Fraport
Frankfurt Airport
Services Worldwide

Annual Report 2003

Outstanding Assets and Potential

Contents

Fraport Group's Consolidated Key Performance Data

Traffic Figures Frankfurt Airport	2000	2001	2002	2003
Passengers (million)	49.4	48.6	48.5	48.4
Cargo (thousand metric tons)	1,710.1	1,613.3	1,631.5	1,650.6
Aircraft movements (thousands) [1]	458.7	456.5	458.4	458.9
MTOWs (thousand metric tons)	25,370.4	25,564.5	24,926.9	25,398.9
Seat load factor (in %)	69.8	68.2	69.8	69.4

[1] Excluding military flights.

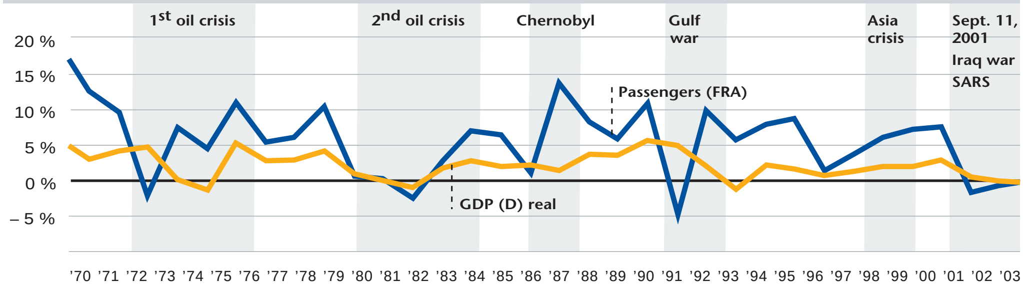
Revenues and profit in € million	2000	2001	2002	2003
Revenues	1,536.2	1,580.6	1,803.6	1,834.3
Total revenues	1,620.8	1,713.8	1,902.2	1,909.3
EBITDA	533.5	507.2	241.9	503.4
EBIT	329.9	235.2	– 4.9	245.3
Results from ordinary activities	265.9	170.2	– 35.1	215.1
Group's consolidated loss (profit) for the year	129.0	101.1	– 120.8	115.2

Key profitability data in %	2000	2001	2002	2003
Return on revenues	16.6	10.3	– 2.2	11.4
EBITDA margin	34.7	32.1	13.4	27.4
EBIT margin	21.5	14.9	– 0.3	13.4
ROCE return on capital	15.3	8.3	– 0.2	11.6
Equity ratio	31.0	52.5	49.8	51.7

Employees	2000	2001	2002	2003
Average number of employee	14,271	15,526	21,395	23,353

Long-term growth rate

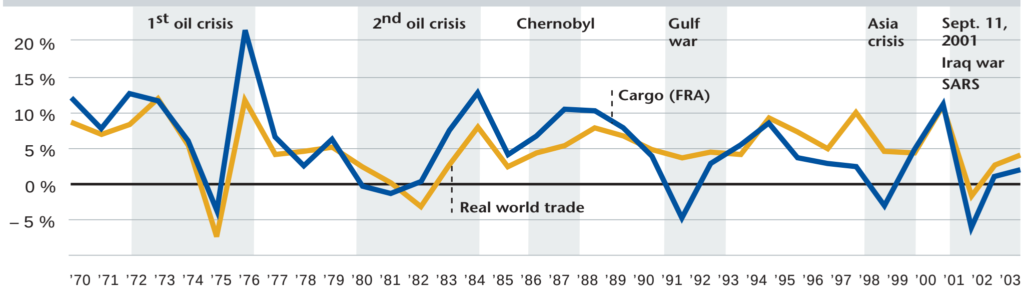
of annual passenger volume compared with gross domestic product (GDP) Germany



Source: Fraport AG, Federal Statistics Office

Long-term growth rate

of annual cargo volume and of world trade



Source: Fraport AG, WTO and OECD.

Value Enhancement. Strong Performance. Sustainability.
Fraport AG is one of the leading airport management companies in the world. Frankfurt Airport – as continental Europe's number one aviation gateway – represents our most important asset and the basis of our core expertise: i.e., managing complex air transportation hubs. Our success is based on competitive integrated services which flexibly meet our customers' requirements and ensure process effectiveness and innovation. For us, airports are worlds of excitement and diversity as well as intermodal junctions where air, rail and road transportation systems are optimally linked. Thus, we organize mobility professionally to ensure a safe and reliable airport experience.
Using our extensive know-how, we are enhancing Fraport's core assets to create sustainable value.

Dear Shareholders,

The international aviation industry went through a turbulent year in 2003. The airlines and the tourism industry suffered sharp setbacks because of the war in Iraq, the SARS (Severe Acute Respiratory Syndrome) epidemic, and continuing weakness of the global economy.

In view of this situation, we are of course pleased to be able to present satisfactory business figures for our latest completed fiscal year. Overall, financial development of the Fraport Group was in line with our general forecasts and, in some cases, even better than expected. At the same time, we made considerable progress in implementing our most important future-oriented project: the demand-driven capacity expansion of Frankfurt Airport.

The Fraport Group's revenue rose by 1.7 percent to €1,834.3 million in 2003. In line with our earnings forecast, we achieved an EBITDA (earnings before interest, tax, depreciation and amortization) of €503.4 million. Thus it even slightly surpassed the previous year's figure, after adjusting for the write-down of our airport terminal project in Manila. In addition to the favorable development in revenue, this growth was largely attributable to higher profit contributions from our equity holdings and joint ventures. We posted a consolidated net income of €115.2 million for the reporting year.

In a difficult year like 2003, this stable business development once again confirms the strength and strategic consistency of our business model. In view of this positive development, the Executive Board and Supervisory Board will recommend at the upcoming Annual General Meeting a dividend payment of €0.44 per share.

The Fraport share price has recovered noticeably since the beginning of 2003. Whereas other airport, aviation and tourism shares came under considerable pressure due to volatile business developments, our share improved by 34.1 percent during the year.

Traffic figures for 2003 showed a fundamentally favorable picture, despite the previously mentioned international geo-political and economic factors. Together, our Group airports welcomed about 70.6 million passengers, 1.9 percent more than in the previous year. Our Frankfurt home base served 48.4 million passengers in 2003, down by only 0.2 percent; the strong growth in passenger volume during the closing months of the year was particularly satisfying.

Even in a difficult year like 2003, we succeeded in flexibly managing the necessary adjustments in capacity without the need for business-related job layoffs. Fraport employed 23,353 people in 2003, 9.2 percent more than in the previous year. Most of this growth can be attributed to our ICTS Europe Holdings B.V. subsidiary, whose business continued to develop favorably. ICTS Europe specializes in aviation security services. As part of our apprenticeship training initiative, we expanded the number of apprenticeship positions at Fraport by 10 percent in 2003. As a result, the German federal government praised us for setting a positive corporate example in times of a general shortage of opportunities for trainees.

During the past year we made significant progress in enhancing the future development of Frankfurt Airport, the Group's most important location. In January 2003 we already submitted a zoning request for construction of the new A380 maintenance facility for the Airbus superjumbos that will be based at Frankfurt beginning in 2007. In September 2003 we submitted the application documentation to the headquarters of the Darmstadt administrative district for the zoning procedure on the planned capacity expansion of Frankfurt Airport.

The significance of this milestone for the future of Frankfurt Airport and of the Frankfurt/Rhine-Main region cannot be overemphasized. We will secure the long-term competitiveness of Frankfurt as the leading air transport hub on the European continent by constructing the new landing runway on a site northwest of the airport, as well as the third passenger terminal on land that is currently used by the U.S. air base at the southern part of the airport.

With an investment volume of €3.4 billion, our Airport Expansion Program is currently the largest privately financed investment project in Germany. According to expert opinions by leading research institutes, some 100,000 new jobs will result, including the so-called catalyst multiplier effect. Some 80,000 of these jobs will be created in the Frankfurt/Rhine-Main region alone. Obviously, there is no doubt that the Frankfurt Airport job machine will continue to make an important contribution to the German economy in the future.

We urgently need a new landing runway at FRA. Even during the past few years of relatively weak traffic, we have not been able to meet all of the demand for takeoff and landing slots. That is why we are working hard, despite the threat of delays in the approval process, to maintain the ambitious schedule for building and inaugurating the planned new landing runway northwest of the airport. We can achieve this timeline – but this requires a cooperative effort between politics, business and society. Despite the most complicated approval process in the world, Germany's central air transportation hub must expand within a reasonable timeframe to secure its international competitiveness. Capacity requirements will determine the realization of Terminal 3, which will be built in various phases when the airport land currently used by the U.S. air base is returned to Fraport.

Again in 2003, we consistently developed further our external investments and projects. For example, our Frankfurt-Hahn operation – Germany's leading airport in the increasingly important low-cost market – again registered favorable growth. With 2.4 million passengers in 2003, Frankfurt-Hahn exceeded the previous year's figure by 67.3 percent. Because market observers expect the low-cost segment to experience a continuing increase in attractiveness, Frankfurt-Hahn is programed for further growth in the future.

After the downturn in passenger figures due to the Iraq war, Antalya Airport again posted growth for the July-to-December 2003 period. We operate Antalya's international passenger terminal together with a Turkish partner. This tourist hub on the Turkish Riviera served some 9.7 million passengers in 2003, a 0.4 percent decline versus 2002. Lima Airport, in which we hold a 42.75 percent stake, had about 4.5 million passengers and achieved 5.1 percent growth in 2003.

We concretized our planned cooperation with the Shanghai Airport Group by signing a declaration of intent at the turn of 2002/2003. This regulates the modalities for establishing a joint venture, in which both partners will hold 50 percent. To be based in Shanghai, the joint-venture company will focus initially on airport consulting and staff training. Additional areas of cooperation are being examined.

Of course, we are also closely monitoring other markets of the future, where we can make a commitment based on our management expertise and our know-how as the operator of one of the leading international air transport hubs. Within the framework of this concept, we are continuously analyzing various alternatives.

Following the complete write-down in fiscal year 2002 of our BOT (Build, Operate, Transfer) project for a new international passenger terminal at Ninoy Aquino International Airport in the Philippine capital of Manila, we are furthermore undertaking various efforts to attain our legitimate claims for compensation.

In September 2003, we applied to the World Bank in Washington for the initiation of an arbitration procedure. Our application was accepted in mid-October 2003 and we are confident of success in the forthcoming proceedings. We remain confident that we can clearly prove the legitimacy of our claims for compensation. And we intend to achieve a settlement of the resulting damages that is satisfactory to the shareholders of Fraport AG.

Our highly motivated employees made significant contributions to Fraport AG's success, even in the difficult global economic and political environment of 2003. Thanks to their flexibility, we were able to cope – without business-related layoffs – with the temporary fluctuations in air traffic resulting from the Iraq war and SARS crisis. On behalf of the entire Executive Board, I would like expressly to thank all of our employees.

We have started the current fiscal year with an air of optimism. Because of our new organizational structure that went into effect at the beginning of 2004, we will be able to ensure even more transparency and greater comparability of our performance. The Fraport Group has the right strategic positioning and with its high degree of job security is able to act extremely flexibly. We are keeping expenses under control and continuously boosting efficiency.

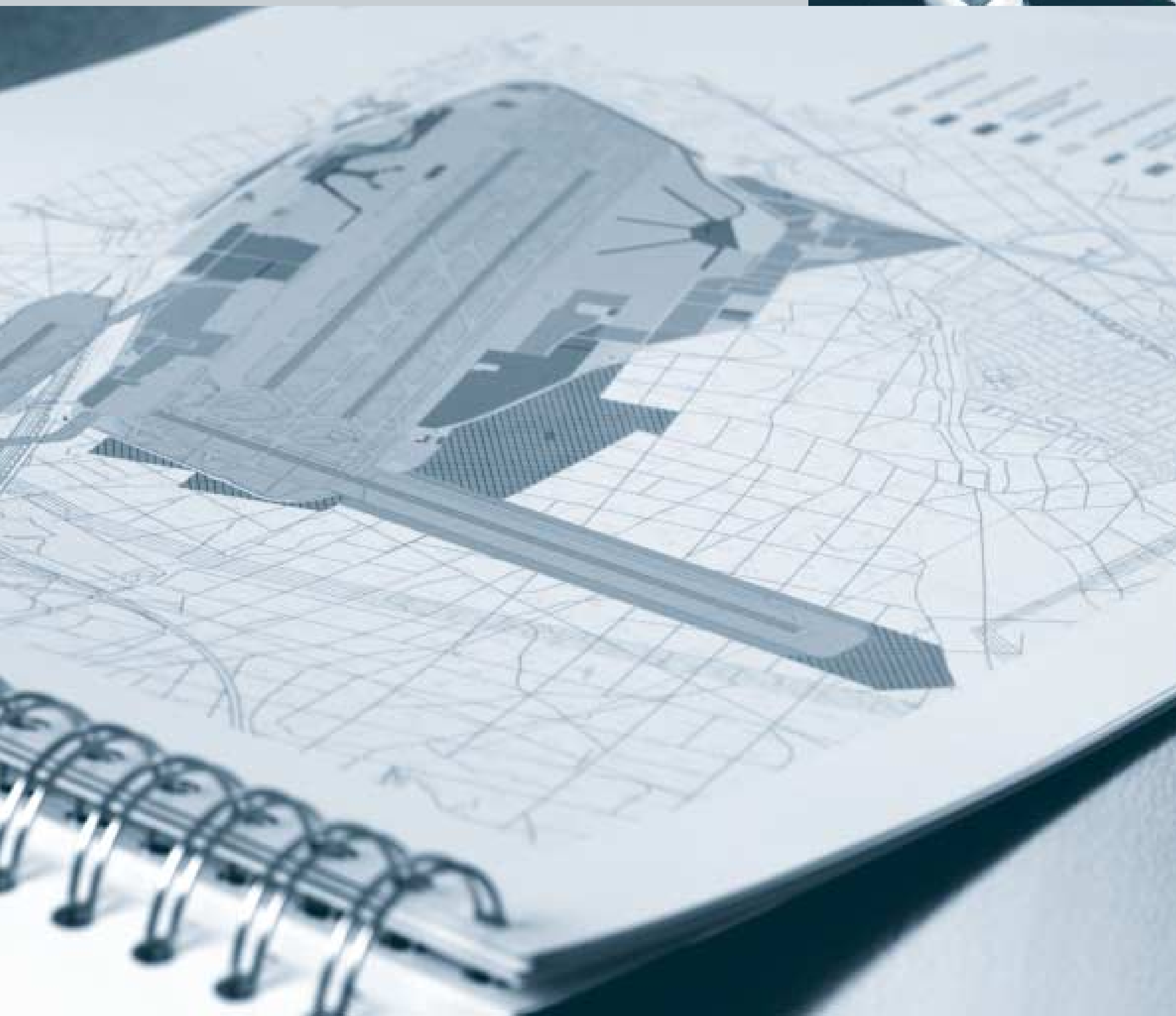
Past experience shows that the development of international air transport will only deviate temporarily from its long-term path of continuing growth. Over the past 20 years, for example, short-term crisis-related declines in air traffic have always been followed by phases of strong recovery, with long-term growth in passenger volume remaining unaffected. The coming years will see a major catching up in the growth of air traffic. The Fraport Group will benefit noticeably from this development.

Sincerely,

Dr. Wilhelm Bender
Chairman of the Executive Board

Dr. Wilhelm Bender
Chairman of the Executive Board

Frankfurt Airport (FRA) – the most important aviation hub in continental Europe – is the dynamic source of Fraport's core expertise and strength in the international airport business. We are achieving sustained growth through the optimized management of FRA and demand-oriented expansion of its capacities, as well as through the systematic marketing of our know-how well beyond our home base.



Prof. Manfred Schölch
Vice Chairman and Executive Board Member for Infra-structure and Legal Affairs

Dr. Stefan Schulte
Executive Board Member for Finance

Prof. Barbara Jakubeit
Executive Board Member for Real Estate Development

Herbert Mai
Executive Board Member for Labor Relations




Dr. Wilhelm Bender

Chairman of the Executive Board since 1993.
His responsibilities include corporate development, structural organization, boards and committees; and corporate communications.

Prof. Manfred Schölch

Vice Chairman of the Executive Board.
Member of the Executive Board since 1986.
He is responsible for infrastructure; the Frankfurt Airport expansion program; and legal affairs.

Dr. Stefan Schulte

Member of the Executive Board since 2003.
He is responsible for controlling, finance and accounting; investor relations; central purchasing and the awarding of construction contracts; information technology and telecommunications services; and acquisitions and investments.

Prof. Barbara Jakubeit

Member of the Executive Board since 2001.
She is responsible for real estate development.

Herbert Mai

Member of the Executive Board since 2001.
He is responsible for human resources.

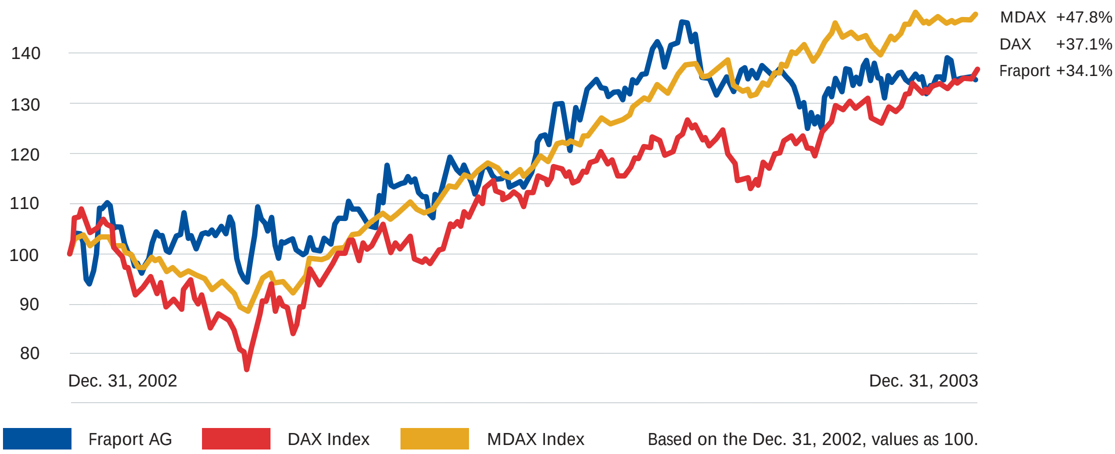
Creating Lasting Value

The Fraport Share and Investor Relations

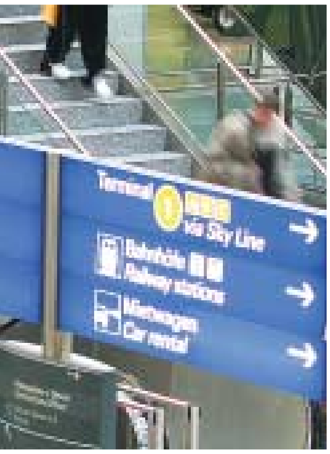
The year 2003, like 2002, was a period of consolidation for the international airline industry. After three consecutive years of losses, the world's major stock markets returned to the growth path in 2003. The end of the war in Iraq, the World Health Organization's "danger is over" signal for the SARS lung disease, and initial signs of an economic upswing rekindled investor interest. Thus, both the DAX (up by 37.1 percent) and the MDAX (up by 47.8 percent) increased at an above-average rate compared with the rest of Europe in 2003. The Fraport share gained 34.1 percent in value during the same time period.

The Fraport Share Compared to the DAX and MDAX

Percent



Based on the Dec. 31, 2002, values as 100.



For the reporting period, the Fraport share reached its high point of €24.89 on September 4; the low point of €15.95 was recorded on January 8. The closing price of the Fraport share on December 30 was €22.80. Thus, the company's market capitalization at year-end reached €2,056.6 million – a stock market increase of €524.9 million since the beginning of the year. In 2003 an average of about 62,700 Fraport shares changed hands every trading day.

Investor Relations at Fraport

Our goal is to create the greatest possible transparency for the capital market by providing comprehensive, open and quick information.

We continued and expanded our intensive dialogue with analysts as well as institutional and private investors in fiscal year 2003. The Executive Board presented the company at the Annual General Meeting, the annual financial press conference, in telephone conferences, at stock exchange events, and during numerous road shows in Germany and abroad. For the first time, the Executive Board also invited investors to participate in an Investor's Day at Frankfurt Airport.

All of our telephone conferences and presentations are broadcast live on the Internet. Afterwards, these are also made available for downloading, ensuring accessibility of the latest information to all shareholder groups.

We are especially pleased with Fraport's high degree of acceptance in the financial marketplace. Meanwhile, all of the major German and international private and investment banks have started providing coverage. Some 26 firms offered investment research analyses by the end of December 2003. A total of 19 analysts gave the Fraport share a "buy" rating and seven issued a "hold" ranking. Not a single analyst recommended selling the Fraport share in December 2003.

We also offer a wide range of information via the "Investor Relations" section of our Web site (www.fraport.com). In addition to information about the Fraport share, our Internet IR service also features the latest news, important dates, events, as well as details about the Annual General Meeting, financial information, and traffic statistics. Current financial reports can be ordered (print versions) or downloaded from the "Download Center". With our online annual report, live Internet broadcasts and the availability of all figures in Excel format, we go far beyond standard practices. A study commissioned by the German business magazine *Capital* rated Fraport's investor relations Internet presence as one of the best among the 50 MDAX corporations ranked.

To enhance the comparability of our financial figures for the professional observer, we were the first corporation in Germany to offer a quarterly report in the XBRL format. You can find the third quarter 2003 report in XBRL format, together with the related taxonomy, at the "Download Center" on our Investor Relations pages. XBRL stands for eXtensible Business Reporting Language, a freely available electronic language for the preparation, publication and analysis of financial reports.

Please refer to the financial calendar on the inside back cover of this Annual Report for the respective dates of the quarterly reports and the Annual General Meeting.

The Fraport Share at a Glance

		2003	2002
Capital stock	(in € million)	903.6	902.1
Absolute share in capital stock	(per share, in €)	10.00	10.00
Number of floating shares [1]	(in million of shares)	90.2	90.1
Market capitalization [2]	(in € million)	2,057	1,531
Turnover of shares (average number of shares sold per day)		62,697	67,432
Share price at year end	(in €)	22.80	17.00
Highest price [3]	(in €)	24.89	32.00
Lowest price [4]	(in €)	15.95	16.54
Result per share [5] (Basic)	(in €)	1.28	–1.34
Price-earnings ratio [6]		17.8	–
Dividend per share	(in €)	0.44	–
Total dividend payment	(in € million)	39.7	–
Dividend yield [6]	(in %)	1.9	–

1 Total number of shares at the balance date, minus own shares.
2 Relating to the total number of shares at the balance sheet date, minus own shares.
3 Closing price on September 4, 2003, and on March 6, 2002.
4 Closing price on January 8, 2003, and on December 27, 2002.
5 Relating to the weighted annual average of floating shares.
6 Relating to the year-end closing price.

Corporate Governance

Further development of the German Corporate Governance Code (DCGK) – based on important decisions made by the Cromme Commission in May 2003 – led Fraport to optimize further its internal rules and procedures for the Supervisory Board, the Executive Board and the Annual General Meeting, as well as for the accounting and auditing processes.

As a result, only a few changes and enhancements were made to current practices. For example, Executive Board salaries are to be shown separately beginning with fiscal year 2003 (see page 104).

German law – in particular, stock corporation law, co-determination law, capital market law, the company's statutes, rules of procedure, and Fraport's specific implementation of the German Corporate Governance Code – form the foundation for responsible management and the monitoring process at Fraport. Traditionally, high priority has been given to respect for and protection of shareholder rights, transparency and topicality of corporate communications, and efficient and close cooperation between the Executive Board and the Supervisory Board.

During fiscal year 2003, corporate governance at Fraport AG continued to correspond to the recommendations of the government commission on the German Corporate Governance Code in its version of November 7, 2002, with the following divergences (according to the Declaration of Compliance for 2003):

1. Remuneration of the members of the Supervisory Board members still does not contain a success-oriented, variable component (Code Section 5.4.5, Paragraph 2).
2. The consolidated financial statements for fiscal year 2002 will be publicly available from April 30, 2003, at the latest. The company is currently examining whether all of the organizational conditions can be created in fiscal year 2003 so that future annual financial statements can be published within 90 days after the fiscal year-end (Code Section 7.1.2, Sentence 2).

In December 2003, Fraport AG's Executive Board and Supervisory Board decided to disclose not only deviations from the Code's recommendations, but also deviations from the Code's voluntary suggestions – even though there is no legal obligation to do so. Thus, Fraport satisfies the Code recommendations of the government commission in its version of May 21, 2003, with the following deviations:

1. Remuneration of the members of the Supervisory Board members does not contain a success-oriented, variable component (Code Section 5.4.5, Paragraph 2).
2. The overall compensation package for the members of the Executive Board includes fixed and variable components. Stock options with a two-year sale embargo represent variable remuneration components with a long-term incentive effect and a risk element. These are based on previously determined comparison parameters as the achievement of certain share-price targets. These can only be exercised when the closing price of Fraport's stock exceeds the exercise price by at least 15 percent on any five trading days. No agreement is currently in effect that calls for stock options to make use of other reference parameters (Code Section 4.2.3, Paragraph 2, Sentence 2). Furthermore, the stock option plan currently does not include a limiting provision (cap) in case of extraordinary and unforeseen developments. Plans call for the introduction of such a provision in 2004 (Code Section 4.2.3, Paragraph 2, Sentence 4).

Of the total of 19 voluntary recommendations included in the German Corporate Governance Code, Fraport currently does not comply with the following:

– For the initial appointment of a member to the Executive Board, the working term of five years should not be the rule.
– The success-oriented remuneration for members of the Supervisory Board should include components that relate to long-term corporate success.
– A proxy who holds voting rights should also be accessible during the Annual General Meeting.
– The company should make it possible for shareholders to track the Annual General Meeting using modern communications media (for example, the Internet).

The company fulfills all the other voluntary recommendations. For example, neither the chairman of the Supervisory Board nor any former member of Fraport's Executive Board serves as chairman of the Audit Committee.

Effective Personnel Concepts for Turbulent Times

The Fraport Group faced tremendous challenges in the area of human resources management during 2003. Consolidation of the cargo business area required development of new concepts to secure the positive value contribution while at the same time limiting the burden on affected employees. In ongoing operations, the global geo-political situation and the SARS epidemic caused considerable fluctuations in traffic volumes. With the help of innovative and quickly effective approaches to personnel management, here too the necessary capacity adjustments were implemented without business-related layoffs.

Against the background of the threatening Iraq conflict, the company's management negotiated with the employee representatives a trailblazing Works Council agreement that provides for a multi-stage package of measures – allowing the company to respond to short-term decreases in traffic. These measures focus on reducing flextime account balances, as well as accumulated vacation and overtime; flexibly structuring working times in operational areas; and implementing a restrictive approach to the hiring of new employees. The ability to shift human resources temporarily and to undertake internal personnel transfers at the very beginning of a crisis ensures that Fraport can react flexibly in its personnel policies, while simultaneously maintaining a high degree of job security.

Innovative Staff Transition Model for Cargo Services

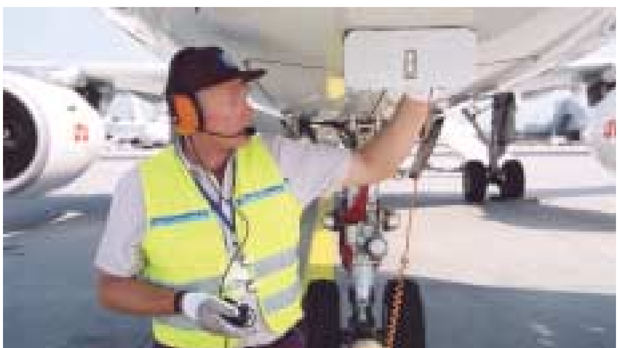
Operating in an extremely competitive market, Fraport's cargo handling business area has been making a negative value contribution since 1997. But at the same time, airfreight is a growth market in which Fraport AG intends to maintain a strong presence in the future. To improve competitiveness vigorously and to continue in this business area over the long term, Fraport is transferring these business operations to a consolidated subsidiary effective July 1, 2004.

Employees have the opportunity to retain their jobs, under changed framework conditions, in the Group's subsidiary. To avoid business-related terminations, employees who do not wish to participate in this transition of operations will be offered a job in a newly established cargo service department that will remain part of the mother company. In connection with this, a company collective agreement specifically negotiated with the union will result in a marked reduction in personnel expenses; this will have a favorable medium-term impact on the Group's results.

Investing in Healthcare and Personal Development of Employees

Fraport places a high priority on promoting the health of its employees. Within the framework of the successful GATE project ("Gesund und anwesend – das Tor zum Erfolg", meaning "healthy and present – the gateway to success"), Fraport again achieved a noticeable decline in the average absenteeism rate in 2003 – thanks to the dedication of management at all levels, to the increasing sensitivity on the part of staff, and to the involvement of the Works Council. Through systematic preventive measures, employees are being offered a wide range of possibilities for noticeably reducing their personal risk of illness. Free examinations offered by the company under the so-called "health passport" (Gesundheitspass) program were especially well received. Re-opening of the Fraport sports complex as a fitness center named "Fitpoint" also proved to be highly popular.

Our ongoing dedication to health management resulted in the receipt of a bonus – for the second time – in the form of a reduced premium under the AOK's "Integrated Health Management" health insurance model plan. The volume of savings reached €2.2 million, equally benefiting Fraport and those employees insured under the AOK health plan.



Already initiated in 2002, our reorientation of strategic management development continued to be pursued diligently. Thus, Fraport implemented key measures in 2003 to secure and improve management resources. The main focus was on identifying potential management candidates and providing consistent development for them, as well as on optimizing the process of setting goals.

Exemplary Initiative for More Apprenticeship Positions

The growing decline in trainee positions offered throughout Germany was the occasion for Fraport to increase its number of trainee positions by 10 percent last year. Fraport hired 110 new trainees, resulting in a record 330 trainees employed in 19 areas during 2003. Two trades – "safety and security specialist" and "building janitorial services" – were added to the training program. The German federal government specifically praised us for our exemplary efforts in training. Fraport has always regarded this area as a strategic investment in the future. The logical consequence of this commitment is to offer as many positions as possible in the company to those who successfully complete their apprenticeship training.

At Nighttime When Everyone Is Sleeping…

Renovation of Runway North

Runways are the arteries of any airport. Continuous inspection and repair are essential to ensure constant availability and safety. However, if due to runway age and heavy use the necessary repair measures become too extensive, a complete renovation is required. Fraport AG's team of specialists faced the demanding challenge of renewing Frankfurt Airport's four-kilometer-long northern runway (used for takeoffs and landings) without significantly restricting flight capacity. The technical solution found is considered a pioneering effort worldwide. Frankfurt is the first major airport in Germany to accomplish complete renovation of a runway, while it remains in regular operation. Construction is scheduled over 300 nights, from 22:30 in the evening to 06:00 in the morning. Construction on this €37.4 million project has proceeded with clockwork precision since April 2003.

21:55 – The construction crew is ready to go into action. Some 60 people, 40 trucks, 8 excavators with hydraulic hammers on flatbed trucks, 2 bulldozers, 3 rollers, and 4 asphalt pavers are waiting to proceed. Tension mounts. Is there a chance that the tower will close the runway already before 22:30 today? The lead vehicle is ready. As soon as the runway is closed, it will guide the convoy via the taxiways – which are also heavily used during nighttime hours – to the construction site. 22:10 – The men are still eagerly still waiting for the go-ahead. Every minute counts, because the runway must be fully operational again by 06:00 in the morning. Any delay in the completion of the nightly work would have immeasurable consequences for European air traffic.

22:19 – The northern runway is closed. The construction crew can get to work. Once at the construction site, each crew member heads for a precisely defined work position. Because of the enormous time pressure, several steps are completed simultaneously. This is a logistical masterpiece, which is only possible with an experienced team. Only a few minutes later: under floodlight, the hydraulic hammers begin cutting into the concrete, which in some areas is up to 35 years old. Soon, the earth begins to shake as eight hydraulic hammers, working side by side, smash the old concrete slabs.

A Race Against Time

Meanwhile, two temporary roadways composed of plastic segments and steel plates are assembled, over which trucks can drive to the construction site. Cotton mats are laid beneath the temporary roadways to protect the grass. Without this protection, the first aircraft to use the runway in the morning could stir up so much dust that its engines might be damaged.

At 23:25, the construction supervisor sends out the explosive ordinance disposal (EOD) team with its metal detectors. The Frankfurt Airport site suffered severe bombing in World War II. During the past decades, the site has repeatedly and thoroughly been searched for duds. However, it is only with today's detector technology that it has become possible to check the construction area reliably for bombs at greater depths. The main focus of the EOD team is on the first 15 meters of the left shoulder areas of the 60-meter-wide runway. The 30-meter middle section has previously been searched.

23:35: The metal detector makes a warning sound. Great care must now be taken – the driver of the excavator begins removing thin layers of one centimeter at a time. The construction crew fears that a dud could be found. Removing such a dud could cause a delay. However, the 06:00 o'clock deadline is fixed. The construction schedule provides only limited time for the activities of the EOD people.

It may take some time before the situation is clear. The operational logistics on the rest of the construction site proceed according to plan. The controllers in the apron tower some 800 meters away are unaware of a possible delay. Apron control guides inbound and outbound taxiing aircraft to detour around the construction site. Whereas passengers know nothing of the extensive nighttime construction on Runway North, pilots are, of course, kept informed by radio.

After Construction, the Electrical Team Moves into Action

The first mail plane will soon be landing. The southern runway ensures adequate capacity to handle nighttime traffic. However, with 200,000 takeoffs and landings per year, the northern runway is the heart of the airport's operation. The air traffic controllers in the tower will run into difficulties if Runway North is not available the next day at 06:00. If a plane's landing at Frankfurt is delayed, its takeoff for the next flight will also be delayed. Even the slightest delay in the work on the northern runway can severely disturb the next day's flight schedule.

23:50: The EOD team discovers why the detector's alarm went off. They give the all-clear signal: It was just an old iron pipe buried beneath the runway. The important thing now is to catch up with the timetable.

Bulldozers replace the excavators, which are no longer needed. Construction workers put large fiberglass ducts in the lowest of the four new layers of the 60-centimeter-thick runway pavement. The next night, the electricity convoy that follows the construction workers will lay the runway lighting cables in these ducts. Every night, up to 800 meters of cable is laid beneath each 15-meter-long runway section. This adds up to a total of 34 kilometers of cable for the entire runway.

Construction Costs More Than €100,000, Night After Night

Easily maneuverable excavators and bulldozers cautiously spread the first layer of the runway pavement between and over the sensitive ducts. When the ducts are covered, the asphalt-laying workers with their rollers spread three additional layers of asphalt, concluding with a 12-centimeter binder layer, which the aircraft will be using from 06:00 in the morning. To make sure that enough asphalt is available on time for the construction site, the asphalt is pre-mixed in the afternoon and stored in thermal containers at a warehouse close to the airport. In adverse weather conditions the construction management can cancel the work for the next night until 15:00 without incurring financial loss, because after 15:00 preparation of the asphalt begins. If construction is unexpectedly cancelled after 15:00, the full cost for the nighttime work must be paid.

About every six weeks the top four centimeters of the binding layer are milled off in a single nighttime operation. A layer of stone mastic asphalt is applied, which forms the runway's final surface layer. The advantage of using asphalt is the ease of repair. Any future damage can be easily repaired by simply milling off and re-asphalting the affected area.

300 People, 300 Nights – Clockwork Precision

03:10: today's runway section is taking shape – the first plane will takeoff or land in just 2 hours and 50 minutes. The marking machine applies the runway markings on the still hot asphalt. The temporary roadways of plastic and steel plates are disassembled, and the sweepers begin cleaning up the night's rubbish from the new section as well as from the entire runway.

Sensors are used to check the temperature of the asphalt. After applying the approximately 130° C hot asphalt, the surface must cool down to below 85° C by 06:00 in the morning, so that no damage will occur to either the runway or the first planes using it.

05:00: A satisfied glance at the clock. The asphalt is cooling down. The runway is cleaned and will go into operation at 06:00, according to plan. The world-class Frankfurt Airport awakens. The passengers of the first plane to takeoff on the northern runway at 06:00 o'clock sharp are unaware of the runway renovation activities that went on the night before. During the past night, the team once again completed its job with clockwork precision – just like in all of the previous renovation nights during the past few months. Frankfurt Airport's Runway North will be completely renovated by the early summer of 2005 – without disturbing ongoing operations.

Growing with Security Services

Security

Since the events of September 11, 2001, security measures for international aviation have been considerably intensified again. Increasingly expensive technologies and a growing number of employees are being deployed at airports to monitor passengers, baggage and cargo. These additional security efforts open up considerable growth opportunities for Fraport, which is a leading provider of aviation security services. Through decades of experience in airport security and ongoing technical innovation, the company is solidly positioned in this future-oriented business area.

Internationally, policymakers have been tightening safety regulations. A new European aviation security directive in effect since January 2003 requires 100-percent screening of hold-baggage. This is not an easy task when you consider that more than 48 million passengers used Frankfurt Airport in 2003. Nevertheless, Fraport successfully implemented this procedure at the Group's most important airport. Requirements are continuing to expand not only for passenger controls; since January 2004, employees accessing sensitive zones of the airport must undergo the same security checks as passengers. Security is a key challenge for international air transportation, because today's passenger volume is expected to double over the next 10 to 15 years worldwide.

This growth in volume will only be successfully achieved if security services are provided as an integral part of the total range of services offered at the airport. At Fraport, security has been an integral part of the Group's policy and a highly future-oriented business model for some time now. A strategic milestone was the acquisition of ICTS Europe Holdings B.V., the European-wide market leader for aviation security services. With 8,600 employees at 46 locations throughout Europe – especially in Germany, England and France – ICTS Europe provides the full spectrum of security-related services. In Germany, ICTS Europe staff are in action at Frankfurt Airport as well as Hanover, Stuttgart and other airports.

ICTS Europe's results reflect the growing potential in the security business. This Fraport subsidiary has been able to continuously increase its revenue in recent years. During fiscal year 2003, ICTS Europe generated revenues exceeding €250 million before consolidation – 30 percent more than in 2002.

Effectiveness Through High-tech

The practical experience that Fraport gains at the Group's Frankfurt operation flows continuously into the development of new security solutions. Technical innovations represent a vital competitive factor – which should guarantee that security requirements are fully met even in the future as passenger traffic increases.

Technologies, which most people have only heard of in science fiction films up to now, are expected to improve further controls in the future. For example, a scanner will check the iris of your eyes – the uniqueness of the human eye provides for a reliable check of a person's identity. Already reality today, machine-readable travel documents are being tested in cooperation with Lufthansa and the German Federal Ministry of the Interior. These documents make it possible to check a passenger's identification without physical controls by officials of the German Federal Border Police (BGS) because documents are automatically checked with the BGS's data base. In close cooperation with industry, new equipment is being developed and readied for the market through extensive testing. Among other things, technical innovations should allow for greater differentiation of controls

depending on the corresponding degree of danger or risk. Up to now, for example, a passenger who regularly flies the same route is just as intensively checked as someone who is completely unknown. Human and technical resources could be used in a more demand-oriented fashion with individually tailored security measures. The application of new technologies results in more efficient controls, thereby increasing the profit margins in the traditionally labor-intensive security business.

Integrated Security Services Save Time

In addition to the technology commitment, intelligent process control makes faster security checks possible, such as for flights to the United States. Before the flight, passengers must undergo a so-called FAA (Federal Aviation Administration) profiling: a special interview before check-in. For example, Fraport developed a model that integrates these two measures, thus cutting the waiting time in half for travelers. Shorter controls also benefit Fraport's retail business because passengers end up having more time for relaxed shopping at the airport before their flight. The ongoing integration of security measures – ranging from check-in to border control and screening of carry-on luggage – continuously reduces the expense for each individual passenger and hence overall costs.

Fraport's so-called Multi Access Control System (MACS) is the world's most efficient and technically advanced gate management and access control system for airports. MACS makes it possible to integrate a number of services. It includes all areas of terminal security and combines them with the gate access control system, the flight data information system, as well as alerting systems. By the end of 2004, all the terminal gates at Frankfurt Airport will be equipped with MACS.

Fraport's security services include the areas airport security, airlines and government authorities. Under the mandate of federal government authorities, approximately 1,700 of the Group's employees provide non-uniformed controls. For the airlines, Fraport performs check-in and ticket controls.

The airlines pay the German Federal Ministry of the Interior for security services in the form of an aviation security charge; the amount varies according to the number of passengers transported. An additional 450 Fraport employees are on the job throughout the entire airport site. Their responsibilities include security patrols, monitoring the apron, and controlling access to different areas.

Security for Other Industries

Security as a business model is by no means restricted to the aviation industry. Aviation expertise can be utilized in the ocean shipping industry, where increased controls are anticipated in the form of a corresponding EU directive. In cargo transportation, it is virtually impossible to unpack each individual container for detailed examination. Thus, intelligent solutions are required here as well. ICTS Europe is undertaking a pilot project in France using sniffer dogs whose keen sense of smell is trained to track down 18 types of explosives – without the need to unpack cargo containers.

Additional revenues are generated by advisory services and training programs in connection with the application of innovative security methods. For example, Fraport's experts support airlines and other airport operators in the application of modern security technologies because increasingly complex technology requires greater expertise on the part of personnel.

Sustainable Operations: Our Corporate Goal

Environmental Management

As an airport operator, Fraport AG has the responsibility to provide market-driven services to ensure mobility for people and goods. To fulfill this responsibility over the long term, the company must be managed on a sustainable basis. Avoiding negative influences before they even occur is more important than eliminating the effects of environmental disturbance. Thus, the goal of Fraport's environmental management is the strategic reduction of any harmful impact on the environment. This applies both to the airport's day-to-day operations as well as to the planning process for investments in expanding the airport.

For some years now, sustainability has been regarded as a model for the future-oriented development of mankind. The goal is to bring the satisfaction of people's needs into balance with a healthy environment and economy for the benefit of everyone.

Sustainable economic activity is also the principal tenet for action at Fraport AG. To deal with available natural resources in a responsible manner for the benefit of coming generations, Fraport made environmental protection one of its basic corporate principles as early as 1972. A further important measure was the implementation of an Environmental Management System (EMS) in 1999, which provides for inspection and certification by an independent environmental expert at regular intervals. Established to meet the requirements of the EU's Eco-Management and Audit Scheme (EMAS), Fraport's EMS also complies with the internationally applicable ISO 14001 environmental management standard. The EMAS commits a company not only to meeting precisely defined standards, but also calls for the continuous improvement of environmental protection efforts.

Strict Organization Ensures Effective Environmental Management

The purpose of the EMS is to enhance the effectiveness and verifiability of overall planning and operations as they affect environmental protection. To better identify and meet all of the responsibilities associated with environmental protection, this system helps to increase transparency in all significant processes and to strengthen the dialogue both inside and outside the company. The general objectives of Fraport's EMS are formulated in the company's environmental policy and are implemented through the environmental program that designates specific goals and measures. This applies not only to the observance of statutory provisions and official directives, to which Fraport is obligated in any case, but also to the continuous improvement of environmental protection in all areas of the company.

The Fraport environmental management system is organized into two levels. One level focuses on maintenance and further development; this level discharges support-related and monitoring functions. The second level involves the practical implementation of environmental goals and measures in the company's individual operating units. This is where concrete planning and a large number of individual measures are implemented, which advance environmental protection at Fraport in practical terms.

Fraport's environmental management coordinator ensures the functional capability of the system and is responsible for its ongoing optimization. This individual advises the Executive Board and senior management in all aspects of environmental management, monitors and assists internal audit programs, and provides for the necessary organizational and coordination measures as well as for the external monitoring of the EMS. Corporate liaison for environmental protection carries out legally required monitoring functions in the areas of waste management, water protection, as well as dangerous goods and radiation protection; this unit also submits suggestions for eliminating problem areas and shortcomings.

A Pioneer in Environmental Protection

The experience gained from ongoing operations serves as the basis for designing future projects, whose goals are aligned to the concept of sustainability. For the planned expansion of Frankfurt Airport, the company's environmental policy has the declared goal of minimizing noise levels, pollution emissions, and land utilization as much as possible.

In 1974, Frankfurt Airport was the first in Germany to introduce noise-based landing fees, thereby playing a pioneering role in noise protection. This system – which is based on the polluter-pays principle and provides an incentive for airlines to deploy quieter aircraft – has been further optimized under Fraport's Ten-Point Program on Airport Expansion. Takeoff and landing fees are structured according to a differential concept, which gives the airlines a greater financial incentive to minimize aircraft noise levels, especially at night. Of course, this measure also has an impact during the day.

Fraport's passive noise mitigation program is a second significant initiative for reducing the impact of aircraft noise emissions. Approximately 17,500 households, child day care centers, schools and nursing homes for the elderly located in the vicinity of Frankfurt Airport have the option of installing noise insulation to reduce interior noise levels significantly, especially in sleeping areas. By the end of 2003, some 2,000 households had taken advantage of this noise mitigation program.

Intermodality: A Key Environmental Factor

Fraport's strategic environmental management also focuses on noticeably reducing air emissions. Aircraft inevitably cause air pollution due to their fuel combustion. However, success has been achieved in drastically reducing emissions of carbon monoxide and hydrocarbons in recent years – despite the fact that traffic volumes continuously increased over the same period. In the future, reductions in nitrogen-oxide emissions are also expected to be achieved.

The second path to achieving a sustainable reduction in air emissions is the integration of transport systems and the channeling of traffic flows toward modes of transportation that best suit the respective travel requirement. Under Fraport's guiding principle of intermodality, Frankfurt Airport has been playing a pioneering role in this area for many years. Today, the airport is optimally linked to rail and road networks via the Long-distance Train Station and Regional Train Station, and via the airport's direct link to the adjacent Frankfurter Kreuz, Germany's most important autobahn junction. This increasingly makes it possible to replace short-haul flights with other more suitable modes of transportation. A future option for shipping cargo via rail is already available thanks to a rail spur located at the southern part of Frankfurt Airport.

With an operating area of about 19 square kilometers, Frankfurt Airport is one of the most compact major airports in the world. Thus, Fraport AG's technical traffic systems and services are characterized by a high degree of functionality achieved with the minimum utilization of land area. This is also reflected in Fraport's planning for FRA's Airport Expansion Program, which is designed to achieve the optimum expansion in capacity using a minimum of space. With this efficient utilization of our operating area, we are contributing to keeping the environmental impact in the densely populated Frankfurt/Rhine-Main region at a reasonable level. Furthermore, we will continue striving to compensate for the land surfaces used by the airport via reforestation offset programs. In the context of our planned Airport Expansion Program, we are already purchasing and afforesting additional compensatory land.

“Streamlining Fraport’s Success Model: Maximum Transparency and Greater Customer Proximity”

An Interview with Dr. Wilhelm Bender

Fraport AG's Chairman of the Executive Board discusses the company's new vision, corporate mission, and organizational structure

Dr. Bender, Fraport AG is planning further development of its vision and business mission in 2004. What prompted this?
Vision, business mission and corporate goals are never static. Rather, these must be continuously adapted to the changing framework conditions that affect our company. Based on our comprehensive and focused Group strategy, we intend to secure the successful ongoing development of Fraport. We will combine our market position, as a leading European airport group, with the high level of service and revenue-generating power of all our corporate divisions and Group subsidiaries. Detailed comparisons (benchmarking) of our largest European competitors support us in this strategy. We need this information to continue enhancing our market position in the future.

Can you give us examples of framework conditions that have changed?
One example is the issue of security. Since September 11, 2001, security aspects in aviation have been receiving considerably greater priority and attention compared to previous years. Our acquisition of ICTS Europe gives us an optimal position in this burgeoning market, because ICTS Europe is already the leading supplier of aviation security services in Europe. Thus, we want to embed the theme of security, among others, in our Business Mission.

Another example is the rapid development of the low-cost airline market, which requires completely different concepts and services from airport operators than the intercontinental aviation market, with its high rate of transfer traffic. Today, our Frankfurt-Hahn Airport is already a leading player in this market.

Our goal for all locations of the Group is continuously to optimize and design processes efficiently for the benefit of our customers – thereby creating sustainable value. We are striving for this goal at our Frankfurt hub, where we offer integrated services that are highly complex and competitive, as well as at other locations with different business models.

You have implemented extensive changes in Fraport's organizational structure effective January 1, 2004, and also restructured the business segments. What was the reason for this reorganization?
The reorganization is designed to enhance the significance of our real estate business, which in particular includes retailing. Already today, the so-called non-aviation business generates approximately three quarters of our EBITDA. Thus, we will be making massive investments in the future, especially in the retailing area. For this purpose we have created a separate strategic business division.

Other key reasons for the reorganization include increasing the company's management efficiency, streamlining interfaces between various divisions, reducing charges for internal Group services, and improving transparency in our reporting.

Let's now talk about the new organizational structure. What are the strategic business divisions that you have now and what are their responsibilities?
Since the beginning of 2004, we have three strategic business divisions: Aviation Ground Services and Logistics (BVD), responsible for all processes related to handling passengers and aircraft; Traffic and Terminal Management (FTB), responsible for all aspects of the Aviation segment; and Retail and Properties (HVM), responsible for all Non-aviation activities such as retailing as well as leasing and marketing of real estate. These divisions will be led by senior executive vice presidents or an executive vice president at the top management level; the divisions will operate as profit centers with clear responsibilities for business results. In the future, the senior executive vice presidents and the executive vice president will report to the entire Executive Board.

In addition, you have created a Global Investments and Management (BET) division. What will be the activities and responsibilities of this division?
That's correct. In the future, we want to exercise unified financial control over our investments directly from our head office. Therefore, we have centralized the decision-making authority for all investments outside of Frankfurt into one entity that reports to the CFO (Executive Board Member for Finance).

After the IPO, investors urged greater transparency in segment reporting. How are you achieving this transparency?
The segments were changed in accord with the organizational structure. In the future, the new segments Aviation, Retailing and Properties, and Ground Handling will focus exclusively on Frankfurt – our core asset. We are bundling all of our investments located outside of Frankfurt Airport into a new segment called External Activities. This alone already creates considerably more transparency. Thus, these segments are now structured so that they can be derived unequivocally from the internal management structure. We expect this measure to boost considerably the efficiency of internal management and accounting. Furthermore, the establishment of clear-cut responsibilities makes profit analysis and management much easier. This gives Fraport a future-oriented segment reporting and enables the company adequately to represent business at issue.

How will Fraport's customers benefit from this further development?
With the new organizational structure, we want to achieve greater customer proximity. We are strengthening our successful businesses and are reducing the internal decision-making processes. Our customers, according to their customer group, will be able to interface closely with the corresponding responsible person at the top management level.

You mentioned earlier that you intend to boost Fraport's retailing business. Which measures are you considering?

Here, too, we intend in 2004 to return to the steady growth path of previous years, even though the revenue per passenger that Fraport earns from leasing out space for retailing, gastronomy, services and airport advertising dropped slightly in 2003 versus 2002.

Therefore, we are continually improving the availability of space, restructuring existing space, and introducing innovative concepts. When we become even better in the retailing area, the airlines will be able to benefit from lower airport charges. We plan to expand our total retailing space to about 20,000 square meters by 2007.

What is the importance of the planned measures you mentioned for the company's financial results and share performance?

The enhanced ability to calculate segmental net profit and the increased manageability of our company's business activities and service areas enable continuous improvement in operating results. Management is noticeably more motivated to work for the success of the company when individual contributions to profit can be clearly identified. Our new organizational structure focuses on greater transparency and clarity, and thus on increasing the communicative strength of our external reporting. This will make it even easier for the capital market to recognize and assess the outstanding potential of the Fraport Group and, thereby, of the Fraport share. And of course, we also expect a favorable impact on the attractiveness of our shares.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Financial Report 2003

Ladies and Gentlemen, Dear Shareholders,

Fraport held up well in 2003 despite the Iraq war, the SARS respiratory disease and the economic downturn. Despite this difficult overall environment, Fraport achieved a group net profit of €115.2 million. The executive board recommends payment of a dividend of 44 cents per share.

The key data for 2003 are as follows:

- Passenger traffic tops the 70 million mark, with a plus of 1.9 percent group-wide
- Revenues up by 1.7 percent to €1,834.3 million despite the difficult market environment
- EBITDA improves by 0.2 percent compared with 2002 adjusted for the effects of Manila, to €503.4 million
- Group net profit for the year increases by 8.0 percent to €115.2 million
- Dividend recommendation of 44 cents per share

Key figures			
in € million	2003	2002	Change in %
Revenues	1,834.3	1,803.6	1.7
EBITDA	503.4	241.9	108.1
Results from ordinary activities	215.1	– 35.1	–
Group results	115.2	– 120.8	–
Capital expenditures	256.9	290.5	– 11.6
Cash flow from operations	447.2	395.6	13.0
Shareholders' equity	1,920.1	1,803.4	6.5
Total assets	3,636.4	3,620.7	0.4
Average number of employees (excluding trainees)	23,353	21,395	9.2

The group results for 2002 are not comparable with those for the current year due to the €289.5 million write-down of the Manila project. Hence, we set out below the adjusted group results.

in € million	2003	2002 Adjusted for effect of full write-down of the Manila project	Change in %
EBITDA	503.4	502.5	0.2
EBIT	245.3	284.6	– 13.8
Results from ordinary activities	215.1	254.4	– 15.4
Group profit for the year	115.2	106.7	8.0

Business Strategy

Our business strategy is based on three main pillars: consolidating our core business at Frankfurt Airport, expanding airport capacity and the retailing business as well as growing our activities outside Frankfurt. We thus focus on value-oriented growth and increased return on investment.

Frankfurt Airport: Our Core Business

The core business of Fraport AG Frankfurt Airport Services Worldwide (Fraport) is operating Frankfurt Airport (FRA), the most important international hub in continental Europe and Germany's largest airport. In order to maintain our market position in future, extending our hub competency remains a fundamental part of our business strategy. Key success factors include maximizing business process efficiency, offering an integrated, customer-oriented range of services and optimizing intermodal transportation systems by combining use of rail, road and air.

Growth Potential of Frankfurt Airport

Airport Master Plan
In September 2002, Fraport AG's Supervisory Board approved the Airport Master Plan 2000 as an important milestone in securing the Group's future. Serving as a planning and control instrument, this master plan contains all significant planning premises relevant for the future development of facilities at Frankfurt Airport. Based on the status of airport infrastructure and facilities as of December 31, 2000, and taking into account the results of the regional planning procedure of June 10, 2002, the master plan establishes the guidelines for future development of the airport up to 2015. Framework planning – which is embeded in the Airport Master Plan 2000 – is based on current data and knowledge but can be adjusted depending on the development in air traffic, the results of approval procedures, and the Fraport Group's earning power.

Airport Expansion
The planned Airport Expansion Program (AEP) at Frankfurt focuses on expanding the runway system by adding a new landing runway to the northwest of the existing airport site. Furthermore, the AEP includes construction of a new passenger terminal and other necessary infrastructure, primarily at the southern side of the airport. The AEP will enable capacity to reach about 120 coordinated movements per hour, about 660,000 takeoffs and landings per year.

On September 9, 2003, we submitted our documentation for the zoning procedure on the planned capacity expansion of FRA to the Hesse Ministry of Economics, Transport and Regional Development (HMWVL). In accordance with the mediation procedure – which involved participation from government authorities, communities, citizen action groups, and environmental organizations – we also applied for a nighttime flight ban (between 23:00 and 05:00) linked directly with the inauguration of the new runway.

In 2003, we continued to implement noise mitigation measures for homes in the airport vicinity which are particularly affected by aircraft noise. Implemented at the request of the HMWVL, this program provides nighttime noise protection for about 17,500 homes.

Zoning Procedure for A380 Maintenance Base
In January 2003, Fraport AG initiated a separate zoning procedure to obtain approval for constructing a new A380 maintenance base, including associated ramp and taxiway areas. The facility is required because Deutsche Lufthansa AG (Lufthansa) – Frankfurt Airport's major user – will be taking delivery of its first A380 jets already in 2007 and, by 2015, Lufthansa expects to have its future fleet of 15 superjumbos stationed at Frankfurt. Initiation of the zoning procedure for the related construction measures underlines Fraport's commitment to meet Lufthansa's requirement to have planning security for its future A380 fleet.

Retailing
We also see potential growth in our retail business. Airports are increasingly becoming shopping centers, both for business travelers and vacationers wishing to make the time they spend at airports as agreeable as possible. They expect attractive shopping opportunities with a colorful, high-value range of products, attractive restaurants, bars and cafés. We are constantly improving the space needed to meet the growing demand for an optimal mix of shops and product range at the terminals in order to take advantage of this growing market.

External Activities

One of our corporate objectives is also to achieve value-creating growth outside Frankfurt. The core of our internationalization strategy is exporting the management and service competencies developed over decades of successfully operating Frankfurt Airport, one of the world's major international hubs. Fraport is not a financial investor, but mainly aims to conclude management and service contracts, if necessary involving limited equity investment.

WM 2005 – Creating Value for the Future

Work on the group-wide value management project "WM 2005 – Creating Value for the Future", has been rigorously maintained in 2003. The main objective of the project, increasing value, is not just based on stock market values, but also on our competitive position, our cost structures and customer satisfaction. We want to grow steadily and profitably and increase our ability to react flexibly to market changes. Maintaining our corporate objectives of job security and involvement in the region in an ever-changing market environment are also central objectives of the project.

After 2002 was mainly concerned with identifying potential and developing profit improving measures, we concentrated on their implementation in 2003. The project's contribution to profits could again be increased and, in total, this amounted to more than €30 million in 2003. As part of our medium-term budget, we still aim to achieve a positive EBITDA-effect on a group level of €150.0 million.

Business Environment and Development of Air Traffic

2003 was affected by the Iraq war and the SARS epidemic. Despite these events, global economic growth has picked up again since the early part of the year. Air traffic volumes could also profit from this development, following a disappointing 2002.

Business Environment

Following the crisis year of 2002, the global economy showed signs of recovery in 2003 and overall, growth was 2.5 percent. Initially, this growth was concentrated above all in the USA and Asia as well as the central and eastern European reform countries.

Gross domestic product (GDP)/world trade in 2003 Real changes compared with the previous year in %	
Germany	– 0.1
EU 15	0.9
Central- and Eastern Europe	3.3
USA	3.0
Japan	2.5
China	8.5
World	2.5
World trade	4.7

Source: United Nations, World Economic Situation and Outlook 2004, January 2004; Statistical Federal Office, February 2004

Signs of recovery were also seen in Europe in the second half of the year. Gross domestic product rose by 0.9 percent. Germany could not escape stagnation and GDP remained almost unchanged in 2003. However, the turnaround in the world's economy and noticeable signs of an improvement in the economic situation in Europe have improved the overall mood.

Development of Air Traffic

Air traffic was again affected by exceptional events in 2003. Firstly, the Iraq war led to overall uncertainty for consumers. Due to SARS, the epidemic, passenger demand in specific parts of Asia and North America was drastically reduced. Consumers generally reacted with reticence, in both the private and business travel areas. Flights were either cancelled entirely or were downgraded to cheaper bookings. Only the low-cost segment boomed throughout the year.

Traffic Movements in the Fraport Group

The airports within the Fraport group were differently affected by these crises. The overall improvement in the mood of European consumers in the second half of the year had a positive effect on demand. For the whole of 2003 we could thus look back on a year of growth for all types of traffic. Passenger numbers increased by 1.9 percent over 2002, with 70.6 million passengers using Fraport group's airports in 2003. Transported cargo tonnage (airfreight plus airmail) increased within the group by 3.4 percent to almost 2.0 million metric tons and the number of aircraft movements rose by 0.5 percent to 721,000.

Traffic figures for Fraport Group

	Passengers[1]		Cargo (airfreight + airmail in t)[2]		Movements	
	2003	Change to 2002 in %	2003	Change to 2002 in %	2003	Change to 2002 in %
Frankfurt Airport	48,351,664	– 0.2	1,650,601	1.2	458,865	0.1
Frankfurt-Hahn[3]	2,425,684	67.3	159,179	14.1	31,058	21.5
Hanover	5,044,840	6.2	15,202	15.9	86,449	0.9
Saarbrucken	458,183	– 0.7	372	124.1	15,011	– 1.0
Antalya[4]	9,741,763	– 0.4	n.a.	n.a.	59,363	– 5.0
Lima[5]	4,536,314	5.1	160,329	17.3	70,239	– 0.1
Group	**70,558,448**	**1.9**	**1,985,683**	**3.4**	**720,985**	**0.5**

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

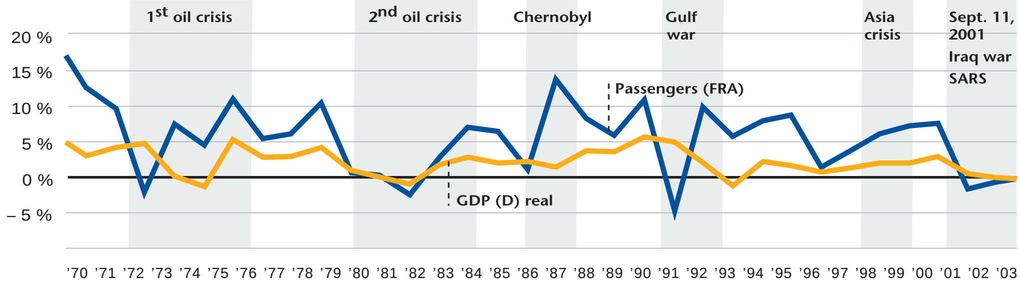
Source: ACI Announcements.

Passenger traffic

Despite all crises, **Frankfurt Airport** almost held its passenger numbers at the high levels achieved in the previous year, with passenger numbers down by only 0.2 percent. The airport handled 48.4 million passengers, or 68.5 percent of the group's total passenger numbers and thus also remained by farther largest airport within the group in 2003. Continental traffic was the main growth factor throughout the year. Double-digit growth in passenger numbers was achieved in European traffic to and from the EU applicant countries. Frankfurt again profited from the policy of airlines concentrating their capacities on the large hubs in times of crisis. The importance of the hub function is shown by an increase in transit passengers to 54 percent, a one percentage point increase over 2002.

Long-term growth rate

of annual passenger volume compared with gross domestic product (GDP) Germany



Source: Fraport AG, Federal Statistics Office

Based on its strategic concentration on the low-cost/no-frills market, **Frankfurt-Hahn** could extend its market position. Passenger numbers rose by 67.3 percent in 2003, to 2.4 million. In addition to its major customer, Ryanair, the Irish airline, a second low-cost carrier, Volare Airlines, now uses the airport's advantageous conditions.

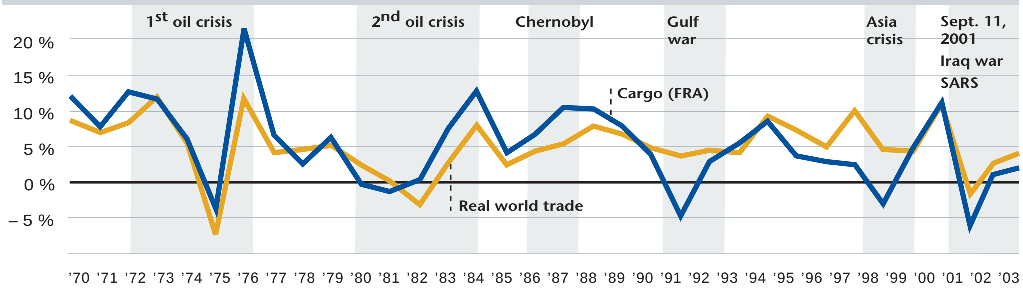
Hanover-Langenhagen airport profited from its entry into the low-cost market. As a home base for Hapag-Lloyd Flug GmbH and also, since 2003, Hapag-Lloyd-Express GmbH, the low-cost carrier, it is the most important German airport for holiday flights. Over the entire year, passenger numbers increased by 6.2 percent to some 5.0 million. **Saarbrucken** airport handled 0.5 million passengers, down by 0.7 percent on 2002. In addition to losses on regular flights, there was also a drop in package holiday traffic. Turkey recovered as a tourist spot following the Iraq war and, with more than 9.7 million passengers, **Antalya** airport only missed the previous year's volume by 0.4 percent. Lima airport is another growth factor within the group, registering a plus of 5.1 percent in passenger numbers, to 4.5 million.

Cargo

There was a 1.2 percent increase in cargo volumes (freight and airmail) in 2003 at **Frankfurt Airport,** to 1,650,600 metric tons. Whereas freight grew by 2.2 percent, airmail declined by 10.1 percent due to a reduction in night flights by Deutsche Post AG. The major growth area was intercontinental airfreight, with a plus of 3.2 percent, whereby the Far East remained the strongest individual market, with its share of total freight growing by 1.2 percentage points to 41.8 percent. **Frankfurt-Hahn** recorded 159,200 metric tons of airfreight and airmail in 2003, an increase of 14.1 percent over the previous year. This was primarily due to an increase in "ad-hoc" charter traffic.

Long-term growth rate

of annual cargo volume and of world trade



Source: Fraport AG, WTO and OECD.

Aircraft movements

With 458,900 starts and landings, **Frankfurt Airport** handled the same number of aircraft movements as in 2002. Maximum takeoff weights (MTOW), the basis for calculating takeoff and landing fees, rose by 1.9 percent to 25.4 million tons. The seat-load factor, or percentage of aircraft seats filled, remained almost constant at 69.4 percent.

Frankfurt-Hahn and **Hanover** showed an increase in aircraft movements, whereas **Saarbrucken** and **Lima** recorded a slight drop. At **Antalya,** the number of starts and landings declined by 5.0 percent as tour operators temporarily re-routed their package holiday traffic to other areas at the beginning of the Iraq war.

Business Development

Due to the Iraq war, SARS, the respiratory disease, and the weakness of the world economy, Fraport again operated in a difficult market environment in 2003. Despite this unfavorable environment, we recorded a group profit for the year of €115.2 million, following a group loss for the year of €120.8 million in 2002. This loss was primarily due to our involvement in the Philippines. Due to uncertainty as to its continuing value, the Manila project was fully written off in 2002, with an effect on profit of €289.5 million.

In order to make the figures for 2002 more comparable with those for 2003, the following table sets out the adjustments for the effects of the write-down of the Manila project in 2002:

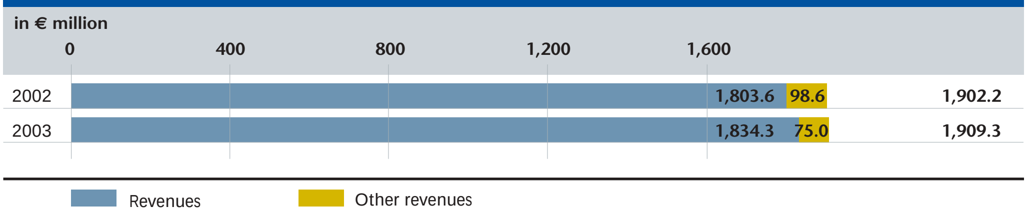
in € million	2003	2002	2002 adjusted	Change in %[1]
Revenues	1,834.3	1,803.6	1,803.6	1.7
EBITDA	503.4	241.9	502.5	0.2
EBIT	245.3	– 4.9	284.6	– 13.8
Result from ordinary operations	215.1	– 35.1	254.4	– 15.4
Group results for the year	115.2	– 120.8	106.7	8.0

[1] 2003 compared with 2002 adjusted.

EBITDA was above all negatively affected by lower airport fees from military traffic and a shift in the revenue and cost mix towards lower-margin security services. On the other hand, there was a positive effect on EBITDA from higher investment income and improved results from investments recorded at equity.

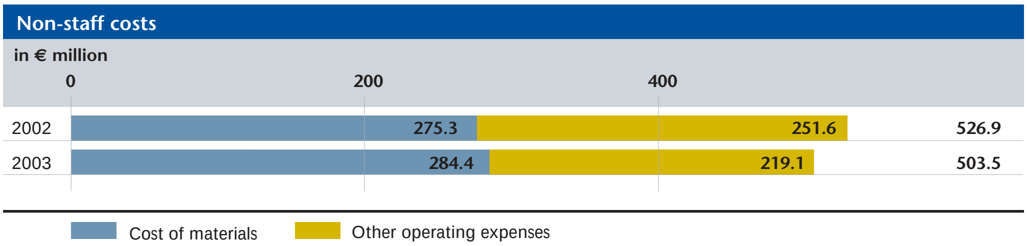
The following analysis is based on previous year figures which are adjusted for the effects of the Manila write-down:

Revenues and total revenues

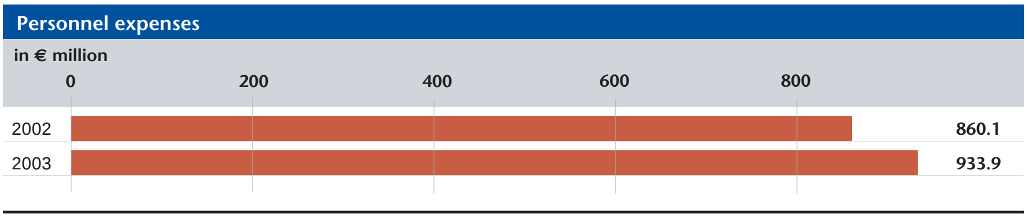


The Fraport group could increase its **revenues** by 1.7 percent in 2003, to €1,834.3 million. Particularly as a result of introducing the 100 percent baggage control and ICTS Europe's business expansion we achieved a revenue increase of some 30 percent to €240 million. Revenues at Frankfurt Airport were slightly lower than for 2002. Airport fees declined sharply due to lower income from military traffic, which fell by €31.1 million to €21.0 million. Charges for ground handling services decreased due to a loss of market share. On the other hand, an increase in airport fees of an average of 2.0 percent, plus 0.5 percent for special services agreed with the airlines, effective January 1, 2003 led to higher revenues. Furthermore, infrastructure fees were higher than for 2002 as they were increased by 2.9 percent.

Fraport group's **total revenues** were slightly higher than for 2002, at €1,909.3 million. Increased revenues were offset by lower other operating income, primarily due to a decline of €28.8 million in foreign currency gains to €21.6 million.



Non-staff costs, made up of cost of materials and other operating expenses, decreased by 4.4 percent to €503.5 million. **Cost of materials** of €284.4 million were 3.3 percent higher than for 2002, particularly due to higher cost of purchased merchandise. On the other hand, **other operating expenses** fell by 12.9 percent to €219.1 million. Foreign currency losses amounted to €11.5 million in 2003 compared with €37.2 million in 2002 and consulting fees were €16.0 million lower than in 2002. However, insurance costs rose by €11.9 million.



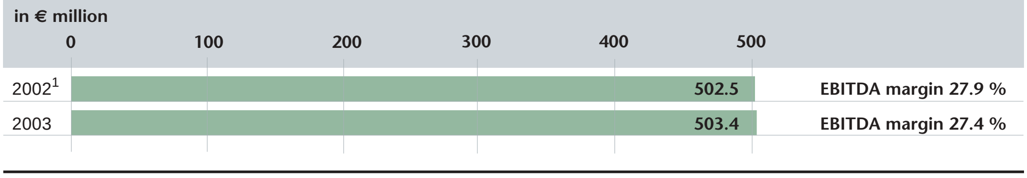
The increase of 8.6 percent, or €73.8 million, in **personnel expenses** was mainly due to the higher number of employees. The Fraport group employed an average of 23,353 persons in 2003. This represents a growth of 9.2 percent over the pervious year. More personnel were used in particular to carry out the 100 percent baggage controls and in connection with the expansion in business activities at ICTS Europe, the security specialist. Personnel expenses per employee fell by 0.5 percent compared with the previous year, to €40,000 group-wide. This is due to lower personnel costs in the security services area compared with the group's average. Personnel expenses as a percentage of revenues rose by 3.2 percentage points to 50.9 percent.

There was a slight decline in numbers of employees at Frankfurt Airport. Nevertheless, personnel expenses increased by some 2 percent over 2002. This was mainly due to the BAT collective bargain increase of 2.4 percent and higher provisions for future benefits from early retirement and part-time early retirement plans.

Investment income was higher than for the previous year, primarily due to the distribution of an additional 30 percent dividend rights from Antalya for 2002 and recording income from Antalya for 2003, totaling €17.6 million. In addition, a settlement payment by the project company involved in the privatization process for Berlin's airports had a positive effect of €4.8 million.

Results of investments held at equity amounted to €0.6 million compared with a loss of €17.0 million in 2002. Lima airport made a positive contribution of €2.7 million. The investment held at equity in Portway showed a loss of €1.8 million. Hanover airport improved its results by €9.4 million, to a loss of €1.3 million. The de-consolidation of the Manila activities also led to an increase in results of investments held at equity.

EBITDA and EBITDA margin



[1] 2002 adjusted for effect of full write-down of the Manila project.

Fraport's **EBITDA** was €503.4 million for 2003, representing a slight increase of 0.2 percent over EBITDA for 2002 adjusted to eliminate the Manila project write-off. The reason for the increase was primarily higher investment income, an improvement in results of investments held at equity and lower consulting fees. On the other hand, EBITDA was negatively affected primarily by lower military flight fees, an increase in personnel expense as a percentage of revenues due to the expansion of security services and higher insurance expenses.

The **EBITDA margin** for 2003 reached 27.4 percent and was thus only 0.5 percentage points lower than the previous year's margin.

Depreciation and amortization of tangible and intangible non-current assets rose by 20.6 percent to €258.1 million. This was mainly due to write-downs of €39.8 million at Frankfurt and Frankfurt-Hahn Airports.

The **EBIT margin** decreased from 15.8 percent in 2002 to 13.4 percent in 2003.

Net interest expense improved over 2002 by 7.6 percent to €31.4 million. Interest and similar expenses fell by €3.3 million due to repayment of financial liabilities.

There were no write-downs of financial assets and securities in current assets in 2003.

Fraport group's results from **ordinary activities** were €215.1 million for 2003 and were thus 15.4 percent lower than for 2002. After deduction of taxes on income and minority interests **group profit** for 2003 was €115.2 million, compared with €106.7 million for 2002.

Basic **earnings per share,** as set out in IFRS and calculated based on weighted average shares outstanding during the year, amounted to €1.28.

The supervisory board and executive board will recommend to the annual general meeting on June 2, 2004 that a **dividend** of €0.44 per share should be resolved for Fraport AG for 2003. This represents a dividend yield of 1.9 percent based on the share price of €22.80 at the end of the year. The dividend distribution as a percentage of group profit for the year would then be 34.5 percent.

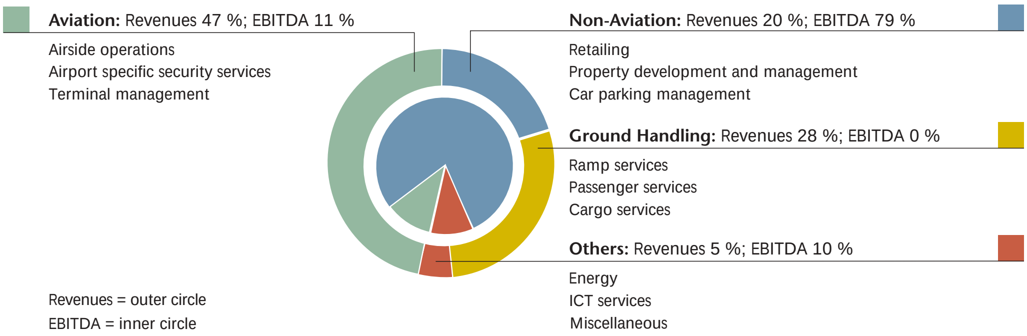
Group Segments

For segment reporting purposes, the Fraport group is organized into four segments: Aviation, Ground Handling, Non-Aviation and Others.

In order to provide comparability with reporting on the overall business development of the group since the beginning of 2003, revenues have also been reported as part of segment reporting. Previously, revenues with third parties were published.

Revenue Split and EBITDA by Segments

Revenues: €1,834.3 million
EBITDA: €503,4 million



Source: Fraport AG.

The Aviation and Others segments could increase their share of total group revenues by one percentage point each compared with the previous year, with Ground Handling remaining almost unchanged. The Non-Aviation segment's contribution to revenues fell by one percentage point. The change in segment allocation of revenues from security services following the merger of ICTS Europe and CIVAS companies is the reason for the shift between Aviation and Non-Aviation.

Non-Aviation continued to provide the largest share of group EBITDA, at 79 percent. Aviation contributed 11 percent, unchanged compared with the adjusted figures for 2002, and the Others segment increased its share by 3 percentage points, to 10 percent.

Aviation

The aviation segment focuses on the development and operation of airport infrastructures, including takeoff and landing runway systems, apron and baggage handling facilities, as well as providing air traffic-specific security services.

in € million	2003	2002	Change in %
Revenues	869.7	832.7	4.4
Segment result	– 19.3	6.9	–
EBITDA adjusted	57.8	57.5 [1]	0.5
EBITDA	57.8	– 38.9	–
Employees	9,926	8,437	17.6

[1] For effect of full write-down of the Manila project.

Aviation recorded an increase of 4.4 percent in revenues over 2002, to €869.7 million in 2003. This improvement was primarily due to an increase of some 50 percent to €200 million due to the growth resulting from the introduction of the 100 percent baggage controls introduced in January 2003 as a result of the new EU Air Safety Ordinance as well as to the expansion in business at ICTS Europe. The increase in airport fees of an average of 2 percent effective January 1, 2003, together with an increase of 0.5 percent for special services at Frankfurt Airport, also contributed to the rise in revenues. In contrast, revenues from military aircraft movements were €31.1 million lower than for 2002. A drop in revenues at Antalya due to the Iraq crisis also had a negative effect on revenues compared with the previous year.

Operating expenses increased by 6.4 percent to €929.2 million. This was primarily due to the higher personnel requirements for providing security services. The drop in receipts from military aircraft movements, higher operating expenses and the write-down for Frankfurt-Hahn airport were the main reasons for the decrease in segment result by €26.2 million to a loss of €19.3 million. Segment EBITDA remained stable compared with the previous year adjusted for the impairment write-down of the Manila project. EBITDA includes dividend income of €9.7 million from Antalya. Furthermore, results of investments held at equity improved by €7.1 million.

Ground Handling

The Ground Handling segment covers the provision of aviation ground services such as aircraft handling, passenger and cargo services. With a background of weak volumes of aircraft movements, the airlines' consolidation process continued. Insolvencies, increasing competition and growing price and cost pressures on airlines also had a negative effect on the situation for their suppliers on the ground.

in € million	2003	2002	Change in %
Revenues	503.6	506.4	– 0.6
Segment result	– 25.5	– 1.2	–
EBITDA	1.8	21.3	– 91.5
Employees	7,067	7,201	– 1.9

Ground Handling segment revenues amounted to €503.6 million in 2003 and thus declined by 0.6 percent compared with 2002. Revenues at Frankfurt Airport decreased more sharply, due to a loss of market share. Market share in the aircraft handling service area averaged 89.8 percent in 2003. Revenues at our investments at Vienna and Brussels developed positively.

Operating costs for the Ground Handling segment amounted to €562.1 million and were thus 1.7 percent higher than for 2002. Whereas operating costs were flat, personnel expenses rose slightly. Measures taken at Frankfurt Airport to reduce employee numbers resulted in 3.2 percent fewer employees on average during the year than for 2002. However, this effect was more than offset by a 2.4 percent increase in the BAT collective bargain salary increase and higher provisions for part-time early retirement and early retirement plans, a large part of which effects the freight area.

Segment results fell by €24.3 million to a loss of €25.5 million. This was due to lower revenues and higher operating costs, particularly owing to the above-mentioned structural measures. Furthermore, other internal work capitalized decreased as, since 2003, they have been allocated to the segments based on specific projects. EBITDA of €1.8 million was €19.5 million lower than for 2002. The negative effects on profitability discussed above were partly offset by higher income from the Spanish Ineuropa Handling U.T.E. and an improvement of €0.7 million in results of investments held at equity, to a net loss of €1.2 million.

Non-Aviation

The group's Non-Aviation segment comprises all operations relating to the development, management and marketing of airport real estate as well as retailing activities. This segment also includes maintenance services, supply and engineering services for the operation and availability of all buildings, equipment and technical equipment at airports, and parking facilities.

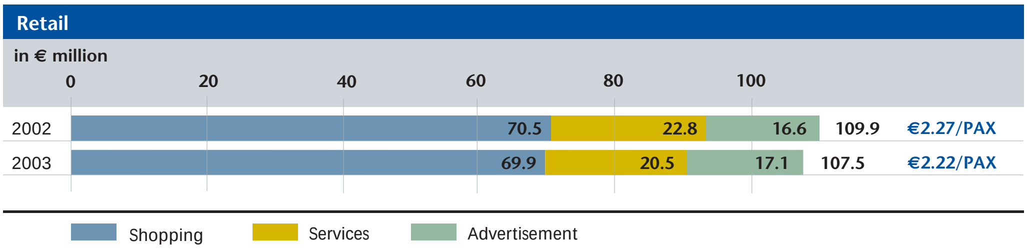
in € million	2003	2002	Change in %
Revenues	369.0	390.6	– 5.5
Segment result	242.3	282.5	– 14.2
EBITDA adjusted	395.5	391.2 [1]	1.1
EBITDA	395.5	227.0	74.2
Employees	3,852	3,667	5.0

[1] For effect of full write-down of the Manila project.

Revenues for Non-Aviation in 2003 amounted to €369.0 million, a decrease of 5.5 percent over 2002. One of the major reasons for this decrease was the exclusion of the CIVAS companies, included in the Non-Aviation segment in 2002 and which have meanwhile been merged with ICTS Europe. Revenues at Frankfurt Airport were held at the same level as for 2002 despite the difficult market environment.

At the beginning of 2003 we changed the reporting of our retail business in order to improve comparability with other airport operators. Previously, retail revenues only reflected revenue-related rentals from retailers, including duty-free and travel-value shops at Frankfurt Airport. Since the beginning of 2003 this concession levy has been shown as "shopping" revenues, which is a part of retail revenues.

Retail revenues include both additional revenue-related rentals from operating restaurants, hotels, banks and car rental services at Frankfurt Airport ("services") and the revenues of Media GmbH, which also operates at Frankfurt Airport and which handles almost the entire advertising activities ("advertising"). Based on this expanded definition, retail revenues for 2003 amounted to €107.5 million, a slight decline of 2.2 percent over 2002. Revenues per passenger also decreased by 2.2 percent, to €2.22. This reflects the slack global economy and the strong Euro which weakened the purchasing power of international passengers as the year progressed. Furthermore, there were fewer Asian passengers due to the SARS epidemic, whose purchasing power is an important factor influencing the retail area.



Operating costs in the Non-Aviation segment were 1.3 percent higher than for 2002, at €481.9 million. A decrease in expenses due to the omission of CIVAS companies was offset by an increase in operating costs at Frankfurt Airport.

Segment results of €242.3 million fell by 14.2 percent, or €40.2 million, compared with 2002. This was mainly due to write-downs at Frankfurt and Frankfurt-Hahn airports. EBITDA rose by 1.1 percent to €395.5 million. This included a share of €7.9 million dividend income from Antalya. Results of investments at equity improved, particularly due to the omission of the Manila companies.

Others

The Others group segment includes activities supporting airport operations, mainly information and communication system services, energy supply and the operation of canteen facilities at Frankfurt Airport.

in € million	2003	2002	Change in %
Revenues	92.0	73.9	24.5
Segment result	16.3	12.9	26.4
EBITDA	48.3	32.5	48.6
Employees	2,508	2,090	20.0

Revenues of the Others segment rose by 24.5 percent over 2002, to €92.0 million. This was mainly due to the expansion of ICTS Europe business in the non-airport security services area. Inclusion for the first time of a full year’s activities of U.S. based Air-Decision Support Technologies Inc. (DST) also had a positive effect on revenues.

As the increase in operating costs was lower than the rise in revenues, segment results rose by 26.4 percent to €16.3 million compared with 2002. EBITDA exceeded the previous year’s amount with an increase of 48.6 percent to €48.3 million. This included investment income of €6.5 million reflecting mainly the settlement payment by the project company via which Fraport was involved in the privatization process for Berlin's airports.

Change in Segment Reporting

As from the beginning of 2004, Fraport changed its segment reporting to reflect the further development of its organizational structure. In future, activities will be divided into four segments: “Aviation”, “Retail & Properties”, “Ground Handling” and “External Activities”.

The changes meet a number of objectives. Bundling all activities relating to retailing and rental of space and marketing into the “Retail & Properties” segment will reflect the increasing importance of this activity.

By combining all our investments not involved in the processes integrated around Frankfurt Airport into a separate “External Activities” segment, the responsibility for our external activities will be centralized and thus their monitoring will be improved.

The change in segments to bring them into line with organizational and monitoring group structures, together with allocating further parts of property, plant and equipment based on their use, above all the terminals, which had previously only been allocated to one segment, reduces the need to make internal charges between segments, which is also an important step towards achieving an even more transparent reporting structure.

Investments

Currently, Fraport AG has 63 domestic and foreign subsidiaries included in its consolidated financial statements. Investments in airports, other companies and co-operations discussed below are of particular strategic importance and affect the group's assets and liabilities, financial position and results of operations.

Group companies included in consolidation
We hold 73.07 percent of the shares in **Frankfurt-Hahn** Airport (Flughafen Frankfurt-Hahn GmbH). The strategy for this relatively new location at Frankfurt-Hahn is based on a widening range of low-cost carriers for passenger traffic and a growing charter and freight business. In addition to our major customer, the Irish airline Ryanair, a second low-cost carrier, Volare Airlines, is now using the advantageous conditions at the airport. Passenger growth at Frankfurt-Hahn airport shows a rapid increase in demand. 2.4 million passengers were handled at Germany's tenth largest airport, an increase of 67.3 percent over 2002. Freight quantities handled increased sharply, by 14.1 percent, to 159,000 metric tons. In terms of freight handled, Frankfurt-Hahn is now the fifth largest airport in Germany. Revenues increased by 51.4 percent over 2002, to €22.4 million, and results before loss transfers amounted to a loss of €18.2 million after a loss of €20.4 million in 2002. We incurred capital expenditures of €24.0 million in 2003, particularly expanding the takeoff and landing runways and terminal facilities.

Saarbrucken (Flughafen Saarbrücken Betriebsgesellschaft mbH) is the smallest airport in our portfolio, with almost 0.5 million passengers (down by 0.7 percent over 2002). The airport primarily handles passengers from the package tour sector. With revenues up by 4.1 percent to €9.5 million, the airport again broke even in 2003.

Despite external factors, such as the effects of the Iraq war and terrorist attacks, operation of the international terminal at **Antalya** in Turkey (Antalya Havalimani Uluslararasi Terminal Işletmeciliği Anonim Şirketi) was successful in 2003. Fraport AG owns 50 percent of the shares and an additional 30 percent dividend rights in the operating company. Despite the difficult environment, the number of passengers was almost unchanged compared with the previous year at 9.7 million (a decrease of 0.4 percent). The proportionately consolidated revenues fell by 12.4 percent to €47.2 million. The company's contribution to profits improved by 33.1 percent to €18.9 million. Furthermore, Antalya contributed €17.6 million to investment income. This results from the 30 percent dividend rights for two years.

At **Vienna,** the range of our subsidiary VAS Flughafen Bodenverkehrsdienste GmbH (VAS) at the airport of Austria's capital could be improved. New customers and increased frequencies of existing customers have improved the cost revenue structure in 2003 compared with previous years. Revenues rose by 47.8 percent to €10.2 million and the loss for the year amounted to €0.3 million (2002: loss of €0.7 million).

We strengthened our involvement in the security services area at 46 locations, primarily in Germany, France and Great Britain. We currently have 8,600 employees in the **ICTS group,** which has been a wholly-owned subsidiary since 2002 and which was merged with CIVAS GmbH in the same year. ICTS Europe operates in the five segments Aviation Security, Integrated Services, Non-Aviation Security, Terminal Services and Training & Consulting. The major activity is in the aviation security segment. The strongest future growth is expected in the integrated services area, whereby this represents a combination of security services, passenger flows and technology. In 2003, revenues before consolidation increased by 30.3 percent to €251.3 million, and net profit for the year was €9.5 million, 75.9 percent higher than in 2002. ICTS Europe recorded internal group revenues of €41.2 million. Amortization of goodwill amounted to €8.1 million. After consolidation, ICTS Europe thus contributed a loss of €3.1 million (2002: loss of €11.9 million) to group results.

Investments stated at equity

We increased our investment in **Hanover-Langenhagen** airport (Flughafen Hannover-Langenhagen GmbH) by 10 percent to 30 percent due to a put option exercised by the previous shareholder, Norddeutsche Landesbank, in July 2003 for €30.1 million. The adjustment to fair value was already reflected in 2002 by setting up a provision for possible losses of €18.7 million. As a home base of Hapag-Lloyd Flug GmbH and since 2003 of Hapag-Lloyd Express GmbH, the low-cost carrier, Hanover airport is one of the major German airports for holiday flight traffic. The number of passengers rose by 6.2 percent in 2003 compared with the previous year, to some 5.0 million. The results of this investment stated at equity improved over 2002 from a loss of €10.7 million to a loss of €1.3 million.

At **Lima** (Lima Airport Partners S.R.L.) we hold an investment of 42.75 percent. Our investment company has a thirty-year concession to operate the Jorge Chavez airport in Lima, with a prolongation option for a further ten years. The growing importance of this airport was also emphasized in 2003 by an increase of 5.1 percent in the number of passengers, to 4.5 million. The results of this investment stated at equity improved by 17.4 percent over the previous year, to €2.7 million.

Portway-Handling de Portugal, S.A. (Portway-Handling), in which we have a 40 percent investment, operates ground services at Lisbon, Porto and Faro, the country's major airports. Due to the difficult market environment, results at equity were a loss of €1.8 million.

Other investments

In **Spain** we have a 20 percent investment in six joint ventures (U.T.E.), trading under the name of Ineuropa Handling. In accordance with concession agreements, these Ineuropa Handling joint ventures supply handling services at Madrid-Barajas, Palma de Mallorca, Alicante, Ibiza, Menorca and Tenerife South airports. Smaller satellite stations are also operated at Tenerife North, Las Palmas (freight services only) and Albacete airports. Investment income increased by 60.5 percent to €6.9 million. The concession in Tenerife is currently up for renewal.

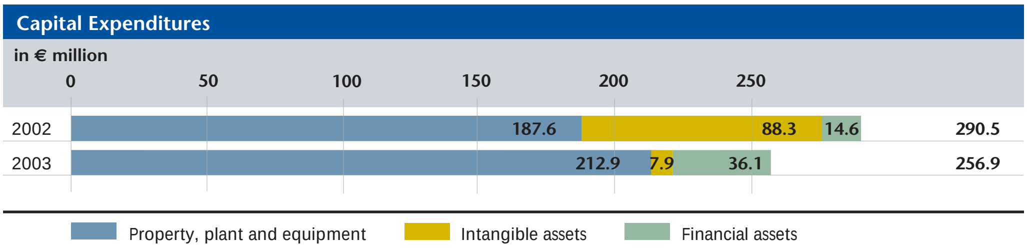
After the failure of the privatization process to build **Berlin-Brandenburg** International airport a settlement agreement was signed by the federal government, state governments and consortium partners on June 5, 2003. In this connection, a settlement payment was made to the project company, of which we recorded €4.8 million as investment income.

Together with Schiphol group, The Netherlands, we have a 37.5 percent share in the project company **Tradeport Hong Kong Ltd.** via our joint subsidiary Pantares Tradeport Asia Ltd., which owns a 25-year operating concession for the logistics center opened in March 2003. Although the SARS epidemic made the start difficult, framework contracts were made and operations began with the first customers, mainly from the electronics industry. Hong Kong offers a strategically advantageous position for marketing logistics services in Asia, a growing market.

Capital Expenditures

Total capital expenditures amounted to €256.9 million in 2003, compared with €290.5 million in 2002.

Capital expenditures in intangible assets were the main reason for this decline and these fell from €88.3 million to €7.9 million. In 2002, goodwill of €60.0 million arose from the full consolidation of ICTS Europe following the acquisition of the remaining 55 percent of the shares in this company. Furthermore, in 2002 goodwill of €8.2 million was recorded in connection with the acquisition of DST. In addition, we successfully implemented SAP R/3 software effective July 1, 2002. Thereby costs of €10.5 million were recognized, for which there is no according activation in 2003.



Capital expenditures on **property, plant and equipment** rose by €25.3 million compared with 2002, to €212.9 million. The major part of these capital expenditures related to Frankfurt Airport. We invested €52.8 million in the airport's expansion, of which €23.5 million was for airport infrastructure including services for the planning permission and airport expansion review proceedings, €17.5 million for future expansion of the apron on the south side of the airport and €11.8 million was for other services in connection with the airport expansion. Furthermore, capital expenditures of €29.2 million were invested for replacement and expansion of fire protection technology for the terminal buildings. Modernization of existing apron space, including beacons and flight safety measures, amounted to €24.2 million, in particular for renovating the north runway. €16.8 million was spent on expanding the communications infrastructure. Frankfurt-Hahn airport invested €24.0 million in its runway system, parking lots and expanding terminal buildings. Our ground handling company in Brussels invested €14.1 million in plant and equipment.

Capital expenditures in investments stated at equity and other financial assets rose by €21.5 million to €36.1 million. Our investment in Hanover-Langenhagen airport was increased by 10 percent to a current 30 percent share due to the exercise of a contractually-agreed put option by Norddeutsche Landesbank in July 2003 for a purchase price of €30.1 million. The necessary impairment write-down had already been recorded in 2002 by recognizing a provision of €18.7 million.

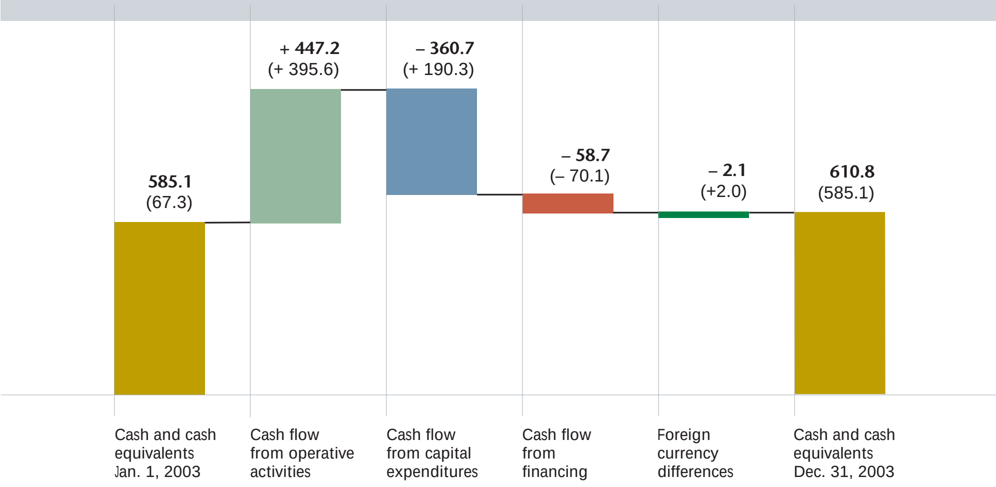
Our medium-term and long-term capital expenditure program continues to be influenced by extensive measures in connection with the planned expansion of Frankfurt Airport. Total capital expenditure volumes for the construction of a new runway, passenger handling and other plant and equipment has been estimated at some €3.4 billion after adjusting for inflation. Total capital expenditures (including expense items) in connection with the airport expansion for planning and settlement measures amounted to €60.5 million in 2003. A total of €130.9 million has been invested in the airport expansion since 2000.

Further financial and technical development of existing passenger handling buildings, including obtaining fire protection measures and further developing commercial areas, are a further major part of our extensive capital expenditure program. Hence, some €1.6 billion are foreseen for this area.

Cash Flow Statement

Change in cash and cash equivalents

in € million
in brackets: Previous years' figures



Net cash flow from operating activities of €447.2 million includes €467.0 million (2002: €513.8 million) from operations. This was partly offset by cash outflows of €0.5 million for financial receipts and expenditures, and of €19.3 million for income taxes (2002: €88.5 million). Improvements on net cash outflows in the financial area were particularly due to higher cash inflows from investment income. Overall, net cash from operating activities rose by €51.6 million, or 13.0 percent.

Cash flow from investing activities was influenced by higher capital expenditures in property, plant and equipment, investments held at equity and payments due to guarantee obligations in connection with the Manila project. In 2002, cash inflow from investing activities resulted from the sale of the investment fund.

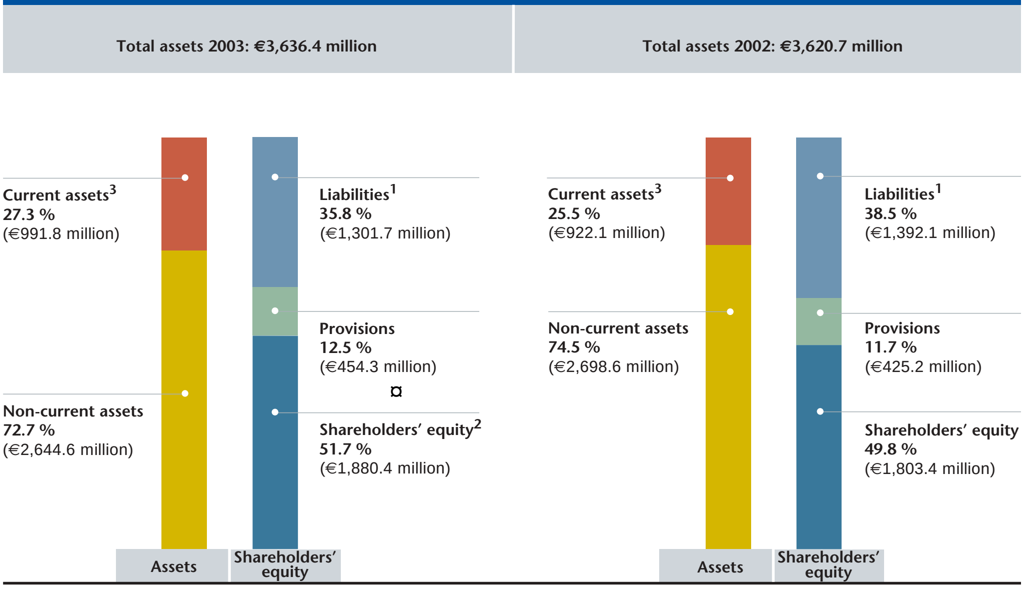
Cash flow from financing activities showed an outflow of €58.7 million in 2003, mainly due to repayment of financial liabilities.

Cash and cash equivalents hence increased by €25.7 million.

Asset and Capital Structure

Total assets increased by 0.4 percent to €3,636.4 million compared with December 31, 2002. The share of non-current assets in total assets only decreased slightly compared with 2002, from 74.5 percent to 72.7 percent.

Balance sheet structure



[1] Including minority interests, deferred investment grants on non-current assets, accrued and deferred items, provisions for deferred tax liabilities and targeted dividend payment.
[2] Excluding the in 2004 scheduled dividend payment for 2003.
[3] Including accrued and deferred items and deferred tax assets.

Non-current assets decreased by 2.0 percent, or €54.0 million, to €2,644.6 million. **Current assets,** including prepaid expenses and deferred tax assets, showed an increase of 7.6 percent, or €69.7 million, to €991.8 million.

Key ratios			
Key balance sheet ratios		**2003**	**2002**
Net financial debt (Financial debt less liquid funds)	€ million	227.2	324.6
Gearing (Net financial debt/Shareholders' equity[1])	%	12.1	18.0
Debt ratio (Net financial debt/Total liabilities and equity)	%	6.2	9.0
Dynamic debt ratio (Net financial debt/Cash flow[2])	%	50.8	82.1
Working Capital (Current assets less current liabilities)	€ million	535.1	422.0
Non-current assets coverage (Shareholders' equity[1]/ Non-current assets less deferred investment grants)	%	71.7	67.4
1st level liquidity (Liquid funds/Current liabilities)	%	151.9	130.5
2nd level liquidity (Liquid funds plus short-term receivables/Current liabilities)	%	225.2	184.9

1 Excluding the in 2004 proposed dividend payment for 2003.
2 Net cash from operating activities.

The **ratio of shareholders' equity** (excluding dividend distributions) to total liabilities and shareholders' equity increased from 49.8 percent at the end of 2002 to 51.7 percent at December 31, 2003. Shareholders' equity funds 71.7 percent of non-current assets (after deduction of deferred investment grants).

Third-party capital (including deferred investment grants, deferred income and proposed dividend) amounted to €1,756.0 million at December 31, 2003 and thus made up 48.3 percent of total liabilities and shareholders' equity. Compared with the end of 2002, bank debt decreased by 7.9 percent in 2003 to €838.0 million. Net financial debt amounted to €227.2 million at December 31, 2003. The ratio of net financial debt to shareholders' equity (gearing) improved from 18.0 percent to 12.1 percent.

Report on Related Party Transactions

Due to the majority shareholdings of the Federal Republic of Germany (18.3 percent), the State of Hesse (32.0 percent) and Stadtwerke Frankfurt am Main Holding GmbH (20.5 percent), together with the consortium agreement between these shareholders, Fraport AG is a dependent entity of the state. There is no control or profit and loss transfer agreement with these shareholders. Fraport AG's executive board has thus prepared a report on related party transactions as required by § 312 of the Stock Corporation Law (AktG). At the end of this report, Fraport AG's executive board made the following statement: "The executive board declares that, based on the circumstances known at the time at which the transactions were carried out, we received reasonable payment for each transaction made. Fraport AG suffered no disadvantage from the other measures described in the above report on related party transactions."

Corporate Governance Code

On December 15, 2003 the executive board and the supervisory board of Fraport AG approved the declaration of compliance with, including departures from, the corporate governance code as set out in § 161 of the Stock Corporation Law (AktG) and made it available to the public on our web site.

Risk Management

Fraport AG has an extensive risk management system. We can timely determine, evaluate and control the risks with which our activities are related.

The primary objective of our risk management system is to ensure a controlled treatment of risk. This gives us room to maneuver, enabling risks to be taken if the weighting of opportunities and risks entered into appears to be favorable. As part of our value-oriented management approach, we make our capital expenditure decisions based on this principle.

Risk Management Structures

Risk management is integrated in the operating business processes. Management of risks is made by those responsible for the business segments. Risks from group companies are controlled by Fraport AG, partly via the business segments and investment controlling department and partly by representatives of Fraport AG on the relevant supervisory boards.

The central body responsible for the risk management system is the risk management committee, made up of representatives from the group's segments. The risk management committee, which reports directly to the executive board of Fraport AG, is responsible for monitoring risks and coordinating measures from the group's point of view. Risk transfer by entering into insurance policies is controlled by our subsidiary, Airport Assekuranz Vermittlungs-GmbH (AAV).

Group-wide guidelines require a quarterly documentation and reporting of risk situations. This regular reporting format can be supplemented, on a case-by-case basis, by reporting significant changes. Materiality limits are set for this purpose. The executive board is thus in a position to meet its responsibility for the entire group.

The ability of our risk management system to function is checked by our internal auditor department. Their findings serve to continually improve the risk management system.

Significant Risks

All risks are defined as significant, to the extent they are quantifiable, if their effect on earnings is at least €10 million before tax, as well as risks which are not quantifiable but could have a similar effect on the net assets, financial position and results of operations.

Economic Risks

The state of the economy is critical for the development of passenger and freight movements. The global economy grew by 2.5 percent in 2003, above all in the second half of the year. For us, this means an overall stable situation with no discernible risks, particularly as noticeable signs of a recovery in the economic situation in Europe have improved the overall mood.

We are directly affected by the consequences of crises and armed conflicts leading to the cancellation of routes and flights. We are limited in our ability to counter the risk of a decline in demand. However, as an international hub, Frankfurt Airport can profit from the fact that, in times of crisis, airlines tend to concentrate their business on hubs. Hence, in the past the effects of crises could be offset after a relatively short period of time.

Market Risks
Business with our major customer, Lufthansa and Star Alliance partners, made a considerable contribution to revenues in 2003. A deterioration in the relationship with Star Alliance would thus have a significantly disadvantageous effect on Fraport AG. Due to the economic importance of Lufthansa and the current consolidation process within the European air transport industry, it can be assumed that, in the long-term, the importance of Lufthansa as a major customer of the Fraport AG will increase.

The financial position of some carriers is difficult. This means that some airlines may possibly have to partly or entirely stop flying in the event of an economic crisis. Any resulting free slots could then be offered to other interested parties, as there is currently no free capacity available. Bad debt risks are being countered as far as possible by active receivables management.

We already reported at December 31, 2002 on the risk of a possible restriction of revenues from airport concession fees arising from activities carried out by companies at Frankfurt Airport in accordance with the ordinance on ground services at airports (BADV). As a result of the ruling by the European Court of Justice on October 16, 2003, an airport may not demand fees as set out in BADV from a supplier of ground services and other services in addition to charges for using specific airport equipment. A decision in accordance with German law is expected from the upper state court of Frankfurt am Main in 2004. There is a risk that levying airport concession fees will be declared invalid, and the decision may be back-dated. However, the ruling by the European Court of Justice permits a cost-related usage charge. We assume that we will continue to levy fees for ground services in future. If the fees are lower than currently charged, or if levying fees is no longer possible, this could lead to considerable reductions in revenue.

Risks in Connection with the Planned Airport Expansion Program
With the planned capacity expansion via a new landing runway and third passenger terminal, Frankfurt Airport has the opportunity to strengthen and enhance further its status as an international air transportation hub. Frankfurt Airport's expansion is one of the essential prerequisites for Fraport AG to share in the long-term growth in international aviation. No expansion or a significant delay in expansion could mean that air traffic bypasses Frankfurt in the future. Airlines could even transfer some of their flights to the other airports, which would seriously endanger our function as a hub airport. In particular, the transfer of Lufthansa flights or operating units to other airports would have a major negative impact on this airport.

Several interest groups in the region have expressed severe dissatisfaction and resistance to the expansion plans. Interest groups and communities have already engaged the courts regarding the planned airport expansion. Despite the successful end of the regional planning procedure in the summer of 2002, as the first administrative procedure, and the start of the zoning procedure in September 2003, the risk of a substantial delay or legal decision against expansion cannot be excluded. Relating to this, an additional finanical burden could arise. Fraport AG decided to follow the recommendations and results of the mediation procedure which are expressed in the 10-Point Action Program. Our intention is to reach the best possible understanding with the population and groups affected by airport expansion. The 10-Point Action Program also includes noise mitigation measures in buildings and supports the use of alternative modes of transportation, such as travel by rail.

If our preferred course of expansion is not implemented, the value of investments already made could be significantly impaired.

Financial Risks

Interest and foreign currency risks are initially hedged by setting natural hedge positions, by which amounts or cash inflows and outflows of original financial instruments are offset in time and amount. Remaining risks are reduced on a case-by-case business through the use of derivative financial instruments, but these are not used for trading or speculation purposes. Currently, Fraport AG sees no significant interest rate or currency risks.

Legal Risks

Manila project: The project in Manila, the capital of the Philippines, to construct and operate an airport terminal was completely written off in the financial statements for the year ended December 31, 2002. Significant current risks and legal disputes in connection with the Manila project are described in the following paragraphs.

During 2003 Fraport AG commenced arbitration proceedings against the Republic of the Philippines at the International Center for the Settlement of Investment Disputes (ICSID) based on the German-Philippines capital expenditure protection treaty. At these arbitration proceedings Fraport is, inter alia, seeking judgement requiring the Philippines Republic to pay damages. The result and duration of the arbitration proceedings are still open. There is a risk that Fraport AG will not, or only partly, achieve the objectives it seeks from the arbitration proceedings.

In a decision on January 21, 2004, the Philippines Supreme Court confirmed its judgment of May 5, 2003 regarding the invalidity of the concession agreements with the project company PIATCO. PIATCO appealed against this further decision of the Supreme Court, and the appeal was rejected on February 26, 2004. During the Supreme Court proceedings on the validity of the concession agreements, in which a decision on the question of damages was not included, the Supreme Court stated that, in the event of a long-term take-over of the terminal by the government, the Philippines government would generally be obliged to pay damages in accordance with the law.

Towards the end of 2003, criminal proceedings were opened against Fraport AG by the Philippines National Bureau of Investigation on suspicion of breach of the so-called “Anti-Dummy Law”. The objectives of this law are to limit the influence of non-Philippine persons on certain companies formed in accordance with Philippine law. Fraport AG is of the opinion that its investments in the Philippines were made in accordance with the law. In the event of a negative decision on any possible criminal case brought, Fraport AG’s assets in the Philippines could be seized and fines and jail sentences could be imposed on the persons affected.

In 2002 Fraport AG sued PIATCO for repayment of a loan of US-$28 million. As a result, PIATCO in turn sued Fraport AG for payment of PHP1.57 billion (some €22.5 million) damages and costs. In November 2003, PIATCO and its shareholders agreed to prolong a moratorium regarding the claims by both sides until January 31, 2004, and thereafter on January 5, 2004 the parties unanimously agreed before the court to suspend proceedings for 90 days. Fraport AG intends to attempt to prolong the moratorium.

At the beginning of 2003 the shareholders and directors of PIATCO resolved, against the votes of Fraport AG and the directors of PIATCO appointed by it, to prepare a lawsuit for damages against Fraport AG and their directors due to allegedly legally improper and damaging behavior. Fraport AG denies these accusations. Furthermore, it is disputable as to whether these resolutions are legally valid.

Furthermore, further investigations have been commenced in the Philippines against current and former members of the boards and employees of Fraport AG, in which Fraport AG is not directly involved or affected as a party, but in connection with which the duration and possible results could have negative effects on, or break up, the settlement negotiations with the Philippine government, or which could question the legality of investments made by Fraport AG in the Philippines or, in the event of a judgement against the persons concerned, could serve as the basis for proceedings to seize Fraport AG's assets in the Philippines. Fraport AG assumes that, with respect to the proceedings against members of management or employees of Fraport AG, the accusations made, to the extent known, have been incorrectly made.

Further Legal Risks: In a dispute between the new entity owning a partial long-lease agreement for the Sheraton building at Frankfurt Airport and the former owner who sold his rights, Fraport AG could be obliged to make damage compensation payments. The former purchaser now claims the partial long-lease agreement is valueless due to hidden construction deficiencies. We believe that the risk that Fraport AG will be obliged to make any payments is extremely remote.

DB Station & Service AG has claimed receivables from services for roofing the railway station from Fraport AG. We believe the claims are not valid. We have agreed on arbitration proceedings with DB Station & Service AG. It cannot be excluded that Fraport AG must make further payments for costs incurred in connection with the construction. Furthermore, there is a risk that the investor will not make or delay making the agreed payments due to the delay in roofing the railway station.

Other Risks

Our business can be negatively affected by events such as accidents, terrorist attacks, fire or technical difficulties. Fraport AG's insurance coverage includes normal risks arising from airport activities and also includes majority-held investments, which are co-insured in Fraport's policies. The insurance coverage includes, in particular, events which lead to the loss or damage of property, including any resulting business interruption costs. Damage claims by third parties arising from operating liability risks of Fraport AG are also covered. As from January 2003, risks in connection with liability claims by third parties resulting from war and terrorist attacks have been covered by the insurance industry up to an amount of US-$1 billion. This also covers those majority-held investments of Fraport AG at home and abroad which are co-insured in the Fraport operating liability policy.

Currently, we see no significant risks in the IT security area.

Risks from investments and projects
Overall political, economic and company specific risks as well as market risks are worthy of mention at certain foreign locations. This applies particularly to Antalya and Lima.

For the modernization and expansion of Jorge Chavez international airport in Lima the shareholders of Lima Airport Partners S.R.L., the concession company, have granted corporate guarantees as collateral for loans, of which Fraport's share is US-$10.8 million. If the state of airport operations and of the concession company considerably deteriorate compared with budget over the period of the loans, there is a risk that the banks providing finance will take up the guarantee granted by Fraport AG.

The concession to operate the international terminal in Antalya is limited in time to July 31, 2007. A tender offer for a second terminal, which could come into operation in competition to our terminal, in order to manage the expected increase in passenger numbers was issued on November 4, 2003 and has meantime been granted to a Turkish company. If the terminal commences operations before the end of the concession period, this could lead to a loss of revenues at the terminal operated by us.

With the typically large number of tender offers in the security services industry, ICTS Europe risks losing some bids and hence losing revenues. In the event of poor performance, there is also a reputational risk of loss of image and a requirement to pay damages.

There are start-up risks for Tradeport Hong Kong Ltd. and AirIT Inc. Due to an environment negatively affected by the SARS epidemic in Hong Kong in 2003, expected revenues could not be achieved. AirIT operates in the USA in a market for airport-related IT services which has become difficult since September 11, 2001.

Overall Evaluation of Risk

An overall evaluation of the risks to which Fraport AG is exposed revealed that continuation of the company as a going concern is not endangered as far as its net assets and liquidity are concerned and there are no discernible risks endangering continuation of the company as a going concern in the foreseeable future.

Significant Events After the Balance Sheet Date

Apart from the normal business development there are no significant events after the balance sheet date to be mentioned.

Outlook

Airport Expansion

The documents we submitted for the zoning procedure on airport expansion are currently being supplemented and augmented with additional information, as required following the completeness check. In an opinion issued on February 18, 2004, the SFK Accident Commission of the German Federal Ministry of the Environment said that a northwest landing runway would not be compatible with the operations of the Ticona chemical plant in Kelsterbach. In our view, this opinion is neither scientifically nor legally tenable. We expect that this opinion will be considered in the zoning procedure as one – however, serious – argument, but that it will be refuted by a large number of other expert opinions.
If any measures are required at the Ticona plant exclusively because of the airport's expansion, we will implement these measures – if possible, in coordination with Ticona GmbH. We do not see any need for discussing other site options for the new runway; however, the decision in favor of the northwest runway option must be consolidated on the basis of the latest findings.

A380 Maintanance Base

Independent of the new landing runway, the discussion and hearing regarding the zoning procedure for the A380 maintenance base has been in progress since January 2004. We expect the discussion and hearing procedure to end in the first half of 2004. This would enable investments for the maintenance complex to ensure completion by 2007, and in operation by Lufthansa at that time. The A380 fleet is to be stationed in Frankfurt and by 2015 a total of 15 A380s are expected to be in service.

Prospects for 2004

We expect a positive development in revenues and group profits for 2004. Assuming a real growth of 3.9 percent in the global economy and an increase in real GDP in Germany of 1.0 percent, we assume that air traffic will increase within the Fraport group. We expect to handle some 74.5 million passengers group-wide. At Frankfurt Airport we expect an increase of 3.5 percent in passenger numbers to some 50 million and in Antalya the number of passengers will probably rise to 11 million.

We expect increases in revenues above all due to the forecast recovery in air traffic, the increase in airport fees at Frankfurt Airport effective January 1, 2004 and the expected rise in revenues from services in the aviation specific security services. Negative effects on revenues at Frankfurt Airport could possibly arise from a decline in revenues from military traffic, a loss of market share in the Ground Handling segment and a decrease of airport concession fees as set out in BADV.

We believe that EBITDA and group profits for 2004 will be up on 2003. This should be primarily due to a smaller increase in operating costs and personnel expenses than the expected rise in revenues, significantly influenced by the cost reduction measures from the "WM 2005" project. Additional costs for intensifying security controls at airport grounds in accordance with the EU Air Safety Ordinance could have a negative effect on results.

To the extent this document contains forward-looking, rather than historical, statements, these forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside Fraport AG Frankfurt Airport Services Worldwide's control, that could cause actual results to differ materially from these statements. These factors include, but are not limited to, competitive forces in liberalized markets, regulatory changes, the success of business and material adverse changes in economic conditions in the markets served by Fraport AG Frankfurt Airport Services Worldwide and its affiliates. Readers are cautioned not to put undue reliance on these forward-looking statements.

The various sections of the financial statements, the glossary and six-year overview begin on page 120.

Fraport AG Frankfurt Airport Services Worldwide Consolidated Income Statement for the Year 2003

in € million	Note	2003	2002
Revenues	(6)	**1,834.3**	**1,803.6**
Change in work-in-process	(7)	– 0.1	– 0.8
Other internal work capitalized	(8)	18.0	19.2
Other operating income	(9)	57.1	80.2
Total revenues		**1,909.3**	**1,902.2**
Cost of materials	(10)	– 284.4	– 275.3
Personnel expense	(11)	– 933.9	– 860.1
Depreciation and amortization of tangible and intangible non-current assets	(12)	– 258.1	– 214.1
Other operating expenses	(13)	– 219.1	– 251.6
Operating profit		**213.8**	**301.1**
Interest result	(14)	– 31.4	– 34.0
Results of investments held at equity	(15)	0.6	– 17.0
Income from investments	(16)	30.9	4.3
Write-downs of financial assets	(17)	0.0	– 3.8
Impairment write-downs relating to the Manila project	(18)	0.0	– 289.5
Other financial results	(19)	1.2	3.8
Financial result		**1.3**	**– 336.2**
Result from ordinary operations		**215.1**	**– 35.1**
Taxes on income	(20)	– 93.3	– 79.4
Other taxes	(21)	– 5.6	– 5.0
Minority interests' share of results		– 1.0	– 1.3
Group profit		**115.2**	**– 120.8**
Transfer from capital reserves		0.0	130.3
Transfer to revenue reserves		– 75.5	– 9.5
Group retained earnings		**39.7**	**0.0**

Earnings per €10 share in €	(22)		
Basic		**1.28**	**– 1.34**
Diluted		**1.26**	**– 1.33**

EBITDA		**503.4**	**241.9**
EBIT		**245.3**	**– 4.9**

Fraport AG Frankfurt Airport Services Worldwide Consolidated Balance Sheet as at December 31, 2003

Assets

in € million		Note	Balance at Dec. 31, 2003	Balance at Dec. 31, 2002
A.	**Non-current assets**		**2,644.6**	**2,698.6**
I.	Intangible assets	(23)	198.3	225.1
II.	Property, plant and equipment	(24)	2,376.8	2,403.9
III.	Investments held at equity	(25)	45.9	37.3
IV.	Other financial assets	(26)	23.6	32.3
B.	**Current assets**		**937.2**	**870.5**
I.	Inventories	(27)	17.1	13.1
II.	Trade accounts receivable	(28)	181.3	195.9
III.	Other receivables and other assets	(29)	128.0	76.4
IV.	Checks, cash and bank balances	(30)	610.8	585.1
C.	**Prepaid expenses**	(31)	**40.1**	**43.1**
D.	**Deferred tax assets**	(32)	**14.5**	**8.5**
			3,636.4	**3,620.7**

Liabilities and equity

in € million		Note	Balance at Dec. 31, 2003	Balance at Dec. 31, 2002
A.	**Shareholders' equity**	(33)	**1,920.1**	**1,803.4**
I.	Subscribed capital		902.2	900.6
II.	Capital reserves		533.2	532.0
III.	Revenue reserves		445.0	370.8
IV.	Group retained earnings		39.7	0.0
B.	**Minority interests**	(34)	**11.6**	**12.9**
C.	**Deferred investment grants on items in non-current assets**	(35)	**22.8**	**24.2**
D.	**Provisions and accruals**	(36)	**454.3**	**425.2**
E.	**Liabilities**		**1,017.3**	**1,129.9**
I.	Financial liabilities	(37)	838.0	909.7
II.	Trade accounts payable	(38)	79.0	94.8
III.	Other liabilities	(39)	100.3	125.4
F.	**Deferred income**	(40)	**62.8**	**66.6**
G.	**Deferred tax liabilities**	(41)	**147.5**	**158.5**
			3,636.4	**3,620.7**

Consolidated Cash Flow Statement

in € million	Note	2003	2002
Group profit for the year (2002: group loss)		**115.2**	**– 120.8**
Taxes on income		93.3	79.4
Minority interests' share of results		1.0	1.3
Adjustments for:			
Depreciation/write-ups (non-current assets)		257.5	279.3
Write-down of receivables relating to the Manila project		–	241.7
Net interest expense		31.4	34.0
Investment income		– 30.9	– 4.3
Gains/losses on disposals of non-current assets		– 10.1	0.6
Unrealized foreign currency losses		– 3.5	2.7
Changes in investments held at equity		0.1	5.2
Changes in inventories		– 4.0	– 0.9
Changes in receivables		– 36.4	– 31.4
Changes in other current assets		– 3.0	1.2
Changes in provisions and accruals		108.3	7.1
Changes in other third-party liabilities		– 51.9	18.7
Operational activities		467.0	513.8
Financial activities			
Interest paid		– 50.5	– 53.8
Interest received		19.1	19.8
Dividends received		30.9	4.3
Taxes on income paid		– 19.3	– 88.5
Net cash flow from operating activities	(43)	**447.2**	**395.6**
Purchases of intangible assets		– 7.9	– 20.0
Purchases of property, plant and equipment		– 212.9	– 187.6
Acquisitions of consolidated subsidiaries and joint ventures (net of cash acquired)		–	– 70.4
Acquisitions of investments held at equity		– 31.2	– 0.6
Investment fund		–	489.9
Capital expenditures due to guarantee obligations in connection with the Manila project		– 136.5	–
Other financial investments		– 1.3	– 31.9
Proceeds from disposals of non-current assets		29.1	10.9
Net cash flow from/net cash flow used in investing activities	(43)	**– 360.7**	**190.3**
Distributions		– 1.0	– 37.7
Capital increase		2.6	6.5
Changes in financial liabilities		– 60.3	– 38.9
Net cash flow used in financing activities	(43)	**– 58.7**	**– 70.1**
Effects of exchange rate changes on cash and cash equivalents		– 2.1	2.0
Net increase in cash and cash equivalents		**25.7**	**517.8**
Cash and cash equivalents at January 1		585.1	67.3
Cash and cash equivalents at December 31	(43)	**610.8**	**585.1**

Movements in Consolidated Shareholders' Equity

in € million	Note	Subscribed Capital	Capital reserves	Legal reserves	Other revenue reserves	Group retained reserves	Total
Balance at January 1, 2002		**900.9**	**662.4**	**36.5**	**328.5**	**36.0**	**1,964.3**
Capital increase against deposits		1.0	1.5	–	–	–	2.5
Distribution		–	–	–	–	– 36.0	– 36.0
Redistribution of treasury shares		0.1	0.1	–	–	–	0.2
Purchase of treasury shares		– 1.4	– 1.7	–	–	–	– 3.1
Group loss for the year		–	–	–	9.5	– 130.3	– 120.8
Transfer from capital reserves		–	– 130.3	–	–	130.3	0.0
Foreign currency translation differences		–	–	–	– 4.9	–	– 4.9
Fair values of derivatives		–	–	–	– 1.3	–	– 1.3
Effect of changes in companies consolidated		–	–	–	2.5	–	2.5
Balance at December 31, 2002	(33)	**900.6**	**532.0**	**36.5**	**334.3**	**0.0**	**1,803.4**
Balance at January 1, 2003		**900.6**	**532.0**	**36.5**	**334.3**	**0.0**	**1,803.4**
Capital increase against deposits		1.5	1.1	–	–	–	2.6
Redistribution of treasury shares		0.1	0.1	–	–	–	0.2
Group profit for the year		–	–	–	75.5	39.7	115.2
Share options		–	–	–	0.3	–	0.3
Foreign currency translation differences		–	–	–	– 4.0	–	– 4.0
Fair values of derivatives		–	–	–	1.3	–	1.3
Effect of changes in companies consolidated[1]		–	–	–	1.1	–	1.1
Balance at December 31, 2003	(33)	**902.2**	**533.2**	**36.5**	**408.5**	**39.7**	**1,920.1**

[1] Including other changes.

Consolidated Statement of Movements in Non-current Assets

in € million	Accumulated acquisition costs/production costs at January 1, 2003	Changes due to foreign currency differences	Changes in consolidation	Additions	Disposals	Reclassifications	Accumulated acquisition costs/production costs at December 31, 2003
Intangible assets							
Concessions, patents and similar rights	123.4	– 0.3	0.0	7.9	– 4.3	2.1	**128.8**
Goodwill	213.1	– 1.2	0.0	0.0	– 0.5	0.0	**211.4**
Total	**336.5**	**– 1.5**	**0.0**	**7.9**	**– 4.8**	**2.1**	**340.2**
Property, plant and equipment							
Land, land rights and buildings including buildings on leased land	3,195.9	0.0	0.0	34.0	– 9.1	5.6	**3,226.4**
Technical equipment and machinery	1,551.2	0.0	0.0	45.9	– 38.9	16.5	**1,574.7**
Other equipment, operating and office equipment	335.8	0.2	0.0	36.3	– 24.8	0.8	**348.3**
On-account payments and construction in process	130.0	0.0	0.0	96.7	– 3.7	– 25.0	**198.0**
Total	**5,212.9**	**0.2**	**0.0**	**212.9**	**– 76.5**	**– 2.1**	**5,347.4**
Investments held at equity	**75.1**	**– 2.0**	**0.0**	**34.8**	**– 5.3**	**0.0**	**102.6**
Other financial assets							
Other investments	20.3	0.0	0.0	0.0	– 6.4	0.0	**13.9**
Loans to investments[1]	76.9	– 0.6	0.0	1.0	– 2.0	0.0	**75.3**
Securities in non-current assets	0.1	0.0	0.0	0.0	– 0.1	0.0	**0.0**
Other loans	16.6	0.0	0.0	0.3	– 2.3	0.0	**14.6**
Total	**113.9**	**– 0.6**	**0.0**	**1.3**	**– 10.8**	**0.0**	**103.8**
Non-current assets	**5,738.4**	**– 3.9**	**0.0**	**256.9**	**– 97.4**	**0.0**	**5,894.0**

[1] This relates to joint ventures, associated companies and other investments.

	Accumulated depreciation at January 1, 2003	Changes in consolidation	Additions	Disposals	Reclassi-fications	Write-ups	Accumulated depreciation at December 31, 2003	Net book values at December 31, 2003	Net book values at December 31, 2002
	59.3	0.0	14.1	– 3.9	0.0	0.0	**69.5**	**59.3**	64.1
	52.1	0.0	20.3	0.0	0.0	0.0	**72.4**	**139.0**	161.0
	111.4	**0.0**	**34.4**	**– 3.9**	**0.0**	**0.0**	**141.9**	**198.3**	225.1
	1,316.7	0.0	131.1	– 4.2	– 0.9	0.0	**1,442.7**	**1,783.7**	1,879.2
	1,248.7	0.0	65.9	– 37.7	0.9	– 0.4	**1,277.4**	**297.3**	302.5
	243.6	0.0	26.7	– 19.8	0.0	0.0	**250.5**	**97.8**	92.2
	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**198.0**	130.0
	2,809.0	**0.0**	**223.7**	**– 61.7**	**0.0**	**– 0.4**	**2,970.6**	**2,376.8**	2,403.9
	37.8	**0.0**	**18.9**	**0.0**	**0.0**	**0.0**	**56.7**	**45.9**	37.3
	15.8	0.0	0.0	– 2.9	0.0	0.0	**12.9**	**1.0**	4.5
	64.3	0.0	0.0	– 0.6	2.7	– 0.4	**66.0**	**9.3**	12.6
	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**	0.1
	1.5	0.0	0.0	– 0.2	0.0	0.0	**1.3**	**13.3**	15.1
	81.6	**0.0**	**0.0**	**– 3.7**	**2.7**	**– 0.4**	**80.2**	**23.6**	32.3
	3,039.8	**0.0**	**277.0**	**– 69.3**	**2.7**	**– 0.8**	**3,249.4**	**2,644.6**	2,698.6

Segment Reporting

(Note 42)

Primary Segment Reporting

in € million		Aviation	Non-Aviation	Ground Handling	Others	Adjust-ments	Group
Revenues	2003	869.7	369.0	503.6	92.0	–	1,834.3
	2002	832.7	390.6	506.4	73.9	–	1,803.6
Other operating income	2003	31.4	27.9	9.1	6.6	–	75.0
	2002	46.1	38.5	12.0	2.0	–	98.6
Third-party revenues	**2003**	**901.1**	**396.9**	**512.7**	**98.6**	–	**1,909.3**
	2002	**878.8**	**429.1**	**518.4**	**75.9**	–	**1,902.2**
Inter-segment revenues	2003	74.4	472.4	45.6	177.2	– 769.6	–
	2002	57.6	445.6	53.1	167.3	– 723.6	–
Total revenues	2003	975.5	869.3	558.3	275.8	– 769.6	1,909.3
	2002	936.4	874.7	571.5	243.2	– 723.6	1,902.2
Segment profit (loss)	**2003**	**–19.3**	**242.3**	**– 25.5**	**16.3**	**0.0**	**213.8**
	2002	**6.9**	**282.5**	**– 1.2**	**12.9**	**0.0**	**301.1**
Depreciation and amortization of	2003	65.6	145.1	21.7	25.7	–	258.1
segment assets	2002	55.9	116.7	20.1	21.4	–	214.1
Share of results of investments	2003	1.8	0.2	– 1.2	– 0.2	–	0.6
held at equity	2002	– 5.3	– 8.0	– 1.9	– 1.8	–	– 17.0
Income from investments	2003	9.7	7.9	6.8	6.5	–	30.9
	2002	0.0	0.0	4.3	0.0	–	4.3
EBITDA before Manila project	**2003**	**57.8**	**395.5**	**1.8**	**48.3**	–	**503.4**
impairment write-downs	**2002**	**57.5**	**391.2**	**21.3**	**32.5**	–	**502.5**
Impairment write-downs relating to the	2003	0.0	0.0	0.0	0.0	–	0.0
Manila project – affecting EBITDA	2002	96.4	164.2	0.0	0.0	–	260.6
EBITDA	**2003**	**57.8**	**395.5**	**1.8**	**48.3**	–	**503.4**
	2002	**– 38.9**	**227.0**	**21.3**	**32.5**	–	**241.9**
Depreciation and amortization of	2003	65.6	145.1	21.7	25.7	–	258.1
segment assets	2002	55.9	116.7	20.1	21.4	–	214.1
Depreciation of financial assets	2003	0.0	0.0	0.0	0.0	–	0.0
	2002	0.0	3.8	0.0	0.0	–	3.8
Impairment write-downs of financial	2003	0.0	0.0	0.0	0.0	–	0.0
assets relating to the Manila project	2002	10.7	18.2	0.0	0.0	–	28.9
EBIT	**2003**	**– 7.8**	**250.4**	**– 19.9**	**22.6**	–	**245.3**
	2002	**– 105.5**	**88.3**	**1.2**	**11.1**	–	**– 4.9**
Book values of segment assets	2003	540.7	2,717.0	153.8	210.4	14.5	3,636.4
	2002	493.1	2,782.0	143.3	193.8	8.5	3,620.7
Segment liabilities	2003	204.2	1,038.3	67.7	85.1	321.0	1,716.3
	2002	194.6	1,222.8	66.8	87.9	245.2	1,817.3
Acquisition cost of additions to	2003	56.1	104.0	32.2	28.5	–	220.8
property, plant and equipment	2002	78.4	126.2	27.5	43.8	–	275.9
and intangible assets							
Other significant non-cash expenses	2003	102.2	39.1	31.3	11.9	–	184.5
	2002	95.3	121.6	30.2	9.9	–	257.0
Acquisitions of investments	2003	21.5	9.3	10.3	4.8	–	45.9
held at equity	2002	17.1	8.3	8.5	3.4	–	37.3

Secondary Segment Reporting							
in € million		Germany	Rest of Europe	Asia	Rest of world	Adjust-ments	Group
Revenues	2003	1,571.0	196.7	48.8	17.8	–	1,834.3
	2002	1,571.2	159.2	60.0	13.2	–	1,803.6
Other operating income	2003	67.2	0.4	7.4	0.0	–	75.0
	2002	88.0	0.2	10.4	0.0	–	98.6
Third-party revenues	**2003**	**1,638.2**	**197.1**	**56.2**	**17.8**	–	**1,909.3**
	2002	**1,659.2**	**159.4**	**70.4**	**13.2**	–	**1,902.2**
Book values of segment assets	2003	3,287.1	203.8	102.5	28.5	14.5	3,636.4
	2002	3,262.8	201.4	120.2	27.8	8.5	3,620.7
Acquisition cost of additions to property, plant and equipment and intangible assets	2003	202.6	18.0	0.1	0.1	–	220.8
	2002	192.0	75.6	0.5	7.8	–	275.9

Notes on Consolidation and Accounting Policies

1 Basis of preparation of the consolidated financial statements

The consolidated financial statements of Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main (Fraport AG) for the year ended December 31, 2003, have been prepared in accordance with standards issued by the International Accounting Standards Board (IASB). We have used internationally recognized accounting standards in order to improve international comparison and increase the transparency of our company for external users.

Those standards relating to recognition, measurement and disclosures in the 2003 consolidated financial statements are the relevant valid versions of International Financial Reporting Standards (IFRS) and Interpretations (IFRIC), which we have applied completely and entirely.

For Fraport AG, as a listed company, these consolidated financial statements exempt it from the requirement to prepare consolidated financial statements in accordance with German accounting requirements, as set out in § 292a of the German Commercial Code (HGB).

As required by the conditions set out in § 292a HGB, the accounting policies used in preparing these financial statements in accordance with IFRS are in conformity with the requirements set out in the European Union's 7th EC Directive on consolidated financial statements (Directive 83/349/EEC).

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

Results for 2003 compared with results for 2002 adjusted for the effects of the Manila engagement on income:

The 2002 results are not comparable with those for 2003 due to the effect of the write-off of the Manila project amounting to €289.5 million. We thus set out the adjusted results below:

in € million	Group income statement 2003	Group income statement 2002	Group income statement 2002[1]	Change in %
Impairment write-down of Manila project	–	– 289.5	–	–
EBITDA	**503.4**	241.9	502.5	0.2
EBIT	**245.3**	– 4.9	284.6	– 13.8
Results from ordinary operating activities	**215.1**	– 35.1	254.4	– 15.4
Group profit/group loss	**115.2**	– 120.8	106.7	8.0

[1] adjusted for full write-down of the Manila project.

EBITDA = Operating result + results of investments held at equity + income from investments + depreciation and amortization of property, plant and equipment and intangible assets.

EBIT = EBITDA – depreciation and amortization of property, plant and equipment and intangible assets – write-downs of financial assets and securities in current assets.

2 Major differences between IFRS and Fraport AG's financial statements prepared in accordance with HGB

There are the following significant differences between the accounting policies used by Fraport AG for German commercial law purposes and IFRS:

- Different depreciation method (IAS 16)
  In order to optimize tax and to the extent possible as permitted by tax law, items of property, plant and equipment are depreciated in the HGB financial statements using the declining-balance method and special tax-allowable depreciation is charged. Useful lives are based on tax depreciation tables. Such items are depreciated straight-line over their expected useful lives in the IFRS consolidated financial statements. This results in considerably higher amounts of non-current assets for IFRS purposes, with a corresponding increase in retained earnings and deferred tax liabilities.
- Derivative financial instruments stated at fair values (IAS 39)
  Changes in fair values of derivatives designated as fair value hedges are recorded in income and changes in fair values of derivatives designated as cash flow hedges are recorded directly in shareholders' equity.
- Costs of equity transactions (SIC-17)
  As set out in SIC-17, the costs of capital increases, together with the related tax benefit, are offset directly against capital reserves.
- Income taxes (IAS 12)
  As set out in IAS 12, deferred taxes are charged or credited on all temporary differences between items recognized as assets or liabilities in the tax balance sheet and in the IFRS balance sheet. In contrast to HGB, this requirement also applies to deferred tax assets. Corporation tax credits arising on distributions are recognized in the year in which the resolution to distribute is passed.
  Deferred tax assets are recognized for tax loss carryforwards to the extent it is probable that future taxable income will be available, against which the losses can be offset.
- Translation of monetary foreign currency receivables and payables at rates ruling at the end of the year (IAS 21)
- Provisions and liabilities only recognized if there is an obligation to third parties (IAS 37)
- Other long-term provisions discounted to their present value (IAS 37)
- Different valuation of inventories (IAS 2)
- Treasury shares (SIC-16)
  As set out in SIC-16, treasury shares are offset against shareholders' equity (proportionately to subscribed capital and capital reserves) and not recognized as assets.

3 Entities included in consolidation and year-end date

The year-end date for the consolidated financial statements is the same as for the parent company. Apart from the companies making up the TCR sub-group, all the subsidiaries and joint ventures have their financial year-ends on December 31.

The financial year-end of companies in the TCR sub-group is June 30. TCR was included using interim financial statements prepared as at December 31.

The consolidated financial statements of Fraport AG have been substantially influenced by the operations of the parent company. The companies included in the consolidated financial statements remained substantially unchanged in 2003.

The movement in number of companies included in the consolidated financial statements is as follows:

	Domestic	Foreign	Total
Fraport AG	**1**		**1**
Fully-consolidated subsidiaries			
December 31, 2002	15	27	42
Additions	1	1	2
Disposals		1	1
December 31, 2003	**16**	**27**	**43**
Proportionately consolidated joint ventures			
December 31, 2002	6	9	15
December 31, 2003	**6**	**9**	**15**
Companies included in consolidation at Dec. 31, 2002	**22**	**36**	**58**
Companies included in consolidation at Dec. 31, 2003	**23**	**36**	**59**
Associated companies held at equity			
December 31, 2002	3	2	5
December 31, 2003	**3**	**2**	**5**
Group companies including associates at Dec. 31, 2002	**25**	**38**	**63**
Group companies including associates at Dec. 31, 2003	**26**	**38**	**64**

The additions to fully-consolidated subsidiaries are two newly-formed companies, APS Airport Personal Service GmbH, Frankfurt am Main, and Diag-Nose SAR, Paris, part of the ICTS sub-group. The disposal is Airport Carts LLC, Delaware, which discontinued operations and hence was de-consolidated effective December 31, 2003. The loss on de-consolidation of ACLLC was €0.7 million.

The list of investments (page 110 pp) sets out all significant subsidiaries, joint ventures and associated companies, with extracts from their latest financial statements prepared in accordance with IFRS (revenues, shareholders' equity, net profit for the year and number of employees).

Four (2002: seven) associated companies which are insignificant are stated at acquisition cost or net realizable value in the Fraport group. Furthermore, in 2002 two subsidiaries and one joint venture which had an insignificant influence on the group's asset position and results of operations were not consolidated and were stated at acquisition cost or realizable value.

Effects of changes in companies included in the consolidated financial statements
The changes in companies included in the consolidated financial statements (2002: including the investment fund), had the following effect on the consolidated balance sheet (before consolidation adjustments):

in € million	Dec. 31, 2003	Dec. 31, 2002
Non-current assets	**0.0**	– 483.0
Current assets excluding cash and cash equivalents	**0.3**	66.9
Cash and cash equivalents	**– 0.8**	506.0
Provisions and accruals	**0.0**	12.0
Liabilities	**0.4**	52.7

The effect of newly-consolidated companies on the profit for the year, before consolidation adjustments, was a loss of €0.1 million (2002: profit of €6.0 million).

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

in € million	2003	2002
Non-current assets	**53.4**	51.3
Current assets	**45.4**	47.7
Other assets	**2.0**	1.5
Shareholders’ equity	**45.5**	41.7
Third-party liabilities	**53.5**	58.8
Income	**94.5**	104.8
Expenses	**75.7**	91.5

Significant acquisitions and newly-formed companies
APS Airport Personal Service GmbH: APS Airport Personal Service GmbH, Frankfurt am Main, was formed as a wholly-owned subsidiary of Tradeport Frankfurt GmbH on October 27, 2003. The objectives of this company are providing personnel services of all kinds, among other things providing personnel as defined in the Employee Transfer Law, carrying out works and service contracts, employment agency services and all related business activities. That company was included in the Fraport consolidated financial statements at December 31, 2003.

Diag-Nose SAR: Diag-Nose SAR, Paris, was formed in 2003 and included in the ICTS sub-group financial statements at December 31, 2003. This company provides guard duty and security services.

Hanover Airport: On July 4, 2003, Norddeutsche Landesbank exercised its put option on its 10 percent holding in Flughafen Hannover-Langenhagen GmbH, selling its shares to Fraport AG. These shares were purchased for €30.1 million. Due to the reduced expectations of profitability, a provision of €18.7 million had already been recognized for impairment in value of these new shares in 2002. Fraport now has a 30 percent holding in the company.

4 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 IFRS. 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.

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 IFRS or consolidation policies, between the IFRS 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).

The consolidation and accounting policies have remained unchanged from the previous year.

Foreign currency translation

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

The assets and liabilities of the companies consolidated are translated at the closing rate, and income and expense items at average rates during the year, as these companies are financial, economically and organizationally independent and hence are treated as foreign entities. Differences arising on foreign currency translation were included directly in shareholders' equity.

The following exchange rates were used for foreign currency translation purposes:

Unit/Currency in €	Year-end rate Dec. 31, 2003	Average rate 2003	Year-end rate Dec. 31, 2002	Average rate 2002
1,000,000 Turkish Lira (TLR)	**0.5647**	–	0.5761	–
100 Philippine Peso (PHP)	**1.4347**	**1.6289**	1.7785	2.0477
1 US Dollar (USD)	**0.7959**	**0.8830**	0.9531	1.0569
1 Swedish Crown (SEK)	**0.1101**	**0.1096**	0.1093	0.1091
1 Pound Sterling (GBP)	**1.4194**	**1.4444**	1.5344	1.5904
1 Hong Kong Dollar (HKD)	**0.1020**	**0.1134**	0.1231	0.1355
1 New Sol (PEN)	**0.2230**	**0.2539**	0.2712	0.3003

Financial reporting in hyperinflationary economies
Financial reporting in hyperinflationary economies (IAS 29) was used for Antalya, 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. Antalya'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.

5 Accounting policies

Uniform accounting policies: The Fraport group financial statements have been prepared using accounting policies consistently applied throughout the group.

Intangible assets and property, plant and equipment: Intangible assets (IAS 38) and property, plant and equipment (IAS 16) are stated at acquisition or production cost less systematic straight-line depreciation. If the recoverable value of an asset is lower than its book value, an impairment write-down is made (IAS 36). Impairment write-downs made in previous periods are reversed if the reason for making such write-down no longer exists. Borrowing costs are recognized as an expense in the period in which they are incurred (IAS 23).

Real estate is reviewed to determine whether there are any investment properties as defined in IAS 40. The amount of investment properties is insignificant and hence IAS 40 is of no relevance.

Government investment grants are recognized as liabilities and amortized systematically over the useful lives of the assets concerned (IAS 20).

Impairment write-downs are made to intangible assets and items of property, plant and equipment at the end of the year if their recoverable amount falls below their carrying value. Recoverable amount is defined as the higher of net selling price and the present value of expected cash flows from the asset.

Finance leasing: As set out in IAS 17, economic ownership of a leased asset is ascribed to the lessee if the lessee has substantially all the risks and rewards incident to ownership. To the extent economic ownership is allocated to the Fraport group as lessee, the leased asset is recognized in the balance sheet at inception of the lease in the amount of the present value of minimum lease payments plus, if applicable, any incremental costs borne by the lessee. The total amount of leased assets, to which economic ownership is allocated to the Fraport group as lessee as set out in IAS 17, is insignificant.

Financial assets: To the extent they relate to originated loans and receivables, other financial assets are stated at acquisition cost less accumulated depreciation. Available-for-sale-assets are stated at fair value. However, to the extent fair values cannot be reliably estimated, they are stated at acquisition cost. Changes to fair values are recorded in income (IAS 39).

Inventories: 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 (IAS 2).

Receivables and other assets: Receivables and other assets are included at face value less any allowances to reduce the balance to their net realizable value.

Any financial assets included in this caption are stated at amortized cost, as set out in IAS 39. Write-downs to recoverable amount are recorded if required. Receivables in foreign currency are translated at year-end rates (IAS 21).

Equity instruments: Reacquired own equity instruments (treasury shares) are deducted from subscribed capital and capital reserves (SIC-16).

Deferred taxes: Deferred taxes are recognized using the liability method (IAS 12). This method prescribes that deferred taxes be set up for all differences arising from different accounting policies used for IFRS and tax purposes and which reverse at some time in the future (temporary differences). If assets in the IFRS financial statements are stated at a higher amount than in the tax balance sheet (such as for property, plant and equipment depreciated straight-line), and if these are temporary differences, deferred tax liabilities are set up for these differences. IFRS requires deferred tax assets arising from temporary differences and from the future benefit arising from tax loss carry forwards to be recognized to the extent it is probable that there will be future taxable income against which the losses can be offset.

Deferred taxes 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, made up of the charge for corporation tax plus surcharge and municipal trade tax on income.

As set out in IAS 12, corporation tax credits arising as a result of appropriations of profits are only recognized upon distribution. However, due to the current moratorium in Germany, no corporation tax credit can be recognized on distributions up to and including 2005.

Provisions for pensions and similar obligations: Pension provisions have been calculated actuarially in accordance with IAS 19, using a discount rate of 5.5 (2002: 6.0) percent per annum. The actuarial calculations are based on specific inflation-adjusted remuneration assumptions made by the supervisory board, currently set at 2 percent for the active members of the executive board. For former members of the executive board, pension increases are based on the amounts set in accordance with the Law on Adjustment of Service and Welfare Payments in the Federal and State Governments for 2003/2004 (BBVAnpG).

Tax liabilities: Tax liabilities have been recognized based on expected risks.

Other provisions and accruals: Other provisions and accruals are included in the amount of expected risks. They have been set up to the extent there is a present obligation to third parties. They must also have arisen as a result of a past event and it must be more likely than not that an outflow of resources will be needed to settle the obligation (IAS 37).

Accruals for internal costs are not recognized.

Where the effect of the time value of money is material, long-term provisions expected to be settled in more than one year reflect expected cost inflation and are discounted to their present value using a market discount rate.

Liabilities: Liabilities are recorded at the amount of cash, goods or services received and are subsequently stated at amortized cost. Liabilities in foreign currency are translated at year-end rates (IAS 21).

Derivative financial instruments, hedging: Derivative financial instruments are only used to hedge interest-rate risks and foreign currency risks. Derivative financial instruments are stated at fair values as set out in IAS 39, regardless of whether this results in an unrealized gain or loss. Whereas changes in fair values of derivatives designated as fair value hedges are recognized in income, changes in fair values of derivatives designated as cash flow hedges are recognized directly in a separate component of shareholders' equity. Any related deferred taxes on the fair values of the cash flow hedges are also included in equity.

Share options: There are currently no specific accounting requirements requiring application in IFRS for options issued on Fraport AG's shares in connection with the authorized capital. Hence, consistent with the previous year and in conformity with IAS 1.22 c), Fraport AG has made recourse to existing standards issued by other standard setters. APB 25 of US GAAP permits stock options to be recorded at their intrinsic value. The intrinsic value of the options (difference between the actual share price and the exercise price of the options) issued the third tranche was positive and was thus recognized in personnel expense for the first time in 2003. IFRS 2 issued on February 19, 2004 sets out requirements for accounting for share options and is required to be applied as from January 1, 2005.

New standards: The Improvements to International Accounting Standards, issued by the IASB in December 2003, require the amended standards to be applied as from January 1, 2005. We have not used the possibility of voluntary earlier application.

The amendments to IAS 32 and IAS 39, published by the IASB in December 2003 and IFRS 2 published in February 2004 are to be applied as from January 1, 2005. We have also not applied these standards in the 2003 financial statements.

Notes on the Consolidated Income Statement

6 Revenues

Revenues are recorded when services are rendered. We refer to segment reporting and note 42 for further details.

7 Reduction in finished goods and work-in-process

in € million	2003	2002
Reduction in finished goods and work-in-process	**– 0.1**	– 0.8

8 Other internal work capitalized

in € million	2003	2002
Other internal work capitalized	**18.0**	19.2

Other internal work capitalized relates primarily to engineering, design and construction work, as well as other works output at Fraport AG. In 2003, this item includes €5.8 million for planning work relating to the extension to Frankfurt airport. Third-party borrowing costs are not capitalized.

9 Other operating income

in € million	2003	2002
Income from unrealized foreign currency gains	**11.9**	26.5
Gains on disposals of items included in non-current assets (excl. financial assets)	**10.3**	1.6
Income from realized foreign currency gains	**9.7**	23.9
Release of provisions and accruals	**8.0**	14.0
Release of deferred investment grants	**1.6**	1.8
Release of allowances	**1.3**	3.3
Write-ups of current assets	**0.9**	0.0
Gains on disposals of financial assets	**0.8**	0.0
Other prior year income	**0.1**	0.0
Other	**12.5**	9.1
	57.1	80.2

10 Cost of materials

in € million	2003	2002
Cost of raw materials, consumables, supplies and purchased merchandise	– 69.0	– 60.6
Cost of services	– 215.4	– 214.7
	– 284.4	– 275.3

11 Personnel expenses and number of employees

in € million	2003	2002
Wages and salaries	– 748.5	– 691.2
Social security and welfare expense	– 153.3	– 141.3
Pension expense	– 32.1	– 27.6
	– 933.9	– 860.1

Of the increase in personnel expense, €48.8 million relates to ICTS. The increase can be attributed to an expansion in security services and the related higher need for personnel at ICTS group companies (+1,749 employees). The increase in personnel expense at Fraport AG (+ €13.4 million) was particularly due to a collective bargain rise in wages and salaries of 2.4 percent in September 2003 and higher additions to provisions for part-time early retirement, early retirement and severance pay.

Expenses include €2.1 million for share-based compensation for 2003 in connection with the LEA program.

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

Average number of employees	2003	2002
Salaried staff	7,394	7,407
Wage earners	15,177	13,281
Part-time (interns, students, pupils)	782	707
	23,353	21,395

The average number of persons employed by the fully consolidated companies during the year (excluding apprentices) amounted to 22,989 (2002: 20,850), with the share of persons employed in proportionately consolidated companies being 364 (2002: 545).

12 Depreciation and amortization of tangible and intangible non-current assets

in € million	2003	2002
Depreciation and amortization of items included in intangible assets and in property, plant and equipment	**– 258.1**	– 214.1

The total depreciation includes impairment write-downs to goodwill of €3.2 million and to property, plant and equipment of €37.9 million, as set out in IAS 36.
Of the impairment write-down to property, plant and equipment as set out in IAS 36, €20.0 million relates to Fraport AG and €17.9 million to the Frankfurt-Hahn airport cash generating unit. The valuation of the assets revealed that the earnings performance of the property, plant and equipment was lower than originally expected. The recoverable amount is the value-in-use or net realizable value.

We also refer to notes 23 and 24 for further details of depreciation expense.

Systematic depreciation

Systematic depreciation was charged using the straight-line method based upon the following estimated useful lives, applied throughout the group:

	Years
Buildings	5 – 40 Years
Technical equipment and machinery	3 – 33 Years
Operating and office equipment	4 – 25 Years
Goodwill	The amortization periods are the best estimates of the periods of time during which their economic use will flow to the group The useful lives are between 8 and 15 years
Other intangible assets	3 – 15 Years

13 Other operating expenses

in € million	2003	2002
Rental and leasing expense	**– 50.7**	– 51.7
Advisory fees	**– 19.2**	– 35.2
Insurance premiums	**– 22.0**	– 10.1
Advertising costs	**– 18.6**	– 14.3
Unrealized foreign currency losses	**– 8.4**	– 29.2
Demolition costs	**– 4.0**	– 2.5
Realized foreign currency losses	**– 3.1**	– 8.0
Losses on disposals of items included in non-current assets	**– 1.0**	– 2.2
Provision for loss on put option Hanover	**0.0**	– 18.7
Other	**– 92.1**	– 79.7
(of which prior period)	**(– 1.3)**	(– 5.1)
	– 219.1	**– 251.6**

14 Interest result

in € million	2003	2002
Other interest and similar income	**19.1**	19.8
Interest and similar expenses	**– 50.5**	– 53.8
	– 31.4	– 34.0

Interest expense includes a loss on the net monetary position in hyperinflationary economies of €2.4 million (2002: €2.8 million).

15 Result of investments held at equity

The result is made up as follows:

in € million	2003	2002
Hanover Airport (result 2002/2001)	– 1.3	– 10.7
LAP	2.7	2.3
Portway	– 1.8	0.0
ACF	0.2	0.1
ASG	0.8	0.9
PIATCO (up to September 30, 2002)	–	– 6.5
PAGS (up to September 30, 2002)	–	– 2.9
PTI, PTH (up to September 30, 2002)	–	– 0.2
	0.6	– 17.0

16 Income from investments

Income from investments includes income from our additional 30 percent dividend rights in Antalya of €9.1 million for 2003 and €8.5 million for 2002. It also includes income from our Spanish investment in Ineuropa Handling UTE of €6.9 million (2002: €4.3 million) and payments relating to a settlement by BBIP Berlin Brandenburg International Partner GmbH & Co. KG of €4.8 million.

17 Write-downs of financial assets

The write-downs of financial assets for 2002 consisted of €1.9 million for JCDecaux Airport Media GmbH, Frankfurt am Main, and €1.8 million for loans to investee companies.

18 Impairment write-downs to Manila engagement

in € million	2003	2002
Write-downs of receivables, Manila engagement (affecting EBITDA)	–	– 241.7
Write-downs of investments held at equity, Manila engagement (affecting EBITDA)	–	– 18.9
Write-downs of financial assets	–	– 28.9
	0.0	– 289.5

19 Other financial results

in € million	2003	2002
Income from securities and loans	**1.2**	3.4
Investment fund (to October 2002)	**0.0**	0.4
	1.2	3.8

20 Taxes on income

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

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 IFRS 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.

Income tax expense is made up of the following items:

in € million	2003	2002
Current taxes on income	**– 111.8**	– 54.5
Deferred taxes on income	**18.5**	– 24.9
	– 93.3	– 79.4

Deferred tax assets were affected among other things by the change in national tax law reflected in the IFRS financial statements for Antalya and deferred taxes on the impairment write-down of property, plant and equipment for Frankfurt-Hahn airport as set out in IAS 36.

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

in € million	2003 Assets	2003 Liabilities	2002 Assets	2002 Liabilities
Property, plant and equipment	**3.7**	**– 156.6**	1.2	– 160.1
Financial assets	**0.6**	**–**	0.6	–
Inventories	**–**	**– 0.7**	–	– 0.6
Receivables and other assets	**1.2**	**– 3.0**	–	– 1.9
Prepaid expenses	**0.5**	**–**	0.5	–
Pension provisions	**1.7**	**–**	1.3	–
Other provisions and accruals	**20.5**	**–**	7.7	–
Liabilities	**3.8**	**– 11.3**	4.2	– 7.5
Other balance sheet items	**0.1**	**– 3.5**	0.8	–
Tax loss carried forward	**4.5**	**–**	5.3	–
Total in individual financial statements	**36.6**	**– 175.1**	21.6	– 170.1
Offsets	**– 30.7**	**30.7**	– 14.7	14.7
Consolidation adjustments	**8.6**	**– 3.1**	1.6	– 3.1
Consolidated financial statements	**14.5**	**– 147.5**	8.5	– 158.5

Deferred taxes on tax losses carried forward have not been set up in the amount of €4.5 million (2002: €4.0 million) as these will probably not be available for offset against taxable profits. Deferred taxes include €3.0 million (2002: €3.8 million) deferred tax assets on negative market values of financial derivatives. The change compared with the previous year of €0.8 million has been charged to equity, corresponding to the change in fair value.

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

in € million	2003	2002
Result before income taxes	**209.5**	– 40.1
Municipal trade tax on income in Germany	**– 41.2**	– 4.8
Result after municipal trade tax on income	**168.3**	– 44.9
Expected tax income/expenses [1]	**– 47.2**	11.9
Tax effect of foreign tax rate differences	**– 2.8**	– 3.4
Taxes on non-deductible taxes	**– 0.8**	– 0.3
Permanent differences, including non-deductible tax audit provisions	**– 15.5**	– 86.4
Tax effect of equity consolidation adjustments affecting income	**– 7.0**	– 4.7
Tax effect of tax-free income and taxable income prior years	**16.0**	2.2
Tax effect of tax rate changes	**2.4**	0.0
Tax reduction due to distributions in Germany	**0.0**	6.0
Other	**2.8**	0.1
Municipal trade tax on income in Germany	**– 41.2**	– 4.8
Taxes on income as shown in the income statement	**– 93.3**	– 79.4

[1] Expected corporation tax income/expense of 26.5 % (2002: 25 %) plus solidarity surcharge of 5.5 %.

21 Other taxes

Other taxes consist primarily of property taxes.

22 Earnings per share

	2003		2002	
	Basic	Diluted	Basic	Diluted
Group profit for the year (2002: group loss) in € million	**115.2**	**115.2**	– 120.8	– 120.8
Weighted average number of shares	**90,177,344**	**91,148,836**	90,121,763	91,060,389
Basic earnings per €10 share in €	**1.28**	**1.26**	– 1,34	– 1.33

Basic earnings per share for 2003 are calculated using the weighted average number of issued shares with a share of capital of €10 each. As a result of the capital increase on May 6, 2003 and the purchase and redistribution of treasury shares, the number of issued shares changed from 90,071,110 to 90,231,488 at December 31, 2003. With the weighted average number of outstanding shares for 2003 at 90,177,344, basic earnings per €10 share amounted to €1.28.

As a result of the rights granted to employees to acquire shares in the company (authorized capital) as set out in a collective agreement (employee share ownership program) and the issue of share options in connection with the 2003 share option plan (restricted capital) the diluted number of shares amounts to 91,148,836 and hence diluted earnings per €10 share amounts to €1.26.

Notes on the Balance Sheet

Details of the items making up non-current assets and movements during the year are set out in the consolidated statement of movements in non-current assets.

23 Intangible assets

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. They include 30 percent of the dividend rights from Antalya (carrying value at December 31, 2003 of €17.6 million), which are being amortized over the term of the rights until June 2007.

Goodwill arising on consolidation is made up of the following:

in € million	Book value Jan. 1, 2003	Depreciation	Impairment write-downs	Disposals/ foreign currency differences	Book value Dec. 31, 2003
Goodwill					
ICTS	108.8	– 8.1	–	–	**100.7**
Antalya	32.9	– 7.2	–	–	**25.7**
Saarbrucken Airport	2.3	– 0.2	– 1.3	–	**0.8**
Frankfurt-Hahn Airport	2.1	– 0.2	– 1.9	–	**0.0**
Media	0.5	– 0.1	–	–	**0.4**
Other goodwill arising on subgroup consolidations (ICTS, Air-Transport IT, TCR)	14.4	– 1.3	–	– 1.7	**11.4**
	161.0	**– 17.1**	**– 3.2**	**– 1.7**	**139.0**

24 Property, plant and equipment

Items in property, plant and equipment are stated at acquisition or production cost less systematic depreciation and any necessary impairment write-downs as set out in IAS 36. 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 Antalya, the joint venture company. At the end of the concession agreement (July 2007) 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 Euro value at the time of its initial consolidation.

25 Investments held at equity

In addition to acquisitions of shares, additions also include profits and disposals include sales of shares, dividends and losses.

Additions are made up of 10 percent of the capital in Hanover airport (€30.1 million), a capital increase at Portway (€1.1 million) and changes due to applying equity accounting for the year.

Disposals include an adjustment of €1.5 million to the purchase price for Hanover airport as a result of a settlement.

Goodwill arising from accounting for the investment in Hanover airport at equity is being systematically amortized, the expense for the year amounting to €0.2 million.

Amortization includes an impairment write-down of €18.7 million relating to the put option requiring Fraport to acquire 10 percent of the shares in Hanover airport, which was recorded in provisions in 2002.

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

26 Other financial assets

Additions to loans to investments include primarily €0.5 million to TCR and €0.3 million to Tradeport Hong Kong Ltd.

Disposals of other investments and loans to investments mainly relate to the sale of: Brisbane Airport Corporation Ltd. (€3.6 million), JCDecaux Airport Media GmbH (€1.9 million) and GOLDAIR Aviation Handling S.A. (€1.2 million).

27 Inventories

in € million	Dec. 31, 2003	Dec. 31, 2002
Raw materials, consumables and supplies	**14.2**	10.6
Work-in-process	**0.1**	1.8
Finished goods	**1.6**	0.0
Purchased merchandise	**0.2**	0.2
On-account payments	**1.0**	0.5
	17.1	13.1

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.

28 Trade accounts receivable

in € million	Remaining term up to 1 year	Remaining term over 1 Jahr	Total Dec. 31, 2003	Remaining term up to 1 year	Remaining term over 1 year	Total Dec. 31, 2002
Trade receivables from third parties	**181.3**	**0.0**	**181.3**	195.9	0.0	195.9

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

29 Other receivables and other assets

in € million	Remaining term up to 1 year	Remaining term over 1 year	Total Dec. 31, 2003	Remaining term up to 1 year	Remaining term over 1 year	Total Dec. 31, 2002
Due from affiliated companies	–	–	**0.0**	0.1	–	0.1
Due from joint ventures	**0.2**	–	**0.2**	0.5	–	0.5
Due from associated companies	**1.8**	–	**1.8**	2.2	–	2.2
Due from other investments	**1.1**	–	**1.1**	6.1	–	6.1
Other assets	**50.3**	**74.6**	**124.9**	39.6	27.9	67.5
	53.4	**74.6**	**128.0**	48.5	27.9	76.4

Other receivables and other assets are measured at nominal values. Sufficient specific allowances have been set up to cover any possible bad debts.

The largest item in other assets consists of a receivable of €60.1 million for the passive noise protection program recorded in 2003. The receivable has been recognized based on a commitment by airlines to take over the financing of the passive noise protection program. Principally, the measures to be taken are items which do not affect Fraport's results of operations. Appropriate receivables and liabilities are recognized in Fraport AG's balance sheet.

A further significant amount included in other assets is a receivable of €19.4 million from the State of Hesse arising from a settlement contract in 2001 in connection with decommissioning a former munitions disposal site, for which Fraport AG assumed responsibility (the original amount as stated in the settlement contract in 2002 was €23.0 million). Repayment will be made by the State of Hesse in five equal annual amounts commencing in January 2003. Receivables of €13.8 million have a remaining term of more than one year

The caption also includes €15.2 million for payments made by Fraport AG to cover the roof of the railway station at Frankfurt Airport. There is a dispute between Fraport AG and DB Station & Service AG as to the portion of the construction costs to be assumed by Fraport AG. We have agreed with DB Station & Service AG that arbitration proceedings should clarify the overall costs relating to the railway station.

30 Cash, bank balances and checks

in € million	Dec. 31, 2003	Dec. 31, 2002
Cash, bank balances and checks	**610.8**	585.1

Bank balances mainly include short-term deposits. €540.7 million of these funds originate from the IPO and were invested in an investment fund until October 2002.

31 Prepaid expenses

Prepaid expenses mainly consist of construction grants of €30.2 million relating to expenses to be incurred in subsequent periods (mainly in more than one year).

32 Deferred tax assets

Deferred tax assets have been set up in accordance with IAS 12. Further details are set out in note 20 “taxes on income”.

33 Shareholders’ equity

Subscribed capital: On May 6, 2003, Fraport AG’s executive board again exercised their rights to increase capital as set out in § 4 para. 3 (b) of the company statutes. The subscribed capital was increased by €1.5 million through the issue of 150,600 new bearer shares with an imputed share in the subscribed capital of €10.00 each and with full distribution rights beginning 2003.

Number of shares issued: The subscribed capital is made up of 90,361,658 (2002: 90,211,058) bearer shares of no par value, each having an imputed share of €10.00 in the share capital.

Authorized capital: The authorized capital of €13.9 million (originally €15.0 million) at December 31, 2002 was used, in the amount of €1,506,000, to issue new shares for cash in 2003 for the purpose of issuing shares to employees of Fraport AG and its subsidiaries. Existing shareholders have no preemptive rights.

The remaining authorized capital amounted to €12.4 million at December 31, 2003.

Restricted authorized capital: As in the previous year, restricted authorized capital at December 31, 2003 was €13.9 million.

As part of the share option plan, options of €2.2 million were granted in 2003 to the members of Fraport AG's executive board, members of management of affiliated companies of Fraport AG and other members of Fraport AG’s management and its affiliated companies employed in Germany. Share options may only be exercised following a vesting period of two years from the grant date. See note 46 for further details.

Treasury shares: Fraport AG’s treasury shares totaled 130,170 at December 31, 2003.

Movements of shares in circulation and treasury shares as set out in § 160 AktG were as follows:

	Subscribed capital	Shares in circulation	Treasury shares		
	Number	Number	Number	Amount of share capital in €	Share of share capital in %
Balance at January 1, 2003	**90,211,058**	**90,071,110**	**139,948**	**1,399,480**	**0.155**
Employee participation program:					
Capital increase (May 6, 2003)	**150,600**	150,600			
Shares purchased		– 150,600	150,600	1,506,000	0.167
Shares re-distributed to employees		150,600	– 150,600	– 1,506,000	0.167
Executive board remuneration:					
Shares re-distributed to members of the executive board		9,778	– 9,778	– 97,780	0.011
Balance at December 31, 2003	**90,361,658**	**90,231,488**	**130,170**	**1,301,700**	**0.144**

The shares relating to the employee participation program were acquired on May 8, 2003 for €17.50 per share and were re-distributed to employees for the same amount.

The shares in connection with the executive board remuneration program were offset at €19.12.

Capital reserves: Capital reserves rose by the premium of €7.50 per share in connection with the capital increase and issue of 150,600 new shares (equivalent to €1.1 million). Capital reserves rose by a further €0.1 million due to the purchase and re-distribution of treasury shares.

Revenue reserves: Revenue reserves are made up of the reserves of Fraport AG (including legal reserves of €36.5 million), the revenue reserves and retained profits of the subsidiaries included in the consolidated financial statements, together with consolidation adjustments. The foreign currency translation difference amounts to €–16.5 million (2002: €–12.5 million), including foreign currency translation differences of €–9.2 million from valuing the Philippine companies at equity which, as set out in IAS 21, are only charged to the consolidated income statement when the companies are disposed of. The reserve for fair value accounting for derivatives is €–4.4 million (2002: €–5.7 million). The significantly higher amount of other revenue reserves compared with Fraport AG's financial statements is mainly due to the higher measurement of property, plant and equipment.

Group retained profits: Group retained profits is the same amount as Fraport AG's retained profits. The recommended dividend amounts to €0.44 per share.

According to the company statutes, the Executive Board and Supervisory Board are entitled to appropriate more than 50 percent of the annual earnings to other surplus reserves, until surplus reserves have reached half of the company's capital stock.

34 Minority interests

The minority interests relate to shares in Media, Saarbrucken airport, GCS, Frankfurt-Hahn airport, Hahn Campus, ARS, Fraport Peru, Fraport Philippines and companies in the ICTS sub-group. Minority interests decreased by €0.5 million due to the de-consolidation of ACLLC.

35 Deferred investment grants on items in non-current assets

These represent investment grants given by the government of €12.5 million (2002: €14.5 million) and by other providers of grants of €10.3 million (2002: €9.7 million). The government grants relate primarily to advance expenditures at Frankfurt-Hahn airport. The balance is being amortized straight-line over the lives of the capital expenditures to which the grants relate.

36 Provisions and accruals

Provisions for pensions and similar obligations:

in € million	Balance at Jan. 1, 2003	Use	Change in companies consolidated	Service cost	Interest	Other changes	Balance at Dec. 31, 2003
Pension obligations	20.1	– 1.0	–	1.0	1.0	0.7	**21.8**
Employee-financed pension benefits	0.2	– 0.1	–	0.2	–	– 0.1	**0.2**
	20.3	– 1.1	–	1.2	1.0	0.6	**22.0**

in € million	Balance at Jan. 1, 2002	Use	Change in companies consolidated	Service cost	Interest	Other changes	Balance at Dec. 31, 2002
Pension obligations	17.2	– 0.9	1.7	1.7	1.0	– 0.6	**20.1**
Employee-financed pension benefits	0.2	–	–	–	–	–	**0.2**
	17.4	– 0.9	1.7	1.7	1.0	– 0.6	**20.3**

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 mortality tables prepared by Prof. Dr. Klaus Heubeck (RT 98).

In addition, the pension obligations include the vested interests of employees taken over in 1999 amounting to €0.2 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 €0.2 million.

As a member of the Employers' Association of Hesse's local and municipal associations, Fraport AG is subject to the public sector collective bargaining rules and is a member of the supplementary welfare fund for municipalities and municipal associations in Wiesbaden (ZVK Wiesbaden), which is financed by charging its members. Hence, Fraport AG makes an annual contribution to ZVK Wiesbaden for pensions for its wage earners and salaried staff.

Movements in **tax liabilities** are as follows:

in € million	Balance at Jan. 1, 2003	Use	Release	Additions	Balance at Dec. 31, 2003
Tax liabilities	86.7	– 8.6	– 2.4	97.8	**173.5**
Of which long-term	72.6				**136.7**

The following table shows movements in **other provisions and accruals:**

in € million	Balance at Jan. 1, 2003	Use	Release	Additions	Other changes	Balance at Dec. 31, 2003
Personnel	88.4	– 33.3	– 3.9	59.6	0.6	**111.4**
Environment	17.4	– 2.5	0.0	1.8	0.4	**17.1**
Other	212.4	– 197.4	– 4.0	119.7	– 0.4	**130.3**
	318.2	– 233.2	– 7.9	181.1	0.6	**258.8**
Of which long-term	46.0					**136.2**

Personnel provisions and accruals include obligations arising from employee participation in performance and profits (LEA), 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.

The provisions for environmental damage mainly consist of probable restructuring costs for removing nitrate pollution from the water table at the Frankfurt Airport grounds, as well as environmental damage in the southern part of the airport.

Other provisions and accruals include €66.4 million provision for financing the passive noise abatement program, recognized by Fraport AG in 2003 (see also note 28). This caption also includes liabilities for outstanding invoices, rebates and recoveries, advisory fees and legal costs. Additions to other provisions and accruals include interest of €3.2 million.

The provision of €137.9 million for guarantee commitments to a banking consortium in connection with the Manila project recognized in 2002 was fully used in 2003.

37 Finacial liabilities

in € million	Remaining term			Total	Remaining term			Total
	up to 1 year	1–5 years	> 5 years	Dec. 31, 2003	up to 1 year	1–5 years	> 5 years	Dec. 31, 2002
Liabilities to banks	**241.5**	**294.4**	**297.0**	**832.9**	239.7	279.3	386.1	905.1
Other	**5.1**	–	–	**5.1**	4.6	–	–	4.6
	246.6	**294.4**	**297.0**	**838.0**	244.3	279.3	386.1	909.7

Individual loans exceeding €25.0 million are as follows:

	Term from – to	Currency	Interest rate %	Balance at Dec. 31, 2003 in € million	Balance at Dec. 31, 2002 in € million
Fixed-interest loans	1999 – 2011	€	4.72	**25.6**	25.6
	1998 – 2010	€	4.83	**35.8**	35.8
	1999 – 2009	€	4.61	**25.6**	25.6
	1999 – 2028	€	4.15	**33.0**	33.0
	1999 – 2028	€	5.10	**33.0**	33.0
	1996 – 2006	€	6.80	**25.6**	25.6
	1998 – 2008	€	4.60	**25.6**	25.6
	1998 – 2008	€	4.57	**25.6**	25.6
	1999 – 2009	€	4.56	**25.6**	25.6
	1994 – 2004	€	6.43	**51.1**	51.1
	1998 – 2008	€	4.60	**38.3**	38.3
	1998 – 2008	€	4.60	**25.6**	25.6
	2000 – 2007	US-$	7.11	**29.7**	40.3

38 Trade accounts payable

in € million	Remaining term			Total	Remaining term			Total
	up to 1 year	1–5 years	> 5 years	Dec. 31, 2003	up to 1 year	1–5 years	> 5 years	Dec. 31, 2002
To third parties	**70.4**	**8.6**	–	**79.0**	88.9	5.9	–	94.8
	70.4	**8.6**	–	**79.0**	88.9	5.9	–	94.8

39 Other liabilities

in € million	Remaining term			Total	Remaining term			Total
	up to 1 year	1–5 years	> 5 years	Dec. 31, 2003	up to 1 year	1–5 years	> 5 years	Dec. 31, 2002
On-account payments on orders	**0.1**	–	–	**0.1**	2.4	–	–	2.4
to joint ventures	**1.4**	–	–	**1.4**	1.2	–	–	1.2
to associated companies	**0.6**	–	–	**0.6**	1.1	–	–	1.1
Other investments	**0.3**	**0.3**	–	**0.6**	1.8	0.3	–	2.1
Other liabilities	**82.7**	**14.9**	–	**97.6**	108.8	9.8	–	118.6
	85.1	**15.2**	–	**100.3**	115.3	10.1	–	125.4

Other liabilities mainly include wage and church taxes and social security contributions withheld, accrued interest relating to interest caps and liabilities to employees.

40 Deferred income

This consists of income attributable to future periods, as follows:

in € million	Dec. 31, 2003	Dec. 31, 2002
Rental income paid in advance	**15.4**	16.9
Long-term lease income paid in advance	**23.9**	26.0
Infrastructure contributions	**10.6**	10.9
Other	**12.9**	12.8
	62.8	66.6

Most of the deferred income will be released to income in more than one year.

41 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 set out in note 20, “Taxes on income”.

Notes on Segment Reporting

42 Notes on segment reporting

Segment reporting as set out in IAS 14 is based on internal reporting to the parent company's executive board and is shown in Appendix 2 to the notes.

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. All business and service areas are clearly allocated to one segment. The support areas are allocated to the segments using appropriate allocation percentages. Further details relating to segment reporting are set out in the management report.

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

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 re-charged to the units located in these premises is calculated based on actual cost incurred including value-based interest.

Intersegment revenues also include sales recorded between companies included in different segments.

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.

The secondary reporting format by geographic area is divided into our main area of activities in Germany, the rest of Europe, Asia and the rest of the world. Amounts shown under Asia mainly relate to our operations in Turkey and Hong Kong.

The amounts shown as the "rest of the world" mainly relate to the USA and Peru.

Significant differences compared with the previous year arise from the merger of the Civas companies, included in the Non-Aviation segment in 2002, with ICTS Europe. This led to a change in segment allocation, with a shift between the Aviation and Non-Aviation segments in 2003.

Depreciation of segment assets includes impairment write-downs of goodwill and property, plant and equipment as set out in IAS 36 totaling €41.1 million (see also note 12). This had the following effect on segment results: €9.6 million Aviation, €30.3 million Non-Aviation, €1.1 million Ground Handling and €0.1 million Others.

Notes on the Statement of Cash Flows

43 Notes on the statement of cash flows

Net cash from operating activities

Of the net cash from operating activities (€447.2 million), €467.0 million (2002: €513.8 million) is from operations, whereas net cash outflow of €0.5 million (2002: €29.7 million) was used for financial activities and €19.3 million (2002: €88.5 million) for taxes on income. The net cash flow thus increased by €51.6 million.

Cash flow from investing activities/cash flow from financing activities

Cash outflows from investing activities consisted in particular of payments of €136.5 million for guarantee commitments to a consortium of banks in connection with the Manila engagement. On the other hand, in 2002 cash receipts of €489.9 million from the sale of the special investment fund led to cash inflows from investing activities of €190.3 million.

Capital expenditures on intangible assets and on property, plant and equipment increased by €13.2 million compared with 2002. Investments in entities held at equity relate primarily to the purchase of a further 10 percent holding in Hanover-Langenhagen airport.

Acquisitions of subsidiaries and joint ventures in 2002 consisted of shares in ICTS (remaining 55 percent) and in DST (100 percent) as well as in Tradeport (remaining 50 percent).

There was a cash outflow of €58.7 million from financing activities in 2003, mainly due to repayment of financial debt.

Cash and cash equivalents

Cash and cash equivalents are made up of the following balance sheet captions: cash, bank balances and checks. €540.7 million of the total stems from cash received from the IPO and were invested in a special investment fund until October 2002.

Other Disclosures

44 Contingent liabilities

At December 31, 2003 there were contingent liabilities from guarantees of €11.1 million (thereof €5.8 million for joint-venture companies) and from guarantee contracts of €123.9 million. These mainly consist of contractual fulfillment guarantees of €99.1 million. The contractual fulfillment guarantees include a guarantee to the Hong Kong Airport Authority in connection with the Tradeport Hong Kong Ltd. investment project of €79.2 million, for which there is a recourse receivable of €62.5 million from the other guarantors.

Antalya has issued a guarantee to DHMI (Turkish concession authorities) for the hand over of terminal equipment upon expiry of the concession in 2007 in the amount of 1 percent of expected receipts plus depreciation.

There are additional financial commitments relating to Frankfurt-Hahn airport resulting from a possible additional purchase price payment of €3.8 million to the Federal Republic of Germany from the acquisition of real estate, and from a possible contractual penalty of €5.1 million to the State of Rhineland-Palatinate, if capital expenditures of at least €61.0 million are not made and one thousand permanent jobs are not created by 2005.

45 Other financial commitments

in € million	Dec. 31, 2003	Dec. 31, 2002
Orders placed for capital expenditures and energy	**727.7**	266.0
Rental and leasing contracts > 1 year		
1. Due in the first subsequent year	**71.0**	65.6
2. Due in the second subsequent year	**43.3**	42.2
3. Due in the third subsequent year	**42.2**	42.0
4. Due in the fourth subsequent year	**41.5**	41.6
5. Due in the fifth subsequent year	**40.8**	41.0
6. Due in the sixth subsequent year and thereafter (accumulated)	**41.0**	47.9
	279.8	280.3

Operating Leases

The rental and leasing agreements are mainly to be seen as operating leases from an economic ownership standpoint, so that the leased asset is allocated to the lessor. The leases mainly relate to buildings and rental and leasing of hardware and software. The minimum lease terms for building leases normally expire by 2007.

In connection with the Manila project:

in € million	Dec. 31, 2003	Dec. 31, 2002
Capital contribution commitment to PIATCO (US-$40.0 million)	**31.7**	38.4
Conditional remaining purchase price payment for PAGS (US-$2.0 million)	**1.6**	1.9
	33.3	40.3

The above-mentioned capital contribution commitment of US-$40.0 million, granted in connection with the original long-term funding on July 27, 2001, could be claimed by PIATCO under certain conditions which cannot be influenced by Fraport.

If this obligation arises, Fraport assumes that, provided certain conditions are met, this obligation can be offset against existing claims from loans and receivables, so that there will be no additional cash outflows.

46 Share options

Resolution of the annual general meeting

On March 14, 2001, the annual general meeting of the shareholders of Fraport AG agreed the main points of a share option plan. This program foresees that members of the executive board of Fraport AG, general managers of affiliated companies and other senior staff of Fraport AG employed in Germany will be granted share options.

The authorization to issue up to 1,395,000 share options was granted for the period through August 31, 2005, to be issued in annual installments of no more than 25 percent of the overall volume. Issues require approval by the supervisory board. Each share option entitles the holder to purchase one share with an imputed €10.00 share of the share capital.

Movements in share options on the restricted authorized capital were as follows:

Number of options	Total volume	Options issued in previous years	Options issued in 2003	Options not yet issued
Share options to				
– Executive board members	410,000	164,000	82,000	164,000
– Members of management of affiliated companies	187,500	27,500	23,750	136,250
– Management of Fraport AG	797,500	243,850	113,300	440,350
Total	1,395,000	435,350	219,050	740,600

The options can be satisfied in accordance with the above-mentioned resolution either by issuing shares from the restricted authorized capital from 2001 from treasury shares or by acquiring shares from third parties.

New shares from the restricted authorized capital are entitled to share in profits from the beginning of the year for which, at the time the options are exercised, there has been no resolution by the annual general meeting on the appropriation of retained earnings.

Restrictions on exercise

Share options can be exercised after a vesting period of two years. The above-mentioned share options issued in 2003, were issued effective May 17, 2003.

The condition for exercise is that, following the vesting period, the closing price of the Fraport share must have exceeded the exercise price by at least 15 percent on at least five trading days. Once the options have vested, the remaining exercise period is three years.

Accounting policies

For the first time there was personnel expense in 2003 of €0.3 million as a result of the share option program. The share options were measured at their intrinsic value.

Tranche 2001 through tranche 2003

Details of the options issued 2001 through 2003 are summarized in the following table:

	Grant date	End of vesting period	End of exercise period	Excercise hurdle in €	Excercise price in €
Tranche 2001	June 11, 2001	June 11, 2003	June 11, 2006	36.28	31.54
Tranche 2002	May 15, 2002	May 15, 2004	May 15, 2007	29.49	25.64
Tranche 2003	May 16, 2003	May 16, 2005	May 16, 2008	21.49	18.68

47 Disclosures on investments in accordance with the Securities Trading Law

The total voting shares as set out in § 22 para. 2 WpHG held by the State of Hesse, the Federal Republic of Germany and Stadtwerke Frankfurt am Main Holding GmbH in Fraport AG Frankfurt Airport Services Worldwide amounted to 70.82 percent. This is made up of 32.04 percent held by the State of Hesse, 18.32 percent by the Federal Republic of Germany and 20.46 percent by Stadtwerke.

The voting rights of the city of Frankfurt am Main in Fraport AG are indirectly held via its subsidiary, Stadtwerke.

48 Derivative financial instruments

Most transactions with derivative financial instruments are made only by the parent company. As set out in the interest and foreign currency risk management guidelines, they are not used for speculative purposes.

There are currently five interest swaps which are classified as cash flow hedges in accordance with IAS 39. The changes in fair values of the cash flow hedges are recorded directly to a separate item in shareholders' equity, with no initial effect on income.

The interest caps originally purchased to hedge the risk of increasing interest rates for variable-rate liabilities, were in turn hedged by two further caps (offsetting hedges). These interest caps have not been matched with an underlying and are classified as trading transactions.

The foreign currency forwards for US-$30.0 million and for US-$40.0 million matured on March 31, 2003. There was also a foreign currency forward in South African Rand with a three-month maturity (due on December 29, 2003) amounting to ZAR3.0 billion (€360.6 million). The changes in fair values of the foreign currency forwards are recorded in income when they mature.

All derivatives are recognized in the balance sheet at their fair values.

Credit risk represents counter-party bad debt risk (counter-party risk) and is made up of the total of all positive fair values. In line with the interest and foreign currency risk management guideline, credit risk is minimized by only entering into transactions with first-class banks.

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

	Nominal volumes		Fair values		Credit risk	
in € million	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Interest rate swaps	**165.4**	82.8	**– 5.9**	– 9.5	**0.4**	–
Interest caps (beneficiary)	**102.2**	102.2	**0.1**	0.3	**0.1**	0.3
Interest caps (obligor)	**102.2**	102.2	**– 0.1**	– 0.3	**–**	–
Forex forwards	**0.0**	68.4	**0.0**	– 1.3	**–**	–

49 Related parties

In accordance with IAS 24 (Related Party Disclosures), transactions with related entities and persons who control, or who are controlled by, the Fraport group must be disclosed to the extent they are not included as consolidated entities in the consolidated financial statements of Fraport AG. Control is deemed to exist if a shareholder owns more than half of the voting rights in Fraport AG or has the power to direct, by statute or agreement, the financial and operating policies of the management of Fraport group. However, IAS 24 states that no disclosures are required in the financial statements of state-controlled enterprises of transactions with other state controlled enterprises.

Furthermore, disclosures as set out in IAS 24 include transactions with associated companies and with persons who are able to exercise significant influence on the financial and operating policy decisions of Fraport AG, including close family members or intermediate entities. Fraport group is affected in 2003 by disclosure requirements as set out in IAS 24 with respect to transactions with associated companies, members of Fraport AG's executive board and supervisory board and the other members of management holding key positions.

Transactions between group companies and significant associated companies are all normal business transactions for the companies concerned and are all carried out at normal market conditions. See note 52 below for related party transactions with members of the executive board and supervisory board.

50 Service concessions

The following companies within the Fraport group have received service concessions or similar authorizations giving the public access to important commercial or social establishments:

Fraport AG

As set out in § 7 of the Air Transport Law dated August 21, 1936, on December 20, 1957 the Minister for Employment, Business and Transport of the State of Hesse, in agreement with the Federal Transport Minister, granted a license to operate the passenger airport at Frankfurt Main, for which a one-time fee was levied. The license is not limited in time.

The right to operate the airport is linked to several obligations set out in the license. These state that Fraport AG inter alia has to maintain the airport in a state of operational safety at all times, make available and maintain at the airport the equipment and signs required to regulate air traffic, and to ensure adequate fire safety and protection is provided to the extent needed to meet the particular operating conditions at the airport. Limitations on night flights were imposed on the company in a codicil to the license dated July 16, 1999. The operating license was further restricted and specified in more detail in a letter dated April 26, 2001, to the extent that Fraport AG is required to take active noise protection measures and, in particular, is obliged to carry out passive noise protection measures.

The company levies so-called traffic fees from the airlines using Frankfurt Main airport as remuneration for providing the infrastructure. These traffic fees are made up of airport fees requiring approval and other fees which do not require approval.

- The airport fees requiring approval as set out in § 43 par.1 of the Air Traffic Authorization Ordinance (LuftVZO) are divided into takeoff and landing fees, passenger and slot fees and (since November 1, 2002) fees to finance the noise protection measures. The amount of the fees is regulated in an appropriate scale of fees.

  The fee scale for 2002 was approved by the Hesse Economics, Transport and State Development Ministry (HMWVL) on November 28, 2001 and entered into force on January 1, 2002. The increased passenger-related fees levied in the period from April 1 through December 31, 2002 due to the safety situation at Frankfurt Airport were approved on February 26, 2002. A framework agreement for airport fees was agreed between Fraport AG and the airlines on April 30, 2002, in which the airport fees were fixed until December 31, 2006, the first time they had been fixed for a longer period of time. In addition, there is a state contract dated October 29, 2002 between the State of Hesse, represented by HMWVL, and Fraport AG. Due to the state of the economy and estimates of growth in air traffic, the airlines and Fraport AG agreed on October 9 and 31, 2003 to temporarily set aside the airport fees and fees to finance noise protection measures. Airport fees made up 30 percent of Fraport AG's revenues in 2003.

- The other fees which do not require approval are to be divided into fees for central ground services and infrastructure, and ground service fees. Due to an EU regulation dated April 1, 2000, the area of ground services on the apron was opened to competition by licensing a third party in addition to Fraport AG. Services in the central ground services and infrastructure area remain free from competition (monopoly). Of Fraport AG's revenues for 2003, 37.2 percent related to ground services and infrastructure fees.

In addition to air traffic fees, Fraport AG mainly earns revenues from sales levies, leasing and parking and security services. This income, to which there are no conditions imposed, made up 32.8 percent of total revenues for Fraport AG in 2003.

Flughafen Frankfurt-Hahn GmbH

Flughafen Frankfurt-Hahn GmbH received an air traffic license to use the military airport at Hahn for civil aviation purposes on July 14, 1993 (with subsequent amendments). The license was issued by the Rhineland-Palatinate Economics and Transport Ministry. The license is not limited in time. The company was in particular required to carry out passive noise protection measures.

The scale of fees valid for operating Frankfurt-Hahn airport entered into force on November 1, 2001. The takeoff and landing fees, passenger and slot fees (airport fees) requiring approval as set out in § 43 par.1 of the Air Traffic Authorization Ordinance (LuftVZO) were approved by the Rhineland-Palatinate State Road and Traffic Office (air traffic section). Airport fees made up 26.0 percent of the company's revenues in 2003.

Air traffic fees not requiring approval for ground services and providing infrastructure made up 15.0 percent of total revenues in 2003.

Other revenues apart from air traffic fees, mainly rental income and security services, made up some 59.0 percent of total revenue.

Antalya Havalimani Uluslararasi Terminal Işletmeciliği A.S.

The international terminal at Antalya airport is a BOT (Build, Operate, Transfer) project based on a concession granted by DHMI, the Turkish concession authorities. This gives Antalya the right to use all the assets listed in the concession agreement in order to operate the terminal until July 31, 2007.

Antalya is required to provide terminal services in accordance with international standards and to comply with the procedures and principles set out in the concession agreement. With respect to the assets which have been made available for its use, Antalya is obliged to carry out maintenance and (large) repairs and to replace items with new assets, to the extent their useful lives have expired.

In addition to receiving revenues from passenger fees, the company also earns revenues from retailing activities. The passenger fees are laid down by DHMI. Depending on passenger numbers, up to two-thirds of revenues from passenger fees are payable to DHMI as a concession fee. A levy of one-third of revenues from retailing activities is also payable to DHMI. To the extent passenger numbers do not reach a guaranteed minimum of 2 million annually, DHMI pays the company an appropriate settlement amount based on the actual number of passengers handled, in US dollars.

At the end of the concession, Antalya is required to return to DHMI all the assets listed in the concession agreement in a proper and operational condition.

As set out in the concession agreement, each year Antalya must submit a guarantee to DHMI of 1 percent of expected revenues for that year, which is to be repaid to Antalya one month after the complete handover of the terminal. Antalya is also required to issue a guarantee to DHMI each year in the amount of the annual depreciation of the assets. At the time the terminal is transferred, Antalya must pay DHMI the amount of the production cost of assets not renewed.

51 Declaration of the Executive Board and Supervisory Board of Fraport AG as set out in § 161 AktG

On December 15, 2003 the executive board and supervisory board of Fraport AG approved and published on the company's web site the declaration of compliance relating to the corporate governance code as set out in § 161 AktG.

52 Executive Board and Supervisory Board

The remuneration of the members of the executive board is made up of a fixed salary component and a variable, success-linked component (bonus). The criteria for determining the amount of the bonus component are achievement of budgeted group revenues and EBITDA (earnings before interest, tax and depreciation). In addition to a bonus, share options are granted to provide long-term motivation, within the framework of the share option plan (see details in note 46 above).

Remuneration expense for 2003 for current members of the executive board was €2,398,500 thereof €1,249,000 for the fixed component and €955,900 for bonuses. In addition to the bonuses for 2003, half of which has been paid out and the other half of which has been provided for payment in 2004, bonus expense includes a reduction for 2002. The supervisory board will decide on the final bonus for 2003 during 2004. Share options were also granted to the members of the executive board. The exercise hurdles for share options already granted have not yet been achieved.

Remuneration and share options granted to individual members of the executive board in 2003 were as follows:

Remuneration of the Executive Board for 2003	Base salary €000	Bonus €000	Total €000	Number of share options
Dr. Wilhelm Bender Chairman	330.1	253.9	584.0	20,000
Prof. Manfred Schölch Vice Chairman	276.1	217.2	493.3	17,000
Johannes Endler (until March 31, 2003)	51.1	– 4.3	46.8	0
Prof. Barbara Jakubeit	194.3	141.6	335.9	15,000
Herbert Mai	184.1	134.2	318.3	15,000
Dr. Stefan Schulte (since April 15, 2003)	213.3	213.3	426.6	15,000
Total	**1,249.0**	**955.9**	**2,204.9**	**82,000**

In additions to the above, members of the executive board also received benefits-in-kind and other contractually-agreed services totaling €193,600. There are also future pension obligations of €6,601,000. Provisions have been recognized for pension obligations to former members of the executive board and their surviving relatives totaling €13,650,000. Pension payments in 2003 were €1,047,000.

Neither members of the executive board, nor their dependent relatives carried out transactions in shares or options of Fraport AG in 2003, which require publication as set out in § 15a WpHG.

Members of the Executive Board	Memberships in statutory supervisory bodies and similar controlling bodies
Chairman **Dr. Wilhelm Bender**	Chairman of the Supervisory Board of: – Flughafen Hannover-Langenhagen GmbH Member of the Supervisory Board of: – Lufthansa CityLine GmbH – NOVA Allgemeine Versicherung AG – Thyssen Krupp Serv AG – Techem AG
Vice Chairman *Infrastructure and Legal Affairs* **Prof. Manfred Schölch**	Chairman of the Supervisory Board of: – Flughafen Frankfurt-Hahn GmbH Member of the Supervisory Board of: – Deutsche VerkehrsBank AG
Chief Financial Officer **Johannes Endler** (until March 31, 2003)	Member of the Supervisory Board of: – Tradeport Frankfurt GmbH – DELVAG Luftfahrtversicherungs AG – DELVAG Rückversicherungs AG – ICTS Europe Holdings B.V. – ICTS International N.V. Member of the Administrative Board of: – Landesbank Hessen-Thüringen Girozentrale – Frankfurter Sparkasse
Real Estate Development **Prof. Barbara Jakubeit**	Chairman of the Supervisory Board of: – Deutsche AeroConsult GmbH i.L.
Labor Relations **Herbert Mai**	Chairman of the Supervisory Board of: – Tradeport Frankfurt GmbH Member of the Supervisory Board of: – FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH
Chief Financial Officer **Dr. Stefan Schulte** (since April 15, 2003)	Chairman of the Supervisory Board of: – FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH – ICTS Europe Holdings B.V. Member of the Supervisory Board of (since December 12, 2003): – DELVAG Luftfahrtversicherungs AG – DELVAG Rückversicherungs AG – Flughafen Frankfurt-Hahn GmbH Vice member of the Administrative Board of: – Landesbank Hessen-Thüringen Girozentrale

Members of the Supervisory Board	Memberships in statutory supervisory bodies and similar controlling bodies
Chairman **Roland Koch** Prime Minister of the State of Hesse (until December 2, 2003) [Remuneration 2003: €32,400]	Member of the Administrative Board of: – Zweites Deutsches Fernsehen Chairman of the Supervisory Board of: – FIZ Frankfurter Innovationszentrum Biotechnologie GmbH – Hessische Staatsweingüter GmbH Kloster Eberbach
Chairman **Karlheinz Weimar** Hesse Minister of Finance (since December 4, 2003 Member of the Supervisory Board, since December 15, 2003 Chairman) [Remuneration 2003: €200]	Chairman of the Supervisory Board of: – Flughafen Kassel GmbH – Freilichtmuseum Hessenpark GmbH – Lotterie-Treuhandgesellschaft mbH Hessen Vice Chairman of: – Landesbank Hessen-Thüringen Girozentrale Member of the Supervisory Board of: – Frankfurter Innovationszentrum Biotechnologie GmbH – Future Capital AG – Investitionsbank Hessen AG – Messe Frankfurt GmbH – Tradeport Frankfurt GmbH – GWH Gemeinnützige Wohnungsgesellschaft mbH Hessen Advisory Council with duties of the Supervisory Board of: – Höchster Porzellan-Manufaktur GmbH
Vice Chairman **Gerold Schaub** Vice Chairman ver.di Hessen (trade union) [Remuneration 2003: €26,500]	Member of the Supervisory Board of: – Lufthansa Service Deutschland GmbH – Lufthansa Service Holding AG (until August 2003)
Herbert Becker External Liaison Officer (until June 25, 2003) [Remuneration 2003: €8,500]	Member of the Supervisory Board of: – Eintracht Frankfurt Fußball AG
Dr. Manfred Bischoff Former member of the Executive Board of DaimlerChrysler AG [Remuneration 2003: €16,600]	Chairman of the Supervisory Board of: – MTU Aero Engines GmbH – DaimlerChrysler Aerospace AG – DaimlerChrysler Luft- und Raumfahrt Holding AG Member of the Supervisory Board of: – Gerling Konzern Versicherungs-Beteiligungs-AG – J. M. Voith AG – Bayerische Hypo- und Vereinsbank AG Member in controlling bodies of the following business enterprises: – Royal KPN N.V. – Mitsubishi Motors Corporation – Lagardère-Sociétés S.A. – EADS Participations B.V. – European Aeronautic Defence and Space Company EADS N.V. (Chairman of the Board)
Wolfgang Bödicker Member of the Works Council (until June 25, 2003) [Remuneration 2003: €12,850]	Member of the Supervisory Board of: – Volks- Bau- und Sparverein (VBS) e.G. – Umland GmbH
Paul Breider Loading Foreman (until June 25, 2003) [Remuneration 2003:€9,100]	
Matthias Eckert Member of the Works Council (until June 25, 2003) [Remuneration 2003: €8,700]	

Jörg-Uwe Hahn
Leader of the FDP Party
in the Hesse state parliament
Member of the Hesse state parliament
[Remuneration 2003: €26,100]

Member of the Supervisory Board of:
- Flughafen Frankfurt-Hahn GmbH
- TaunusFilm GmbH

Member of the Broadcasting Board of Hessischer Rundfunk

Lothar Herbst
Chairman of ver.di (trade union)
Frankfurt District and Region
(since June 25, 2003)
[Remuneration 2003: €7,900]

Vice Chairman of the Supervisory Board of:
- Stadtwerke Frankfurt am Main Holding GmbH

Member of the Supervisory Board of:
- Mainova AG
- Verkehrsgesellschaft Frankfurt am Main (VGF)
- LSG Sky Chefs Deutschland GmbH (until October 8, 2003)

Helmut Hofmann
Member of the Works Council
(since June 25, 2003)
[Remuneration 2003: €8,900]

Stefan Kempkens
ver.di Trade Union Representative
(until June 25, 2003)
[Remuneration 2003: €8,300]

Lothar Klemm
Former Hesse State Minister
Member of the Hesse state parliament
[Remuneration 2003: €17,200]

Chairman of the Supervisory Board of:
- MANIA Technologie AG
- Zentrum für integrierte Verkehrssysteme ZIV GmbH

Zafer Memisoglu
Member of the Works Council
(since June 25, 2003)
[Remuneration 2003: €9,300]

Member of the Supervisory Board of:
- Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG

Prof. Karel Van Miert
Former President of
Nyenrode University,
former Vice President of
the European Commission
[Remuneration 2003: €16,800]

Member of the Supervisory Board of:
- RWE AG
- Münchener Rückversicherungs-Gesellschaft

Member in controlling bodies of the following business enterprises:
- Wolters Kluwer N.V. (The Netherlands)
- DHV (The Netherlands)
- De Persgroep (Belgium)
- Royal Philips Electronics N.V. (The Netherlands)
- Agfa-Gevaert N.V. (Belgium)
- Anglo American plc (Great Britain)

Member of the Advisory Board of:
- Guidant Europe N.V. (Belgium)
- Eli Lilly Holdings Ltd. (USA)
- Rabobank Nederland (The Netherlands)
- Goldman Sachs International (Great Britain)

Ralf Nagel
State Secretary
German Federal Ministry of Transport,
Construction and Housing
(since June 25, 2003)
[Remuneration 2003: €8,900]

Member of the Supervisory Board of:
- Deutsche Bahn AG

Harald Rose
ver.di Trade Union Representative
(since June 25, 2003)
[Remuneration 2003: €8,900]

Vice Chairman of the Supervisory Board of:
- FIS Flug- und Industriesicherheit Service- und Beratungs-GmbH

Petra Rossbrey
Senior Vice President
Real Estate and Facility Management
(since June 25, 2003)
[Remuneration 2003: €8,500]

Helmut Raith
Specialist Foreman
(until June 25, 2003)
[Remuneration 2003: €8,500]

Member of the Supervisory Board of:
- Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG

Petra Roth
Lord Mayor
of Frankfurt am Main
[Remuneration 2003: €10,700]

Chairman of the Supervisory Board of:
- Frankfurter Aufbau AG
- Mainova AG
- ABG Frankfurt Holding Wohnungsbau- und Beteiligungsgesellschaft mbH
- Messe Frankfurt GmbH
- Stadtwerke Frankfurt am Main Holding GmbH
- Stadtwerke Verkehrsgesellschaft Frankfurt am Main GmbH

Member in controlling bodies of the following business enterprises:
- Alte Oper Frankfurt Konzert- und Kongresszentrum GmbH
- Gas-Union GmbH
- Rhein-Main-Verkehrsverbund GmbH
- Wirtschaftsförderung Frankfurt – Frankfurt Economic Development-GmbH
- FIZ Frankfurter Innovationszentrum Biotechnologie GmbH
- Frankfurter Sparkasse
- Landesbank Hessen-Thüringen
- Nassauische Sparkasse
- Ruhrgas AG
- THÜGA AG
- Advisory Council of ING-Group (The Netherlands)

Werner Schmidt
Project Manager
[Remuneration 2003: €18,200]

Member of the Supervisory Board of:
- SMW Abwasser GmbH
- Deutsche AeroConsult GmbH

Member of the Association Council of:
- Riedwerke Kreis Groß-Gerau

Dr. Jürgen Siewert
Assistant State Secretary
[Remuneration 2003: €21,150]

Member of the Supervisory Board of:
- DB Reise & Touristik AG
- T-Systems ITS GmbH
- Flughafen Berlin-Schönefeld GmbH

Member of the Administrative Board of:
- Bundesanstalt für Post und Telekommunikation Deutsche Bundespost

Norbert Simmermacher
Member of the Works Council
(since June 25, 2003)
[Remuneration 2003: €9,100]

Edgar Stejskal
Member of the Works Council
[Remuneration 2003: €18,600]

Member of the Supervisory Board of:
- Airmail Center Frankfurt GmbH

Christian Strenger
[Remuneration 2003: €20,750]

Chairman of the Supervisory Board of:
– The Germany Funds (USA)
Member of the Supervisory Board of:
– DWS Investment GmbH
– Incepta plc (Great Britain)

Achim Vandreike
Mayor
of Frankfurt am Main
[Remuneration 2003: €18,200]

Member of the Supervisory Board of:
– Waldstadion Frankfurt am Main Gesellschaft für Projektentwicklungen mbH
– Stadion GmbH
– Wirtschaftsförderung Frankfurt – Frankfurt Economic Development GmbH
– ABG Frankfurt Holding Wohnungsbau und Beteiligungsgesellschaft mbH
– Messe Frankfurt GmbH
– Frankfurter Aufbau AG
– Eintracht Frankfurt Fußball AG
– Bäder Betriebe Frankfurt GmbH

Warren Walsh
GÖD
Trade Union Representative
Training Supervisor
(until June 25, 2003)
[Remuneration 2003: €8,700]

Henner Wittling
Member of the Executive Board of
Saarstahl AG
(until June 25, 2003)
[Remuneration 2003: €8,900]

Peter Wichtel
Member of the Works Council
(since June 25, 2003)
[Remuneration 2003: €12,850]

Frankfurt am Main, March 8, 2004

Fraport AG
Frankfurt Airport Services Worldwide
The Executive Board

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

Significant Subsidiary Companies, Joint Ventures and Associated Companies

		Place of incorporation		Share of capital %	Shareholders' equity €000	Profit after tax €000	Revenues €000	Average number of employees
Subsidiary companies								
Germany								
Airport Assekuranz Vermittlungs-GmbH	AAV	Frankfurt a. M.	2003	100.00	310	258	1,725	8
			2002	100.00	144	92	1,362	7
Airport Cater Service GmbH	ACS	Frankfurt a. M.	2003	100.00	26	0	16,935	128
			2002	100.00	26	0	16,009	134
Airport Retail Solutions GmbH	ARS	Frankfurt a. M.	2003[1]	51.00	– 8	– 459	786	9
			2002	51.00	451	1	2,240	9
AirIT Airport IT Services Hahn AG	AirIT Hahn	Lautzenhausen	2003	100.00	590	45	1,373	9
			2002	100.00	295	15	1,111	9
APS Airport Personal Services GmbH	APS	Frankfurt a. M.	2003[2]	100.00	550	0	0	0
			2002	–	–	–	–	–
Deutsche AeroConsult GmbH	DACO	Frankfurt a. M.	2003[1]	100.00	– 106	748	48	0
			2002	100.00	– 854	– 624	2,875	14
Energy Air GmbH	Energy Air	Frankfurt a. M.	2003	100.00	1,583	1,531	71,475	0
			2002	100,00	1,238	1,186	65,798	0
Flughafen Frankfurt-Hahn GmbH	Frankfurt-Hahn Airport	Lautzenhausen	2003[3]	73.07	31,614	– 18,161	22,574	265
			2002[3]	73.07	31,942	– 20,374	14,908	241
Flughafen Saarbrücken Betriebsgesellschaft mbH	Saarbrucken Airport	Saarbrucken	2003	51.00	729	6	9,611	157
			2002	51.00	724	– 23	9,233	157
Gesellschaft für Cleaning Service mbH & Co. Airport Frankfurt/Main KG	GCS	Frankfurt a. M.	2003	40.00	2,401	1,376	23,427	631
			2002	40.00	2,401	1,376	23,386	589
Hahn Campus Management GmbH	Hahn Campus	Lautzenhausen	2003	73.07	26	0	462	7
			2002	73.07	25	– 660	409	6
Media Frankfurt GmbH	Media	Frankfurt a. M.	2003	51.00	1,391	765	18,182	24
			2002	51.00	1,362	710	18,325	22
proceedAir Aviation Services GmbH	proceedAir	Frankfurt a. M.	2003[1]	100.00	55	– 11	0	0
			2002	100.00	66	218	0	0
Verwaltungsgesellschaft für Cleaning Service mbH	VCS	Frankfurt a. M.	2003	100.00	33	– 2	199	1
			2002	100.00	35	2	242	1
Tradeport Frankfurt GmbH	Tradeport	Frankfurt a. M.	2003	100.00	– 5,046	643	15,641	474
			2002	100.00	– 6,190	– 1,398	14,383	452

1 Inactive.
2 Established to Oct. 23, 2003.
3 IFRS-results before consolidation.

		Place of incorporation		Share of capital %	Shareholders' equity €000	Profit after tax €000	Revenues €000	Average number of employees
Subsidiary companies								
Rest of Europe								
ICTS Europe Holdings B.V.,	ICTS	The Netherlands	2003	100.00	21,947	9,494	251,321	8,583
Amstelveen (sub-group)			2002	100.00	17,347	5,439	192,821	6,834
21 subsidiaries and 1 joint venture ,								
in which Fraport AG has an indirect interest,								
are included in the ICTS sub-group financial								
statements, including but not limited to:								
FIS Flug- und Industriesicherheit								
Services- und Beratungs-GmbH,								
Kelsterbach	*FIS*	*Germany*						
ICTS (UK) Ltd., London	*ICTS UK*	*Great Britain*						
ICTS France S.A., Paris	*ICTS France*	*France*						
VAS Flughafen Bodenverkehrs-	VAS	Austria	2003	100.00	1,111	– 277	10,165	169
dienste GmbH, Wien			2002	100.00	1,387	– 707	6,921	145
Flughafen Frankfurt Main (Greece)	Hellas	Greece	2003	100.00	270	111	600	0
Monoprosopi EPE, Athen			2002	100.00	304	148	866	1
America								
Airport Carts LLC, Delaware	ACLLC	USA	2003	–	–	–	–	–
			2002	66.67	1,464	26	2,338	42
Air-Transport IT Services, Inc.,	Air-Transport IT	USA	2003[4]	100.00	2,520	– 2,476	14,337	41
Delaware			2002[4]	100.00	– 933	– 1,083	7,250	20
Decision Support	DST	USA	2003[4]	100.00	–	–	–	–
Technologies, Inc., Florida			2002[4]	100.00	–	–	–	–
Fraport Peru S.A.C., Lima	Fraport Peru	Peru	2003	99.99	175	182	1,926	5
			2002	99.99	282	299	1,557	5
Asia								
Fraport (Philippines)	Fraport Philippines	Philippines	2003	99.99	– 2,712	– 3,061	0	2
Services Inc., Manila			2002	99.99	– 114	– 732	2,214	12

4 Consolidated financial statement Air-Transport and DST.

		Place of incorporation		Share of capital %	Shareholders' equity €000	Profit after tax €000	Revenues €000	Average number of employees
Joint ventures								
Germany								
AirIT International GmbH	AirIT International	Frankfurt a.M.	2003	50.00	981	450	4,049	2
			2002	50.00	691	364	10,396	1
AirITSystems Hannover GmbH	AirIT Hanover	Hanover	2003	50.00	2,397	349	9,257	47
			2002	50.00	2,223	223	8,917	42
FSG Flughafen-Service GmbH	FSG	Frankfurt a. M.	2003	33.33	164	89	3,940	0
			2002	33.33	164	89	4,048	0
Medical Airport Service GmbH	MAS	Kelsterbach	2003	50.00	812	317	4,221	94
			2002	50.00	495	307	2,509	29
NICE Aircraft Services	NICE	Frankfurt a. M.	2003	52.00	5,791	1,251	10,178	11
& Support GmbH			2002	52.00	4,790	991	8,219	12
Rest of Europe								
S. A. TCR International N.V., Brüssel	TCR	Belgium	2003	50.00	6,770	289	33,020	202
(sub-group)			2002	50.00	6,475	– 1,981	25,985	188
six wholly-owned subsidiaries of TCR are included in the TCR sub-group, in which Fraport AG indirectly holds 50 %.								
Asia								
Antalya Havalimani Uluslararasi Terminal	Antalya	Turkey	2003	50.00	68,071	37,823	94,478	373
Isletmeciligi Anomin Sirketi, Istanbul			2002	50.00	61,713	28,234	107,946	367
Pantares Tradeport Asia Ltd.,	Pantares Tradeport	China	2003	50.00	5,987	– 190	0	0
Hong Kong			2002	50.00	6,652	– 330	0	0

		Place of incorporation		Share of capital %	Shareholders' equity €000	Profit after tax €000	Revenues €000	Average number of employees
Associated companies								
Germany								
Airmail Center Frankfurt GmbH	ACF	Frankfurt a. M.	2003	40.00	824	426	15,749	26
			2002	40.00	733	306	14,198	24
ASG Airport Service Gesellschaft mbH	ASG	Frankfurt a. M.	2003	49.00	2,099	1,585	28,271	764
			2002	49.00	2,438	1,925	29,802	857
Flughafen Hannover-Langenhagen GmbH	Hanover Airport	Hanover	2003	30.00	n.a.	n.a.	n.a.	n.a.
			2002	20.00	80,392	– 5,404	110,032	1,119
Rest of Europe								
Portway-Handling de Portugal, S.A., Lissabon	Portway	Portugal	2003	40.00	3,304	– 4,502	18,704	630
			2002	40.00	5,057	– 1,750	16,403	585
America								
Lima Airport Partners S.R.L., Lima	LAP	Peru	2003	42.75	35,072	7,044	61,619	270
			2002	42.75	34,222	6,132	68,094	n.a.

n.a. = not available.

Auditor’s Report

(Translation of the original German Version)

We have audited the consolidated financial statements of Fraport AG Frankfurt Airport Services Worldwide, Frankfurt am Main, consisting of the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements for the business year from January 1 to December 31, 2003. The preparation and the content of the consolidated financial statements according to the International Financial Reporting Standards of the IASB (IFRS) are the responsibility of the Company’s Board of Managing Directors. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with IFRS.

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 in Deutschland (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the Board of Managing Directors, 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 IFRS.

Our audit, which also extends to the group management report prepared by the Board of Managing Directors for the business year from January 1 to December 31, 2003, has not led to any reservations. In our opinion, on the whole the group management report, together with the other information of the consolidated financial statements, 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, 2003 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German accounting law.

Frankfurt, March 8, 2004

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wagner	p.p. Resch
German Public Auditor	German Public Auditor

Report of the Supervisory Board

During fiscal 2003, the Supervisory Board carried out the tasks assigned to it in accordance with the law and company statutes. It supervised the Executive Board's conduct of business and regularly advised the Executive Board in its management of the company. The Supervisory Board was directly involved with all decisions of fundamental importance for the company. The Supervisory Board regularly received prompt and comprehensive reports from the Executive Board, both written and oral, keeping it informed of developments relevant to the company in terms of planning, business development, risk situation and risk management. The Executive Board agreed the strategic alignment of the company with the Supervisory Board. Any deviation to the course of business detailed in the plans and objectives were explained to the Supervisory Board and the reasons indicated. In addition, the chairman of the Executive Board was in regular contact with the chairman of the Supervisory Board and kept him informed of current developments in the financial position as well as of important transactions. Where required by law, the statutes or terms of reference, the Supervisory Board approved relevant proposals from the Executive Board after a thorough examination and consultation process.

In fiscal 2003, the Supervisory Board met for a total of eight meetings. All members of the Supervisory Board took part in at least half of the Supervisory Board's meetings.

Principal Focus of Attention of the Supervisory Board

Business development of the Fraport Group and its subsidiaries, against the backdrop of a difficult economic environment influenced by the SARS epidemic and the Iraq war, was the subject of regular reports. Strategy adaptation and corporate governance were the focal themes of a closed-door joint strategy session of the Executive Board and Supervisory Board in March 2003.

At the beginning of fiscal 2003, the Supervisory Board was intensively involved with the development of our investment in Manila. In this context, the Supervisory Board unanimously approved the decision of the Executive Board to write down fully the Manila operation in the 2002 annual financial statements. Likewise, the Supervisory Board was unanimous in its support of the ongoing efforts to achieve a fair arrangement with the Philippine government for the repayment of the investment. To achieve this Fraport submitted its application for the ICSID arbitration procedure at the World Bank in Washington in September 2003.

Another theme in the area of subsidiaries, joint ventures and affiliated companies was the continuing integration of ICTS Europe Holdings B.V. with its subsidiaries and employees into the Fraport Group. Developments at Frankfurt-Hahn and Hanover-Langenhagen airports were also the focus of the attention of the Supervisory Board. The Supervisory Board was also regularly informed of developments relating to the company's investments in Lima and Hong Kong. In Hong Kong, spring 2003 marked the end of the construction phase of the Tradeport Hong Kong Ltd. logistics center and the consortium partners were able to commence operations. In Lima, financing agreements to guarantee expansion of the airport were signed.

The discussion on development of the Frankfurt location focused on two main themes. The first theme was cost management in response to the initially negative development of passenger figures against the backdrop of the SARS epidemic and the Iraq war. The second theme was joint efforts to move airport expansion forward. A zoning request for construction of the A380 maintenance base was submitted already at the beginning of 2003. The first public discussions in this respect took place at the start of 2004. In addition, the zoning request for expansion of Frankfurt Airport, including construction of an additional landing runway, was submitted in September 2003.

In view of the fact that more than one third of the Fraport Group's employees work in subsidiaries, the Supervisory Board and Executive Board stressed on the occasion of their closed-door joint strategy session in March 2003 the necessity of further developing our strategic alignment. The Supervisory Board and Executive Board confirmed their intention of further developing the growth of the Group to achieve a coherent Group image. At the same time, within the context of discussing the consolidation of the integrated business model at the Frankfurt location, the necessity of structuring all segments in such a way that they remain competitive in the market was stressed. As another pillar of its strategy, it was stressed that Frankfurt Airport should strengthen and further develop its function as an international hub vis-à-vis its European competitors. In addition, the Supervisory Board and Executive Board confirmed their joint assessment that the ambitious targets of the Group in terms of growth cannot be achieved at the Frankfurt location alone. There is consensus that Fraport should continue to expand worldwide. In this respect, Fraport certainly does not see itself as a financial investor. With respect to the ethical principles, it was stressed that Fraport AG's value management system was binding for all other companies in the Group.

Work of the Committees

In fiscal 2003, the Supervisory Board formed five committees to increase the efficiency of the work of the Supervisory Board and to prepare for Supervisory Board meetings. In some cases, the decision-making authority of the Supervisory Board was transferred to the committees. At subsequent meetings of the Supervisory Board, the chairpersons of the committees regularly reported to the plenum of the Supervisory Board regarding the work of the committees.

The Presidential Committee met four times last year. It dealt with matters concerning the Executive Board during the last year, in particular questions relating to remuneration, successors and corporate governance as it affected the Executive Board.

The Finance, Investment and Audit Committee met twice during the reporting period and concerned itself with the annual and consolidated financial statements, the proposal for appropriation of the profit, risk management and the necessary independence of the auditor. In addition, it commented on awarding the audit to the auditor, the remuneration agreement and the determination of the main points of the audit. In addition, it commented on the economic and development plan for Fraport AG.

The Subsidiaries Committee met six times during the fiscal year. It regularly discussed the economic development of existing subsidiaries, joint ventures and affiliated companies and the continuation and composition of Fraport AG's portfolio of subsidiaries, joint ventures and affiliated companies.

The Personnel Committee met three times in the period under review. To prepare resolutions in the area of human resources, the committee considered the development of staffing levels, fundamental questions relating to legislation on collective pay agreements, payment systems and the employee participation program as well as questions relating to company pensions.

In fiscal 2003, it was not necessary to convene the Mediation Committee formed in line with the regulations of the Co-determination Act.

Corporate Governance and Compliance Statement

On the subject of corporate governance, the Supervisory Board and Executive Board confirmed their intention to develop further the Fraport Corporate Governance Code established in September 2002. As a result, all changes to the statutes required to change the Fraport Code were presented to the Annual General Meeting on June 25, 2003, where they received the approval of the shareholders.

Following further developments in the German Corporate Governance Code, at its meeting on December 15, 2003, the Supervisory Board decided to publish the different elements of the remuneration for each individual member of the Executive and Supervisory Board in the Annual Report 2003. In addition, the Supervisory Board decided to publish the annual and consolidated financial statements within 90 days of the end of the fiscal year.

In accordance with Article 161 of the German Stock Corporation Act, the Executive and Supervisory Boards declared on April 28, 2003, that they conformed to the recommendations of the German Corporate Governance Code for 2003. Regarding the revised German Corporate Governance Code which has since been published (revision of May 21, 2003), the Executive and Supervisory Boards have already declared, on December 15, 2003, that they comply with its stipulations for 2004.

Further details regarding corporate governance at Fraport and the text of the current compliance statement can be found on pages 11 and 12 of this Annual Report. The compliance statement can also be viewed on the Internet at www.fraport.de.

Annual and Consolidated Financial Statements

PwC Deutsche Revision Aktiengesellschaft – Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Fraport AG, the consolidated annual financial statements, the Management Report and the Group Management Report, for the year ended December 31, 2003, and issued the statutory unqualified auditors' certificate.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and were examined by the auditor. The auditor has confirmed that the consolidated financial statements and Group Management Report meet the necessary requirements for being exempt from making annual financial statements according to German law. The auditor has also confirmed that the Executive Board has introduced an efficient risk management system in accordance with the statutory regulations.

The Executive Board promptly dispatched to the Supervisory Board these documents and the Executive Board's proposal for appropriation of the profits. The Finance, Investment and Audit Committee of the Supervisory Board studied these documents intensively; the Supervisory Board itself also examined these documents. The audit reports from PwC were made available to all members of the Supervisory Board and were discussed in detail at the audit meeting of the Supervisory Board in the presence of the auditor, who reported on the key findings of his audit. The Supervisory Board agreed with the findings of the audit. No objections were raised at the subsequent review of the audit by the Finance, Investment and Audit Committee and the Supervisory Board's own assessment. The Supervisory Board approved the resolutions made by the Executive Board, and the annual financial statements have thus been approved.

The Supervisory Board agreed with the proposal of the Executive Board to use the profits to pay a dividend of €0.44 for each ordinary share entitled to a dividend payment.

The report prepared by the Executive Board in accordance with Article 312 of the German Stock Corporation Law with regard to the relationships of the company with other Group companies was also made available to the Supervisory Board. The conclusion of the report contains the following declaration from the Executive Board, which is also included in the Management Report:
"The Executive Board declares that, in accordance with the circumstances known at the time of the respective legal transaction, we have received an appropriate payment for each legal transaction. No disadvantage has arisen for Fraport AG from the other measures contained in the independence report."

The auditor carefully examined the report regarding relationships with other Group companies and awarded it the following audit certificate:

"Based on an audit and assessment performed in accordance with professional standards, we hereby confirm that

1. The factual information in the report is correct;
2. That the legal transactions listed in the report involved no unreasonably high expenses by the company and that disadvantages were compensated;
3. The measures listed in the report give no grounds for an assessment fundamentally different to the one given by the Executive Board."

The auditor took part in the discussions of the Supervisory Board about the report regarding relationships with Group companies and reported on the material findings of his audit. After its own examination, the Supervisory Board is in agreement with the opinion of the auditor and has no objections to the Executive Board's declaration at the end of the report with regard to relationships with Group companies and its inclusion in the Management Report.

Composition of the Supervisory Board and Executive Board

The term of office for the Supervisory Board came to an end with the Annual General Meeting on June 25, 2003. Already in March/April 2003, the staff representatives elected their representatives for the new term of office by means of an electoral committee. Against this backdrop, the following members of the Supervisory Board retired from the body on June 25, 2003: Herbert Becker, Wolfgang Bödicker, Paul Breider, Matthias Eckert, Stefan Kempkens, Helmut Raith and Warren Walsh.

The following people were newly elected as employee representatives and took office at the 2003 Annual General Meeting: Lothar Herbst, Helmut Hofmann, Zafer Memisoglu, Harald Rose, Petra Rossbrey, Norbert Simmermacher and Peter Wichtel. Gabriele Rieken was elected on March 5, 2004, replacing Norbert Simmermacher who left the Supervisory Board on December 31, 2003.

In accordance with stipulations of the German Stock Corporation Act, the shareholders elected their representatives at the Annual General Meeting on June 25, 2003. State Secretary Ralf Nagel was newly elected to the body. He replaces outgoing State Secretary Henner Wittling who left at his own request. The other shareholder representatives were confirmed in office for a further term.

At the beginning of December 2003, Prime Minister Roland Koch retired from the Supervisory Board of Fraport AG at his own request. By decision of the district court of Frankfurt am Main on December 4, 2003, Minister Karlheinz Weimar was appointed as his successor; he took up his position as the new chairman of the Supervisory Board on December 15, 2003.

Johannes Endler, Executive Board Member and Executive Director Finance, retired from the company on March 31, 2003. Dr. Stefan Schulte was appointed as his successor; he assumed this position on April 15, 2003.

The Supervisory Board would like to thank the Executive Board as well as the employees for their strong personal commitment during the 2003 financial year.

Frankfurt am Main, March 2004

Karlheinz Weimar
Chairman of the Supervisory Board

Economic Advisory Group

Hilmar Kopper
(Chairman)
Chairman of the Supervisory Board
DaimlerChrysler AG

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

Prof. Dr. Bernd Fahrholz
Dresdner Bank AG

Dr. Reiner Maria Gohlke
Member and Vice Chairman
of the Shareholder Committee
Bitburger Getränke-Verwaltungs GmbH

Klaus Herms
Chief Executive Officer
Kühne & Nagel International AG

Dieter Kaden
Chairman & Chief Executive Officer
DFS Deutsche Flugsicherung GmbH

Hemjö Klein

Dr. Peter E. Kruse
Member of the Executive Board
Deutsche Post AG

Prof. Dr. Rolf-Dieter Leister
Infra Beratung AG

Dr. Bernd Malmström
Chairman of the Executive Board
Logistics Stinnes AG

Wolfgang Mayrhuber
Chairman of the Executive Board
Deutsche Lufthansa AG

Dr. Günther Merl
Chairman of the Executive Board
Landesbank Hessen-Thüringen

Dr. Frank Niethammer
Honorary President
IHK Frankfurt (Chamber of Commerce and Industry)

Stefan Pichler

Hans W. Reich
Speaker of the Executive Board
Kreditanstalt für Wiederaufbau (KfW)

Holger Steltzner
Publisher
Frankfurter Allgemeine Zeitung (FAZ)

Dr. Bernd Thiemann
Member of the Supervisory Board
Rothschild GmbH

Dr. Gert Vogt
ASEM Speaker of German Industry
Asia Pacific Committee (APA) of Germany Industry

Klaus Wächter
Speaker of the Executive Board
Frankfurter Sparkasse

Ernst Welteke
President
Deutsche Bundesbank

Permanent Guest:
Karlheinz Weimar
Minister of Finance for the State of Hesse,
Chairman of the Supervisory Board of Fraport AG

Six-year Overview

in € million	Balance at Dec. 31, 1998	Balance at Dec. 31, 1999	Balance at Dec. 31, 2000	Balance at Dec. 31, 2001	Balance at Dec. 31, 2002	Balance at Dec. 31, 2003
A. Non-current assets	**2,394.6**	**2,609.0**	**2,729.2**	**3,222.8**	**2,698.6**	**2,644.6**
I. Intangible assets	19.6	80.8	110.7	99.8	225.1	198.3
II. Property, plant and equipment	2,294,9	2,434.2	2,447.7	2,435.1	2,403.9	2,376.8
III. Investments held at equity	54.8	59.3	71.0	126.1	37.3	45.9
IV. Other financial assets	25.3	34.7	99.8	561.8	32.3	23.6
B. Current assets	**164.0**	**194.3**	**264.1**	**401.5**	**870.5**	**937.2**
I. Inventories	23.2	13.0	10.3	11.9	13.1	17.1
II. Trade accounts receivable	91.6	106.8	135.5	141.3	195.9	181.3
III. Other receivables and other assets	35.8	51.4	59.1	173.6	76.4	128.0
IV. Checks, cash and bank balances	13.4	23.1	59.2	74.7	585.1	610.8
C. Prepaid expenses	**46.1**	**46.4**	**43.4**	**41.5**	**43.1**	**40.1**
D. Deferred tax assets	**3.1**	**4.5**	**6.0**	**6.2**	**8.5**	**14.5**
A. Shareholders' equity	**860.6**	**920.7**	**1,019.3**	**1,964.3**	**1,803.4**	**1,920.1**
I. Subscribed capital	511.3	511.3	640.0	900.9	900.6	902.2
II. Capital reserves	–	–	–	662.4	532.0	533.2
III. Revenue reserves	328.8	383.8	302.6	365.0	370.8	445.0
IV. Group retained earnings	20.5	25.6	76.7	36.0	0.0	39.7
B. Minority interests	**1.9**	**3.0**	**4.8**	**5.5**	**12.9**	**11.6**
C. Deferred investment grants on items in non-current assets	**19.9**	**18.1**	**23.1**	**22.4**	**24.2**	**22.8**
D. Provisions and accruals	**247.6**	**264.8**	**286.4**	**284.6**	**425.2**	**454.3**
E. Liabilities	**1,225.6**	**1,383.5**	**1,452.4**	**1,189.2**	**1,129.9**	**1,017.3**
I. Financial liabilities	1,007.7	1,170.6	1,267.9	970.1	909.7	838.0
II. Trade accounts payable	102.3	98.7	113.8	99.0	94.8	79.0
III. Other liabilities	115.6	114.2	70.7	120.1	125.4	100.3
F. Deferred income	**68.0**	**66.9**	**74.8**	**71.0**	**66.6**	**62.8**
G. Deferred tax liabilities	**184.3**	**197.3**	**181.9**	**135.0**	**158.5**	**147.5**
Total	**2,607.8**	**2,854.2**	**3,042.7**	**3,672.0**	**3,620.7**	**3,636.4**

		Balance at Dec. 31, 1998	Balance at Dec. 31, 1999	Balance at Dec. 31, 2000	Balance at Dec. 31, 2001	Balance at Dec. 31, 2002	Balance at Dec. 31, 2003
Change compared with previous year							
Non-current assets	%	–	8.9	4.6	18.1	– 16.3	– 2.0
Current assets	%	–	18.5	35.9	52.0	116.8	7.7
Shareholders' equity[1]	%	–	6.5	5.3	104.6	– 6.5	4.3
Third-party capital[2]	%	–	10.8	7.2	– 17.0	4.2	– 3.4
Share of total assets							
Non-current assets	%	91.8	91.4	89.7	87.8	74.5	72.7
Current assets[3]	%	8.2	8.6	10.3	12.2	25.5	27.3
Shareholder' equity[1] (equity ratio)	%	32.2	31.4	31.0	52.5	49.8	51.7
Third-party capital[2]	%	67.8	68.6	69.0	47.5	50.2	48.3
Key ratios							
Net financial debt (Financial debt – liquid funds)	€ million	994.3	1,147.5	1,208.8	895.4	324.6	227.2
Capital employed (Net financial debt + shareholders' equity[1] + minority interests)	€ million	1,836.3	2,045.6	2,156.2	2,829.2	2,140.9	2,119.2
Gearing (Net financial debt/shareholders' equity[1])	%	118.4	128.2	128.2	46.4	18.0	12.1
Debt ratio (Net financial debt/total liabilities and shareholders' equity)	%	38.1	40.2	39.7	24.4	9.0	6.2
Dynamic debt ratio (Net financial debt/cash flow[4])	%	335.2	426.4	441.5	245.5	82.1	50.8
Working Capital (Current assets – current liabilities)	€ million	– 189.5	– 207.6	– 149.1	– 112.3	422.0	535.1
Non-current asset coverage (Shareholders' equity[1]/non-current assets less deferred investment grants)	%	35.4	34.5	34.8	60.3	67.4	71.7
1st level liquidity (Liquid funds/current liabilities)	%	3.8	5.7	14.3	14.5	130.5	151.9
2nd level liquidity (Liquid funds + short-term receivables/current liabilities)	%	39.8	45.1	61.4	71.0	185.0	225.2

[1] Excluding dividend proposed.
[2] Including proposed dividend distributions, deferred items and deferred tax liabilities.
[3] Including deferred items and deferred tax assets.
[4] Net cash from operating activities.

in € million	1998	1999	2000	2001	2002	2003
Revenues	**1,281.4**	**1,374.9**	**1,536.2**	**1,580.6**	**1,803.6**	**1,834.3**
Change in work-in-process	8.5	– 11.9	– 2.9	0.7	– 0.8	– 0.1
Other internal work capitalized	11.0	11.4	15.4	18.4	19.2	18.0
Other operating income	64.3	40.8	72.1	114.1	80.2	57.1
Total revenues	**1,365.2**	**1,415.2**	**1,620.8**	**1,713.8**	**1,902.2**	**1,909.3**
Cost of materials	– 212.9	– 226.9	– 264.4	– 281.7	– 275.3	– 284.4
Personnel expense	– 571.9	– 596.7	– 633.4	– 689.2	– 860.1	– 933.9
Depreciation and amortization of tangible and intangible non-current assets	– 200.9	– 179.5	– 194.9	– 209.3	– 214.1	– 258.1
Other operating expenses	– 120.4	– 148.3	– 193.7	– 225.0	– 251.6	– 219.1
Operating profit	**259.2**	**263.7**	**334.4**	**308.6**	**301.1**	**213.8**
Interest result	– 83.7	– 63.3	– 66.2	– 72.9	– 34.0	– 31.4
Results from investments held at equity	– 0.2	– 7.0	– 4.3	– 25.8	– 17.0	0.6
Income from investments	0.0	4.0	8.5	15.1	4.3	30.9
Write-downs of financial assets	– 0.5	0.0	– 8.7	– 3.6	– 3.8	0.0
Impairment write-downs relating to the Manila project	–	–	–	– 59.1	– 289.5	0.0
Other financial results	1.2	1.3	2.2	7.9	3.8	1.2
Financial result	**– 83.2**	**– 64.9**	**– 68.5**	**– 138.4**	**– 336.2**	**1.3**
Result from ordinary operations	**176.0**	**198.8**	**265.9**	**170.2**	**– 35.1**	**215.1**
Taxes on income	– 96.0	– 108.3	– 125.2	– 60.7	– 79.4	– 93.3
Other taxes	– 5.1	– 9.9	– 10.9	– 7.0	– 5.0	– 5.6
Minority interests' share of results	– 0.8	– 0.9	– 0.8	– 1.4	– 1.3	– 1.0
Group loss/profit for the year	**74.1**	**79.7**	**129.0**	**101.1**	**– 120.8**	**115.2**
Transfer from capital reserves	–	–	–	–	130.3	0.0
Transfer to revenue reserves	– 53.6	– 54.1	– 52.3	– 65.1	– 9.5	– 75.5
Group retained earnings	**20.5**	**25.6**	**76.7**	**36.0**	**0.0**	**39.7**

Basic earnings per €10 share	1.45	1.56	2.16	1.28	– 1.34	1.28
Diluted earnings per €10 share	–	–	–	–	– 1.33	1.26

		1998	1999	2000	2001	2002	2003
EBITDA (Operating result + depreciation and amortization of intangible and tangible non-current assets + investments at equity + income from investments)	€ million	459.9	440.3	533.5	507.2	241.9	503.4
EBIT (EBITDA – depreciation an amortization of intangible and tangible non-current assets – write-downs of financial assets and securities in current assets)	€ million	258.5	260.8	329.9	235.2	– 4.9	245.3
EBT (Result from ordinary operations)	€ million	176.0	198.8	265.9	170.2	– 35.1	215.1
Return on revenue (Result before income taxes and minority interests/revenues)	%	13.3	13.7	16.6	10.3	– 2.2	11.4
EBITDA margin (EBITDA/revenues)	%	35.9	32.0	34.7	32.1	13.4	27.4
EBIT margin (EBIT/revenues)	%	20.2	19.0	21.5	14.9	– 0.3	13.4
ROCE (return on capital employed) (EBIT/Capital employed)	%	14.1	12.8	15.3	8.3	– 0.2	11.6
Average number of employees		13,225	13,336	14,271	15,526	21,395	23,353

Glossary

Air traffic terms

ACI
Airports Council International

ADV
Association of German Airports (Arbeitsgemeinschaft Deutscher Verkehrsflughäfen)

Aircraft movements
Takeoffs and landings

Airport fees
Charges set by the authorities (landing, takeoff, passenger and aircraft parking fees)

Airside
That part of the terminal area restricted to air traffic (after passport and security checks)

Apron
Part of the airport on which aircraft are loaded and unloaded

Aviation
Air transport

BARIG
Board of Airline Representatives in Germany. Representative board for all German airlines, with currently 106 members

BOT
Build, operate and transfer = Construction and operation of airport terminals under a temporary license, upon the expiration of which the right to operate ends

Commercial transportation traffic
Scheduled airline service, regional air and express, non-scheduled shuttle service (occasional traffic) and transfer traffic

Coordinated aircraft movements
The maximum number of scheduled takeoffs and landings in a specific period of time

Fraport AG
Fraport AG Frankfurt Airport Services Worldwide

Ground Handling Services
Services relating to aircraft handling (passenger, ramp, baggage and cargo services)

Hub
In connection with the business of Fraport AG, an airport that coordinates long-distance air traffic through a system of feeder flights

IATA
International Air Transport Association

ICSID
International Center for Settlement of Investment Disputes

Infrastructure fees
Fees, not subject to official approval, for the provision of the central ground handling service infrastructure

Intermodality
Connecting different modes of transportation

IT
Information technology

Landside
That part of the terminal area linked to the public infrastructure and which can be accessed by all visitors to the airport

"Low-cost/no-frills" airlines
Usual term in the industry for low-cost airlines

MTOW
Maximum takeoff weight for aircraft – the decisive regulation size to determine the extent of takeoff and landing fees

Night mail flights
Night mail flights help deliver letters fast, within one or two days. The mail is flown to Frankfurt from all major German cities between 24:00 and 02:00 and is then re-distributed

PAX
Number of passengers

Slots
Allocated time for a takeoff or landing

Star Alliance
Alliance of fifteen airlines (Air Canada, Air New Zealand, ANA All Nippon Airways, Asiana Airlines, Austrian Airlines, BMI British Midland Airways, LOT Polish Airlines, Lufthansa, Mexicana, SAS, Singapore Airlines, Spanair, Thai Airways International, United Airlines, VARIG)

10-Point Action Program
Fraport has agreed to a 10-Point Action Program to accompany the Frankfurt Airport expansion and to achieve the following objectives:
- Use of other locations, such as Frankfurt-Hahn airport;
- Encourage use of other modes of transport, particularly the railways;
- Self-imposed limits set by the airlines for night flights, waiver of planned scheduled flights, restriction of the number of holiday and cargo flights whilst optimizing daytime capacity;
- Evaluate moving the night-time airmail service, i.e. to Frankfurt-Hahn airport or to another location;
- Commitment to introduce and use particularly quiet landing and takeoff methods at night;
- Make funds available for a noise abatement program for areas particularly affected by noise;
- Link landing charges to actual noise measured;
- Even higher financial charges for night-time aircraft movements;
- Further improvement of monitoring aircraft noise;
- Set up an info-telephone for citizens' questions on the topics of noise and the airport expansion

Terminal
Arrival and departure buildings at airports

Terminal services
Services provided in connection with the operation of terminals

Traffic fees
Airport, infrastructure and ground handling fees

Transfer passengers
Passengers who make a stopover and continue their journey on a different aircraft; transfer passengers are usually recorded upon arrival as arriving passengers and at takeoff as departing passengers

Transit passengers
Passengers who continue on in the same aircraft following a stopover

Travel Value Shops
Shops offering merchandise for sale at prices essentially the same as those in duty-free shops

Financial terms

BAT
Collective bargaining agreement (Bundes-Angestelltentarifvertrag)

DAX
German large-cap share index

GDP
Gross domestic product

MDAX
The mid-cap share index of Deutsche Börse AG, comprising the 50 shares of corporations that are one category smaller than those listed on the DAX

XBRL
Extensible Business Reporting Language

Calendar of Events 2003

Tradeport Hong Kong air cargo logistics center goes into operation.

Fraport increases the number of apprenticeship positions offered in 2003 by 10 percent.

Zoning procedure begins for the new A380 maintenance base.

Fraport submits documentation for the zoning procedure on the expansion of Frankfurt Airport.

January 29 → Fraport AG submits a zoning application to the headquarters of the Darmstadt administrative district for construction of an A380 maintenance base at the southern side of Frankfurt Airport **… February 21** → The Japanese freight forwarding company Yusen inaugurates its new cargo handling facility at CargoCity South **… March 17** → The Tradeport Hong Kong air cargo logistics center opens at Hong Kong International Airport; Fraport AG and Schiphol Group together hold a 37.5-percent share **… March 25** → The Executive Board approves the complete write down of Fraport's investment in the new Terminal 3 project in Manila **… March 27** → The 8th Frankfurt Air Travel Symposium at Frankfurt Airport serves as a key venue for leading representatives in the industry **… April 3** → Fraport AG announces a 10-percent increase in the number of apprenticeship trainees being hired in 2003 **… April 7** → The so-called "scoping" hearing on the expansion of Frankfurt Airport begins at the Volkshaus in Frankfurt-Sossenheim **… April 25** → FRA's Runway North – the northernmost of the two parallel runways – will be completely renovated in a series of incremental construction steps finishing in 2005 **… May 5** → The convenient AIRail Service – featuring seamless baggage logistics for checking through baggage right to the final destination – is also offered for high-speed trains traveling between FRA– Cologne (central train station) **… May 27** → Zoning documents, prepared for the hearing on the construction of the A380 maintenance base at the southern side of Frankfurt Airport, are submitted to the headquarters of the Darmstadt administrative district **… June 20** → Dr. Wilhelm Bender and Prof. Manfred Schölch are elected to the world governing board of Airports Council International (ACI), the voice of airports around the globe **… June 25** → Fraport AG holds its second public Annual General Meeting (AGM), at the Jahrhunderthalle in Frankfurt-Hoechst **… July 4** → Some 1,400 residents in the airport vicinity have already applied under Fraport AG's current noise mitigation program **… July 30** → Panalpina inaugurates operations of its new airfreight forwarding center at CargoCity South **… September 9** → The application documentation for the zoning procedure on the planned capacity expansion of Frankfurt Airport is submitted to the headquarters of the Darmstadt administrative district **… October 9** → Fraport's 13th International Frankfurt Air Freight Days conference begins at Frankfurt Airport **… October 13** → The World Bank's International Centre for Settlement of Investment Disputes (ICSID) accepts Fraport's application for an arbitration procedure against the Philippine government – it involves compensation for Fraport's investment in the construction of a passenger terminal at Manila Airport **… November 21** → The Hesse Ministry for Economics approves Fraport AG's plans for building a maintenance area for Condor Cargo Technik at CargoCity South (FRA) **…**

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Please send me

- ☐ Image video of Fraport AG (DVD)
- ☐ Image brochure of Fraport AG
- ☐ Facts and figures brochure
- ☐ Information on Airport expansion

Financial Calendar

May 13, 2004:	1st Quarter Interim Report
June 2, 2004:	Annual General Meeting
August 13, 2004:	1st Half Interim Report
November 10, 2004:	3rd Quarter Interim Report

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Yes,
I want additional Information!