internet access node have already been implemented in the reporting year. This node allows for e-mail services and Internet access for customers at Frankfurt-Hahn Airport.

The close exchange between the ICT departments of Fraport and its alliance partner Schiphol Group in a working group established at the beginning of 2000, resulted in the conclusion of a cooperation agreement. The main goal of combining the information technology and telecommunications know-how of both partners is to integrate the ICT strategies of Amsterdam and Frankfurt.


*Mobility is our business. The elevated Sky Line people-mover shuttles passengers to their departures at Terminals 1 and 2.*

# Financial Report

*Fiscal 2000 was another successful business year for Fraport AG Frankfurt Airport Services Worldwide – the Fraport Group. Consolidated Group sales revenue grew to DM3,004.5 million, results from ordinary operations increased to DM520.0 million. The Group's profit for the year climbed to DM252.3 million. The year 2000 set the course for important further expansion at Frankfurt Airport. At the same time, the Company established promising new positions in the international airport business.*

# Group Management Report of Fraport AG Frankfurt Airport Services Worldwide for Fiscal 2000

Fiscal 2000 was another successful business year for Fraport AG Airport Services Worldwide – the Fraport Group. Consolidated sales revenues grew to DM3,004.5 million, results from ordinary operations increased to DM520 million. The Group's consolidated profits for the year climbed to DM252.3 million. The year 2000 set the course for important further expansion at Frankfurt Airport. At the same time, the Company established promising new positions in the international airport business.

## Market environment and air traffic development

Global air traffic grew faster than expected in 2000. Passenger figures increased by 6 percent, while air cargo tonnage rose by 7 percent. The number of aircraft movements (takeoffs and landings) rose by 1 percent.

Europe and Germany showed similar growth rates. In 2000, the number of passengers rose by 8 percent in Europe and by 7 percent in Germany. Improved economic growth in Euroland had a positive influence on the increase in airfreight, which rose by 9 percent in Europe and 10 percent in Germany. The number of aircraft movements rose by 3 percent.

### *Traffic growth for the Fraport Group*

The Fraport Group, with Frankfurt, Hahn, Saarbrücken, Antalya and Hanover airports, benefited from the general air traffic growth. The number of passengers handled by the Group grew by 12.4 percent to 62.6 million. Airfreight tonnage increased by 13.1 percent to 1,674 million metric tons. Aircraft movements rose by 8.2 percent to 616,687. Traffic figures for Frankfurt Airport relate to total air traffic at this airport, whereas the figures for Hahn, Hanover, Saarbrücken and Antalya relate to commercial traffic.

### *Passenger traffic*

All locations within the Fraport Group recorded strong growth in passenger traffic. The increase in passenger figures at Hahn Airport is attributable to a rise in package tour flights and the airlines' capacity expansion in the low-cost segment. Hanover recorded an increase in passenger numbers, especially due to EXPO 2000.

At Frankfurt Airport, the most important location within the Group, the extremely positive trend seen in previous years continued. With nearly 49.4 million passengers or an increase of 7.6 percent, Frankfurt Airport again achieved record results in 2000 and maintained its leading position on the European continent. September 29, 2000, marked a new record, with 182,259 passengers handled on a single day – topping the previous year's peak day by over 17,000. September 2000 was also Frankfurt Airport's busiest month on record, with nearly 4.8 million passengers handled.

The first quarter started out weakly: Fears of the millennium bug and a lull in demand for package tour flights slowed overall growth. The Star Alliance partners continued to strengthen their presence at Frankfurt Airport with an optimized network and attractive rates. Additional transfer traffic between Europe and North America and the Far East boosted the share of transfer passengers at Frankfurt Airport to 50 percent by the end of the year; the numbers of passengers transferring between international flights rose to a new record high.

In the second quarter, demand for package tour flights recovered. Almost all Mediterranean destinations recorded noticeably growth.

The strong U.S. dollar supported sustained traffic growth. Although traffic to and from South America and the Caribbean was depressed by the current exchange rate, incoming traffic from North America grew significantly. During the summer months, EXPO 2000 boosted passenger demand from the U.S., while the Olympic Summer Games boosted Australian traffic. Throughout the year, the major growth factor was increases in intercontinental traffic, primarily with North America and Asia. Economic recovery and increasing globalization also led to a rise in business traffic with northern and western Europe.

### *Airfreight*

Cargo activity increased at all locations of the Fraport Group (except for Saarbrücken). Hahn Airport showed particularly dynamic growth, with a 71.7 percent increase in tonnage. This was due to airlines adding capacity and introducing new destinations in reaction to brisk demand from exporters.

Frankfurt Airport, Europe's leading airfreight hub, accounted for the major share of the Group's total air cargo activity. Cargo tonnage handled at Frankfurt Airport grew 11.3 percent, or about 161,000 metric tons to about 1.589 million metric tons in 2000. The major force driving growth was intercontinental traffic with the Far East and North America (which account for about 62 percent of the airport's total cargo traffic). Thus Frankfurt Airport was able to enhance noticeably its leading position in air cargo ahead of London Heathrow and Amsterdam.

2000 was a record year for airfreight at Frankfurt Airport, even without the extra calendar day (February 29 leap day; effect: 0.3 percent): the 1999 monthly handling record of around 133,500 metric tons in October 1999 was exceeded four times during the second half of 2000. October again was the peak month, with 151,200 metric tons. The previous year's weekly handling record (32,045 metric tons achieved in December 1999), was exceeded as often as fourteen times in 2000 and now stands at 35,269 metric tons.

Overall, this growth reflects the increasing improvement of the German and global economies as well as the rise in exports caused by the weak euro. Import cargo increased by 5.6 percentage points to 10.8 percent, while exports rose from 8.4 percent to 13.1 percent in the same period.

Following recovery from the Asian crisis in 1999, growth rates for this market doubled to 14.6 percent (Middle East 5.5 percent, Far East 17.1 percent). Asia's share in the total cargo tonnage at Frankfurt Airport rose by a further percentage point to 44 percent (Middle East 9 percent, Far East 35 percent). Although outbound flights grew at higher rates than inbound flights, Frankfurt's Asian market continued to be dominated by imports.

In contrast, the North American market was dominated by exports, partly due to the strong the U.S. dollar. Overall airfreight traffic with North America grew by 13.7 percent, accounting for 27.2 percent of the airport's total cargo volume (1999: 26.8 percent).

Two further markets achieved double-digit cargo growth rates at Frankfurt Airport: South America grew by 18 percent and Central and South Africa by 14 percent. In contrast, North Africa (– 7 percent), Australia (– 8 percent) and Central America (– 21 percent) showed considerable declines.

The positive trend in airmail activity seen at Frankfurt Airport in 1999 slowed down in 2000. After 2.6 percent growth in 1999, airmail tonnage grew 1.5 percent in 2000 to 141,011 metric tons. The major growth factor was an 8 percent increase in international mail, while domestic mail dropped by about 4 percent in 2000. Domestic overnight airmail continued to decline at a steady rate of 2.8 percent.

### *Aircraft movements*

Aircraft movements saw noticeable growth rates at all locations of the Fraport Group. Particularly strong growth in aircraft movements was recorded at Hahn Airport, with an increase of 54.2 percent. Main reasons included considerable expansions in service at this airport by airlines in the low-cost segment and added capacity on package tour flights.

At Frankfurt Airport, by far the busiest airport within the Group, the number of takoffs and landings grew by 4.5 percent to 458,731 movements. There were several reasons (described below) for this again higher than expected increase.

Carriers at Frankfurt Airport increased their flight frequencies and air service connections by 4.3 percent during the 1999/2000 winter season. The strongest increase in flights (about 7 percent) occurred on European routes (eastern and southern Europe). Together with the extra calendar day in the leap year, this led to a 6.6 percent increase in movements in the first quarter. International scheduled passenger flights grew particularly fast.

The number of flights within the EU, to the Middle East, and across the South Atlantic grew at above-average rates. In 2000, some 120 airlines provided service at Frankfurt Airport flying to 330 destinations.

Seat capacity rose by 4 percent. A further increase was due to additional package tour or tour operator flights, so that total aircraft movements rose by 5.6 percent in the first half of 2000.

In the 2000/2001 winter season (from November) growth again accelerated considerably. Flight frequencies and connections rose by 4.4 percent. European traffic and intercontinental flights (about +6 percent) particularly benefited from the strong increase in seat capacity (+5.9 percent). Double-digit cargo tonnage growth resulted in a 15 percent increase in the number of freighter flights. Furthermore, supplementary flights were operated for special events (EXPO 2000, Olympic Summer Games, Oberammergauer Passion Plays, the Roman Catholic "holy year").

Flight punctuality further improved at Frankfurt Airport in 2000. The punctuality rate of takeoffs and landings increased from 63.4 percent to 75.5 percent.

# *Business development in 2000*

### *Group revenues and results*

In 2000, the Group achieved revenues of DM3,004.5 million. This represents an increase of 11.7 percent, or DM315.5 million, compared with 1999. Income from ordinary operations improved by 33.7 percent to DM520.0 million, after DM388.8 million in 1999. After taxes on income, consolidated profits for the year were DM252.3 million, representing an increase of 61.9 percent compared with 1999. Unappropriated retained earnings were DM150.0 million, the same as the unappropriated retained earnings of the parent company. The Executive Board and Supervisory Board will recommend to the Shareholders' General Meeting on April 23, 2001, that the unappropriated retained earnings be distributed to shareholders.

In connection with the recommendation on distributing the DM150 million, the Supervisory Board decided on March 14, 2001, to recommend to the Shareholders' General Meeting that a capital contribution of DM86,812,500.00 be made by May 1, 2001.

EBITDA (earnings before interest, tax, depreciation and amortization) rose by 21.2 percent to DM1,043.4 million over the previous year and EBIT (earnings before interest and tax) increased by 26.5 percent to DM645.3 million.

### *Third-party revenues by Group segment*

The Aviation and Ground Handling segments accounted for approximately two-thirds of total Group revenues from third parties, or DM2,313.1 million. These revenues divided by segment were as follows:

| | 2000<br>DM millions | 1999<br>DM millions | *Change<br>%* |
|---|---|---|---|
| **Segment** | | | |
| Aviation | 1,208.1 | 1,032.0 | *17.1* |
| Ground Handling | 1,105.0 | 1,014.0 | *9.0* |
| Non-aviation | 765.7 | 653.0 | *17.3* |
| Other | 91.2 | 68.9 | *32.4* |
| **Total** | **3,170.0** | **2,767.9** | ***14.5*** |

Total revenues by geographic area were as follows:

| | 2000<br>DM millions | 1999<br>DM millions |
|---|---|---|
| **Geographic area** | | |
| Germany | 3,037.4 | 2,731.0 |
| Rest of Europe | 38.6 | 33.7 |
| Asia | 93.4 | 1.1 |
| Rest of the world | 0.6 | 2.1 |
| **Total** | **3,170.0** | **2,767.9** |

### *Aviation*

In 2000, this Group segment was involved in developing and operating infrastructure at various airports, including runway systems, ramp and baggage handling facilities, as well as guaranteeing airport security at Frankfurt Airport. Revenues were mainly made up of airport charges, infrastructure charges and other aviation revenues. Major revenue drivers were passenger volume, maximum aircraft takeoff weights (MTOWs), and aircraft movements.

Revenue in the Aviation segment grew 17.1 percent over fiscal 1999. In addition to increases in charges, this was especially due to higher passenger volumes at Frankfurt, Antalya, Saarbrücken and Hahn airports. Airfreight continued to contribute a considerable amount to the rise in revenues. Strong growth in airfreight was recorded at Frankfurt Airport and, above all, Hahn Airport.

### *Ground Handling*

The Ground Handling segment, as of December 31, 2000, encompassed mainly the following ground handling services: Ramp Services, such as aircraft acceptance, ground power supply, loading and unloading, internal and external aircraft cleaning, aircraft cabin cleaning, as well as aircraft de-icing; Passenger Services, focusing on the landside handling of passengers and airline crews and on aircraft service; Cargo Services, i.e., mainly freight handling and warehousing. In addition, this segment covered the leasing of ground support equipment and international ground handling activities.

In the reporting year, the Group achieved higher output in all significant service areas within the Ground Handling segment: Ramp Services, Passenger Services including baggage tracing, and Cargo Services. In April 2000, Acciona Airport Services Frankfurt GmbH, a third-party handler, started operations at Frankfurt Airport. Despite direct competition, Fraport could limit the loss of market share and essentially maintain its major customer base.

The Group's international ground-handling activities were further expanded, particularly in Europe.

Since mid-2000, the Fraport Group has been providing ground handling services at Vienna Airport and at Faro, Lisbon and Porto airports. In addition, Goldair Aviation S.A., in which the Group holds an investment, received three of the coveted concessions at the new Athens-Spata Airport, which begin operations at the end of March 2001. As a specialist in leasing and maintaining aircraft handling equipment, the Fraport Group offers its services at Amsterdam, Brussels and Paris, and now also at Frankfurt.

At the end of reporting year, the Group was represented with ground handling services at over 20 locations domestically and abroad. A Spanish branch office was opened in December 2000 to support our existing ground handling activities in this market.

### *Non-aviation*

At December 31, 2000, this segment included all activities covering the development, management and marketing of airport real estate and retailing activities. Furthermore, it included maintenance services as well as supply and engineering services for the operation and availability of all buildings, equipment and technical systems at airports, and car parking facilities. In addition, it includes integrated planning and consulting services for all types of air transports projects worldwide. Consulting activities for the worldwide marketing of Fraport AG's expertise as an airport operator and the acquisition of shareholdings were also allocated to this segment. Further activities within this segment included marketing advertising space at airports, providing security services, operating a bonded warehouse, and airfreight logistics. Revenues from this segment thus mainly came from rentals – particularly revenue-related rental in the retail business – and revenues from the car-parking business. Revenues also included supply services, consulting fees and other Non-aviation revenues, all of which had a direct relation to airport operations.

The Frankfurt location accounted for the largest portion of revenues in the Non-aviation segment. Here revenues from **rentals** only grew slightly over 1999, because the areas and buildings available for rent were almost used to capacity and no noticeable capacity increases could be achieved in fiscal 2000. Renovation of the terminals temporarily affected some of the rented areas negatively. All check-in and ticket counters throughout Terminal 1 sported a new design in the reporting year; throughout Terminal 2, the new gate management system was installed at the end of 2000. As part of the modernization of Pier B, 10 new gates and other passenger areas went into operation. A new two-story shopping mall now forms the heart of Pier B.

**Sales-linked revenues,** based on percentages received from concessionaires sales, increased because of higher sales recorded by concessionaires – resulting from growing passengers figures and greater purchasing power of non-EU passengers due to the weakness of the euro. The noticeable increase in revenues from retailing compared with 1999 also reflected the considerably stronger importance accorded to retailing activities in the planning and development processes of the Fraport Group. Furthermore, growing acceptance of the new Travel Value concept, which replaced the duty-free concept for intra-EU flights, had a positive effect on revenues. Thus, the loss of sales-linked revenues from duty-free sales in intra-EU traffic could increasingly be offset.

**Car parking management** saw double-digit business growth. Capacity utilization of car parking facilities at Frankfurt Airport again reached record levels in the reporting year. The increase in parking rates in the fall of last year did not lead to decreases in the sales volume. Since December 1, 2000, Fraport AG has been managing additional car parking facilities for the account of Messe Frankfurt (the Frankfurt Trade Fair company). Thus Fraport AG is one of the leading operators of parking facilities in Germany.

**International activities** have been further expanded. Since January 1, 2000, the Fraport Group has been providing specialized security services worldwide.

In Manila we increased our involvement in the new Terminal 3 at Ninoy Aquino International Airport. The operating concession for the new terminal, that has a design capacity of 13 million passengers per year, runs for a period of 25 years, beginning with the start of commercial operations. Under construction since June 2000, Terminal 3 is scheduled to open in December 2002.

At the end of March 2000, we acquired the rights in an additional 30 percent of the dividends of the company operating the international passenger terminal at Antalya Airport, Turkey. Fraport has held a 50 percent share in the capital of this company since October 1999. The operating concession runs to July 31, 2007. A new runway is currently under construction and will be opened by 2003.

In a consortium with the U.S. construction group Bechtel Enterprises International Ltd. and the Peruvian company Cosapi S.A., Fraport AG won the tender for a concession to operate Lima Airport, Peru, in mid-November 2000. Fraport AG holds 42.75 percent, Bechtel 42.75 percent, and Cosapi 14.5 percent of the shares in the consortium, which will operate and expand Lima Airport over a period of 30 years. The concession includes options for extension of up to 60 years.

### *Other*

At December 31, 2000, this Group segment encompassed support activities for airport operations, consisting mainly of information and communications services (ICT solutions) and the operation of canteens at Frankfurt Airport.

Administrative and operational IT systems at Frankfurt Airport were further developed in the reporting year. Regarding administrative IT systems the focus was on converting to the euro and on preparing for the conversion of all systems to SAP R/3 in 2000. In an initial step, real estate management started operating with R/3.

The close exchange between the ICT departments of Fraport AG and its alliance partner N.V. Luchthaven Schiphol in a working group established at the beginning of 2000 resulted in the conclusion of a cooperation agreement in November 2000.

### Group segment results

| | 2000<br>DM millions | 1999<br>DM millions |
|---|---|---|
| Aviation | 101.1 | –0.4 |
| Ground Handling | 80.5 | 86.2 |
| Non-aviation | 449.9 | 408.2 |
| Other | 22.6 | 21.2 |
| Reconciliation | 0.0 | 0.6 |
| **Total** | **654.1** | **515.8** |

Compared with the previous year, business in the Aviation segment developed extremely positive, resulting in a DM101.1 million contribution to profits in 2000. Factors determining the jump in profit included: higher proceeds from airport and infrastructure charges, resulting from a strong rise in the number of passengers and flights and an increase in charges, and the first-time inclusion of Bayindir Antalya in the Group results. Despite higher revenues in the Ground Handling segment, market entry of a third-party handler and an over-proportional increase in costs resulted in a drop in profits from this segment. Improved income in the Non-aviation segment resulted mainly from higher revenues due to increased rental income and the first-time inclusion of Bayindir Antalya in the consolidated statement of income.

### Expansion-related increase in expenses

As in 1999, **personnel expenses**, with DM1,238.8 million, was the largest expense item of the Fraport Group. This is equivalent to 41.2 percent of the Group's sales revenue. Because traffic volume was higher than expected, the number of persons employed by the Group increased. An increase in pay rates during 2000 also had an effect on personnel expenses.

**Cost of materials** rose by 16.5 percent compared with 1999, to DM517.1 million in the reporting year. At Frankfurt Airport more costs were incurred due to building maintenance, including further improvement of fire protection systems. The need for third-party services rose due to the higher than expected traffic increase. Furthermore, more external personnel had to be hired, mainly in the ground handling area, to cope with peak traffic conditions.

Additions to non-current assets from capital expenditures and construction work led to an increase in **depreciation and amortization of intangible non-current assets and property, plant and equipment** to DM381.1 million. Furthermore, the amortization of goodwill and acquired dividend rights in Bayindir Antalya, Turkey, which are being amortized over the period of the investment in this project, had an effect on this expense item.

**Interest expense** for 2000 totaled DM155.6 million. The increase over 1999 was due to higher third-party financing volumes, particularly at Antalya and Manila.

# Capital expenditures

**Total capital expenditures** (additions to non-current assets excluding changes in the companies consolidated) amounted to DM671.7 million in 2000.

| | DM millions | Share of total capital expenditures % |
|---|---|---|
| Intangible assets | 92.6 | 13.8 |
| Property, plant and equipment | 399.7 | 59.5 |
| Investments at equity | 37.2 | 5.5 |
| Other financial assets | 142.2 | 21.2 |
| **Total** | **671.7** | **100.0** |

As in previous years, investments in **property, plant and equipment** served primarily to strengthen business at Frankfurt Airport. Capital expenditure in 2000 concentrated on the extension of Pier A; expansion of the baggage conveyor system; projects regarding the construction of a superstructure on the roof of the new ICE-train station for long-distance services and for connecting this station to Terminal 1; on the modernization of Piers A and B; the upgrading of fire-protection technology in Terminal 1; and infrastructure projects at CargoCity South. Expenditure for these projects totaled DM202.0 million. In the reporting year, the Company invested DM12.6 million in property, plant and equipment for the planned expansion of the runway system at Frankfurt Airport. In addition, the Company invested DM16.8 million at Hahn Airport. Key elements of this investment included construction of a new passenger terminal, implementation of real estate development projects and construction of a fuel farm.

As a result of the Group's increasing internationalization, investments in **financial assets** in 2000 again increased over the previous year. At the end of 2000, the Group was operating at over 40 national and international locations.

At Manila, investments in the reporting year were made in the construction and operation of the new Terminal 3. Total investment volume in the Manila project was DM188.3 million.

Capital spending for further expansion in the security services area totaled DM32.8 million in the year under review.

Increased investments at Antalya Airport, Turkey, amounted to DM73.0 million.

Further investments were effected in connection with the start-up of ground handling services at Vienna Airport.

# Key operating ratios

### Summarized consolidated statement of cash flows

| DM millions | 2000 | 1999 |
|---|---|---|
| Cash flows from | | |
| operating activities | 535.5 | 526.3 |
| Cash flows used | | |
| in investing activities | –630.3 | –705.6 |
| Cash flows from | | |
| financing activities | 166.3 | 191.4 |
| Foreign currency-related | | |
| change in cash and | | |
| cash equivalents | –2.6 | 0.0 |
| **Change in cash and** | | |
| **cash equivalents** | **68.9** | **12.1** |

As in 1999, cash flows from operating activities are mainly from consolidated net earnings for the year and from depreciation not requiring cash. Cash flows used in investment activities resulted mainly from capital expenditures on intangible assets and property, plant and equipment, together with other financial expenditures relating to the involvement in the Manila project. Higher liabilities to banks led to positive cash flows from financing activities.

Balance sheet ratios covering returns were as follows:

| | 2000 | 1999 |
|---|---|---|
| Return on revenues (%) | 16.6 | 13.7 |
| Consolidated net earnings | | |
| for the year before income | | |
| taxes/revenues | | |
| | | |
| EBITDA margin (%) | 34.7 | 32.0 |
| EBITDA/revenues | | |
| (EBITDA: earnings before | | |
| interest, tax, depreciation | | |
| and amortization) | | |
| | | |
| EBIT margin (%) | 21.5 | 19.0 |
| EBIT/revenues | | |
| (EBIT: earnings before | | |
| interest and tax) | | |
| | | |
| ROCE return on | | |
| capital employed (%) | 14.8 | 12.6 |
| Return on capital employed | | |
| EBIT/capital employed | | |
| (Capital employed: | | |
| shareholders' equity | | |
| + minorities + third-party debt | | |
| – checks, cash, bank balances) | | |

### Asset and capital structure

The assets structure of the Group is mainly long term. This is reflected in the high 89.7 percent share of non-current assets in total assets, changing only marginally from the previous year (1999: 91.4 percent). Due to expansion of the Group's operations, non-current assets increased by 4.6 percent compared with 1999, to DM5,337.8 million.

The increase in investments at equity was mainly due to the capital increase and acquisition of further shares in PIATCO Inc. The increase in other financial assets can primarily be attributed to loans of DM106.8 million to the three associated companies in Manila.

# *Personnel*

Current assets include higher trade accounts receivable, because revenues rose and there were more amounts due at the end of the year.

Shareholders' equity increased mainly due to the consolidated net earnings for the year. In fiscal 2000, share capital was increased by DM251.7 million out of retained earnings of the parent company. The increased share capital of Fraport AG was converted to €640 million. Shareholders' equity (excluding proposed dividends) covers 34.6 percent (1999: 34.3 percent) of non-current assets; shareholders' equity and long-term third-party capital (remaining period more than one year) together cover 88.8 percent (1999: 87.7 percent) of non-current assets. Because of higher financing volumes, the ratio of shareholders'equity to total equity and liabilities declined slightly and amounted to 31.0 percent at December 31, 2000, compared with 31.4 percent at the end of 1999.

More third-party capital was used to finance the increase in assets, and, above all, medium-term and long-term bank loans were raised. Liabilities, for which the amount and reason could not be ascertained, were increasingly covered by additions to provisions and accruals.

In the financing area, the relationship of shareholders' equity to third-party capital changed slightly in favor of third-party capital. Within third-party capital, long-term debt declined slightly compared to medium-term and short-term third-party financing.

The average number of employees in the fiscal year (excluding trainees) amounted to 13,782 (1999: 12,904) in the fully consolidated companies and 489 (1999: 432) in the proportionately consolidated companies.

Thus the Fraport Group employed 14,271 people in 2000. This represents an increase of 7 percent compared with the employment figure at end of 1999. Ground Handling is the segment with the highest number of personnel in the Group, followed by the Aviation and Non-aviation segments.

***Employees by Group segment***

| | 2000 | 1999 |
|---|---|---|
| Ground Handling | 7,367 | 6,927 |
| Aviation | 3,008 | 3,010 |
| Non-aviation | 2,908 | 2,455 |
| Other | 988 | 944 |
| **Total** | **14,271** | **13,336** |

# *Human resources management in the Group*

Started in 1999, the reorientation of human resources management in the Group, was consistently continued in 2000. During the past year, the entire range of services provided by Human Resources Management and Personnel and Organizational Development was successively offered to subsidiaries and other companies associated with the Group. Subsidiaries were systematically included, particularly in the area of management development. This is how we intend to achieve our goal of a uniform human resources management within the growing Group, of establishing comparable overall employment conditions for all staff, of simplifying transparency, and of increasing identification with Fraport.

### *Personnel management*

As a service, we offer all our subsidiaries a complete human resource management concept. Human resources management particularly encompasses advisory services, including directly at the subsidiary's location; solutions to questions of labor law, pay rate and working time regulations; personnel hiring and counseling; as well as personnel-related financial matters, from payroll accounting to negotiating collective bargaining agreements. Another significant service is the design of employment contracts for top management and the provision of advice relating to acquisitions. Service contracts have been concluded with some of the subsidiaries.

While maintaining the subsidiaries' independence, preparations are currently being made for joint external personnel marketing under the Group umbrella.

The fundamental goal is to achieve a uniform personnel policy for the entire Group. Where necessary, collective bargaining agreements should be made at all subsidiaries and associated companies based on the respective needs of the individual companies; these agreements should as far as possible contain the same basic elements throughout the Group (e.g. group-wide master agreement).

### Personnel development

Established in 1999, the Airport Academy offers individual and program products that are also targeted at management personnel of the subsidiaries. All subsidiaries are included in the communication and information process and can register their staff for the programs.

The range of products offered by the Airport College is available for employees with specialized tasks. Seminars focus on service orientation, communication and behavioral training as well as working techniques.

Personnel development instruments, such as goal-setting agreements and coaching and counseling, are equally available to the subsidiaries. This also applies to consulting services on organizational development in connection with upcoming change processes, covering all issues of process management.

# *Risk management*

The Group's risk situation is mainly influenced by Fraport AG's business activity. No risks endangering the going concern of the Group are discernible at Fraport AG, the subsidiaries or at companies in which investments are held.

### *Risk management structures*

A systematic risk management within the Group ensures a sound evaluation and controlled handling of risks. It allows business opportunities to be actively pursued provided the Group's risk management system discerns no risks endangering the going concern or significant risks to the Group.

Fraport AG's Risk Management Committee is the central body of the risk management system. The committee ensures the proper functioning and further development of risk management structures, checks risk management plans and coordinates the implementation of such measures throughout the Group.

The persons responsible for the early identification of risks ensure that risks in their area are identified and countered timely and properly and that the Risk Management Committee and the Executive Board are promptly informed of any such risks.

Risks arising from investments made by Fraport AG are generally and specifically the responsibility of Fraport AG's management, firstly via a central investment controlling department and secondly via Fraport AG's representatives on the supervisory boards of the companies concerned. It is planned to include subsidiaries and other associated companies more intensively in a Group-wide risk management system in 2001.

The heads of the relevant areas are responsible for the suitability and effectiveness of the measures taken. Monitoring and coordination of overall corporate strategy is the responsibility of the Risk Management Committee.

With these standard procedures adapted to the requirements of the Group, Fraport has achieved a transparent and open system to optimize its risk situation. The regular reporting system, supplemented by reports produced on a case-by-case basis, and communication between personnel involved in the risk management system ensure that the responsible persons receive comprehensive and timely information about risk situations and changes in risks.

### *Description of possible risks*

Expansion of Frankfurt Airport is one of the key requirements for the Fraport Group's participation in the predicted long-term growth in global air traffic. Failure to expand – expansion is not the sole decision of the Fraport management – could lead to a considerable decline in traffic volumes at Frankfurt Airport, because hub and alliance structures could result in entire air transport networks moving away in the long term. This could endanger the airport's hub function.

Currently it seems that capacity expansion cannot be achieved without facing protests from opponents of such expansion. For example, it must be expected that legal steps will be taken: such as lawsuits against the planning authorities in connection with the airport operating license under the air traffic law; actions under civil law for damages caused by an expected loss in value of residential real estate in the area around the airport; legal actions to set aside any positive zoning decision and applications by the suing parties regarding suspensory effects of their lawsuits. The possible legal and economic effects are presently difficult to foresee. To counter possible risks because of aircraft noise blight for the population in the Frankfurt Airport area, Fraport AG will offer, among other things, a noise abatement program for buildings.

In the past few years, a multiplicity of fire protection measures have been taken – also due to the findings from the fire catastrophe at Düsseldorf Airport – known weak areas have been eliminated, and fire protection at German locations has been speedily enhanced overall.

The Group has also made considerable efforts to protect against risks of various types in the environmental protection field. In this context, Frankfurt Airport's environmental management in compliance with the EU environmental audit regulation is a significant measure.

Notable risks for Hahn Airport include the development of passenger and freight traffic, regarding the marketing of available space, as well as environmental risks.

The activities of the Fraport Group at other locations in Germany and abroad serve the agreed goal of positioning itself as one of the world's major airport operators. Achievement of value added through planned global expansion, which is also subject to risk management control, is seen by Fraport as being more probable than the incidence of related potential risks.

General political and/or economic risks are to be noted relating to individual foreign locations. These relate on the one hand to the Fraport Group's involvement in the Philippines. On the other hand, political and economic risks could arise relating to the concession for operating and expanding Lima Airport in the capital of Peru, which the Fraport Group could acquire with its partners.

Political risks in the Philippines and in Peru will be covered by taking out appropriate insurance.

When considering possible political and economic risks, the involvement in Antalya (Turkey) should also be mentioned. Operation of the passenger terminal is limited to July 31, 2007, and the underlying business is strongly dependent on tourism. However, the Fraport Group and its business partners have received an income guarantee for an annual minimum number of passengers. Currency risks from hyperinflation in Turkey are offset by the major part of revenues (from terminal operations) being received in U.S. dollars

In addition to general political and economic risks, the following risks are particularly worthy of mention, as described below.

Involvement in the construction and operation of the airport terminal at Manila, the capital of the Philippines, is currently the most important and largest activity of the Fraport Group financially, apart from activities at Frankfurt Airport. The project rests on complex legal and contractual structures. To guarantee the entire project, various measures were introduced at the end of 2000 in order to remove contractual uncertainties, to ensure the proper completion of construction phases, to make changes in the shareholder structure of Philippine companies involved, to secure long-term financing, and considerably to strengthen the project management at Fraport AG for this project, including local project management capabilities. The significant risks relating to the project lie in the economically unbalanced shareholder structures, the danger of delays to further project phases (for which there are no specific indications at present), possible negative influences on expected return on investment, and long-term financing arrangements which have not yet finally been agreed. Fraport AG's opportunities to significantly influence the operating activities of PIATCO Inc., the main company for the construction and operation of the terminal, are restricted by legal regulations.

# Significant events after the end of fiscal 2000

### *Project for major airport in Berlin (BBI)*

Together with other business partners, Fraport AG plans to invest in Berlin's airports and the intended new Berlin-Brandenburg International Airport (BBI). Following approval by the European Union in February 2001, the consortium intends to submit a proposal during 2001 with the aim of optimizing the traffic and commercial areas of the existing airport system and constructing the new BBI Airport timely.

### *Pantares alliance*

In February 2001, Fraport AG and N.V. Luchthaven Schiphol achieved international success for the first time as part of their new Pantares alliance. Together with local partners, the alliance partners won the contract for the design, construction and operation of a logistics center at Hong Kong Airport. A subsidiary formed by the alliance partners has a 37.5 percent share in the Tradeport Hong Kong Ltd. consortium, which won the contract against many competitors. The same percentage share is held jointly by Hong Kong Land Holdings Ltd. and Jardine Logistics Services Ltd., while China National Aviation Company Ltd. has the remaining 25 percent share.

### *ICTS*

Effective January 3, 2001, CIVAS Civil Aviation Security Services GmbH, a wholly-owned subsidiary of Fraport AG, acquired an initial 45 percent of the shares in ICTS Europe Holdings B.V., Amstelveen near Amsterdam. The remaining shares will be acquired effective January 1, 2004, using a contractually-agreed purchase price formula. With the purchase of this holding company, which has many subsidiaries operating throughout Europe, activities of the Fraport Group will be expanded in the aviation security area.

# Prospects

### Operations in 2001

All forecasts indicate that global air traffic will continue to increase in 2001 and in the foreseeable future. Frankfurt Airport, as a leading European hub, and other locations at which the Fraport Group operates, will profit from this growth. Progress in 2001 to date confirms our expectation, so that from today's point of view the entire year will again show growth in traffic compared with the previous year. We also expect higher revenues in 2001. This is confirmed by the current growth in traffic, which is higher than forecast for 2001. Consolidated net earnings for 2001 will be affected by the considerable costs incurred in connection with the SAP R/3 conversion, the euro conversion and the Fraport image campaign. The proven ability of the Fraport Group to deal with increased traffic figures at Frankfurt Airport despite limited reserves of capacity by achieving constant process and service optimization is critical for the performance of Frankfurt Airport in this year and in the years until the new runway goes into service. Fraport AG will incur further capital expenditures in 2001 to optimize existing capacities, achieve infrastructure improvements and carry out expansion and modernization measures.

### Airport expansion

Following the political decision of the Hesse state parliament in June 2000 and the business decision taken by Fraport AG's Supervisory Board on September 27, 2000, for the expansion of the runway system at Frankfurt Airport, extensive preparations for carrying out the impending planning procedures started in 2000 will expand further in 2001.

In the opinion of Fraport AG, the expansion of the airport with new terminal facilities and the required infrastructure facilities, in addition to the expansion of the runway system, is necessary from an economic point of view in order for the airport to be able to participate in the forecast growth in global air traffic. If this is not carried out, there is a danger that Frankfurt Airport will not only lose individual flights due to its hub and alliance structures but that entire airline networks could be relocated – because the possibilities for expanding capacity using the existing runway system would be technically limited in the foreseeable future. The expansion would allow capacity to be increased to 660,000 aircraft movements a year, or 120 movements per hour.

In addition to optimizing the existing runway system, the five points included in the recommended catalog of initiatives made by the Mediation Group of the Hesse state government, for which Fraport AG is jointly responsible, include: increasing capacity by expanding existing facilities, night flight restrictions up to a ban on night flights, the establishment of a Regional Dialogue Forum, and an anti-noise package including active and passive noise abatement measures. This program foresees measures for installing passive noise protection in buildings, to be financed by airport charges. The recommendations of the Mediation Group have been adopted by Fraport AG in its 10-point program and it has resolved to make improvements for residents in the airport area, in particular during the night and, if possible, before a new runway starts operations.

Of the three runway options submitted by the Mediation Group (northwest, northeast, south) Fraport AG favors the northwest option. Nevertheless, all three options have been included in the planning application. Fraport AG plans to submit the regional planning application to the Darmstadt district administration in the second half of 2001. The subsequent zoning procedures scheduled to begin in 2002, will include only the runway option favored by Fraport AG as a result of the findings of the regional planning procedure. Completion of the zoning procedure can be expected for 2003 at the earliest; construction of the new runway is scheduled to start thereafter.

Plans call for opening the new runway in 2006. Completion of the first module of the new terminal is planned for 2007. Completion of modules two and three of this terminal will follow in 2009 and 2013. The entire project is scheduled for completion in 2013. Current plans call for total capital expenditures of DM6.5 billion on the construction of a new runway, including passenger handling and operations facilities. This could have a considerable effect on results in the coming years.

Implementation of the expansion plan will considerably strengthen the business basis of Fraport AG at its home location. In view of the importance of the plan, a fifth position on the Executive Board, with responsibility for airport development, was created in 2000 and has meanwhile been filled.

### *Expansion outside Frankfurt*

The Fraport Group believes it is well equipped to achieve its strategic goals outside Frankfurt. Its expansion strategy has focused on airport management, acquisition of investments in airports and operation of airports on the basis of airport management agreements and airport services, ground handling services and security services.

The strategic alliance of Fraport AG with N.V. Luchthaven Schiphol will be further expanded under the Pantares brand name. An initial success could be achieved at Hong Kong's Chek Lap Kok Airport in 2001.

### *Initial Public Offering*

The major event in 2001 will be the planned partial privatization of Fraport AG in the form of an initial public offering (IPO). At an extraordinary general meeting of shareholders on September 27, 2000, an authorized capital of €290 million was approved, and the Executive Board was empowered to increase the capital of Fraport AG by up to this nominal amount. On March 14, 2001, the authorized capital was changed to €276.05 million and a restricted authorized capital of up to €13.95 million was established for the introduction of a share option plan. The preemptive rights of current shareholders of Fraport AG can be nullified with the approval of the Supervisory Board based on the amended by-laws.

# Fraport AG Frankfurt Airport Services Worldwide Consolidated Balance Sheet at December 31, 2000

in accordance with IAS

## Assets

| DM millions | Note | Balance at Dec. 31, 2000 | Balance at Dec. 31, 1999 |
|---|---|---|---|
| **A. Non-current assets** | | **5,337.8** | **5,102.7** |
| I. Intangible assets | (6) | 216.5 | 158.1 |
| II. Property, plant and equipment | (7) | 4,787.2 | 4,760.8 |
| III. Investments at equity | (8) | 138.9 | 115.9 |
| IV. Other financial assets | (9) | 195.2 | 67.9 |
| **B. Current assets** | | **516.6** | **380.1** |
| I. Inventories | (10) | 20.2 | 25.4 |
| II. Trade accounts receivable | (11) | 265.2 | 208.9 |
| III. Other receivables and other assets | (12) | 115.5 | 100.6 |
| IV. Checks, cash and bank balances | (13) | 115.7 | 45.2 |
| **C. Prepaid expenses** | (14) | **85.0** | **90.8** |
| **D. Deferred tax assets** | (15) | **11.7** | **8.8** |
| | | **5,951.1** | **5,582.4** |

## Liabilities and equity

| DM millions | Note | Balance at Dec. 31, 2000 | Balance at Dec. 31, 1999 |
|---|---|---|---|
| **A. Shareholders' equity** | (16) | **1,993.6** | **1,800.8** |
| I. Subscribed capital | | 1,251.7 | 1,000.0 |
| II. Revenue reserves | | 591.9 | 750.8 |
| III. Consolidated retained earnings | | 150.0 | 50.0 |
| **B. Minority interests** | (17) | **9.3** | **5.8** |
| **C. Deferred investment grants on items in non-current assets** | (18) | **45.1** | **35.4** |
| **D. Provisions and accruals** | (19) | **560.1** | **517.9** |
| **E. Liabilities** | | **2,840.7** | **2,705.8** |
| I. Financial liabilities | (20) | 2,479.9 | 2,289.5 |
| II. Trade accounts payable | (21) | 222.6 | 193.0 |
| III. Other liabilities | (22) | 138.2 | 223.3 |
| **F. Deferred income** | (23) | **146.4** | **130.9** |
| **G. Deferred tax liabilities** | (24) | **355.9** | **385.8** |
| | | **5,951.1** | **5,582.4** |

# *Fraport AG Frankfurt Airport Services Worldwide*
# *Consolidated Income Statement for the Year Ended December 31, 2000*

in accordance with IAS

| DM millions | Note | 2000 | 1999 |
|---|---|---|---|
| Revenues | (25) | 3,004.5 | 2,689.0 |
| Decrease in work-in-process | (26) | – 5.8 | – 23.3 |
| Other internal work capitalised | (27) | 30.2 | 22.3 |
| Other operating income | (28) | 141.1 | 79.9 |
| | | 3,170.0 | 2,767.9 |
| Cost of materials | (29) | 517.1 | 443.8 |
| Personnel expense | (30) | 1,238.8 | 1,167.1 |
| Depreciation and amortisation of tangible and intangible non-current assets | (31) | 381.1 | 351.1 |
| Other operating expenses | (32) | 378.9 | 290.1 |
| **Operating profit** | | **654.1** | **515.8** |
| Interest results – net loss – | (33) | 129.5 | 123.9 |
| Results of associated companies – net loss – | (34) | 8.5 | 13.7 |
| Other financial results – net gain – | (35) | 3.9 | 10.6 |
| **Profit from ordinary operations** | | **520.0** | **388.8** |
| Taxes on income | (36) | 244.9 | 211.8 |
| Other taxes | (37) | 21.2 | 19.4 |
| Minority interests' share of results | | 1.6 | 1.8 |
| **Consolidated profit for the year** | | **252.3** | **155.8** |
| Transfers to revenue reserves | | 102.3 | 105.8 |
| **Consolidated retained earnings** | (16) | **150.0** | **50.0** |
| **Earnings per €10 share in DM** | (38) | **4.23** | **3.05** |

# Consolidated Cash-Flow Statement

| DM millions | Note | 2000 | 1999 |
|---|---|---|---|
| **Consolidated profit for the year** | | **252.3** | **155.8** |
| Taxes on income | (36) | 244.9 | 211.8 |
| Minority interests' share of results | | 1.6 | 1.8 |
| Adjustments for: | | | |
| Depreciation/write-ups (non-current assets) | (6,7,9) | 398.1 | 350.2 |
| Interest results | (33) | 129.5 | 123.9 |
| Investment income | (35) | – 16.7 | – 7.9 |
| Gains/losses on disposals of non-current assets | (28,32) | – 4.0 | 26.1 |
| Unrealised foreign currency gains | (28) | – 22.7 | 0.0 |
| Changes in valuation of associates at equity | (8) | 12.5 | 15.5 |
| Changes in inventories | | 5.3 | 21.7 |
| Changes in receivables | | – 62.7 | – 36.7 |
| Changes in other current assets | | 2.9 | – 16.4 |
| Changes in provisions and accruals | | 23.9 | 60.3 |
| Changes in other third-party liabilities | | – 57.0 | – 56.3 |
| Interest paid | | – 151.3 | – 122.0 |
| Interest received | | 14.3 | 0.6 |
| Dividends received | | 16.7 | 7.9 |
| Taxes on income paid | | – 252.1 | – 210.0 |
| **Net cash from operating activities** | (40) | **535.5** | **526.3** |
| Purchases of intangible assets | (6) | – 80.2 | – 8.8 |
| Purchases of property, plant and equipment | (7) | – 399.7 | – 539.0 |
| Acquisitions of consolidated subsidiaries and joint ventures (net of cash acquired) | (40) | – 7.5 | – 166.8 |
| Acquisitions of associated companies valued at equity | (8) | – 43.1 | – 24.5 |
| Other financial investments | (9) | – 142.2 | – 17.2 |
| Proceeds from disposals of non-current assets | (6,7,9,28,32) | 42.4 | 50.7 |
| **Net cash used in investing activities** | (40) | **– 630.3** | **– 705.6** |
| Distributions | | – 51.8 | – 41.2 |
| Changes in financial liabilities | | 218.1 | 232.6 |
| **Net cash from financing activities** | | **166.3** | **191.4** |
| Effects of exchange rate changes on cash and cash equivalents | | – 2.6 | 0.0 |
| **Net increase in cash and cash equivalents** | | **68.9** | **12.1** |
| Cash and cash equivalents at January 1 | | 38.3 | 26.2 |
| **Cash and cash equivalents at December 31** | (40) | **107.2** | **38.3** |

# *Movements in Consolidated Shareholders' Equity*

| DM millions | Subscribed capital | Legal reserves | Other revenue reserves | Consolidated retained earnings | Total |
|---|---|---|---|---|---|
| **Balance at Jan. 1, 1999** | 1,000.0 | 56.6 | 586.6 | 40.0 | **1,683.2** |
| Consolidated profit for the year | – | 6.9 | 98.9 | 50.0 | 155.8 |
| Distribution | – | – | – | – 40.0 | – 40.0 |
| Foreign currency translation differences | – | – | – 0.4 | – | – 0.4 |
| Fair values of derivatives | – | – | 2.2 | – | 2.2 |
| **Balance at Dec. 31, 1999** | 1,000.0 | 63.5 | 687.3 | 50.0 | **1,800.8** |
| **Balance at Jan. 1, 2000** | 1,000.0 | 63.5 | 687.3 | 50.0 | **1,800.8** |
| Capital increase | 251.7 | – | – 251.7 | – | 0.0 |
| Consolidated profit for the year | – | 7.9 | 94.4 | 150.0 | 252.3 |
| Distribution | – | – | – | – 50.0 | – 50.0 |
| Foreign currency translation differences | – | – | – 6.5 | 0.0 | – 6.5 |
| Fair values of derivatives | – | – | – 8.3 | – | – 8.3 |
| Other | – | – | 5.3 | – | 5.3 |
| **Balance at Dec. 31, 2000** | 1,251.7 | 71.4 | 520.5 | 150.0 | **1,993.6** |

# Notes to the Consolidated Financial Statements

## *(1) International Accounting Standards*

In connection with the planned initial public offering of Fraport AG in 2001, the consolidated financial statements for the year ended December 31, 2000, with comparative figures for the previous year, have been prepared in accordance with **International Accounting Standards** (IAS).

As set out in Article 292a German Commercial Code (HGB), publication of these IAS consolidated financial statements exempt the company from the requirement to prepare consolidated financial statements in accordance with accounting principles set out in the HGB.

We have used those International Accounting Standards, including the interpretations of the standing interpretations committee (SIC), operative for 2000.

IAS 39 “Financial instruments: recognition and measurement” and IAS 12 (revised 2000) “Income taxes” have been adopted earlier than required.

## *(2) Major differences between IAS and Fraport AG financial statements in accordance with HGB*

So far, the consolidated financial statements of Fraport AG were significantly influenced by the parent company, although the number of consolidated subsidiaries again expanded in 2000 through the acquisition and formation of subsidiaries and joint ventures.

There are the following significant differences between the **accounting policies** used in the Fraport AG financial statements for 1999 and 2000 prepared in accordance with German Commercial Code (HGB), and these IAS financial statements: For tax optimization purposes we use all opportunities to maximize tax-deductible depreciation of property, plant and equipment in the financial statements of Fraport AG, using higher rates than straight-line depreciation.

In contrast, as from 1999, **only straight-line depreciation** is used **in the consolidated financial statements prepared using IAS,** as this method more closely reflects expected actual economic use, and tax-based depreciation has been eliminated retroactively. Use of this method in the IAS financial statements leads to considerably higher balances for property, plant and equipment than in financial statements prepared in accordance with HGB.

The **net increase in property, plant and equipment** has been credited to shareholders’ equity and the tax effect has been classified to **deferred tax liabilities.**

Higher depreciation to be charged for property, plant and equipment in the future than for HGB purposes will be partly offset by a corresponding release of the related deferred tax liabilities.

In contrast to IAS, HGB accounting policies do not include future cost increases in **long-term provisions** and they are not discounted unless there is an interest factor concerned. As the different measurement methods have opposing effects on the amounts of provisions recognized, the net effect of these measurements differences is small.

**Derivative financial instruments** are stated at fair value in accordance with IAS, regardless of whether the effect leads to a gain or loss. Whereas changes in the value of fair value hedges are recorded in the income statement, fair value changes of cash flow hedges are charged or credited directly to a separate item in shareholders’ equity. Similarly, deferred taxes relating to fair values of cash flow hedges are also charged or credited directly to equity.

When accounting for **deferred taxes,** and in contrast to HGB accounting policies, when applying IAS deferred tax assets arising on temporary differences between the IAS balance sheet and tax balance sheet as well as on tax loss carry forwards are also recognized.

## *(3) Reporting currency*

The 2000 financial statements of Fraport AG have been prepared in DM for the last time, and hence, to improve comparability, these consolidated IAS financial statements have also been prepared in DM. All disclosures are made in DM millions.

## *(4) Consolidation methods*

In addition to the parent company, 19 subsidiaries are fully consolidated in the consolidated financial statements and 12 joint ventures are included using proportionate consolidation.

This represents an addition of 5 subsidiaries and 1 joint venture compared with 1999.

The following companies have been consolidated:

**Consolidated**

| Subsidiaries | Location | **Share of equity Dec. 31, 2000** | Share of equity Dec. 31, 1999 |
|---|---|---|---|
| **Germany** | | | |
| Airport Assekuranz Vermittlungs-GmbH | Frankfurt a. M. | 100.00 % | 100.00 % |
| Airport Cater Service GmbH | Frankfurt a. M. | 100.00 % | 100.00 % |
| AirTIS Airport IT Service Hahn GmbH | Lautzenhausen | 100.00 % | – |
| CIVAS – Civil Aviation Security Services GmbH * | Frankfurt a. M. | 100.00 % | 49.996 % |
| Deutsche AeroConsult GmbH | Frankfurt a. M. | 100.00 % | 100.00 % |
| Energy Air GmbH | Frankfurt a. M. | 100.00 % | 100.00 % |
| Flughafen Hahn GmbH ** | Lautzenhausen | 72.24 % | 72.24 % |
| Flughafen Saarbrücken Betriebsgesellschaft mbH | Saarbrücken | 51.00 % | 51.00 % |
| Gesellschaft für Cleaning Service mbH & Co. | | | |
| Airport Frankfurt/Main KG *** | Frankfurt a. M. | 40.00 % | 40.00 % |
| GSL Gesellschaft für Service-Leistungen mbH **** | Frankfurt a. M. | 100.00 % | – |
| Hahn Campus Management GmbH | Lautzenhausen | 73.37 % | 73.37 % |
| – subsidiary of HUH GmbH – | | | |
| Holding Unternehmen Hahn GmbH ("HUH GmbH") ***** | Lautzenhausen | 73.37 % | 73.37 % |
| Holding Unternehmen Hahn Verwaltungs GmbH | Lautzenhausen | 74.90 % | 74.90 % |
| Media Frankfurt GmbH | Frankfurt a. M. | 90.00 % | 90.00 % |
| proceedAir Aviation Services GmbH | Frankfurt a. M. | 100.00 % | 100.00 % |
| Verwaltungsgesellschaft für Cleaning Service mbH | Frankfurt a. M. | 100.00 % | 100.00 % |
| **Rest of Europe** | | | |
| VAS Flughafen Bodenverkehrsdienste GmbH, Vienna-Schwechat | Austria | 100.00 % | – |
| Flughafen Frankfurt Main (Greece) Monoprosopi EPE, Athens | Greece | 100.00 % | 100.00 % |
| **America** | | | |
| Airport Carts Limited Liability Company ("Airport Carts LLC") ****** | New York | 66.67 % | – |

* The 49.996 percent holding in CIVAS was proportionately consolidated in 1999.

** The company's name was changed to Flughafen Frankfurt-Hahn GmbH on March 7, 2001.

*** Fraport AG is entitled to elect the majority of supervisory board members of Cleaning Service mbH & Co. Airport Frankfurt/Main KG.

**** The 49 percent share in GSL was valued at equity in 1999.

***** Holding Unternehmen Hahn GmbH & Co. KG, a holding company, was converted into a limited liability corporation (GmbH) effective November 1, 2000.

****** The 40 percent investment in Airport Carts LLC was valued at equity in 1999.

(Frankfurt a. M. = Frankfurt am Main)

## Proportionate consolidation

| Joint ventures | Location | **Share of equity Dec. 31, 2000** | Share of equity Dec. 31, 1999 |
|---|---|---|---|
| **Germany** | | | |
| debis FRA IT – Services GmbH | Frankfurt a. M. | 50.00 % | 50.00 % |
| Medical Airport Service GmbH | Frankfurt a. M. | 50.00 % | 50.00 % |
| NICE Aircraft Services & Support GmbH | Frankfurt a. M. | 52.00 % | 52.00 % |
| Tradeport Frankfurt GmbH | Frankfurt a. M. | 50.00 % | 50.00 % |
| **Rest of Europe** | | | |
| S. A. TCR International N.V., Brussels | Belgium | 50.00 % | 50.00 % |
| *The following 100 % subsidiaries of TCR are included in the TCR sub-group in which Fraport AG indirectly holds 50 %:* | | | |
| *Trailer Construction & Repairing N.V., Steenokkerzeel* | *Belgium* | *50.00 %* | *50.00 %* |
| *Trailer Construction Grobbendonk N.V., Grobbendonk* | *Belgium* | *50.00 %* | *50.00 %* |
| *Trailer Construction & Repairing Nederland (TCR) B.V., Haarlemmermeer* | *Netherlands* | *50.00 %* | *50.00 %* |
| *TCR – GmbH Trailer, Construction, Repairing & Equipment Rental, Oppenau* | *Germany* | *50.00 %* | *50.00 %* |
| *TCR France SAS, Paris* | *France* | *50.00 %* | – |
| *Investissements Conseils Etudes ("ICE"), Paris* | *France* | *50.00 %* | – |
| **Asia** | | | |
| Bayindir Antalya Havalimani Uluslararasi Terminal Isletmeciligi Anomin Sirketi, Istanbul ("Bayindir") | Turkey | 50.00 % | 50.00 % |

The income statements of CIVAS and GSL were also proportionately consolidated.

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

| DM millions | **2000** | 1999 |
|---|---|---|
| Property, plant and equipment | **84.8** | 83.1 |
| Current assets | **62.2** | 48.3 |
| Other assets | **1.6** | 0.8 |
| Shareholders' equity | **45.2** | 46.3 |
| Third-party liabilities | **103.4** | 85.7 |
| Other liabilities | **0.0** | 0.2 |
| Income * | **173.2** | 39.6 |
| Expenses * | **133.9** | 39.1 |

* In 2000 the investment in Bayindir, acquired in 1999, was included in both the balance sheet and income statement.

**Companies valued at equity**

The shares in 5 (1999: 7) companies in which Fraport AG had a significant influence over their operating and financial policies have been included using the equity method.

| Associated companies | Location | **Share of Equity Dec. 31, 2000** | Share of Equity Dec. 31, 1999 |
|---|---|---|---|
| **Germany** | | | |
| Airmail Center Frankfurt GmbH | Frankfurt a. M. | 40.00 % | 40.00 % |
| ASG Airport Service Gesellschaft mbH | Frankfurt a. M. | 49.00 % | 49.00 % |
| Flughafen Hannover-Langenhagen GmbH | Hanover | 20.00 % | 20.00 % |
| **Rest of Europe** | | | |
| *Nordisk – T.C.R. N.V., Steenokkerzeel,* | *Belgium* | *24.50 %* | *24.50 %* |
| *in which TCR holds 49 % of the shares, is included in the* | | | |
| *sub-group of TCR and valued at equity* | | | |
| **Asia** | | | |
| Philippine International Air Terminals Co. Inc., Pasay City | Philippines | 30.00 % | 25.00 % |

**Financial years of the consolidated financial statements and of the financial statements of companies included in the consolidated financial statements**

The financial year of the consolidated financial statements covers the same period as that of the parent company. Except for the TCR sub-group, all subsidiaries and joint ventures also have December 31 as their year-end date.

For companies within the TCR sub-group the financial year ends on June 30. TCR has been included using interim financial statements prepared as at December 31.

**Changes to companies included in the consolidated financial statements**

The changes in companies included in the consolidated financial statements (full consolidation and proportionate consolidation) have had the following effects on the consolidated balance sheet (before consolidation adjustments):

| DM millions | **Dec. 31, 2000** | Dec. 31, 1999 |
|---|---|---|
| Non-current assets | **20.8** | 148.9 |
| Current assets excl. cash and cash equivalents | **11.5** | 26.6 |
| Cash and cash equivalents | **1.8** | 25.0 |
| Prepaid expenses | **0.8** | 2.8 |
| Provisions and accruals | **2.0** | 13.9 |
| Liabilities | **22.4** | 132.4 |
| Deferred income | **0.0** | 0.9 |

The effect of newly-consolidated companies on the profit for the year (before consolidation adjustments) was a loss of DM0.7 million (1999: DM0.7 million).

The following significant acquisitions were made:

**CIVAS – Civil Aviation Security Services GmbH,** Frankfurt am Main, has been included in the consolidated financial statements using proportionate consolidation since April 21, 1999. The remaining shares of the company were acquired from Globe Ground GmbH, Frankfurt am Main, on October 27, 2000. CIVAS was thus fully consolidated at December 31, 2000.

CIVAS GmbH and Fraport AG owned 51 percent and 49 percent respectively in **GSL Gesellschaft für Security and Services GmbH,** Frankfurt am Main, and 33.33 percent each in **Airport Carts LLC,** New York. Both companies were included in the 2000 consolidated financial statements as subsidiary companies. In addition, GSL's income statement was included in the 2000 consolidated financial statements. GSL and Airport Carts LLC were treated as associated companies and valued at equity in the 1999 consolidated financial statements.

**AirTIS IT-Services Hahn GmbH,** Lautzenhausen, was formed on January 20, 2000, as a wholly-owned subsidiary of Fraport AG. The main area of its activities is information and communication services for the airport and property at Hahn Airport.

**VAS Flughafen Bodenverkehrsdienste GmbH,** Vienna-Schwechat (Austria), was formed on May 12, 1999, as a wholly-owned subsidiary of Fraport AG. As VAS only started operations in 2000, it was fully included in the financial statements for the year ended December 31, 2000.

## *(5) Consolidation and accounting policies and foreign currency translation*

The consolidated financial statements have been prepared from financial statements of the parent company and subsidiaries and joint ventures audited by independent auditors. The TCR sub-group interim financial statements have also been audited by independent auditors.

For consolidation purposes, the audited financial statements were converted to uniform accounting policies, prepared using our **IAS recognition and measurement guidelines.** Compliance of the IAS financial statements with our recognition and measurement guidelines was also confirmed by the auditors. This also applies to the TCR sub-group financial statements.

### Consolidation policies

**Equity of subsidiaries and joint ventures** is consolidated using the purchase method.

The acquisition cost of shares in subsidiaries and joint ventures are offset against the book values of the appropriate proportion of shareholders' equity of the subsidiaries or joint ventures prepared in accordance with IAS.

Any resulting difference is applied to uplift the assets of the companies concerned to the fair values of those assets at the time of acquisition.

Any remaining differences are recognized as goodwill and amortized over their expected useful lives. In the event of impairment, write-downs are made to the recoverable amount.

Based on the principle used in IAS (preparation of consolidated financial statements in the interests of the shareholders of the parent company), we have not classified minority interests and their share in the results of subsidiaries as part of shareholders' equity in the consolidated balance sheet.

The assets, liabilities, shareholders' equity (after consolidation) and income and expense items of **joint ventures** are included in the consolidated financial statements using proportionate consolidation to the extent of our joint venture share.

As for the equity consolidation of subsidiaries and joint ventures, an initial valuation at the acquisition date is made for **associated companies.** Subsequent changes in equity of the associated companies and the changes to the balance of any differences arising on initial consolidation have an effect on amounts recognized using the equity method.

**Intercompany profits and losses** on deliveries between companies included in consolidation were limited in volume. Their elimination only had an insignificant influence on the assets and liabilities and results of operations of the Group.

**Loans, receivables and liabilities** and **contingent liabilities** between companies included in the consolidated financial statements, **internal expenses and income** and investment income were eliminated on consolidation.

To the extent **temporary differences** arose, due to the use of IAS or consolidation policies, between the IAS group financial statements and amounts in the tax balance sheets, **deferred taxes** have been recognized as assets or liabilities using the liability method (IAS 12).

**Foreign currency translation**

The financial statements of foreign companies stated in foreign currency are translated into DM (the reporting currency) using IAS 21 and the functional currency method. A difference is to be made between economically independent and economically dependent entities.

The financial statements of foreign companies in the Fraport Group, all of which were economically independent, have been translated using year-end rates for balance sheet items and average rates for income statement items. Differences arising on foreign currency translation were included direct in shareholders' equity.

The following foreign currencies were used:

| **Unit/currency** | **Year-end rate Dec. 31, 2000** | **Average rate 2000** | Year-end rate Dec. 31, 1999 | Average rate 1999 |
|---|---|---|---|---|
| 1 EURO | 1.95583 | 1.95583 | 1.95583 | 1.95583 |
| 1,000,000 TLR | 3.22463 | – | 3.59584 | 4.38535 |
| 1,000 GRD | 5.74 | 5.81 | 5.92140 | 6.00391 |
| 100 PHP | 4.17 | 4.80 | 4.94315 | – |
| 1 USD | 2.10 | – | – | – |

**Financial reporting in hyperinflationary economies** (IAS 29) was used for **Bayindir,** our joint venture in Turkey. An indication for classification as a hyperinflationary economy is if the cumulative inflation rate in 3 years is close to, or exceeds, 100 percent. This condition was met when using the Turkish price index. Bayindir's income statement was translated using year-end rates. Gains and losses arising from net positions of monetary items have been included in interest income and expense.

**Accounting policies**

**Intangible assets and property, plant and equipment** are stated at acquisition or production cost less systematic straight-line depreciation. Until December 31, 1998, the technical equipment and machinery and production and office equipment were also depreciated using the declining balance method in the IAS financial statements. If the recoverable value of an asset is lower than its book value, an impairment write-down is made. Impairment write-downs made in previous periods are reversed if the reason for making such write-down no longer exists. Third-party interest is not capitalized.

Government investment grants are recognized as liabilities and amortized systematically over the useful lives of the assets concerned.

To the extent they relate to loans and receivables, **other financial assets** are valued at acquisition cost. Available-for-sale-assets are stated at fair value. However, to the extent fair values cannot be reliably estimated they are also valued at acquisition cost.

**Inventories** are stated at acquisition or production cost. Production cost includes direct costs and a reasonable amount of overheads. If necessary, inventories are stated at their lower net realizable value. If write-downs made in previous periods are no longer required, the write-down is reversed.

**Receivables and other assets** are included at nominal value less any allowances to reduce the balance to their net realizable value. Receivables in foreign currency are translated at year-end rates.

**Derivative financial instruments** were valued using IAS 39 in 2000.

If the IAS measurement of assets is lower, or of liabilities higher (pension provisions), than the tax balance sheet value and if this represents a temporary difference, the tax effect of the difference is recognized as a **deferred tax asset.**

Deferred tax assets are measured using current or announced tax rates of the country concerned. In Germany, a combined income tax rate of 40 percent has been used for 2000, made up of the charge for corporation tax plus solidarity surcharge and municipal trade tax on income.

Tax losses carried forward that can probably be used in the future are shown as deferred tax assets in the balance sheet.

Based on the decision made by the IASC in June 2000, corporation tax credits are only recognized upon distribution and are not shown as deferred tax assets.

**Pension provisions** have been calculated actuarially in accordance with IAS 19, using a discount rate of 6.5 percent per annum. Actuarial assumptions include a pension increase of 3 percent and wages and salary increases of 0 percent

**Tax liabilities** and **other provisions and accruals** are included in the amount of expected risks.

Long-term provisions are valued giving due consideration to future cost increases and are discounted using market interest rates for matching maturities.

**Provisions and accruals for internal expenses** have not been recognized in the balance sheet.

If assets in the IAS financial statements are stated at a higher amount than in the tax balance sheet (property, plant and equipment depreciated straight-line), and if these are temporary differences, **deferred tax liabilities** are set up for these differences.

**Liabilities** are stated at their repayment amount.

Liabilities in foreign currency are translated at year-end rates.

# *Notes on the balance sheet*

### *(6) Intangible assets*

| DM millions | Concessions, patents, lizences and similar rights | Goodwill | **Total** |
|---|---|---|---|
| **Accumulated acquisition values at Jan. 1, 2000** | 93.5 | 151.2 | **244.7** |
| Additions | 80.2 | 12.4 | **92.6** |
| Disposals | – 2.9 | – | **– 2.9** |
| Reclassifications | 1.1 | – | **1.1** |
| **Accumulated acquisition values at Dec. 31, 2000** | 171.9 | 163.6 | **335.5** |
| **Accumulated depreciation at Jan. 1, 2000** | 60.5 | 26.1 | **86.6** |
| Additions | 19.4 | 15.7 | **35.1** |
| Disposals | – 2.7 | – | **– 2.7** |
| **Accumulated depreciation at Dec. 31, 2000** | 77.2 | 41.8 | **119.0** |
| **Net book values at Dec. 31, 2000** | 94.7 | 121.8 | **216.5** |

Acquired intangible assets are stated at acquisition cost. Amortization is charged systematically using the straight-line method over the estimated useful lives of the intangible assets concerned. The useful lives of concessions, property rights, licenses, patents and software are between 3 and 15 years. Rights include a further 30 percent dividend rights from **Bayindir** Antalya, Turkey. The acquisition cost of the dividend rights amount to DM73.0 million and is being amortized systematically over the term of the rights.

Goodwill is normally amortized over 15 years. Additions to goodwill include DM7.1 million for the acquisition of the remaining shares in CIVAS. For Bayindir the goodwill is being amortized over 8 years as the investment is subject to a contractual term of 8 years. To the extent necessary impairment write-downs are made which are reversed if, at a later date, the reasons for making the write-down no longer apply.

## (7) Property, plant and equipment

| DM millions | Land, land rights and buildings including buildings on leased land | Technical equipment and machinery | Other equipment, operating and office equipment | On-account payments and construction in process | **Total** |
|---|---|---|---|---|---|
| **Accumulated acquisition values at Jan. 1, 2000** | 5,727.3 | 2,787.5 | 584.8 | 242.7 | **9,342.3** |
| Changes in consolidation | – | 2.8 | 1.0 | – | **3.8** |
| Additions | 168.3 | 85.1 | 62.7 | 83.6 | **399.7** |
| Disposals | – 15.2 | – 20.1 | – 44.8 | – 11.4 | **– 91.5** |
| Reclassifications | 154.8 | 52.2 | 7.2 | – 215.3 | **– 1.1** |
| **Accumulated acquisition values at Dec. 31, 2000** | 6,035.2 | 2,907.5 | 610.9 | 99.6 | **9,653.2** |
| **Accumulated depreciation at Jan. 1, 2000** | 2,000.4 | 2,148.2 | 432.9 | – | **4,581.5** |
| Changes in consolidation | – | – | 0.4 | – | **0.4** |
| Additions | 190.5 | 107.9 | 47.6 | – | **346.0** |
| Disposals | – 1.4 | – 17.1 | – 43.4 | – | **– 61.9** |
| Reclassifications | 0.4 | – 2.1 | 1.7 | – | **0.0** |
| **Accumulated depreciation at Dec. 31, 2000** | 2,189.9 | 2,236.9 | 439.2 | – | **4,866.0** |
| **Net book values at Dec. 31, 2000** | 3,845.3 | 670.6 | 171.7 | 99.6 | **4,787.2** |

The systematic useful lives used for the significant depreciable items in property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | 4 – 50 years |
| Technical equipment and machinery | 3 – 25 years |
| Operating and office equipment | 3 – 20 years |

Items in property, plant and equipment are stated at acquisition or production cost less systematic depreciation and any necessary impairment write-downs. Subsequent acquisition costs are recognized. For internally-produced property, plant and equipment, production cost is measured using directly-allocable costs and a reasonable proportion of overheads. Financing costs are not recognized.

Buildings include the airport terminal of Bayindir, the joint-venture company. At the end of the term, the terminal must be transferred to the Turkish government, and the terminal cannot be otherwise disposed of. Due to the uncertainty arising from the decline in value of the Turkish Lira, the terminal is being depreciated systematically over the remaining term based on its DM value at the time of its initial consolidation.

### *(8) Investments at equity*

| DM millions | 2000 | 1999 |
|---|---|---|
| **Accumulated acquisition cost at Jan. 1** | **132.2** | 108.6 |
| Changes in foreign currency differences | **– 7.6** | – 0.4 |
| Changes in consolidation | **– 2.8** | – |
| Additions | **37.2** | 24.5 |
| Disposals | **– 0.2** | – 0.5 |
| Reclassifications | **0.9** | – |
| **Accumulated acquisition cost at Dec. 31** | **159.7** | 132.2 |
| **Accumulated depreciation at Jan. 1** | **16.3** | 1.3 |
| Additions | **4.5** | 15.0 |
| **Accumulated depreciation at Dec. 31** | **20.8** | 16.3 |
| **Net book values at Dec. 31** | **138.9** | 115.9 |

The shares in associated companies are valued using the equity method unless they are not material.

Additions relate to increases for the year, using the equity method, and to the capital increase and acquisition of a further 5 percent share in **PIATCO** Philippine International Air Terminals Co. Inc., Pasay City.

Depreciation has been charged systematically on goodwill arising from the equity valuation of the Hanover Airport company (DM4.1 million) and PIATCO (DM0.4 million).

The financial statements of the investments used for equity valuation purposes were generally prepared using IAS. If the investments are not material, we have not adjusted national financial statements to comply with IAS.

## *(9) Other financial assets*

| DM millions | Shares in affiliated companies | Other investments | Loans to investments * | Securities in non-current assets | Other loans | **Total** |
|---|---|---|---|---|---|---|
| **Accumulated acquisition cost at Jan. 1, 2000** | 0.9 | 9.6 | 15.6 | 0.2 | 43.2 | **69.5** |
| Changes in consolidation | 2.9 | 0.2 | 0.1 | – | 8.4 | **11.6** |
| Additions | – | 10.2 | 118.5 | – | 13.5 | **142.2** |
| Disposals | – | – 0.8 | – 1.5 | – | – 6.3 | **– 8.6** |
| Reclassifications | 2.9 | – 3.8 | – | – | – | **– 0.9** |
| **Accumulated acquisition cost at Dec. 31, 2000** | 6.7 | 15.4 | 132.7 | 0.2 | 58.8 | **213.8** |
| **Accumulated depreciation at Jan. 1, 2000** | – | 0.2 | 1.0 | – | 0.4 | **1.6** |
| Additions | – | 1.8 | 15.2 | – | – | **17.0** |
| **Accumulated depreciation at Dec. 31, 2000** | 0.0 | 2.0 | 16.2 | 0.0 | 0.4 | **18.6** |
| **Net book values at Dec. 31, 2000** | 6.7 | 13.4 | 116.5 | 0.2 | 58.4 | **195.2** |

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

The additions to loans to companies in which investments are held relate to PTI Inc. Manila (DM45.6 million), PIATCO Manila (DM40.8 million), PTI Holdings Manila (DM20.4 million), TCR Belgium (DM5.9 million), Airmail Center Frankfurt (DM1 million), Flughafen Partner Holding GmbH (DM0.9 million) and an investment held by CIVAS (DM0.9 million).

Additions and changes in consolidation of other loans relate primarily to a down payment by CIVAS for the acquisition of ICTS in the amount of DM16.7 million and a loan of DM4.5 million made by Fraport AG to the shareholders of PIATCO. Other loans also include employee loans of DM33.5 million.

Depreciation of loans to companies in which investments are held mainly relate to foreign currency losses in connection with the Manila loans.

## *(10) Inventories*

| DM millions | **Dec. 31, 2000** | Dec. 31, 1999 |
|---|---|---|
| Raw materials, consumables and supplies | **17.6** | 17.2 |
| Work-in-process | **1.4** | 7.2 |
| Purchase merchandise | **1.1** | 0.9 |
| On-account payments | **0.1** | 0.1 |
| | **20.2** | 25.4 |

Inventories are stated at acquisition or production cost using the average method. In accordance with IAS 2, production cost includes direct costs and a reasonable share of overheads.

### *(11) Trade accounts receivable*

| DM millions | Remaining term up to 1 year | Remaining term more than 1 year | **Total Dec. 31, 2000** | Remaining term up to 1 year | Remaining term more than 1 year | **Total Dec. 31, 1999** |
|---|---|---|---|---|---|---|
| Due from third parties | 265.2 | – | **265.2** | 208.9 | – | **208.9** |

Trade accounts receivable are stated at nominal value. Sufficient specific allowances for bad debts have been set up.

### *(12) Other receivables and other assets*

| in Mio DM | Remaining term up to 1 year | Remaining term more than 1 year | **Total Dec. 31, 2000** | Remaining term up to 1 year | Remaining term more than 1 year | **Total Dec. 31, 1999** |
|---|---|---|---|---|---|---|
| Due from associated companies at equity | 1.2 | – | **1.2** | 2.8 | – | **2.8** |
| Due from other investments | 4.3 | – | **4.3** | 3.1 | – | **3.1** |
| Other assets | 109.6 | 0.4 | **110.0** | 94.7 | – | **94.7** |
| | **115.1** | **0.4** | **115.5** | **100.6** | – | **100.6** |

Other receivables and other assets are included at nominal values. Sufficient specific allowances have been set up to cover any possible bad debts. Other assets mainly consist of Fraport's share of costs for the ICE train station relating to advance payments made by Fraport AG for a superstructure on the rooftop of the station.

### *(13) Checks, cash and bank balances*

| DM millions | **Dec. 31, 2000** | Dec. 31, 1999 |
|---|---|---|
| Checks, cash and bank balances | **115.7** | 45.2 |

### *(14) Prepaid expenses*

Prepaid expenses mainly consist of construction grants of DM70.6 million.

### *(15) Deferred tax assets*

Deferred tax assets have been set up in accordance with IAS 12. In accordance with the liability method, current or approved tax rates at the end of the year are used. Further details of deferred tax assets are included in the footnote on "taxes on income" below.

### *(16) Shareholders' equity*

| DM millions | **2000** | 1999 |
|---|---|---|
| Subcribed capital | **1,251.7** | 1,000.0 |
| Legal reserves | **71.4** | 63.5 |
| Other revenue reserves | **520.5** | 687.3 |
| Group retained profits | **150.0** | 50.0 |
| **Shareholders' equity** | **1,993.6** | 1,800.8 |

In accordance with the resolution made by the Annual General Meeting on May 3, 2000, the subscribed capital and the nominal value of shares in Fraport AG were converted to euro, the existing nominal value shares were converted to shares with no nominal value and the current share capital was increased by €128,708,118.80 to €640,000,000.00 by means of a transfer from other revenue reserves. It is made up of 64,000,000 shares with a proportionate share of the total share capital of €10.00 each. The shareholders are the State of Hesse with 45.24 percent, Stadtwerke Frankfurt am Main Holding GmbH with 28.89 percent, and the Federal Republic of Germany with 25.87 percent.

Legal reserves have been set up in accordance with Article 150 para. 1 AktG. In 2000, 1/20th of the profit of the parent company for the year was transferred to legal reserves in accordance with Article 150 para. 2 AktG.

Other revenue reserves include the reserves of Fraport AG, the revenue reserves and retained profits of all subsidiary companies included in the consolidated financial statements and the effects of consolidation adjustments. Group retained profits are the same as the retained profits of the parent company.

At the annual general meeting of Fraport AG on May 3, 2000, it was resolved to accept the recommendation on distribution of DM50 million from the retained profits for 1999.

### *(17) Minority interests*

The minority interests relate to the shares in Media Frankfurt GmbH, Flughafen Saarbrücken Betriebsgesellschaft GmbH, Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG, Flughafen Hahn GmbH, Holding Unternehmen Hahn Verwaltungs GmbH, Holding Unternehmen Hahn GmbH, Hahn Campus Management GmbH, and Airport Carts LLC.

### *(18) Deferred investment grants on items in non-current assets*

These represent investment grants given by the government of DM32.8 million (1999: DM30.7 million) and by other providers of grants of DM12.3 million (1999: DM4.7 million). The government grants relate primarily to investments for the apron area expenditures at Hahn Airport. The balance is being amortized straight-line over the lives of the capital expenditures to which the grants relate.

### *(19) Provisions and accruals*

**Provisions for pensions and similar obligations**

| DM millions | Balance at Jan. 1, 2000 | Use | Release | Expense | Interest | **Balance at Dec. 31, 2000** |
|---|---|---|---|---|---|---|
| Pension obligations | 28.5 | – 1.5 | – | 1.1 | 1.8 | **29.9** |
| Employee-financed pension benefits | 0.3 | – | – | 0.1 | – | **0.4** |
| | 28.8 | – 1.5 | – | 1.2 | 1.8 | **30.3** |

The pension obligations include single-contract pension benefits granted to members of the Executive Board and their dependent relatives. IAS 19 has been used for measurement purposes.

The calculation is based on the new mortality tables prepared by Prof. Dr. Klaus Heubeck (RT 98).

Actuarial assumptions:

| in % | **2000** | 1999 |
|---|---|---|
| Discount rate | **6.5** | 6.0 |
| Future salary increases | – | – |
| Future pension increases | **3.0** | 3.0 |
| Staff fluctuation | – | – |

In addition, the pension obligations include the vested interests of employees taken over in 1999 amounting to DM0.3 million. These pension obligations will no longer be adjusted, and in future the company pension rules for Fraport AG will apply.

Employee-financed pension benefits for senior employees of Fraport AG amount to DM0.4 million.

**Tax liabilities** amount to DM167.9 million (1999: DM184.1 million).

| DM millions | Balance at Jan. 1, 2000 | Use | Release | Additions | Change in consolidation | Other changes | **Balance at Dec. 31, 2000** |
|---|---|---|---|---|---|---|---|
| Personnel | 121.0 | 65.0 | 11.9 | 123.2 | 1.1 | 1.2 | **169.6** |
| Environment | 90.4 | 7.1 | 8.9 | 16.6 | – | – 6.7 | **84.3** |
| Other | 93.6 | 47.4 | 23.3 | 82.7 | 0.3 | 2.1 | **108.0** |
| | 305.0 | 119.5 | 44.1 | 222.5 | 1.4 | – 3.4 | **361.9** |
| of which long-term | 154.5 | | | | | | 129.1 |

**Personnel provisions and accruals** include obligations arising from wages and salaries calculations for December 2000, early-retirement part-time benefits and early retirement from termination of employment, working-time benefits from time accounts and vacation pay claims of the staff at the end of the year.

**Environmental obligations** include cleanup costs of DM35.0 million for removing nitrate damage and of DM40.6 million for removing TNT–contaminated soil at a former munitions disposal site.

**Other provisions and accruals** mainly include obligations for outstanding invoices, rebates and repayment claims.

## *(20) Financial liabilities*

| | Remaining term | | | **Total** | Remaining term | | | **Total** |
|---|---|---|---|---|---|---|---|---|
| DM millions | up to 1 year | 1–5 years | > 5 years | **Dec. 31, 2000** | up to 1 year | 1–5 years | > 5 years | **Dec. 31, 1999** |
| Liabilities to banks | 489.1 | 931.0 | 1,052.9 | **2,473.0** | 395.1 | 874.1 | 1,017.8 | **2,287.0** |
| Other | 6.9 | – | – | **6.9** | 2.5 | – | – | **2.5** |
| | 496.0 | 931.0 | 1,052.9 | **2,479.9** | 397.6 | 874.1 | 1,017.8 | **2,289.5** |

Individual loans exceeding DM50 million are as follows:

| | Term from – to | Currency | Interest rate % | **Balance at Dec. 31, 2000 DM millions** | Balance at Dec. 31, 1999 DM millions |
|---|---|---|---|---|---|
| 1. Fixed-interest loans | | | | | |
| | 1993–2003 | DM | 6.83 | **50.0** | 50.0 |
| | 1993–2000 | DM | 6.90 | – | 50.0 |
| | 1999–2011 | DM | 4.72 | **50.0** | 50.0 |
| | 1998–2010 | DM | 4.83 | **70.0** | 70.0 |
| | 1993–2003 | DM | 6.61 | **100.0** | 100.0 |
| | 1999–2009 | DM | 4.61 | **50.0** | 50.0 |
| | 1999–2028 | DM | 4.15 | **64.5** | 64.5 |
| | 1999–2028 | DM | 5.10 | **64.5** | 64.5 |
| | 1996–2006 | DM | 6.80 | **50.0** | 50.0 |
| | 1998–2008 | DM | 4.60 | **50.0** | 50.0 |
| | 1998–2008 | DM | 4.57 | **50.0** | 50.0 |
| | 1999–2009 | DM | 4.56 | **50.0** | 50.0 |
| | 1993–2000 | DM | 6.99 | – | 50.0 |
| | 1994–2003 | DM | 6.50 | **80.0** | 80.0 |
| | 1994–2004 | DM | 6.43 | **100.0** | 100.0 |
| | 1998–2008 | DM | 4.60 | **75.0** | 75.0 |
| | 1998–2008 | DM | 4.60 | **50.0** | 50.0 |
| | 1996–2022 | DM | 6.62 | **49.9** | 52.2 |
| | 1992–2002 | DM | 7.89 | **60.0** | 60.0 |
| | 1992–2002 | DM | 7.69 | **50.0** | 50.0 |
| | 1992–2002 | DM | 7.70 | **50.0** | 50.0 |
| | 1993–2001 | DM | 6.98 | **50.0** | 50.0 |
| | 1993–2001 | DM | 6.96 | **50.0** | 50.0 |
| | 2000–2007 | US$ | 7.11 | **102.5** | – |
| 2. Variable-interest loans | | | | | |
| | 1999–2000 | DM | – | – | 118.0 |
| | 2000–2007 | US$ | 7.10 | **68.3** | – |

### *(21) Trade accounts payable*

| | Remaining term | | | Total | Remaining term | | | Total |
|---|---|---|---|---|---|---|---|---|
| DM millions | up to 1 year | 1–5 years | > 5 years | **Dec. 31, 2000** | up to 1 year | 1–5 years | > 5 years | **Dec. 31, 1999** |
| To third parties | 222.6 | – | – | **222.6** | 192.5 | 0.5 | – | **193.0** |
| | **222.6** | **–** | **–** | **222.6** | **192.5** | **0.5** | **–** | **193.0** |

### *(22) Other liabilities*

| | Remaining term | | | Total | Remaining term | | | Total |
|---|---|---|---|---|---|---|---|---|
| DM millions | up to 1 year | 1–5 years | > 5 years | **Dec. 31, 2000** | up to 1 year | 1–5 years | > 5 years | **Dec. 31, 1999** |
| On-account payments on orders | 2.1 | – | – | **2.1** | 5.6 | – | – | **5.6** |
| Affiliated companies | 0.9 | – | – | **0.9** | 0.8 | – | – | **0.8** |
| Joint ventures | 2.4 | – | – | **2.4** | 0.1 | – | – | **0.1** |
| Associated companies at equity | 3.8 | – | – | **3.8** | 2.0 | – | – | **2.0** |
| Other investments | 0.8 | 1.4 | 0.3 | **2.5** | 3.6 | – | – | **3.6** |
| Other liabilities | 79.5 | 36.5 | 10.5 | **126.5** | 183.9 | 5.8 | 21.5 | **211.2** |
| | **89.5** | **37.9** | **10.8** | **138.2** | **196.0** | **5.8** | **21.5** | **223.3** |

Other liabilities consist mainly of wage and church tax, social security contributions and liabilities to employees.

### *(23) Deferred income*

This consists of income attributable to future periods.

| DM millions | **Dec. 31, 2000** | Dec. 31, 1999 |
|---|---|---|
| Rental income paid in advance | **45.3** | 34.7 |
| Long-term lease income paid in advance | **59.4** | 64.4 |
| Infrastructure contributions | **14.8** | 15.0 |
| Other | **26.9** | 16.8 |
| | **146.4** | 130.9 |

### *(24) Deferred tax liabilities*

Deferred tax liabilities are recognized using the temporary method as set out in IAS 12. It is calculated using tax rates which are valid or approved and known at the end of the year. Further details of deferred tax liabilities are shown in the footnote on "taxes on income" below.

# Notes to the Consolidated Income Statement

## (25) Revenues

Details of revenues are set out in note 39.

## (26) Decrease in work-in-process

| DM millions | 2000 | 1999 |
|---|---|---|
| Reduction in work-in-process | – 5.8 | – 23.3 |

The decrease in work-in-process relates to invoicing consulting contracts (1999: completion and hand over of the simulation chamber equipment at CargoCity South).

## (27) Other internal work capitalized

| DM millions | 2000 | 1999 |
|---|---|---|
| Other internal work capitalized | 30.2 | 22.3 |

Other internal costs capitalized relate primarily to engineering, planning and construction work, as well as other works output at Fraport AG.

## (28) Other operating income

| DM millions | 2000 | 1999 |
|---|---|---|
| Release of deferred investment grants | 3.3 | 4.2 |
| Release of provisions and accruals | 48.5 | 33.6 |
| Gains on disposals of items in non-current assets | 5.3 | 6.9 |
| Write-ups of current assets | – | 13.5 |
| Prior period income | 17.9 | 8.7 |
| Income from foreign currency gains | 26.1 | – |
| Other | 40.0 | 13.0 |
| | 141.1 | 79.9 |

## (29) Cost of materials

| DM millions | 2000 | 1999 |
|---|---|---|
| Expenses for raw materials, consumables and supplies and purchased merchandise * | 118.0 | 152.1 |
| Cost of services | 399.1 | 291.7 |
| | 517.1 | 443.8 |

* In 1999 the cost of energy was included in raw materials, consumables and supplies.

## (30) Personnel expense

| DM millions | 2000 | 1999 |
|---|---|---|
| Wages and salaries | 1,000.7 | 948.1 |
| Social security and welfare expense | 196.3 | 183.9 |
| Pension expense | 41.8 | 35.1 |
| | 1,238.8 | 1,167.1 |

Pension expense includes additions to pension provisions. The interest share of the additions to pension provisions is included in personnel expense.

## (31) Depreciation and amortization of tangible and intangible non-current assets

| DM millions | 2000 | 1999 |
|---|---|---|
| Depreciation of intangible and tangible non-current assets | 381.1 | 351.1 |

Details of depreciation and amortization are set out in notes 6 and 7.

### (32) Other operating expenses

| DM millions | 2000 | 1999 |
|---|---|---|
| Rental and leasing expense | **76.0** | 57.0 |
| Insurance premiums | **10.0** | 8.5 |
| Demolition costs | **9.0** | 14.6 |
| Losses on disposals of items included in non-current assets | **1.3** | 33.0 |
| Advisory fees | **52.5** | 19.5 |
| Foreign currency losses | **30.8** | 5.2 |
| Other | **199.3** | 152.3 |
| (of which prior period) | **13.1** | 14.0 |
| | **378.9** | **290.1** |

### (33) Interest results – net loss –

| DM millions | 2000 | 1999 |
|---|---|---|
| Other interest and similar income | **– 26.1** | – 0.6 |
| Interest and similar expense | **155.6** | 124.5 |
| | **129.5** | **123.9** |

Interest income includes gains on the net amount of monetary items arising on hyperinflationary accounting of DM5.0 million.

### (34) Results of associated companies – net loss –

| DM millions | 2000 | 1999 |
|---|---|---|
| Airmail Center Frankfurt GmbH | **– 0.1** | – |
| Airport Carts Limited Liability Company | **– 0.3** | 0.1 |
| ASG Airport Service Gesellschaft mbH | **– 1.2** | – 1.5 |
| Flughafen Hannover-Langenhagen GmbH | **3.6** | 15.0 |
| GSL Gesellschaft für Sicherheit im Luftverkehr mbH | **– 0.6** | – |
| Philippine International Air Terminals Co. Inc. (PIATCO) | **7.1** | 0.1 |
| | **8.5** | **13.7** |

### (35) Other financial results – net gain –

| DM millions | 2000 | 1999 |
|---|---|---|
| Income from investments | **16.7** | 7.9 |
| Income from securities and loans | **4.2** | 2.7 |
| Write-downs of financial assets | **– 17.0** | – |
| | **3.9** | **10.6** |

### (36) Taxes on income

As part of the tax reform in Germany effective January 1, 1999, the corporation tax rate on retained earnings was reduced from 45 percent to 40 percent, and the measurement basis was expanded. In German corporation tax law the taxation of companies and shareholders is based on the tax credit method. In accordance with the tax law valid for 2000, retained profits are initially subject to corporation tax at 40 percent, plus a surcharge of 5.5 percent on the corporation tax charge. Distributions to shareholders of profits earned in Germany are subject to a reduced corporation tax charge at 30 percent (plus a surcharge of 5.5. percent on the tax liability).

Tax expenses include corporation tax and municipal trade tax on income of domestic companies and similar income taxes of foreign companies.

Tax expense for the period conforms with the operations of Fraport AG.

**Deferred taxes** result from temporary differences between assets and liabilities in the tax balance sheets of the companies and their values in the consolidated balance sheet, using the liability method.

Deferred taxes are set up on all temporary differences between amounts recorded in the tax balance sheet and the IAS balance sheet as well as on tax losses carried forward which will probably be used to offset against future taxable profits.

In addition, deferred taxes are set up on consolidation adjustments. However, as set out in IAS 12, no deferred tax is calculated on goodwill and its amortization.

In addition to municipal trade tax on income and a surcharge, corporation tax of **domestic companies** is calculated based on the assumption that profits will be retained.

Income tax expense is made up of the following items:

| DM millions | **2000** | 1999 |
|---|---|---|
| Current taxes on income | **271.9** | 197.9 |
| Deferred taxes on income | **– 27.0** | 13.9 |
| Total | **244.9** | **211.8** |

The tax rate for corporation tax was lowered to a uniform 25 percent effective 2001 by means of a resolution of the federal government made in 2000. Use of this tax rate on temporary differences led to income of about DM92.8 million.

Deferred taxes in the balance sheet relate to the following items:

| | **2000** | | 1999 | |
|---|---|---|---|---|
| DM millions | **Assets** | **Liabilities** | Assets | Liabilities |
| Property, plant and equipment | – | – 339.6 | – | – 410.2 |
| Financial assets | 3.3 | – | 3.3 | – |
| Inventories | – | – 0.8 | – | – 0.8 |
| Receivables and other assets | – | – 1.2 | – | – 1.2 |
| Prepaid expenses | 2.2 | – | 4.0 | – |
| Pension provisions | 2.2 | – | 4.3 | – |
| Other provisions and accruals | 14.2 | – | 17.9 | – |
| Liabilities | 7.6 | – 9.3 | 2.4 | – |
| Other balance sheet items | 0.4 | – 32.1 | 0.2 | – 5.0 |
| Tax losses carried forward | 4.7 | – | 3.0 | – |
| **Total in individual financial statements** | **34.6** | **– 383.0** | **35.1** | **– 417.2** |
| Offsets | – 27.0 | 27.0 | – 31.7 | 31.7 |
| Consolidation adjustments | 4.1 | 0.1 | 5.4 | – 0.3 |
| **Consolidated financial statements** | **11.7** | **– 355.9** | **8.8** | **– 385.8** |

The **other balance sheet items** include the effects arising from applying IAS 12 (revised 2000). The income tax consequences of dividends proposed but not approved are not included in the financial statements. Due to the split corporation tax rates which were to be applied in Germany up to the end of 2000, corporation tax reduction claims resulting from proposed dividends have already been included in the financial statements in current taxes. Hence, the corporation tax reduction claims of DM32.1 million in current income taxes are reversed in deferred tax expense.

Deferred taxes on **tax losses carried forward** have not been set up in the amount of DM0.7 million as these will probably not be available for offset against taxable profits.

Deferred taxes include DM6.9 million deferred tax assets on negative market values of financial derivatives. The change compared with the previous year of DM2.3 million has been charged to equity, corresponding to the change in fair value. Deferred tax liabilities of DM1.2 million arising from changes in the companies included in consolidation and adjustments involving hyperinflationary economies have also been included direct in equity.

The relationship between the expected tax expense and actual tax expense in the income statement is shown as follows:

| DM millions | **2000** | 1999 |
|---|---|---|
| Profits before income taxes | **498.8** | 369.4 |
| Municipal trade tax on income in Germany | **– 90.3** | – 81.0 |
| Profit after municipal trade tax on income | **408.5** | 288.4 |
| **Expected income tax expense *** | **– 172.4** | – 121.7 |
| Tax effect of foreign tax rate differences | **7.4** | – |
| Taxes on non-deductible expenses | **– 1.8** | – 2.0 |
| Taxes on non-deductible tax audit provisions | **– 80.7** | – 16.8 |
| Tax effect of equity consolidation adjustments affecting income | **– 6.5** | 2.7 |
| Tax effect of tax-free income | **3.2** | – |
| Effect of tax-rate changes | **92.8** | – |
| Tax reduction due to distributions in Germany | – | 11.9 |
| Effect on municipal tax of measurement changes | – | – 4.4 |
| Other | **3.4** | – 0.5 |
| Municipal trade tax on income in Germany | **– 90.3** | – 81.0 |
| **Taxes on income as shown in the income statement** | **– 244.9** | – 211.8 |

* Expected corporation tax expense of 40 percent plus 5.5 percent surcharge.

## *(37) Other taxes*

Other taxes consist primarily of property taxes.

## *(38) Earnings per share*

The earnings per share for 2000 are calculated using the weighted average number of issued shares having a share of capital of €10 each. As a result of the capital increase on May 3, 2000, the number of shares increased from 51,129,188 to 64,000,000. This results in a weighted average of 59,697,968 shares and earnings per €10 share of DM4.23 (€2.16).

Earnings per share for 1999 were also calculated based on €10 shares using the number of shares issued during the year and adjusted accordingly. Earnings per share for 1999 were thus DM3.05 (€1.56) per €10 share.

## *(39) Segment reporting*

### Primary segment reporting

| DM millions | | Aviation | Non-aviation | Ground Handling | Other | Adjustments | Group |
|---|---|---|---|---|---|---|---|
| Third-party revenues | 2000 | 1,208.1 | 765.7 | 1,105.0 | 91.2 | – | 3,170.0 |
| | 1999 | 1,032.0 | 653.0 | 1,014.0 | 68.9 | – | 2,767.9 |
| Inter-segment revenues | 2000 | 55.6 | 695.0 | 85.3 | 229.6 | – 1,065.5 | – |
| | 1999 | 53.7 | 658.6 | 80.2 | 226.0 | – 1,018.5 | – |
| Total revenues | 2000 | 1,263.7 | 1,460.7 | 1,190.3 | 320.8 | – 1,065.5 | 3,170.0 |
| | 1999 | 1,085.7 | 1,311.6 | 1,094.2 | 294.9 | – 1,018.5 | 2,767.9 |
| Segment profit | 2000 | 101.1 | 449.9 | 80.5 | 22.6 | 0.0 | 654.1 |
| | 1999 | – 0.4 | 408.2 | 86.2 | 21.2 | 0.6 | 515.8 |
| Book value of segment assets | 2000 | 652.6 | 4,787.1 | 242.1 | 258.6 | 10.7 | 5,951.1 |
| | 1999 | 624.2 | 4,507.7 | 213.2 | 222.4 | 14.9 | 5,582.4 |
| Segment liabilities | 2000 | 339.1 | 2,814.7 | 126.3 | 131.2 | 546.2 | 3,957.5 |
| | 1999 | 349.1 | 2,615.1 | 119.9 | 120.7 | 576.8 | 3,781.6 |
| Acquisition cost of additions | 2000 | 101.1 | 294.6 | 57.8 | 38.8 | – | 492.3 |
| to property, plant and equipment | 1999 | 147.6 | 429.7 | 56.9 | 50.6 | – | 684.8 |
| and intangible assets | | | | | | | |
| Depreciation of segment assets | 2000 | 84.9 | 231.7 | 36.7 | 27.8 | – | 381.1 |
| | 1999 | 68,1 | 229.1 | 29.5 | 24.4 | – | 351.1 |
| Other significant non-cash expenses | 2000 | 84.5 | 63.7 | 70.4 | 6.5 | – | 225.1 |
| | 1999 | 73.8 | 44.4 | 53.2 | 6.1 | – | 177.5 |
| Share of results of | 2000 | – 4.2 | – 3.8 | 0.2 | – 0.7 | – | – 8.5 |
| associates valued at equity | 1999 | – 4.8 | – 3.6 | – 2.6 | – 2.7 | – | – 13.7 |
| Investments in | 2000 | 50.3 | 48.9 | 24.1 | 15.6 | – | 138.9 |
| associates valued at equity | 1999 | 38.4 | 35.1 | 26.1 | 16.3 | – | 115.9 |

**Secondary segment reporting**

| DM millions | | Germany | Rest of Europe | Asia | Rest of world | Adjustments | Group |
|---|---|---|---|---|---|---|---|
| Third-party revenues | 2000 | 3,037.4 | 38.6 | 93.4 | 0.6 | – | 3,170.0 |
| | 1999 | 2,731.0 | 33.7 | 1.1 | 2.1 | – | 2,767.9 |
| Book value of segment assets | 2000 | 5,445.0 | 81.1 | 401.6 | 12.7 | 10.7 | 5,951.1 |
| | 1999 | 5,298.2 | 44.8 | 221.0 | 3.5 | 14.9 | 5,582.4 |
| Acquisition cost of additions to property, plant and equipment and intangible assets | 2000 | 396.0 | 19.9 | 73.6 | 2.8 | – | 492.3 |
| | 1999 | 570.2 | 5.7 | 108.9 | – | – | 684.8 |

Segment reporting as set out in IAS 14 is based on internal reporting to the parent company's Executive Board.

At Fraport AG corporate data is divided into market-oriented business and service areas on the one hand, and into support areas on the other hand. Whereas, with the exception of one service area, the business and service areas are clearly allocated to the segments shown above, the support areas are allocated to the segments by using appropriate allocation percentages. Internal reporting along these lines started in January 2001. In order to obtain comparative figures, this structure was applied to 1999 and 2000.

The figures relating to the subsidiaries and joint ventures were allocated to segments based on the nature of their activities.

The inter-segment revenues result mainly from internal charges made by Fraport AG for the rental of land and buildings. These assets are allocated to the non-aviation segment. Rental costs recharged to the units located in these premises is calculated based on actual cost incurred (including imputed interest), plus a profit uplift in order to achieve a fair market charge. Income from rental costs recharged are also shown as operating expenses at the units using the property. Inter-segment revenue also includes revenues made between consolidated companies of different segments.

The secondary reporting format is shown by geographic area, divided into the major areas of Germany, the rest of Europe, Asia and the rest of the world. Amounts included under Asia mainly relate to Turkey, the Philippines and South Korea.

Goodwill arising on consolidation and its amortization have been allocated appropriately to the segments.

The column headed "Adjustments" for segment assets and segment liabilities includes tax assets and tax liabilities (including deferred tax assets and liabilities) for the Group.

### *(40) Statement of cash flows*

**Net cash from operating activities**

Of the net cash from operating activities, DM907.8 million is from operations, whereas net cash of DM120.2 million was used for financial activities and DM252.1 million for taxes on income.

Hence, there was a very similar mix of cash inflows and cash outflows from operating activities compared with 1999.

**Net cash used in investing activities**

In addition to substantial capital expenditures in property, plant and equipment, there were also considerable investments in financial assets. Significant investments were made in Manila (see notes 8 and 9 above). The following shares in subsidiaries and joint ventures were acquired:

| | **Share** |
|---|---|
| AirTIS Airport IT Services Hahn GmbH, Lautzenhausen | 100.00 % |
| VAS Flughafen Bodenverkehrsdienste GmbH, Vienna | 100.00 % |
| CIVAS – Civil Aviation Security Services GmbH, Frankfurt am Main | 50.01 % |
| GSL Gesellschaft für Service-Leistungen mbH, Frankfurt am Main* | 51.00 % |
| Airport Carts Limited Liability Company, New York* | 33.33 % |
| ICE – Investissements Conseils Etudes, Paris | 50.00 % |

* Cessation of equity method, replaced by full consolidation.

**Disclosures on acquisitions of subsidiaries and joint ventures:**

| DM millions | 2000 |
|---|---|
| Cash and cash equivalents | 1.0 |
| Net current assets | – 10.9 |
| Non-current assets | |
| Acquired non-current assets | 16.3 |
| Goodwill | 7.4 |
| Opening retained earnings | – 0.8 |
| Disposal of equity-valued associate | – 2.8 |
| Minority interests | – 1.7 |
| Total acquisition price | 8.5 |
| Less: net cash and cash equivalents acquired | – 1.0 |
| **Cash flows for acquisitions of subsidiaries and joint ventures** | **7.5** |

**Cash and cash equivalents**

Cash and cash equivalents are made up of the following balance sheet captions: checks, cash and bank balances, less bank overdrafts, included in financial liabilities (DM8.5 million, 1999: DM6.9 million).

### *(41) Other disclosures*

DM43.8 million of property, plant and equipment and DM52.1 million liquid funds were pledged to lenders as collateral for liabilities.

**Contingent liabilities**

| DM millions | **Dec. 12, 2000** | Dec. 12, 1999 |
|---|---|---|
| Indemnity agreements | **16.3** | 5.6 |

The amount shown under indemnity agreements relates to a guarantee declaration given by Bayindir to DHMI (concession authorities) for the transfer of the airport equipment upon expiry of the concession in 2007.

The group has taken over guarantees of DM237.5 million in connection with the acquisition of an investment by a subsidiary, of which DM89.6 million has already lapsed due to the fulfillment of payment obligations. There is also a guarantee of DM2.4 million at a subsidiary.

**Other financial commitments**

| DM millions | **Dec. 12, 2000** | Dec. 12, 1999 |
|---|---|---|
| Orders placed for capital expenditures | **403.1** | 311.8 |
| Rental and leasing contracts > 1 Jahr | | |
| 1. Due in the first subsequent year | **71.9** | 59.2 |
| 2. Due in the second subsequent year | **68.8** | 59.5 |
| 3. Due in the third subsequent year | **68.8** | 57.7 |
| 4. Due in the fourth subsequent year | **65.7** | 56.7 |
| 5. Due in the fifth subsequent year | **65.4** | 56.7 |
| 6. Due in the sixth subsequent year and after (accumulated) | **67.6** | 63.9 |
| | **408.2** | 353.7 |

Up to the end of the year, fixed commitments of DM25.2 million had been made in connection with the Manila project. Fraport has a commitment to construction costs of up to a maximum of DM253.9 million for the relocation of the Rhein-Main Air Base Frankfurt.

In connection with the carrying out of noise reduction measures at Frankfurt am Main the company will be subject to expenditures over the next few years which will be entirely offset almost congruently by higher landing fees.

**Employees**

The average number of persons employed during the year (excluding trainees) totaled 13,782 (1999: 12,904) at the fully-consolidated companies, and a pro-rata 489 (1999: 432) at the proportionately consolidated joint ventures.

### *(42) Derivative financial instruments*

Most transactions with derivative financial instruments are made only by the parent company. In addition to two interest rate swaps which are classified as cash flow hedges in accordance with IAS 39, there are also four interest caps taken out to limit the risks arising from interest rate increases for variable-interest liabilities. Those interest caps which have already been allocated to an underlying transaction are treated as fair value hedges. Interest caps not yet allocated are classified as trading transactions. One foreign currency forward transaction for US$38.25 million was entered into in 2000.

All derivatives are included in the balance sheet at their fair values. Changes in market values of cash flow hedges (interest swaps) are recorded directly to a separate caption in equity. Changes in market values of fair value hedges and the trading derivatives (interest caps) are recorded in the income statement. The market value of the foreign currency forward transaction was recorded direct to equity, as it was a cash flow hedge.

Credit risk is calculated as the total of individual market values and thus represents the risk of nonpayment by counterparties, which has been minimized by only entering into such transactions with blue-chip banks.

Derivative financial instruments are not used for speculative purposes.

There were the following derivative financial positions at the end of the year:

| | Nominal volumes | | Market values | | Credit risk | |
|---|---|---|---|---|---|---|
| DM millions | **Dec. 31, 2000** | Dec. 31, 1999 | **Dec. 31, 2000** | Dec. 31, 1999 | **Dec. 31, 2000** | Dec. 31, 1999 |
| Interest swaps | **176.0** | 50.0 | **– 8.0** | – 4.2 | **–** | – |
| Interest caps | **260.0** | 260.0 | **7.1** | 12.4 | **7.1** | 12.4 |
| Forex forwards | **80.3** | – | **– 9.2** | – | **–** | – |

### *(43) Related parties*

Stadtwerke Frankfurt am Main Holding GmbH (Stadtwerke) holds over 25 percent of the shares in Fraport AG. A subsidiary of the Stadtwerke, Mainova AG, supplies companies within the Fraport Group with energy and water. Turnover with this company in 2000 was about DM77.2 million (1999: DM49.0 million).

In addition, Landesbank Hessen-Thüringen, Frankfurt am Main, is a related party as defined in IAS 24. There were loan liabilities to this bank in the amount of DM408.3 million (1999: DM462.8 million) at December 31, 2000, with interest expense for 2000 of DM25.2 million (1999: DM27.3 million). The contractually agreed interest rates are at normal market conditions.

### *(44) Executive Board and Supervisory Board*

The members of the Executive Board and Supervisory Board are listed in two exhibits to the notes.

The total remuneration of the members of the Executive Board was DM2,693 thousand. Pension obligations to these persons totaled DM9,005 thousand. The members of the Supervisory Board received meeting fees of DM68 thousand.

Provisions for pension obligations in the amount of DM19,899 thousand have been recorded for former members of the Executive Board and their dependent relatives, and current pension payments in 2000 were DM1,551 thousand.

A loan of DM4 thousand bearing interest at 5.0 percent p.a. has been granted to an employee representative on the Supervisory Board.

### *(45) Events after the balance sheet date*

In January 2001, a 45 percent share in ICTS Europe Holdings B.V., Amstelveen, the Netherlands, was acquired by CIVAS.

At an extraordinary shareholders' meeting of Fraport AG held on March 14, 2001, the shareholders approved the recommended key features of a process for 2001 to establish restricted authorized capital out of which pre-emptive rights from the 2001 share option plan can be exercised.

At the same time, the authorized capital of €290,000,000 resolved at the Annual General Meeting on September 27, 2000, was reduced to €276,050,000.

The Company's name was changed to Fraport AG Frankfurt Airport Services Worldwide on January 29, 2001.

**Frankfurt am Main, March 30, 2001**

**Fraport AG**
Frankfurt Airport Services Worldwide
**The Executive Board**

**Dr. Bender  Prof. Schölch  Endler  Prof. Jakubeit  Michel**

# *Executive Bodies of the Company*

### *Executive Board of Fraport AG Frankfurt Airport Services Worldwide*

| Members of the Executive Board | Positions on statutory supervisory boards and similar controlling bodies |
|---|---|
| Chairman of the Executive Board<br>**Dr. Wilhelm Bender**<br>Frankfurt am Main | Vice Chairman of the Supervisory Board of<br>Flughafen Hannover-Langenhagen GmbH;<br>Member of Supervisory Board of:<br>– Adtranz DaimlerChrysler Rail Systems GmbH<br>– Lufthansa CityLine GmbH<br>– Iduna-Gruppe |
| Vice Chairman of the Executive Board<br>and Executive Director Aviation Ground<br>Services and Real Estate Management<br>**Prof. Manfred Schölch**<br>Seeheim-Jugenheim | Chairman of the Supervisory Board of:<br>– Flughafen Hahn GmbH<br>– Flughafen Saarbrücken Betriebsgesellschaft mbH<br>– Tradeport Frankfurt GmbH |
| Member of the Executive Board and<br>Executive Director Finance and<br>Traffic and Terminal Management<br>**Johannes Endler**<br>Kronberg im Taunus | Chairman of the Supervisory Board of<br>CIVAS – Civil Aviation Security Services GmbH<br>Member of the Supervisory Board of:<br>– Tradeport Frankfurt GmbH<br>– ASG Airport Service Gesellschaft mbH<br>– DELVAG Luftfahrtversicherungs AG<br>– DELVAG Rückversicherungs AG<br>Member of the Administrative Board of:<br>– Landesbank Hessen-Thüringen Girozentrale<br>– Frankfurter Sparkasse |
| Member of the Executive Board and<br>Executive Director Airport Development<br>**Prof. Barbara Jakubeit**<br>Königstein im Taunus<br>(as of November 2000) | |
| Member of the Executive Board and<br>Executive Director Labor Relations<br>**Hans Georg Michel**<br>Frankfurt am Main | Chairman of the Supervisory Board of<br>Gesellschaft für Cleaning Service mbH & Co.<br>Frankfurt/Main KG<br>Member of Supervisory Board of<br>Flughafen Service GmbH |

## Supervisory Board of Fraport AG Frankfurt Airport Services Worldwide

| Members of the Supervisory Board | Positions on statutory supervisory boards and similar controlling bodies |
| --- | --- |
| Chairman<br>**Roland Koch**<br>Wiesbaden<br>Prime Minister of the State of Hesse | |
| Vice Chairman<br>**Gerold Schaub**<br>Frankfurt am Main<br>Chairman ÖTV Hesse | Member of the Supervisory Board of<br>Lufthansa Service Deutschland GmbH |
| **Herbert Becker**<br>Neu-Isenburg-Zeppelinheim<br>External Liaison Officer<br>for the Executive Board | |
| **Wolfgang Bödicker**<br>Steinbach (Taunus)<br>Member of the Works Council | Member of the Supervisory Board of:<br>– Volks- Bau- und Sparverein (VBS) e.G.<br>– Umland GmbH |
| **Paul Breider**<br>Flörsheim<br>Loading Foreman | |
| **Matthias Eckert**<br>Mainz<br>Member of the Works Council | |
| **Dr. Hans-Jürgen Froböse**<br>Bonn<br>Ministerial Director | Member of the Supervisory Board of<br>DFS Deutsche Flugsicherung GmbH<br>Vice Chairman of the Supervisory Board of<br>Duisburg-Ruhrorter Häfen AG<br>Supervisory Board Member of<br>Germanische Lloyd AG |
| **Albrecht Glaser**<br>Frankfurt am Main<br>City Treasurer | Member of the Supervisory Board of:<br>– Mainova AG<br>– ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH<br>– Messe Frankfurt GmbH<br>– Stadtwerke Frankfurt am Main Holding GmbH<br>– Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH<br>Positions on controlling bodies of business enterprises:<br>– Mainufer Projektentwicklungsgesellschaft mbH<br>– RMA Rhein-Main Abfall GmbH<br>– Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH<br>– WOHNHEIM Gemeinnützige Gesellschaft für Wohnheime und Arbeiterwohnungen mbH<br>– BKRZ Brandschutz-, Katastrophenschutz- und Rettungsdienstzentrum-Grundstücksverwaltungsgesellschaft mbH & Co. KG<br>– Blutspendedienst Hessen des DRK GmbH<br>– Gas-Union GmbH<br>– Lerchesberg Grundstücksgesellschaft mbH<br>– Hospital-Service & Catering GmbH<br>– Frankfurter Sparkasse<br>– Sparkassen- und Giroverband Hessen-Thüringen |
| **Jörg-Uwe Hahn**<br>Wiesbaden<br>Leader of the FDP group<br>in the Hesse State Parliament,<br>Member of the Hesse State Parliament | Member of the Supervisory Board of:<br>– Flughafen Hahn GmbH<br>– TaunusFilm-Produktions GmbH |
| **Stefan Kempkens**<br>Frankfurt am Main<br>DAG Trade Union Representative | |
| **Lothar Klemm**<br>Wiesbaden<br>former Hesse State Minister,<br>Member of the Hesse State Parliament | Chairman of the Supervisory Board of:<br>– MANIA Technologie AG<br>– WEIDER AG<br>Vice Chairman of the Supervisory Board of<br>MÖBEL WALTHER AG<br>Member of the Supervisory Board of<br>MÖBEL WALTHER NEW MEDIA AG |

| | |
|---|---|
| **Helmut Raith**<br>Kelsterbach<br>Specialist Foreman | Member of the Supervisory Board of<br>GCS Gesellschaft für Cleaning Service mbH & Co.<br>Airport Frankfurt/Main KG |
| **Petra Roth**<br>Frankfurt am Main<br>Lord Mayor | Member of the Supervisory Board of:<br>– Frankfurter Aufbau AG<br>– Mainova AG<br>– ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH<br>– Messe Frankfurt GmbH<br>– Stadtwerke Frankfurt am Main Holding GmbH<br>– Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH<br>Positions on controlling bodies of business enterprises:<br>– Alte Oper Frankfurt Konzert- und Kongreßzentrum GmbH<br>– Gas-Union GmbH<br>– Rhein-Main-Verkehrsverbund GmbH<br>– Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH<br>– Frankfurter Sparkasse<br>– Landesbank Hessen-Thüringen<br>– Nassauische Sparkasse<br>– E.ON Energie AG<br>– Ruhrgas AG<br>– THÜGA AG<br>– Advisory Council of ING-Gruppe/Niederlande |
| **Walter Schäfer**<br>Frankfurt am Main<br>Chairman of the Board of Directors of Landesbank Hessen-Thüringen | Vice Chairman of the Administrative Board of<br>Helaba Luxembourg Landesbank Hessen-Thüringen International S.A.<br>Member of the Supervisory Board of:<br>– InvestitionsBank Hessen AG (IBH)<br>– JENOPTIK AG<br>Member of the Administrative Board of:<br>– DGZ DekaBank Deutsche Kommunalbank<br>– Helaba (Schweiz) Landesbank Hessen-Thüringen AG<br>– Liquiditäts-Konsortialbank GmbH |
| **Werner Schmidt**<br>Mörfelden-Walldorf<br>Project Manager | Member of the Supervisory Board of<br>SMW Abwasser GmbH |
| **Dr. Jürgen Siewert**<br>Bonn<br>Assistant Secretary | Member of the Supervisory Board of:<br>– DB Reise & Touristik AG<br>– DeTeSystem Deutsche Telekom Systemlösungen GmbH<br>– T-Systems International GmbH<br>Member of the Administrative Board of the Bundesanstalt für Post und Telekommunikation Deutsche Bundespost |
| **Edgar Stejskal**<br>Mörfelden-Walldorf<br>Member of the Works Council | Member of the Supervisory Board of<br>ACF Airmail Center Frankfurt GmbH |
| **Warren Walsh**<br>Mörfelden-Walldorf<br>GÖD Trade Union,<br>Training Supervisor | |
| **Dr. Martin Wentz**<br>Frankfurt am Main<br>City Councilor | Member of the Supervisory Board of:<br>– Mainova AG<br>– ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH<br>– Messe Frankfurt GmbH<br>– Stadtwerke Frankfurt am Main Holding GmbH<br>– Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH<br>Positions on controlling bodies of business enterprises:<br>– Frankfurter Aufbau AG<br>– Garagen-, Bau- und Betriebs GmbH<br>– Mainufer Projektentwicklungsgesellschaft mbH<br>– Rebstock Projektgesellschaft mbH<br>– Westhafen Projektentwicklungs GmbH<br>– Wirtschaftsförderung Frankfurt – Frankfurt Economic Development – GmbH<br>– Beirat der Immobilienwirtschaft der DePfa Bank |
| **Henner Wittling**<br>Berlin<br>Undersecretary<br>(as of May 3, 2000) | Member of the Supervisory Board of:<br>– Bundesbaugesellschaft Berlin mbH<br>– Saarstahl AG |

# Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity capital and cash flows as well as the notes to the financial statements, prepared by Fraport AG Frankfurt Airport Services Worldwide (until January 29, 2001, Flughafen Frankfurt/Main AG), Frankfurt/Main, for the business year from January 1 to December 31, 2000. The preparation and the content of the consolidated financial statements are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the International Accounting Standards (IAS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IAS.

Our audit, which also extends to the group management report prepared by the Executive Board for the business year from January 1 to December 31, 2000, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2000 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

Frankfurt am Main, April 3, 2001
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| (Harwart) | (Scholz) |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# Report of the Supervisory Board

During fiscal 2000, the Supervisory Board reviewed the management of Fraport AG Frankfurt Airport Services Worldwide (called Flughafen Frankfurt/Main AG until the new business name was registered on January 29, 2001) on the basis of regular and written reports from the Executive Board on the development and situation of the company and by discussing important transactions in meetings of the Supervisory Board, Investment Committee, Financial Committee, Personnel Committee and Executive Committee.

Neither the audit of the annual financial statements and of the management report as of December 31, 2000, nor the result of the audit by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft – Wirtschaftsprüfungsgesellschaft, resulted in any objections being raised. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft – Wirtschaftsprüfungsgesellschaft issued the statutory audit certificate without any objections. Upon completion of its examinations, the Supervisory Board issued no objections and approved the annual statement of accounts as of December 31, 2000.

Both the Chairman and Vice Chairman of the Supervisory Board were unanimously reelected to their positions on the Supervisory Board on May 3, 2000. The Federal Republic of Germany's third Supervisory Board position, vacant since 1999, was filled by Undersecretary Henner Wittling, effective May 3, 2000.

Because of considerable additional responsibilities involved in Frankfurt Airport's expansion the Supervisory Board appointed Professor Barbara Jakubeit to a newly created Executive Board position for airport development, effective November 1, 2000.

Furthermore, the Supervisory Board confirmed Dr. Wilhelm Bender and Professor Manfred Schölch, in their respective positions as Chairman and Vice Chairman of the Executive Board, for another five years, beginning January 1, 2001. Effective April 1, 2001, the Supervisory Board appointed Herbert Mai to the Executive Board as Executive Director Labor Relations, succeeding Hans Georg Michel who had reached retirement age.

At the Shareholders' General Meeting on September 27, 2000, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the Company's capital – in one step or in tranches – up to a total of €290,000,000 by issuing new shares against cash contributions (authorized capital). On December 15, 2000, the Supervisory Board passed new rules of business for the Executive Board and the Supervisory Board. The Company's statutes were revised by the Shareholders' General Meeting on December 22, 2000. The respective statute amendments were incorporated in the Register of Companies on January 29, 2001.

The Supervisory Board wishes to express its appreciation to the Executive Board and all employees for their dedicated service and extensive and successful commitment to the company cause.

Frankfurt am Main, April 2001

Fraport AG
Frankfurt Airport Services Worldwide

Roland Koch
(Chairman of the Supervisory Board)

# Economic Advisory Group

**Hilmar Kopper**
(Chairman of the Economic Advisory Group)
Chairman of the Supervisory Board
Deutsche Bank AG

**Dr. Manfred Bodin**
Chairman of the Executive Board
Norddeutsche Landesbank Girozentrale

**Prof. Bernd Fahrholz**
Speaker of the Board of Directors
Dresdner Bank AG

**Dr. Erich Forster**
Chairman of the Executive Board
Thyssen Handelsunion AG

**Dr. Reiner Maria Gohlke**

**Prof. Konrad Hinrichs**
Chairman of the Executive Board
Philipp Holzmann AG

**Dr. Jürgen Jeske**
Publisher
Frankfurter Allgemeine Zeitung

**Dieter Kaden**
Managing Director
DFS Deutsche Flugsicherung GmbH

**Prof. Dr. Rolf-Dieter Leister**
Beratungsgesellschaft für Informations- und Kommunikationstechnik mbH

**Dipl.-Ing. Hartmut Mehdorn**
Chairman of the Executive Board
Deutsche Bahn AG

**Dr. Frank Niethammer**
President
IHK Frankfurt (Frankfurt am Main Chamber of Commerce and Industry)

**Dr. Bernd Thiemann**
Chairman of the Executive Board
DG Bank

**Dr. Günter W. Tumm**
Member of the Executive Board
Deutsche Post AG

**Dr. Gert Vogt**
former Speaker of the Board of Directors
Kreditanstalt für Wiederaufbau (KfW)

**Klaus Wächter**
Speaker of the Executive Board
Frankfurter Sparkasse

**Jürgen Weber**
Chairman of the Executive Board
Deutsche Lufthansa AG

**Ernst Welteke**
President
Deutsche Bundesbank

Permanent guest:
**Roland Koch**
Prime Minister of the State of Hesse
in his capacity as Chairman of Fraport AG's
Supervisory Board

**Imprint**

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